

BONDS • Published December 16, 2022 8:30am EST

Bonds give recession signals

Amazon, Apple, Meta among companies raising cash while laying off workers

By Ernie Sadashige | FOXBusiness

If the economy weakens it is good news for bonds, but not for stocks: Bob Doll

Crossmark Global CIO gives his take on Blackstone limiting redemptions and on what investors should watch on 'Making Money.'

Companies with top credit ratings are returning to the bond market to bolster their cash stockpiles while fretting over persistent inflation and sluggish economic growth. That's giving investors a chance to buy the safest bonds at stepped-up yields due to rising interest rates.

Warren Buffett's Berkshire Hathaway announced a 115 billion yen (\$842 million) bond offering this month while Duke Energy is out with a \$1 billion offering. Amazon sold \$8.25 billion of bonds in November.

"Bond markets in general have begun to behave in a recession-signaling way," market expert Adam Kobeissi told FOX Business. "For the first time all year, we are seeing bond prices up significantly while stocks fall, and this comes just one month after tech layoffs began."

'It's almost damage control'

Both Elon Musk and Mark Zuckerberg have fired thousands of employees from Twitter and Meta.

LAYOFFS: COMPANIES COPY OTHERS 'IN ALMOST MINDLESS IMITATION,' PROFESSOR SAYS

The author of the Kobeissi letter, a weekly commentary on the global capital markets, noted tech companies have already laid off more than 20,000 employees, more than the total during the entire dot-com bubble.

"Right now, it's almost damage control and it's certainly an indicator of a negative outlook on the markets and the economy in general for 2023," said Mina Tadrus, CEO of Tadrus Capital, a high-yielding and fixed-income quantitative hedge fund generating returns of 2.5% per month.

He told FOX Business, once one company begins layoffs, it's easier for others to follow. "It's almost socially acceptable and everyone understands that."

Kobeissi expects corporations to feel recessionary pain into mid-2023 at a minimum.

"As interest rates continue to rise and consumers are struggling on the spending front, we expect more layoffs and potentially even more investment grade bond issuances to help corporations build a safety cushion as the recession worsens," he said.

Opportunity for investors

Business person accounting, calculating, budgeting and investment and saving concept

FINANCIAL RESOLUTIONS MORE CONSERVATIVE FOR 2023: FIDELITY

Certified financial planner Adam Soloff of Soloff Wealth Management says rising interest rates have given his firm the chance to add top-rated bonds to certain client portfolios now that rates are high enough to generate meaningful returns.

"Given the increase in yields, especially for clients prioritizing safety and income, we have been allocating larger portions of our portfolios to investment-grade corporate

bonds, as well as tax-free municipal bonds for those in higher tax brackets," Soloff told FOX Business.

The move by top-rated companies into the investment-grade bond market is expected to continue, regardless of economic conditions or what the Federal Reserve does with interest rates. Many companies have bonds maturing in the near term. Others may look to refinance before the Fed completes its current interest rate hiking cycle.

Billions for bonds, thousands of job cuts

Apple CEO Tim Cook and Apple logo in front of graph and image of \$100 bill

APPLE CEO TIM COOK TALKS 'VERY DELIBERATE' HIRING STRATEGY

Top-rated companies began dipping into the bond market in August when Apple, Intel and Facebook parent Meta Platforms all issued investment-grade bonds—\$5.5 billion for Apple, \$6 billion for Intel and \$10 billion for Meta, which took on debt for the first time.

A few months later, they all announced layoffs or hiring freezes. Intel laid off thousands of workers in October, Bloomberg reported. Apple announced a pause in hiring in November for many jobs outside research and development, Bloomberg also said. Meta slashed its workforce by 13%, or 11,000 employees.

Are bonds a good place to be in the stock market?

Adaptiv market technician Ian McMillian provides insight on navigating market uncertainty on 'Making Money.'

AMAZON CEO SAYS LAYOFFS WILL CONTINUE IN 2023

Amazon, which sold bonds last month, is contemplating cutting as many as 20,000 jobs.