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Reuters: Cash Hard to Raise as Fed Jars Credit Markets.

Prospective borrowers ranging from U.S. companies to county governments on Monday shelved a raft of deals to raise new capital or refinance debt as a suddenly uncertain interest rate environment dented demand.

In the municipal bond market, half a dozen deals aimed at raising collectively more than $300 million were postponed, while several companies pulled plans to refinance syndicated bank loans. Corporate bonds, meanwhile, passed a fourth day with no deals brought to market, either in the risky high-yield sector or the safer investment-grade sphere.

Raising capital has been challenging to say the least since last Wednesday when Federal Reserve Chairman Ben Bernanke sent interest rates soaring by outlining a plan to wind down the central bank's massive stimulus program.

Known as quantitative easing and consisting of $85 billion a month in bond purchases, the program was instrumental in a rally of bonds, equities and commodities, and had driven interest rates to record lows. But since Bernanke's comments last week, the yield on the benchmark 10-year U.S. Treasury Note has shot up 37 basis points, briefly touching a two-year high of 2.67 percent on Monday.

"We need to have panic selling (in Treasuries) out of the way and a stable level on the 10-year Treasury," before the new-issue market can return, said Scott Schulte, senior investment-grade corporate bond syndicate manager at Citigroup.

That needs to be followed by borrowers willing to sell bonds at higher yields than they had to under the Fed's easy-money regime.

Corporate bonds had been flying off the shelves until recently as companies looked to refinance at record low rates and yield-hungry investors were ready to sign checks. Since Bernanke first floated the notion last month of a pull back from bond buying, corporate bonds have fallen hard and are now down for the year by 3.74 percent on a total return basis, according to the Barclays investment-grade index.

"The level to which investment grade corporate bonds are interest rate sensitive will certainly be an eye-opener to many total return investors when they open up their quarterly statements on June 30," said Edward Marrinan, head of Royal Bank of Scotland's US research.

Said CrediCorp Capital CEO Christian Laub: "What we know is that we won't see cheap financing like we did in the early half of the year."

MUNI BOND SALES STALL; LOAN REFINANCINGS SHELVED

Municipal issues have also slowed to a crawl, with bond sales worth $331 million postponed on Monday. That brought the total value of deals shelved since mid-June to $2.6 billion.

A steep price drop in the $3.7 trillion municipal bond market has lifted yields on bonds due in 10 and 30 years to levels not seen since 2011.

“Public officials do not want be the ones selling a deal at yields which result to be top of the market,” said a municipal bond analyst who declined to be named. “They prefer to wait for the market to calm down and become more stable before pushing ahead with their sales.”

Loop Capital, a muni bond underwriter, recently cut its estimate for 2013 muni issuance to $360 billion from $400 billion, but Loop Managing Director Chris Mier said they may cut their forecast more if present conditions persist.

Still, the two big munis deal of the week remain on the calendar for now: $1.3 billion each from the state of Illinois and the city of Los Angeles.

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