

Ireland fully funded until second quarter 2011 – NTMA

Ireland sold 1.5 billion euros of bonds as planned on Tuesday, weathering a ratings cut by Moody's as it covered its funding needs well into next year, albeit at high yields.

The National Treasury Management Agency (NTMA) said the country was fully funded into the second quarter of 2011 after selling a targeted 750 million euros of paper maturing in 2016 and 750 million of debt due in 2020.

The NTMA almost invariably hits the top of its target range, but Ireland's borrowing costs have risen sharply in line with other peripheral euro zone countries since the debt crisis took hold.

Moody's cut its credit rating on the country by one notch on Monday, citing mounting bank rescue costs and weak growth prospects.

In Tuesday's sale, the average yield for the 2016 bond fell slightly to 4.496 percent from 4.521 percent from the last comparable auction in June, shrugging off fresh bad news that has emerged since then concerning Ireland's ability to cut its budget deficit.

But the average yield on the benchmark 2020 bond rose to 5.537 percent from the 4.688 percent paid in April.

Analysts said the auction results were strong in light of the Moody's downgrade, particularly given bid-to-cover rates of 3.6 and 3.0 respectively, indicating high demand.

"The auction results are quite strong in the context of a downgrade by Moody's. I think the fact that there's strong demand there will give them a lot of comfort," Oliver Mangan, chief bond economist at AIB Global Treasury in Dublin, said.

"The key thing, as we saw last week with Spain that peripheral countries have no difficulty of funding in markets."

Recent debt sales in Greece, Spain, Portugal and Italy all went well, adding to evidence that fears of a sovereign debt catastrophe are easing.

Sales of short-term Greek and Spanish debt on Tuesday both went relatively smoothly.

The spread of Irish 10-year bonds against their German equivalent narrowed to 284 basis points after closing at 299 basis points on Monday. Moody's, which dropped the rating to Aa2, also changed its outlook to stable from negative, which helped make much of the hit to Irish bond markets on Monday short-lived.

"You could almost read the Moody's downgrade as positive because it just removes all of the uncertainty," Peter Chatwell, strategist at Credit Agricole in London said.

Ireland does not face any major bond redemptions this year.

NTMA Chief Executive John Corrigan said last week he aimed to have the 5 billion euro in debt maturing next year already funded going into 2011.