

LC/WAS/L.66

# **C**apital Flows to Latin America

## Third Quarter 2003



UNITED NATIONS



Washington, D.C. December 2003

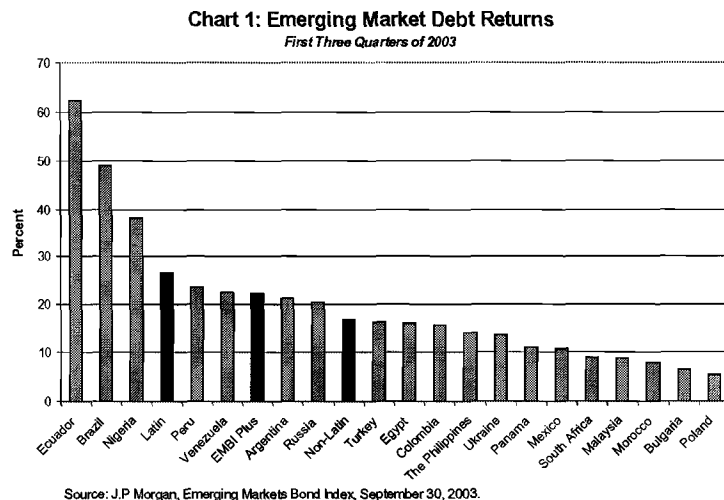
## CAPITAL FLOWS TO LATIN AMERICA 3<sup>rd</sup> Quarter of 2003\*

In the third quarter of 2003, investors continued to favor riskier assets buoyed by abundant global liquidity, low interest rates in mature markets, strong economic growth (with low inflation), and improving credit quality. Credit spreads in emerging and Latin American markets narrowed in response, by 41 and 56 basis points, respectively, and are near historical lows in most emerging market countries. The EMBI+ index is well below its long run average, according to J.P Morgan.

Issuers in emerging markets and Latin America benefited from the decline in spreads, as well as from the greater interest in their bonds by crossover investors. In the first three quarters of 2003 net emerging markets debt issuance, adjusted for bond buybacks, reached US\$52.6 billion, close to the 2002 total of US\$54.2 billion, according to Merrill Lynch. By region, Latin America had the largest share of total net issuance in the first three quarters of 2003: 49%. Many Latin American borrowers took advantage of strong investor demand to pre-finance borrowing targeted for 2004.

Latin American bonds, which offered yields above those of Asia and Eastern Europe, accumulated the biggest gains in the first three quarters of the year, confirming the notion that investors have favored riskier assets and have searched for yield. Among Latin American bonds, those that offered the highest yields, such as Ecuador and Brazil, accumulated the highest gains (see chart 1).

However, not only returns attracted investors to emerging debt markets in the third quarter. Fundamentals and improving credit quality were also a factor. Investors' perceptions of the creditworthiness of emerging market issuers have improved in response to economic policy measures that countries have adopted to address high debt levels and boost reserves. Markets now perceive a much lower probability of default among emerging markets. The average 5-year default probability implied by the spreads on a range of emerging market credit default swaps is about half that expected 12 months



\* This document has been prepared on the basis of market views and developments. All data and information are from market sources, unless otherwise noted.

ago, according to the IMF's Financial Market Update<sup>1</sup>. The decline has been driven mainly by the reduction in default probabilities on Latin American sovereign issuers. As a consequence, after a respite earlier in the year, a series of credit rating upgrades in the third quarter reinforced a long-term trend of credit rating improvement in emerging markets (see Box 1).

**BOX 1:  
CREDIT RATING MOVEMENTS IN THE THIRD QUARTER OF 2003**

Standard & Poor's reported that during the third quarter of 2003, emerging market upgrades exceeded downgrades for the first time since the first quarter of 2000. S&P recorded 22 upgrades against only 12 downgrades for the quarter. Among sovereigns, there were 6 upgrades against 3 downgrades, with most upgrades taking place in Emerging Europe. Analysts have attributed at least part of the strong performance of emerging market assets over the last year to improving credit fundamentals.

In the case of Latin America, the region saw a halt to the credit ratings deterioration that took place in previous quarters. The only action by Moody's in the region, with regards to sovereigns, was the upgrade of Argentina in August. In July, S&P upgraded Venezuela, changed Colombia's outlook to stable and affirmed Guatemala's rating. The agency also affirmed Peru's rating in August. The only negative action by S&P was Jamaica's downgrade in July. Ecuador's outlook was changed from positive to stable in September (appendix, table 1).

However, many analysts have argued that emerging debt markets are already exhibiting late-cycle signs and that the current investment environment is more favorable to equities. Investors are increasingly attracted to emerging market equities in the expectation that stronger global growth will boost corporate earnings performance. Emerging debt markets have rallied in response to the G7 Central Banks monetary policy of low interest rates since the middle of last year. Subsequently, as the first signs of economic activity began to appear, equities started to rally as well, and have rallied since March. Although the G7 countries are still prioritizing fighting disinflation, and in the process continue to provide liquidity to emerging debt markets, with the Bank of England's decision to raise its interest rates in early November, financial markets may be entering a new stage, and EM debt may be moving beyond this ideal backdrop.

Global markets may be approaching an inflection point, which will have implications for emerging market debt assets. That inflection point, according to Merrill Lynch, is one where emerging market debt returns begin to systematically underperform emerging market equity returns. Over the past six months EM debt has been up by 15%, while EM equities are up nearly 40%.<sup>2</sup> However, there is still some value left in EM debt and Latin America in particular, and the pipeline of upcoming inflows into Latin American debt markets should lend it a degree of support going into the early part of next year, as interest rates in mature markets are expected to remain low in the near future<sup>3</sup>. With respect to emerging debt markets, the key concern for the upcoming year is when the Federal Reserve will start moving away from its easing mode.

