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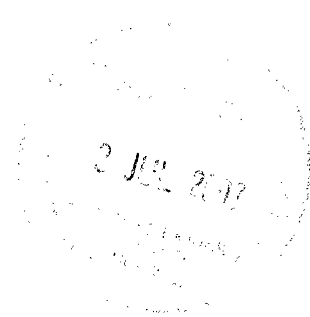
Capital Flows to Latin America: Quarterly Developments



Washington, D.C., 21 June 2007

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Introduction

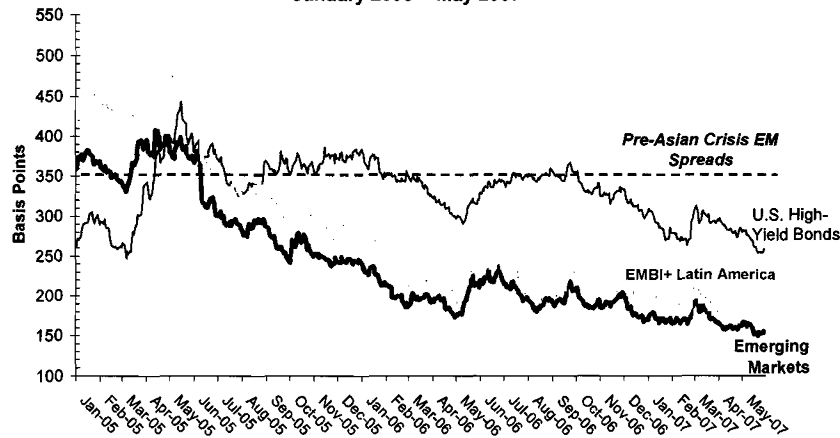
Quarterly Developments*

In the first quarter of 2007, Latin American spreads tightened to new lows and equity prices climbed further, despite a brief bout of market turbulence in late-February and early-March. The good macroeconomic performance of the countries of the region contributed to these favorable developments, but the high level of liquidity in global markets, as well as elevated risk tolerance among market participants, also played a very important role.

The negative shift in market sentiment in late-February and early-March was triggered by steep declines in global equity markets – which came after an almost 9% drop in the Shanghai market on February 27, its biggest fall in a decade – as well as by concerns about the U.S. mortgage market and its potential impact on the U.S. economy. Although brief, the bout of market turbulence lifted implied volatilities in most markets. Global equity markets quickly recovered, and Latin American stocks continued their winning streak, surging in the quarter. The Morgan Stanley Capital International (MSCI) Latin American Price Index gained 5.6% in dollar terms in the first quarter, following a gain of 21.1% in the fourth quarter of 2006. For the first five months of the year, Latin America's MSCI gained 22.1%. The quick recovery of Latin American asset prices after the sell-off indicated that market confidence on the region was not easily displaced, even by sharp fluctuations in asset prices.

As a result of the search for yield in face of ample global liquidity and improving fundamentals, Latin American bond spreads continued to tighten to record low levels in the first quarter, despite widening briefly during the sell-off of late-February and early-March. According to JPMorgan, the EMBI+ Latin component tightened 11 basis points in the first quarter and 18 basis points in the first five months of year. Compared to U.S. corporate spreads, Latin American spreads of similar credit rating continued to trade at tighter levels. As long as returns remain attractive relative to alternatives such as the U.S. high yield, the region will continue to be an important destination for capital flows, with inflows moving to corporate and local currency debt, as well as stocks.

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



Source: ECLAC, on the basis of data from Merrill Lynch U.S. High-Yield Master II Index (H0A0), and JPMorgan EMBI+.

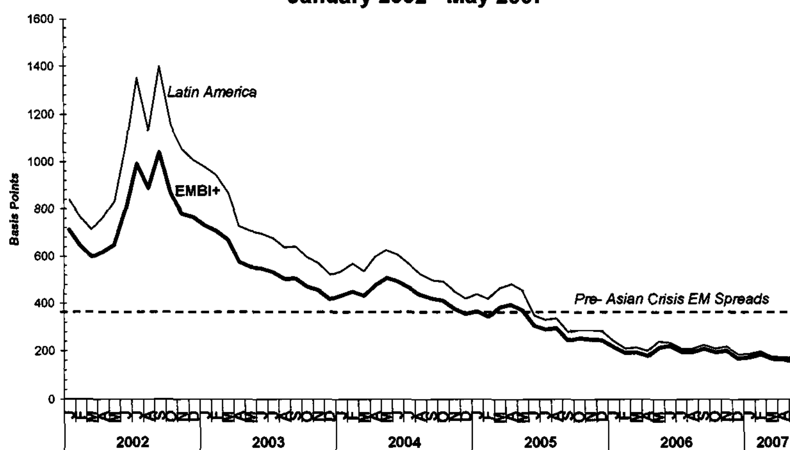
Latin American markets were also supported by active debt management in the first quarter, as countries took advantage of the favorable external environment to improve their debt profiles, increase issuance in local currency and develop local markets. Sovereigns in Latin America are estimated to have already met 74% of their 2007 external debt financing needs according to Credit Suisse.[1] Pre-financing and debt management has led to improved debt structures and increased resilience to external shocks.

