THE WALL STREET JOURNAL.

Credit Markets

Corporate Bonds Gain a Broader Appeal --- Companies issue debt for a cushion in crisis, and begin attracting more stock investors

By Matt Wirz
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Companies ranging from Oracle Corp. to Nike Inc. are borrowing record amounts in the investment-grade bond market to build cash before the full impact of the novel coronavirus hits the U.S. economy. Much of the new debt is being purchased by an unusual type of buyer: stock investors.

"There is a rotation from a number of nontraditional investors out of other asset classes like high-yield, distressed debt and equities into investment grade," said Andrew Karp, head of investment-grade capital markets at Bank of America Corp. "Among other reasons, it's a place to hide from volatility."

Issuance of investment-grade bonds in the U.S. hit about $73 billion last week, roughly 21% higher than the previous high-water mark reached in 2013, according to data from Dealogic.

Retail-oriented giants like Nike and Home Depot Inc. were among the biggest initial borrowers -- issuing $6 billion and $5 billion, respectively -- but the pace of new deals remains high, with names like **technology** company Oracle and food-services provider Sysco Corp. joining the fray Monday.

Nontraditional buyers are accounting for as much as one-quarter of the orders for the new investment-grade bonds Bank of America is selling, Mr. Karp said. The bank arranged Nike's deal, among others.

Investment-grade bond prices fell sharply in March as some fund managers sold out to meet client redemptions, pushing yields up and making the debt more attractive to buyers like hedge funds that normally focus on stocks. Many investors became more willing to buy the bonds after the U.S. Federal Reserve announced its own plans to start purchasing highly rated corporate debt to bolster the market. Bond yields rise when prices fall.

"We generally look at high yield but we've played in some of these deals," said David Norris, head of U.S. credit for London-based TwentyFour Asset Management. Disruptions in the commercial paper market have been forcing blue-chip companies to borrow at unusually high yields although pricing has started to normalize in recent days, presenting fewer options for bargain hunters, he said.

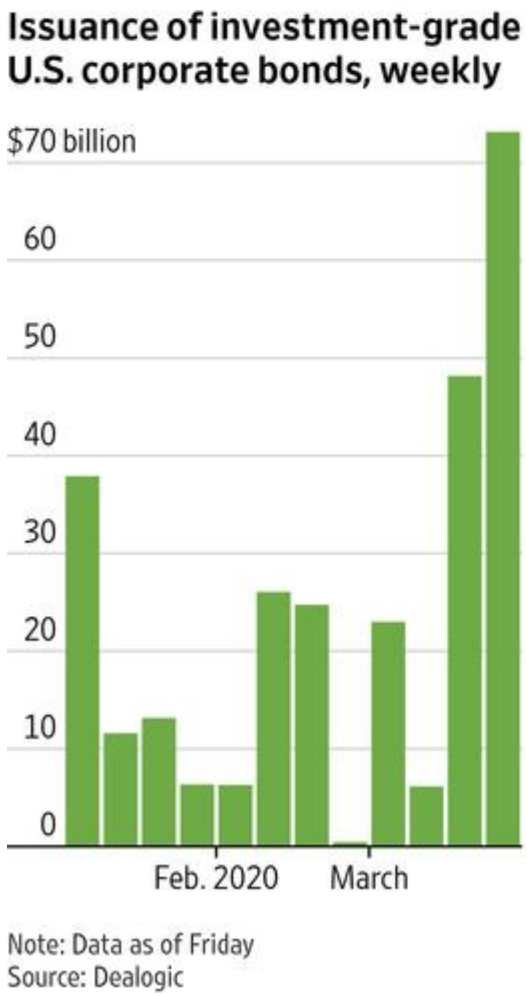
The yield of a Bloomberg Barclays index of U.S. investment-grade corporate bonds was about 3.7% on Friday, down from its recent peak of 4.58% on March 20, but still well above its level of 2.43% at the end of February, according to data from FactSet. The index declined about 8.5% in March through Friday, a relatively steep decline compared with a 15% fall in the much riskier stocks of the S&P 500.

Foreign fund managers are also stepping into U.S. corporate bonds because their hedging cost in dollars has declined even as investment-grade bond yields have jumped. Bonds issued by banks were among the biggest gainers Monday, with Wells Fargo & Co.'s bond due 2051 jumping about 4.2 cents on the dollar to 121.65, according to data from MarketAxess.