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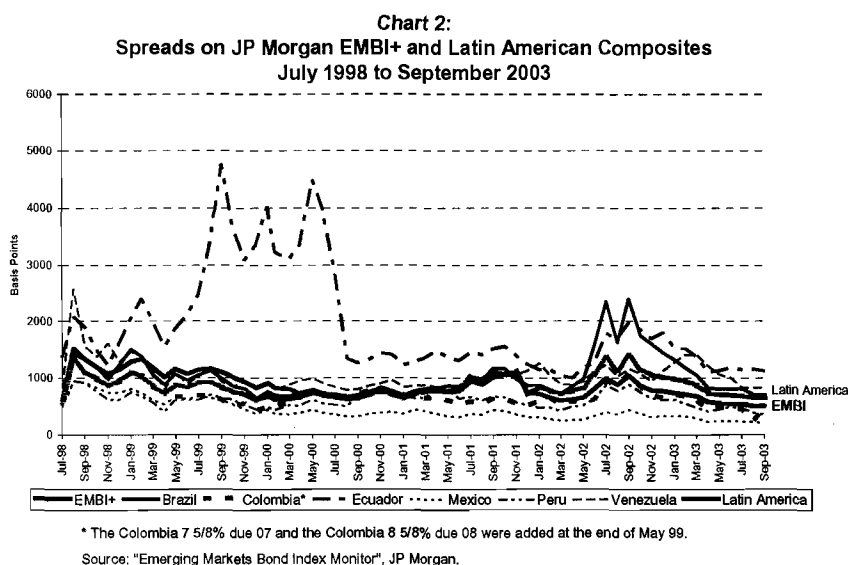
<sup>1</sup> Financial Market Update, Nov. 2003, International Capital Markets, Global Markets Analysis Division.

<sup>2</sup> Emerging Markets Debt Monthly, 31 October 2003, and Emerging Markets Daily, 10 November 2003.

<sup>3</sup> See U.S. Federal Open Market Committee Statement on December 9, 2003.

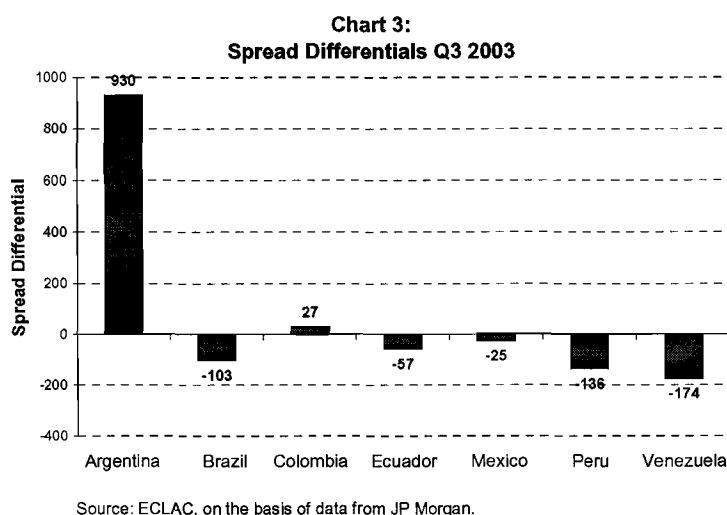
## I. Bond Markets and Debt Management

The current scenario of high global liquidity and low risk aversion is the ideal combination for emerging markets, which is reflected in the fact that Latin American spreads ended the third quarter of 2003 at their lowest levels since the Russian crisis of 1998 (see chart 2). After reaching a peak of nearly 1,400 basis points prior to Brazil's



election a year ago, Latin America's EMBI+ tightened by more than a half by the end of September, falling to almost 600 basis points. The better evolution of Latin American debt relative to the rest of the emerging markets, which was seen in the first half of the year, continued in the third quarter.

Emerging market spreads, as measured by the J.P. Morgan's benchmark EMBI+ index, were 41 basis points tighter at the end of the third quarter, while the Latin component was 56 basis points lower (appendix, table 2). Sovereign spreads tightened for most Latin American countries in the composite, as broad investor interest, as well as high risk tolerance and market liquidity fueled a strong rally in emerging and Latin American bond markets (see chart 3).



As sovereign spreads narrowed further, emerging market borrowers tapped the international debt markets for an increased volume of funds. Latin American bond issuers placed US\$11.84 billion in international capital markets in the third quarter of 2003, or

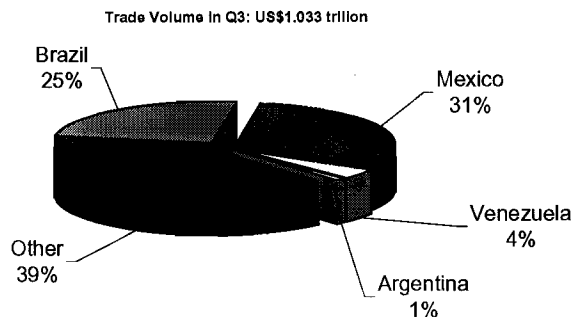
US\$8.84 when adjusted for bond buybacks, a 346% increase over the third quarter issuance in 2002.

Trading volumes for the third quarter of 2003 stood at US\$1.033 trillion. According to the Emerging Markets Traders Association (EMTA), although volume declined 5% from the US\$1.086 trillion reported in the second quarter (the highest level since the second quarter of 1998), overall trading activity remained at levels last seen prior to the 1998 Russian debt crisis.

Mexican and Brazilian instruments remained the most frequently traded, with volumes at US\$324 billion and US\$253 billion, respectively. They accounted for 31.4% and 24.5% of all emerging markets debt trading in the third quarter. Venezuelan volumes stood at US\$40 billion, rising for the fifth consecutive quarter, as its economy benefited from both global factors and some easing of domestic political and financial pressures. Venezuelan instruments accounted for 3.9% of total reported volumes and were the fourth most frequently traded, up from seventh in the second quarter. Argentine volumes stood at US\$12 billion, a 30% decrease from the second quarter trading of US\$18 billion, but up 196% over the third quarter of 2002. Argentine instruments accounted for 1.2% of total volumes and ranked 13<sup>th</sup> in terms of volume (chart 4).