1 Credit Suisse, *Debt Trading Monthly*, 04 June 2007.

I. Bond markets and debt management

The continued improvement in economic and credit fundamentals with ample liquidity and increased risk appetite has brought spreads on emerging markets and Latin American debt to record lows, despite the market turbulence of late-February and early-March. In late-February and early-March, uncertainty towards the U.S. economy and turbulence in global equity markets prompted investors to temporarily abandon riskier markets around the world. Stocks in emerging markets fell as a result, while bond spreads widened. Emerging markets and Latin American bond spreads narrowed after that, however, resuming their descent toward record low levels. Emerging market spreads, as measured by the JPMorgan EMBI+ index, tightened by 6 basis points in the first quarter of 2007, while the Latin American component narrowed by 11 basis points. For the first five months of the year, EMBI+ spreads tightened by 16 basis points, while the Latin American component tightened by 18 basis points (chart 2).

Chart 2:
EMBI+ Spreads and Latin American Component
January 2002 - May 2007



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

The abundance of global liquidity and appetite for greater risk, as well as the continued broadening of the "investor base", has contributed to the lower level of spreads. The focus on liability

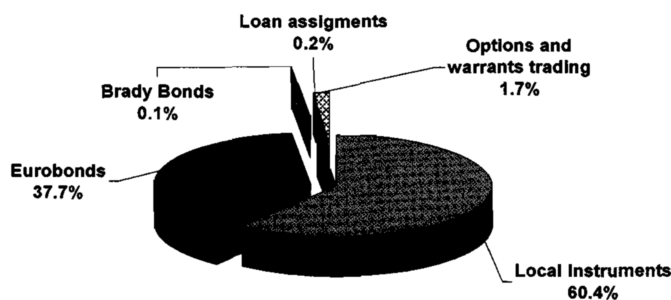
management operations has remained firmly in place since the beginning of the year, with sovereigns continuing to turn to local funding.

Countries with improved economic fundamentals that have built up significant financial cushions against external shocks have been issuing more local-currency debt while decreasing their reliance on foreign-currency bond issues. According to participants in EMTA Debt Trading Volume Survey, local instrument trading accounted for US$ 1.025 trillion in Survey activity, or 60% of reported trading in the first quarter of 2007. This compares with US$ 787 billion in the first quarter of 2006 (a 30% increase), when local markets accounted for 48% of total volume, and with US$ 935 billion in the fourth (a 10% increase), when local instruments accounted for 57% of the total. The most frequently traded local instruments were those from Mexico (US$ 336 billion), Brazil (US$ 111 billion), followed by South Africa, Turkey and Argentina (US$ 74 billion).

In contrast to the increase in local market instruments, Eurobond volumes, at US$ 639 billion, declined 19% compared to the first quarter of 2006, and 4% compared to the fourth. Eurobond volumes accounted for 38% of Survey volume in the first quarter of 2007, down from 48% in the same quarter last year, and 41% in the fourth quarter of 2006. Although the biggest share of Eurobond trading is still composed by sovereign issues, corporate bond turnover increased 29% compared to the same quarter a year ago, and 5% compared to the fourth quarter. Brady bonds drop even further in the first quarter of 2007, to only US$ 2 billion or 0.1% of the total volume, following additional early redemptions (chart 3).

Chart 3:
Q1 2007 Emerging Markets Debt Trading Volume by Type of Instrument

Trade Volume in Q1 2007: US$1.697 trillion



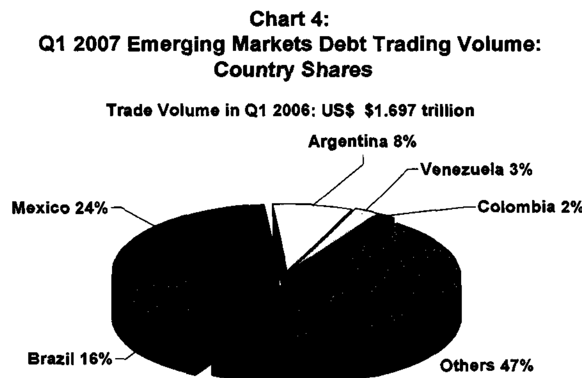
Source: ECLAC with data from EMTA.

