Citigroup chief stays bullish on buy-outs

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Chuck Prince on Monday dismissed fears that the music was about to stop for the cheap credit-fuelled buy-out boom, saying Citigroup was "still dancing".

The Citigroup chief executive told the Financial Times that the party would end at some point but there was so much liquidity it would not be disrupted by the turmoil in the US subprime mortgage market.

He denied that Citigroup, one of the biggest providers of finance to private equity deals, was pulling back.

"When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing," he said in an interview with the FT in Japan.

His comments come amid growing fears that problems in the US subprime mortgage market, rising interest rates and concerns about loose lending standards could lead to a downturn in the leveraged finance market.

"The depth of the pools of liquidity is so much larger than it used to be that a disruptive event now needs to be much more disruptive than it used to be," he said.

"At some point, the disruptive event will be so significant that instead of liquidity filling in, the liquidity will go the other way. I don't think we're at that point."

Mr Prince said the way big Wall Street banks and hedge funds had picked up troubled subprime mortgage lenders was an example of how "liquidity rushes in" to fill the gap as others spot a buying opportunity.

Citigroup is a leading lender to private equity buy-outs and has been involved in several financings that have run into problems. Bond and loan deals arranged by banks have been pulled after investors demanded higher premiums and more protection.

This has raised fears that the banks, which aim to pass on the debt to other investors, could get caught if the market dries up.

Mr Prince also said he was very bullish about Japan.
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