Brady bond trading continued to decline, accounting for US\$116 billion (vs. US\$143 billion in the second quarter), an 11.3% share of overall trading.

**Chart 4:  
Emerging Markets Debt Trading Volume:  
Country Shares**



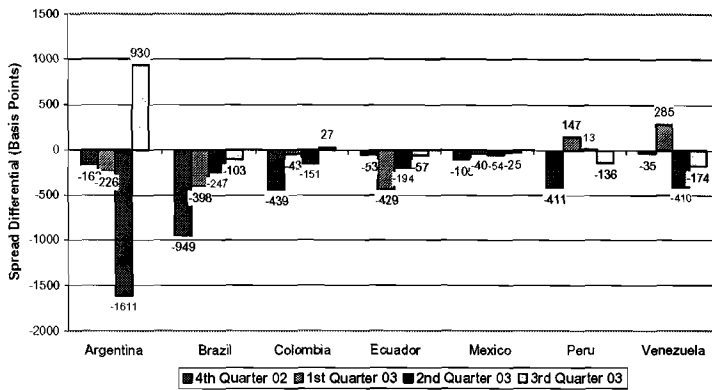
Source: EMTA

#### A. Spreads

The J.P. Morgan EMBI+ spread tightened 41 basis points in the third quarter of 2003. As in the previous two quarters, the global pursuit for yield, in a context of accommodative monetary policies in the major financial centers, created a positive external environment for emerging market bonds. The search for yield meant that investors focused more on the type of asset (emerging debt) than on country considerations, what explains the overall improvement in emerging and Latin American markets assets. The spread for the EMBI+ Latin component tightened further, with a decrease of 56 basis points. Higher-yielding emerging market credits (Ecuador and Brazil in particular) performed strongly.

Brazilian spreads continued to move in a positive direction, narrowing by 103 basis points in the third quarter (to 698 basis points at the end of September), although they did not tighten as much as in previous quarters (see chart 5). Brazilian bond spreads are benefiting from the clear improvement in investor sentiment with respect to the country's administration, as well as from the favorable external environment. They are now less than third of their level since the height of the difficulties last year, having lowered from

**Chart 5:  
Quarterly Spread Differential  
2002 and 2003**

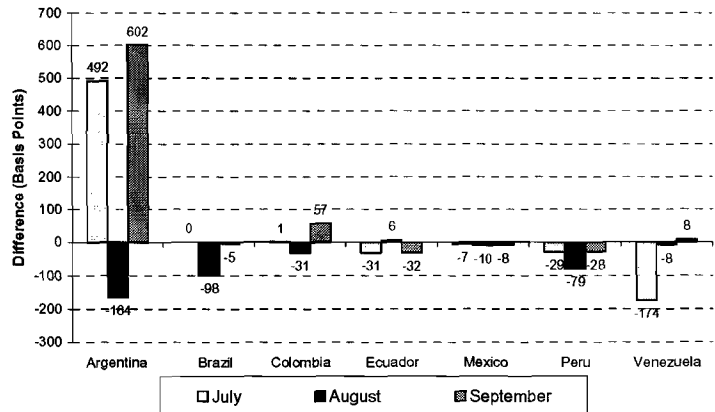


Source: ECLAC, on the basis of data from JP Morgan.

Spreads widened for Argentina in the third quarter, however, as the stalemate between the government and bondholders continued after the country presented its debt restructuring proposal in Dubai, where the annual meetings of the International Monetary Fund took place in September 21, 22 and 23. Spreads also widened for Colombia towards the end of the quarter (57 basis points in September), as markets priced their disappointment with the government's revelation that it would not meet the fiscal targets for 2003 and 2004 originally agreed with the IMF, as well as some concerns about the referendum to take place on October 25 (see Charts 6, 7 and 8).

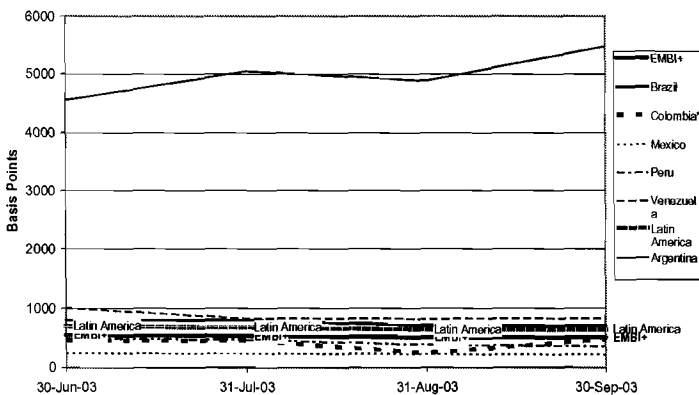
2,395 basis points at the end of September 2002 to 698 basis points at the end of September 2003. Spreads in all other Latin American countries in our sample were also radically reduced from September of 2002 to the end of the third quarter, as decisive steps were taken to foster investor confidence.

**Chart 6:  
Monthly Spread Differentials  
Q3 2003**



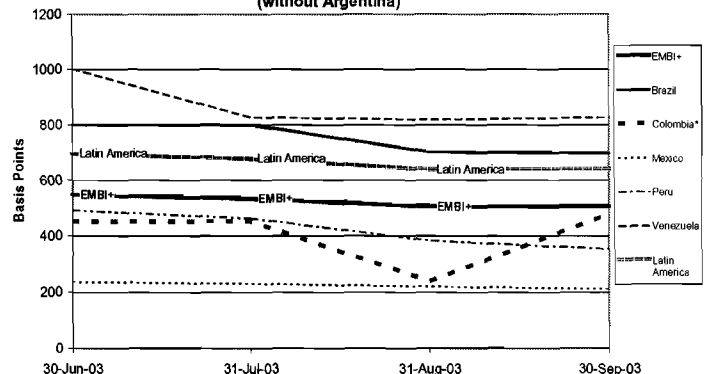
Source: ECLAC, on the basis of data from JP Morgan.