Analysts agree that some of the move into local-currency debt is a response to the abundant global liquidity in external markets. In addition, a broader class of investors, including pension funds, central banks and other long-term institutional investors, who are willing to commit to longer-term goals, is now looking to invest in local-currency debt not as a second option but as part of their initial investment.

In the case of Mexico, local markets volume, at US$ 336 billion, accounted for 83% of total Mexican volume in the first quarter of 2007. Domestic demand has been driving much of the Mexican local markets volume. Mexican instruments remained the most frequently traded instruments overall, with a 24% share of total Survey volume. However, while Mexico dominated the local markets trading, Brazil remained at the top of the external debt trading.

Brazilian instruments were the second most frequently traded in the first quarter, but trading volumes declined by 37% compared to the same quarter a year ago. Brazilian activity accounted for 16% of total debt turnover (chart 4). Eurobonds accounted for 50% of total Brazilian volume, while local instruments accounted for 40%.

Chart 4:
Q1 2007 Emerging Markets Debt Trading Volume:
Country Shares



Source: ECLAC with data from EMTA.

According to JPMorgan, inflows into emerging market fixed income have been much steadier than into emerging market equities, and have been increasingly directed to local markets and corporate debt, as external debt issuance shrinks and investors scale back positions in external debt. In the first quarter of 2007, local markets debt, as measured by JPMorgan GBI-EM Global Index[2], outperformed external debt in Latin America. The GBI-EM Global Diversified has been one of JPMorgan's best performing benchmarks year-to-date (+7.7% in USD unhedged).

Positive rating changes outnumbered negative ones in the first quarter, further supporting asset prices in Latin American markets. Nine countries had their ratings raised or their outlook positively revised so far this year, with only Ecuador and Venezuela suffering negative actions at the beginning of the year (Box 1).

BOX 1: CREDIT RATING ACTIONS IN LATIN AMERICA – 2007 YEAR-TO-DATE

Since the beginning of the year, there have been only three negative credit rating actions in Latin America and the Caribbean. The negative actions were taken on Ecuador, whose new administration announced its intentions to restructure its debt, and on Venezuela, given its announcement of upcoming reforms, including the nationalization of the telecommunications and energy sectors. Both announcements contributed to increase uncertainty with regards to economic policy in the region. There were 9 positive credit rating actions by S&P and 6 by Moody's.

Positive Actions: 15

January

- Argentina: on January 16, **Moody's raised the sovereign's credit outlook to positive** from stable, citing improvement in the fiscal accounts, robust economic growth and the substantial accumulation of international reserves.

(Continued)

[2] In January 2006, JPMorgan introduced the Government Bond Index-Emerging Markets (GBI-EM) to provide investors with a benchmark that tracks local currency government bonds issued by emerging markets.

Box 1 – (cont.)

February

- Belize: on February 13, **Moody's upgraded the sovereign's ratings following the restructuring of external debt.** The country's foreign currency bond ratings were raised two notches from Caa3 to Caa1, with a stable outlook.
- Belize: on February 20, **S&P upgraded Belize's foreign currency rating to "B" from "SD-selective default" following the restructuring of external debt.** The restructuring helped to lengthen debt maturity and decrease interest payments, although it did not reduce the government's debt stock.

March

- Colombia: on March 05, **S&P upgraded Colombia's sovereign external debt rating to BB+ from BB with a stable outlook**, noting the "significantly improved growth prospects", lower debt and reduced external vulnerabilities. The action brought the sovereign to only one notch below investment grade.
- Jamaica: on March 07, S&P affirmed Jamaica's sovereign external debt rating, with a stable outlook.
- Peru: on March 08, **the sovereign rating was placed under review for a possible upgrade by Moody's.** The announcement was not a surprise to market participants as Moody's rates the sovereign at Ba3, two notches below both S&P (BB+) and Fitch (BB+). The action was prompted by Peru's improved external balances.

May

- Dominican Republic: on May 02, **Moody's upgraded the Dominican Republic to B2 from B3**, citing the recovery in the economy over the last two years and the reduction of debt ratios to pre-crisis levels.
- Panama: on May 03, **S&P revised the outlook for Panama's sovereign debt to positive from stable**. The agency said it will upgrade the rating if improvements in the fiscal position endure, the economy continues to diversify, and the expansion of the Panama Canal does not overburden government finances.
- Uruguay: on May 03, **S&P also revised the outlook on Uruguay's B+ rating to positive,** citing recent liability management operations and improved fiscal and external ratios.
- Brazil: on May 16, **S&P upgraded the sovereign to BB+**, and the long-term local currency rating two notches to an investment grade rating of BBB, from BB+. The upgrades reflected continued declines in fiscal and external vulnerabilities and proactive debt management. S&P kept a positive outlook on the rating. The action brought Brazil just to one notch below investment grade.
- Brazil: on May 24, **Moody's placed Brazil's long-term foreign currency rating on review for a possible upgrade.** An upgrade to one notch below investment grade is widely expected by markets, in light of upgrades granted by S&P and Fitch.