U.S. government bond yields fell Monday despite gains in stocks, showing that investors remain concerned about the virus's long-term economic impact. The 10-year Treasury yield declined to 0.667% from 0.744% Friday, according to data from Tradeweb.

The U.S. dollar rose slightly, in contrast to the U.K. pound and South African rand, after both countries were hit by sovereign credit-rating downgrades.

The WSJ Dollar index, which measures the U.S. currency against a basket of 16 foreign currencies, was up 0.48% to 93.62 Monday, stabilizing after suffering a roughly 4% loss in the previous four trading days.



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Lenders Tighten Approval Standards

By AnnaMaria Andriotis and Peter Rudegeair
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Banks and financial-**technology** firms are starting to toughen approval standards for new loans to consumers and small businesses.

Large U.S. lenders including JPMorgan Chase & Co., Bank of America Corp., Capital One Financial Corp. and Santander Consumer USA Holdings Inc. are among the companies reviewing and revising certain lending criteria, according to people familiar with the matter. Planned moves include approving fewer consumers with lower credit scores, asking for more income documentation and placing lower spending limits on new credit cards.

American Express Co. has scaled back financing offers to small businesses, according to people familiar with the matter. **Fintech** lenders Square Inc. and On Deck Capital Inc. said this week they would do the same.

About half a dozen lenders that have found borrowers through Fundera Inc., an online marketplace for small-business loans, have paused new extensions of credit, said Fundera CEO Jared Hecht. "Lenders have zero idea how to assess risk in this environment," Mr. Hecht said. "There is no model that can predict today if I lend $1, will I get paid back?"

Lenders are concerned that rising unemployment and a potential recession will send loan defaults soaring. The moves suggest at best a pause and at worst an end to six-plus years of a bull run in credit, where financial firms have been eager to lend and underwriting standards for credit cards, auto loans and personal loans have been relatively loose.

Lenders are scrutinizing applications for credit cards and personal loans in particular because consumers often turn to them when they are in a bind. They are usually unsecured, which means lenders have little recourse if a borrower defaults, and they can be the first loans people stop paying when money is tight.

Many lenders said they would work with existing borrowers who ask for help. Some lenders are increasing card spending limits or delaying due dates on loans.

But lenders are reluctant to take on additional risk from new customers.

"Even people who applied [for credit] in the last two weeks are more vulnerable [now] than when they applied," said Brian Riley, director of credit advisory services at Mercator Advisory Group.

Loan solicitations by email have dropped for credit cards and personal loans, according to market-research firm Competiscan. AmEx, Bank of America and JPMorgan have sent almost no card solicitations in more than a week.

The changes could be most painful for low-wage workers such as wait staff and hotel employees uncertain when their next paycheck will arrive. Some lenders say they have noticed consumers applying for credit at several financial institutions at around the same time, a sign consumers are reaching for credit lifelines while they can still get them.

To make matters worse, many Americans were overstretched before the pandemic, tapping credit cards, auto loans and student loans as costs soared over the past decade but incomes largely failed to keep pace.

LendingClub Corp., an online lender that is one of the largest providers of personal loans, said last week it would approve fewer loans from first-time applicants, require more verification of income and employment status, and reduce approval rates to "higher-risk borrower populations."

"Like many other businesses during this period, we are focused on retaining our best customers," the company said in a regulatory filing this month.

Small-business lenders also are getting stingier with credit. On Deck recently stopped making new loans to movie theaters, hotels and nightclubs. It also made other changes to "significantly tighten underwriting standards," the company said in a regulatory filing last week.

On Deck informed LD3 Inc., an auto-transport business in Berthoud, Colo., last week, that its $35,000 line of credit with a 24.9% annual percentage rate had been suspended, said co-owner Debbie Coyle. LD3 had drawn on that line intermittently since 2017, letting On Deck recoup what it was owed from LD3's checking account every week, and had paid off all outstanding balances by early February.

On Deck asked LD3 on March 20 to submit three months of bank statements and a screenshot of its business transactions over the previous few weeks if it wanted On Deck to consider reopening the credit line, according to emails reviewed by The Wall Street Journal. On Deck told LD3 it had chosen to "mitigate risk exposure" to businesses that had little or no activity on their credit lines in the previous 30 days.