**Chart 7:  
Spreads on JP Morgan EMBI+ and Latin American  
Composites Q3 2003**



Source: ECLAC, on the basis of data from "Emerging Markets Bond Index Monitor", JP Morgan.

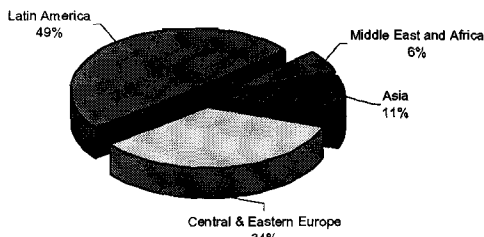
**Chart 8:  
Spreads on JP Morgan EMBI+ and Latin American  
Composites Q3 2003  
(without Argentina)**



Source: ECLAC, on the basis of data from "Emerging Markets Bond Index Monitor", JP Morgan.

## B. Issuance

Chart 9:  
Emerging Markets Debt Issuance:  
Regional Breakdown  
2003 Ytd



Note: Total emerging markets debt issuance year-to-date is US \$52.6 Billion.  
Source: ECLAC, on the basis of data from Merrill Lynch.

In the first three quarters of 2003 net emerging markets debt issuance, adjusted for bond buybacks, reached US\$52.6 billion, close to the 2002 total of US\$54.2 billion, according to Merrill Lynch. By region, Latin America had the largest share of total net issuance in the first three quarters of 2003: 49% (see chart 9).

In addition to the favorable global backdrop for EM debt, expectations that interest rates may rise over the medium term also helped spark an increase in bond issuance in the third quarter, with issuers increasingly seeking to pre-finance 2004 funding requirements. Mexico and Brazil,

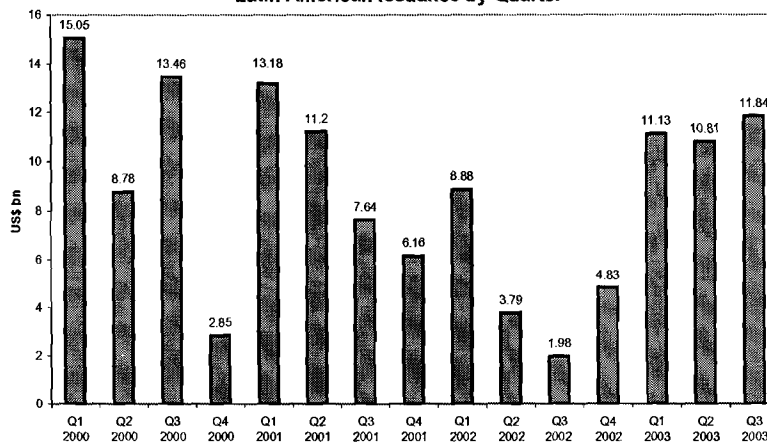
for example, have already completed 40% and 30% of their funding requirements for 2004. In addition, many new bond issues were associated with liability management aimed at improving the maturity profile and terms of external debt. In August, both Brazil and Venezuela implemented liability management operations via debt buybacks (see appendix, table 6).

On a quarterly basis, Latin American issuance in the third quarter of 2003 reached US\$11.84 (or US\$ 8.84 when adjusted for debt buybacks). It was the highest quarterly issuance since the first quarter of 2001 (see Chart 10).

New corporate bond placements went up sharply in the third quarter.

Corporate issuance from January to September accelerated to US\$ 26 billion, the highest level since 1997 according to Merrill Lynch. This is three times the amount issued by corporations and private banks in the same period in 2002.

Chart 10:  
Latin American Issuance by Quarter



Source: ECLAC, on the basis of data from Merrill Lynch.

Sovereign issuance stood at US\$26.6 billion in the first three quarters of this year or almost in-line with the level issued by corporations. This supply is much lower than the levels of previous years. Brady debt buybacks further reduced this year's lower levels of sovereign inflows (see table 1). In September, the amount of sovereign and corporate issuance in Latin American markets was almost in-line as well (see appendix, table 2).

**Table 1:**

<b>Issuer Type Breakdown</b>	
(% of Emerging Markets Total)	
<b>Issuer Type</b>	<b>2003ytd</b>
Sovereign*	50.52%
Corporate**	49.48%

Source: Merrill Lynch.

\*Also includes state owned enterprises, city and regional governments (sovereign-supported and sub-sovereign)

\*\*Also includes bank issuance.

The incentive to issue in dollars was strengthened by the widely held expectation of a weaker dollar. Around 87% of third-quarter new issues were dollar denominated, compared with only some 70% earlier in the year (see table 2 and appendix, tables 4, 7 and 10).

**Table 2:**

<b>Currency Breakdown</b>	
(% of Emerging Markets Total)	
<b>Currency</b>	<b>2003ytd</b>
Dollar	80.39%
Euro	24.39%
Yen	0.80%
Other	0.52%

Source: Merrill Lynch.

## II. Portfolio Equity Flows into Latin America

In early September, the improving economic outlook gave a further boost to global equity markets. According to the Bank for International Settlements (BIS), many emerging markets posted double digit gains, with Argentina and Brazil rising upwards by 30% between the end of August and the end of November.

## III. Bank Lending

According to the latest available information on actual bank lending<sup>4</sup>, the net outflow of funds from Latin America continued in the second quarter of 2003, reflecting an increase in deposits with reporting area banks, especially by banks in Brazil. This is the fifth consecutive quarterly outflow from Latin America. Although total claims on the region fell for the eighth consecutive quarter, the year-over-year rate of contraction slowed to 7% (from 9% in the previous two quarters), reflecting the improvement in economic conditions in several of the major borrowing countries. The stock of claims on the region fell to US\$275.5 billion, or 29.6% of total claims on emerging markets (down from 31.5% a year earlier). At the same time liabilities vis-à-vis Latin America rose by US\$11 billion as both banks and non-banks in the region increased deposits with reporting area banks.

