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Muni Risk Threshold Tested by $1 Billion Deal for Tire Factory.

The muni market's seemingly insatiable appetite for high-yield bonds will be tested next week by a $1.15 billion debt sale for a new tire factory.

A local agency called the Salina Economic Development Authority, charged with spurring economic growth in Oklahoma, is borrowing the debt to build and equip the plant. Though, the factory will be managed by American Tire Works — an offshoot of a company domiciled in Finland. ATW is working with Black Donuts Inc. — a Finnish consulting and technology firm focused on tire manufacturing.

The bonds are unrated and will be sold only to qualified investors, features that indicate a high degree of risk. The debt is backed primarily by revenues derived from the operation of the plant. Interested buyers will have to weigh the credit concerns with what is slated to be a juicy yield. Roadshow documents modeled debt with an 8% coupon and a 8.46% tax-free yield.

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Bloomberg Markets

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