"The thing that's frustrating to me is the lack of support of small businesses that are hurting right now," said Ms. Coyle, 55 years old. "The whole point of having a credit line is to be able to use it when you need it."

Ms. Coyle hasn't submitted the extra documents to On Deck and said LD3 is weighing other options. Until the effects of the coronavirus on its business were clearer and the company had a better idea how the federal government would be aiding small businesses, LD3 didn't want to explore additional loans or lenders.

On Deck said it placed a "temporary hold" on LD3's credit line "in accordance with our disaster management procedures." "By submitting updated financial information, this hold can be removed, and we have discussed this with the customer who indicated they have no need for additional credit at this time," it said.

Square Capital, the lending arm of the payments processor run by Jack Dorsey, made loan offers to some small-business customers earlier this month but then didn't fund them when customers tried to activate them in recent days.

A Square Capital spokeswoman said loan offers are expiring sooner in light of more recent data the lender gleans from processing customers' payments.

At AmEx, many salespeople tasked with calling small businesses to offer cards have been told to stand down, according to people familiar with the matter. The company also has reduced its number of loan offers to small businesses.

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Technology

FMR to Spin Out Data Startup --- Fidelity parent hopes to accelerate use of its platform for sharing account information

By Justin Baer
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Fidelity Investments' parent company is spinning out its software startup that gives consumers more control over how their bank-account information is shared with tax, budget and other online financial applications.

FMR LLC founded the startup, a wholly owned unit of the firm called Akoya, two years ago. But in a bid to help jump-start the use of Akoya's platform, FMR sold stakes in the company to a dozen other financial firms. Among those new investors are many of the banks FMR hopes will be Akoya customers, including JPMorgan Chase & Co., Bank of America Corp. and Wells Fargo & Co. Financial terms weren't disclosed.

Akoya expects its platform to go live with customers other than Fidelity later this year, the company said. It sits between the financial-services firms that manage consumers' accounts and the many apps that aggregate information to help clients manage their personal finances.

Akoya lets customers choose which apps can access data from their bank, mutual-fund and brokerage accounts and how much information those apps can grab. When a customer links a new app to their bank or brokerage account, instead of giving it their username and password they are sent a dashboard that governs access through their financial firm.

Customers can later use that dashboard to limit or revoke apps' access to their account data.

The platform aims to put an end to "screen scraping," the process where the app company's software obtains the customer's sign-in information, logs in as that individual and extracts their data. Many banks have grown uncomfortable with this approach, in which apps essentially impersonate their customers, said Peter Wannemacher, principal analyst at Forrester Research Inc.

Akoya executives say financial firms will pay for the platform so they don't have to build one themselves or negotiate data-sharing agreements with each of the apps its clients want to use.

"It's a two-sided network," said Stuart Rubinstein, Akoya's chief executive.

To be effective, though, Akoya needs many participants to plug into its network.

By separating from FMR, Akoya seeks to address any discomfort other institutions might have with a platform housed inside a fellow financial-services heavyweight. Fidelity has more than 30 million customers and $8.3 trillion in assets under administration. By bringing in many of the biggest banks as investors, Akoya believes it has locked up enough users on one side of the network to lure app developers on the other.

"When we envisioned building a utility, we realized we might need to spin it out," Mr. Rubinstein said.

Akoya's success will hinge on whether it emerges as a primary network for sharing financial data, Mr. Wannemacher said. Other early-stage startups are pursuing a similar idea, he said, and some banks may offer similar services themselves.

Akoya executives said their discussions with banks and other financial firms led them to Clearing House Payments Co., whose network settles trillions of dollars in electronic payments. Clearing House, which had been developing its own data-management platform, signed on as an investor along with 11 of its member banks.

In addition to JPMorgan, Bank of America and Wells Fargo, Capital One Financial Corp., Citigroup Inc., Huntington Bancshares, KeyCorp, PNC Financial Services Group Inc., TD Bank NA, Truist Financial Corp. and U.S. Bancorp have also invested. FMR kept a stake for itself.

Mr. Rubinstein declined to say how much each bank put into the startup, or what those investments meant for Akoya's valuation.

The company hasn't yet started to bring in revenue, and so far only Fidelity has plugged into the Akoya platform.

Based in Boston, Akoya has fewer than 50 employees.

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