The net flow of funds to Latin America remained negative for the fifth consecutive quarter, at US\$11.3 billion<sup>5</sup>. There was a decline in claims on Brazilian residents and greater lending to Argentine banks, while claims on most other countries in the region remained stable from the previous quarter. Claims on Brazil fell by US\$1.7 billion, partially the result of Banco Bilbao Vizcaya Argentaria's sale of its Brazilian branch, as well as a reduction in loans to the Brazilian bank and non-bank sectors from banks in offshore centers. Claims on Brazil now represent 32% of total claims on the region, down from 33% in the first quarter and 34% a year earlier. Claims on Argentina rose for the

<sup>4</sup> *BIS Quarterly Review*, December 2003.

<sup>5</sup> There was an outflow of US\$0.069 billion due to a decrease in claims, and an outflow of US\$11.2 billion due to an increase in liabilities (see Table 3).



first time since the second quarter of 2001, by US\$1 billion, following increased loans to the bank sector from banks in offshore centers. The share of claims on Argentina stabilized at 11% of total claims on the region in the last three quarters, after falling from its 1999 fourth quarter peak of 17% (see Table 3).

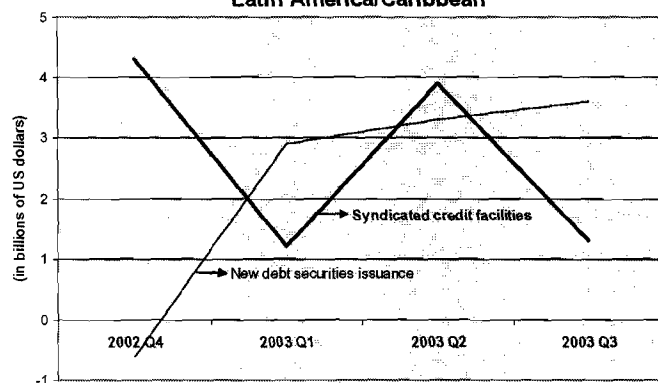
**Table 3**

<b>Cross-border bank flows to Latin America</b>								
Exchange rate adjusted changes in amounts outstanding, in billions of US\$ dollars								
	Banks Position*	2001	2002	2002		2003		Stocks at end-June 2003
		Year	Year	Q3	Q4	Q1	Q2	
Latin America/Caribbean	Claims	-3.5	-26.3	-11.4	-7.9	-0.9	-0.1	275.5
	Liabilities	-1.9	-26.9	-8.5	-8.2	3.3	11.2	258.2
Argentina	Claims	-5.8	-11.8	-4.5	-2.3	-1.9	0.9	30.6
	Liabilities	-16.7	-0.1	0.3	0.2	0.6	0.1	26.2
Brazil	Claims	0.9	-11.2	-3.5	-6.3	2.2	-1.7	89.1
	Liabilities	0.4	-8.0	-1.4	-4.3	3.3	6.6	51.2
Chile	Claims	0.2	0.5	-0.1	1.3	0.2	-0.1	20.4
	Liabilities	-1.0	-1.1	-0.8	0.3	-1.0	-0.9	14.7
Mexico	Claims	2.0	3.1	-1.9	0.0	-0.5	-0.1	64.4
	Liabilities	8.8	-11.4	-0.3	1.7	4.5	2.2	61.7
Venezuela	Claims	-0.4	1.1	0.0	0.6	-0.5	-0.5	14.6
	Liabilities	-0.1	0.5	-0.6	0.9	-2.5	-1.3	28.0

Source: BIS Quarterly Review, December 2003

\* External on-balance sheet positions of banks in the BIS reporting area. Liabilities mainly comprise deposits. An increase in claims represents an inflow into Latin American economies; an increase in liabilities an outflow.

**Chart 11:  
Announced Syndicated Lending and Securities Issuance in Latin America/Caribbean**



\* Net issuance: Gross Issues - Repayments

Source: ECLAC, on the basis of data from the Bank for International Settlements (BIS).

The Latin American/Caribbean overall volume of announced syndicated lending, after bouncing back from a low of US\$1.2 billion in the first quarter of 2003 to US\$3.9 billion in the second quarter, fell back to US\$1.3 billion in the third quarter of 2003. Only Mexico, Brazil and Chile raised funds, with credit mainly directed at entities from the public sector or those dealing with natural resources (see Chart 11 and Table 4).<sup>6</sup>

<sup>6</sup> Syndicated credits data are not necessarily a reliable proxy for future bank lending. The syndicated credits are gross announcements of loan facilities (i.e. loan commitments, which do not need to be drawn fully or immediately), while changes in amounts outstanding in the BIS data are driven mainly by net new lending (actual disbursements). See Blaise Gadanecz and Karsten von Kleist (2002): "Do syndicated credits anticipate BIS consolidated banking data?" *BIS Quarterly Review*, March 2002, pp 65-74.

**Table 4: Announced syndicated lending and securities issuance (in billions of US dollars)**

	<i>Syndicated Credit Facilities</i>								
	2001Q3	2001Q4	2002Q1	2002Q2	2002Q3	2002Q4	2003Q1	2003 Q2	2003 Q3
<b>Latin America/Caribbean</b>	<b>6.2</b>	<b>8.8</b>	<b>1.6</b>	<b>2.8</b>	<b>2.7</b>	<b>4.3</b>	<b>1.2</b>	<b>3.9</b>	<b>1.3</b>
Argentina	0.3	0.2	-	-	-	-	-	-	-
Brazil	3.2	2.6	0.8	1.6	0.3	1.2	-	0.8	0.2
Chile	-	0.9	0.2	0.2	0.5	0.5	0.2	0.1	0.5
Colombia	0.2	0.1	0.5	-	0.5	0.2	-	-	-
Mexico	0.8	4.0	0.1	0.9	1.3	2.2	1.0	2.8	0.6

Source: BIS Quarterly Review, September 2003

#### **IV. Prospects**

In the third quarter of 2003, the global search for higher returns in a context of accommodative monetary policies in the major financial centers continued to create a positive external environment for emerging market bonds. Low interest rates and low government bond yields in the United States, Europe and Japan reduced financing costs and encouraged a reduction in investors' cash positions, leading to abundant liquidity in international capital markets, which in turn contributed to the compression of bond spreads in both mature and emerging debt markets. Issuers in emerging markets benefited from the decline in bond spreads, and sovereigns took advantage of the abundant liquidity in capital markets to cover their current needs for financing and to also pre-finance next year's needs.

In the case of Latin America, spreads reduced drastically from their September 2002 peak to the end of September 2003. The Latin component of the J.P. Morgan's EMBI+ narrowed from 1,399 basis points at the end-September 2002 to 641 basis points at end-September 2003. Latin American issuers benefited from these low spreads, issuing more debt in the first six months of 2003 than in the whole year in 2002. Private sector issuance showed a strong performance in the third quarter.

From March to September both credit and equity markets put in good performances. However, analysts warn that as global growth continues to pick up, emerging debt assets may near an inflection point, where emerging debt returns will begin to systematically underperform emerging equity returns. According to Merrill Lynch, growing expectations of a rise in interest rates in the U.S. may trigger this inflection point, so the key factor for 2004 is when inflation evidence will appear, and when the Fed will move away from its easing mode.

**APPENDIX**

- A. Credit Ratings in Latin America**
- B. Latin American Spreads**
- C. New Latin American Debt Issuance**

## A. Credit Ratings

Table 1:

### Credit Ratings in Latin America

	Moody's		S&P		Recent Moody's Action		Recent S&P Action	
	Rating	View	Rating	View	Action	Date	Action	Date
Argentina	Caa1	-	SD	-	Upgrade, stable	20-Aug-03	Downgrade	6-Nov-01
Barbados	Baa2	-	A-	-	Upgrade, stable	8-Feb-00	Affirmed, stable	2-May-02
Bolivia	Caa1	-	B	oo	Downgrade, stable	16-Apr-03	Downgrade, O/L (-)	26-Feb-03
Brazil	B2	-	B+	-	Downgrade, stable	12-Aug-02	O/L changed to stable	29-Apr-03
Chile	Baa1	-	A-	o	Affirmed, stable	1-Mar-00	Affirmed, O/L (+)	8-Jan-03
Colombia	Ba2	oo	BB	oo	O/L changed to (-)	27-Mar-02	O/L changed to stable	14-Jul-03
Costa Rica	Ba1	oo	BB	oo	O/L changed to (-)	16-Apr-03	O/L changed to (-)	4-Apr-03
Cuba	Caa1	-	nr	-				
Dominican Republic	Ba2	oo	B+	oo	O/L changed to (-)	30-Jun-03	Downgrade, OL (-)	9-Jun-03
Ecuador	Caa2	-	CCC+	o	Affirmed, stable	10-Aug-00	O/L changed to stable	18-Sep-03
El Salvador	Baa3	oo	BB+	-	O/L changed to (-)	7-May-03	Affirmed, stable	12-May-03
Guatemala	Ba2	-	BB-	oo	Affirmed, stable	1-Mar-00	Affirmed, stable	30-Jul-03
Honduras	B2	-	nr	-	Affirmed, stable	3-Feb-00		
Jamaica	B1	-	B+	oo	Downgrade, stable	27-May-03	Downgrade, O/L (-)	28-Jul-03
Mexico	Baa2	o	BBB-	-	O/L changed to (+)	12-Mar-03	Affirmed, stable	27-Feb-03
Nicaragua	B2	-	nr	-	Affirmed, stable	30-Mar-00		
Panama	Ba1	-	BB	oo			O/L changed to (-)	10-Mar-03
Paraguay	Caa1	-	SD	oo	Downgrade, stable	28-Apr-03		
Peru	Ba3	-	BB-	-	Affirmed, stable	28-Oct-02	Affirmed, stable	21-Aug-03
Trinidad & Tobago	Baa3	-	BBB	-	Affirmed, stable	30-Aug-00	Upgrade, stable	2-Apr-03
Uruguay	B3	oo	B-	-	Affirmed, O/L (-)	9-May-03	Affirmed, stable	11-Jun-03
Venezuela	Caa1	-	CCC+	-	O/L changed to stable	27-May-03	Upgrade, stable	7-Jul-03

- stable outlook; o positive outlook; oo negative outlook

Note: Moody's ratings are qualified by outlooks and reviews while S&P ratings are qualified by outlooks and watches.

A review/watch is indicative of a likely short-term development.

An outlook suggests that a review/watch or long/intermediate-term movement is likely.

Source: JP Morgan, Emerging Markets Outlook, October 3, 2003.

## B. Latin American Spreads

Table 2:

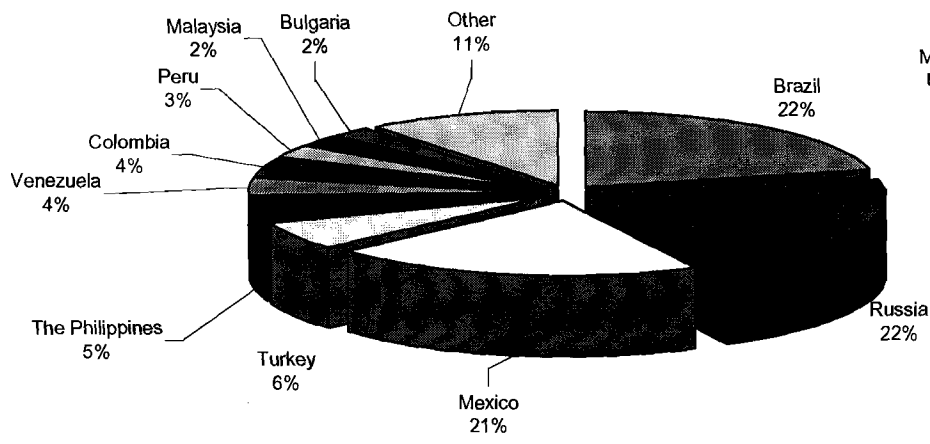
	EMBI+	Argentina	Brazil	Colombia*	Ecuador	Mexico	Peru	Venezuela	Latin America
31-Jul-98	633	454	608	n.a.	1371	461	515	829	554
31-Aug-98	1524	1278	1421	n.a.	2077	941	941	2575	1328
30-Sep-98	1330	904	1326	n.a.	1903	911	911	1558	1111
31-Oct-98	1190	779	1192	n.a.	1484	819	755	1372	980
30-Nov-98	1070	664	975	n.a.	1221	737	610	1612	858
31-Dec-98	1151	707	1231	n.a.	1631	741	612	1283	941
31-Jan-99	1288	858	1507	n.a.	2055	801	743	1463	1106
28-Feb-99	1330	794	1376	n.a.	2405	722	663	1393	1028
31-Mar-99	1171	683	1041	n.a.	1973	600	562	1121	839
30-Apr-99	1010	596	873	n.a.	1553	532	396	789	709
28-May-99	1157	786	1066	671	1862	647	603	1108	880
30-Jun-99	1070	758	957	667	2113	623	609	896	832
30-Jul-99	1147	853	1053	691	2473	677	610	1024	919
31-Aug-99	1166	776	1124	700	3402	644	700	1174	931
30-Sep-99	1098	663	984	613	4764	596	635	925	823
29-Oct-99	1010	635	851	505	3705	535	613	836	743
30-Nov-99	927	650	806	549	3093	449	526	940	715
31-Dec-99	824	533	636	423	3353	363	443	844	597
31-Jan-00	904	594	758	482	4033	438	482	894	682
20-Feb-00	816	551	688	524	3227	364	432	792	616
31-Mar-00	798	568	679	547	3111	354	518	879	623
28-Apr-00	708	572	742	740	3350	385	512	952	654
31-May-00	784	702	792	739	4499	438	611	985	737
30-Jun-00	712	676	722	722	3926	381	546	895	679
31-Jul-00	680	650	712	662	2846	353	522	837	654
31-Aug-00	643	681	672	686	1340	321	496	780	618
29-Sep-00	677	675	705	722	1261	318	664	798	634
31-Oct-00	745	815	758	768	1331	365	759	860	707
30-Nov-00	805	879	829	818	1441	385	772	902	759
29-Dec-00	756	773	749	755	1415	392	687	958	706
31-Jan-01	674	663	677	697	1230	363	674	838	631
28-Feb-01	748	803	753	646	1268	428	637	850	710
30-Mar-01	784	960	811	645	1366	414	650	874	763
30-Apr-01	773	1039	812	634	1482	366	824	833	766
31-May-01	751	993	858	600	1366	326	774	852	761
29-Jun-01	766	1050	847	541	1303	310	632	847	803
31-Jul-01	940	1599	972	585	1454	360	661	925	1016
31-Aug-01	885	1430	954	540	1411	354	601	916	959
28-Sep-01	1005	1615	1165	626	1516	431	669	995	1103
31-Oct-01	1073	2162	1163	628	1558	412	651	1034	1055
30-Nov-01	1069	3372	976	545	1393	357	572	1055	1119
31-Dec-01	731	4372	863	514	1233	308	521	1130	711
31-Jan-02	713	4379	866	586	1144	304	468	1254	837
28-Feb-02	644	4276	785	651	1147	272	474	1046	765
28-Mar-02	598	5062	718	536	1037	251	419	890	713
30-Apr-02	619	5004	849	578	1000	255	492	873	763
31-May-02	650	5979	981	567	1184	265	512	933	829
28-Jun-02	799	7074	1548	613	1262	323	628	1111	1063
31-Jul-02	991	7008	2341	930	1780	390	865	1226	1350
30-Aug-02	886	6430	1630	898	1704	360	774	1028	1131
30-Sep-02	1041	6553	2395	1084	1975	436	880	1162	1399
31-Oct-02	862	6192	1742	841	1854	372	742	1068	1153
29-Nov-02	778	6240	1606	694	1696	311	636	943	1054
31-Dec-02	765	6391	1446	645	1801	331	610	1127	1007
31-Jan-03	730	6022	1319	703	1524	329	613	1275	977
28-Feb-03	707	6736	1182	676	1522	324	547	1406	943
31-Mar-03	671	6165	1048	602	1372	291	478	1412	869
30-Apr-03	576	5225	822	465	1103	227	407	1215	727
31-May-03	553	5343	799	483	1128	236	443	1056	707
30-Jun-03	547	4554	801	451	1178	237	491	1002	697
31-Jul-03	532	5046	801	452	1147	230	462	828	678
31-Aug-03	504	4882	703	421	1153	220	383	820	639
30-Sep-03	506	5484	696	478	1121	212	355	828	641
	EMBI+	Argentina	Brazil	Colombia*	Ecuador	Mexico	Peru	Venezuela	Latin America

Source: "Emerging Markets Bond Index Monitors"; JP Morgan

\* The Colombia 7 5/8% due 07 and the Colombia 8 5/8% due 08 were added at the end of May 99.

EMBI+ composition by market sector (end-September 2003): Brady, 28.27%; Benchmark Eurobonds, 71.04%; Loans, 0.69%.  
by country: Brazil and Mexico account for 42.63% of the total weighting.  
by region: Latin: 58.18%; Non-Latin: 41.82%.

### EMBI+ Composition (as of September 2003)



Argentina: 1,95  
South Africa: 1,72  
Panama: 1,62  
Ecuador: 1,51  
Poland: 1,27  
Nigeria: 0,74  
Egypt: 0,69  
Morocco: 0,69  
Ukraine: 0,63

### C. New Latin American Debt Issuance:

**Table 3:**

**New Latin American Debt Issuance  
Third Quarter of 2003  
Jul-03**

Country	Issuer	Amount	
		US (million)	Maturity
Brazil	Usiminas	75	30-Jun-04
Brazil	Petrobras	500	2-Jul-13
Brazil	Banco do Brasil	170	7-Jul-04
Mexico	Cemex Finance Europe BV	113	8-Jul-06
Chile	Celulosa Arauco	300	9-Jul-13
Brazil	Bramer (Brazilian Merchant Voucher)	400	15-Jun-11
Brazil	Bramer (Brazilian Merchant Voucher)	100	15-Jun-11
Colombia	Republic of Colombia	135	28-Jun-33
Colombia	Republic of Colombia	160	11-Jul-09
Brazil	BankBoston BCO Multiplo	65	20-Dec-05
Brazil	Braskem SA	75	16-Jul-04
Brazil	CSN Islands Corporation	142	4-Aug-10
Brazil	Unibanco - Uniao de Bancos Brasileir	125	21-Jun-05
Brazil	Banco Industrial E Commercial	10	15-Jul-03
Chile	Endesa Chile	400	1-Aug-13
Chile	Endesa Chile	200	1-Aug-15
Brazil	Banco Itau SA	172	24-Jul-06
Brazil	CVRD (Companhia Vale do Rio Doce	250	15-Jul-13
Brazil	Voto Votorantim O/S II	250	28-Jun-05
Brazil	Banco Itau BBA (Nassau)	100	28-Jul-05
Brazil	Banespa (Banco do Estado Sao Paul	50	29-Jul-05
Bahamas	Commonwealth of Bahamas	200	15-May-33
<b>Total</b>		<b>3,992</b>	

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

**Table 4:**

**Currency Breakdown**  
(% of Latin America's Total)

Currency	Jul-03
Dollar	89.00%
Euro	11.00%
Yen	0.00%
GBP	0.00%

Source: ECLAC, on the basis of data from Merrill Lynch.

**Table 5:**

**Issuer Type Breakdown**  
(% of Latin America's Total)

Issuer Type	Jul-03
Sovereign*	87.6%
Corporate**	12.4%

Source: ECLAC, on the basis of data from Merrill Lynch.

\*Also includes state owned enterprises, city and regional governments (sovereign-supported and sub-sovereign)

\*\*Also includes bank issuance.

**Table 6:**

<b>New Latin American Debt Issuance</b>			
<b>Third Quarter of 2003</b>			
<b>8/3/2003*</b>			
<b>Country</b>	<b>Issuer</b>	<b>Amount</b>	
		<b>US (million)</b>	<b>Maturity</b>
Brazil	Companhia Brasileira de Petroleo	135	1-Aug-08
Guatemala	Republic of Guatemala	300	1-Aug-13
Mexico	Pemex	569	5-Aug-13
Brazil	Arcel Finance Limited	400	1-Sep-11
Brazil	Federative Republic of Brazil	833	15-Apr-24
Brazil	Federative Republic of Brazil	500	7-Aug-11
Brazil	Federative Republic of Brazil	-1,300	
Venezuela	Republic of Venezuela	1,500	7-Aug-10
Venezuela	Republic of Venezuela	-1,700	
Brazil	Vale Overseas Limited	300	15-Aug-13
Brazil	CSN Islands Corporation	125	3-Aug-06
Brazil	Banco Bradesco SA	200	20-Aug-10
Brazil	Banco Bradesco SA	200	20-Aug-10
<b>TOTAL</b>		<b>2,062</b>	

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

\* Includes Buy-backs

**Table 7:**

<b>Currency Breakdown</b>	
<b>(% of Latin America's Total)</b>	
<b>Currency</b>	<b>Aug-03</b>
Dollar	89.00%
Euro	11.00%
Yen	0.00%
GBP	0.00%

Source: ECLAC, on the basis  
of data from Merrill Lynch.

**Table 8:**

<b>Issuer Type Breakdown</b>	
<b>(% of Latin America's Total)</b>	
<b>Issuer Type</b>	<b>Aug-03</b>
Sovereign*	62.0%
Corporate**	38.0%

Source: ECLAC, on the basis  
of data from Merrill Lynch.

\*Also includes state owned enterprises,  
city and regional governments  
(sovereign-supported and sub-sovereign)

\*\*Also includes bank issuance.



**Table 9:**

<b>New Latin American Debt Issuance</b>			
<b>Third Quarter of 2003</b>			
<b>Sep-03</b>			
<b>Country</b>	<b>Issuer</b>	<b>Amount US (million)</b>	<b>Maturity</b>
Brazil	CSN Islands Corporation	200	12-Sep-08
Brazil	Petrobras	250	2-Jul-13
Brazil	CIA Brasileira De Bebida	500	15-Sep-13
Brazil	Federative Republic of Brazil	750	7-Aug-11
Venezuela	Republic of Venezuela	700	19-Sep-13
Mexico	Innova	300	19-Sep-13
Mexico	Vitro S.A.	12	22-Sep-04
Brazil	CSN Islands Corporation	75	12-Sep-08
<b>Total</b>		<b>2,787</b>	

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

**Table 10:**

<b>Currency Breakdown</b>	
<b>(% of Latin America's Total)</b>	
<b>Currency</b>	<b>Sep-03</b>
Dollar	100.00%
Euro	0.00%
Yen	0.00%
GBP	0.00%

Source: ECLAC, on the basis  
of data from Merrill Lynch.

**Table 11:**

<b>Issuer Type Breakdown</b>	
<b>(% of Latin America's Total)</b>	
<b>Issuer Type</b>	<b>Sep-03</b>
Sovereign*	52.03%
Corporate**	47.97%

Source: ECLAC, on the basis  
of data from Merrill Lynch.

\*Also includes state owned enterprises,  
city and regional governments  
(sovereign-supported and sub-sovereign)

\*\*Also includes bank issuance.