June

- Paraguay: on June 04, citing fiscal surpluses, **S&P raised Paraguay's sovereign credit rating one notch to B**, five steps below investment grade.
- Panama: on June 05, **Moody's upgraded Panama's ceiling one notch to A3**, its fourth lowest investment grade rating. Moody's rating action does not affect Panama's sovereign credit rating, which remains unchanged at Ba1, one notch below investment grade. In support of the action the agency cited a decline in the risk of disruption to the nation's dollar payments system, and the country's recent relative macroeconomic and political stability.

S&P released new sovereign recovery ratings on June 12, providing positive news for Colombia, Costa Rica and Uruguay. It created a new category, the *Sovereign Recovery Rating (SRR)*, which assigns countries numerical values representing recovery values, whereas the traditional *Issuer Credit Rating (ICR)* essentially captures only the probability of a default taking place. According to the new "recovery ratings", the foreign currency unsecured ratings of bonds in three Latin American countries were upgraded (the countries' issuer credit ratings remain unchanged):

- Colombia: on June 12, **S&P upgraded the foreign currency unsecured debt to BBB- (investment grade).** However, for investors who are only allowed to invest in investment grade countries, Colombian bonds will still not qualify, since Colombia's ICR remains BB+, one notch below investment grade.
- Costa Rica: on June 12, **S&P upgraded Costa Rica's foreign currency unsecured debt to BB+ from BB.**
- Uruguay: on June 12, **S&P upgraded the foreign currency unsecured debt to BB-.**

(Continued)

Box 1 – (conclusion)

Negative Actions: 3

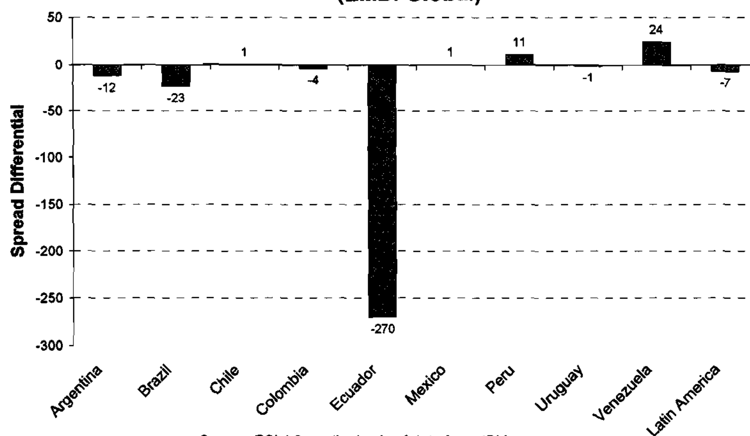
January

- Venezuela: on January 11, **S&P lowered Venezuela's credit rating outlook to stable from positive,** citing the announcement of policies to increase state control over the economy, as well as plans to strip the central bank of its autonomy, as a concern.
- Ecuador: on January 22, **S&P cut the sovereign's credit rating to CCC and lowered the outlook to negative from stable,** citing the government's intention to restructure its foreign-currency-denominated debt, the subordination of timely debt service to other political priorities, and the historically weak payment culture.
- Ecuador: on January 30, **Moody's downgraded the country's foreign-currency bond rating one notch to Caa2, and lowered the outlook on the rating to negative from stable,** highlighting the repeated debt restructuring threats from the new administration, and noting that with debt service already low, "a meaningful alleviation of cash flow could only be obtained by restructuring with sizeable losses to creditors."

A. Spreads[3]

The JPMorgan EMBI Global tightened by only 1 basis point in the first quarter of 2007, and by 16 basis points in the first five months of the year. Its Latin American component tightened by 7 basis points in the first quarter, and 19 basis points in the first five months of the year. Spreads narrowed for most countries in our sample, with exception of Venezuela and Peru (chart 5). Spreads widened in February and resume their descent in March, quickly recovering from the short period of market turbulence of late-February and early-March. With the exception of Argentina and Venezuela, spreads narrowed further in April and May.

Chart 5:
Spread Differentials Q1 2007
(EMBI Global)



Source: ECLAC, on the basis of data from JPMorgan.

[3] The spread levels discussed in this section refer to the EMBI Global Index, which also includes Chile and Uruguay in addition to the countries included in the EMBI+.

Argentina's bond spreads narrowed 12 basis points in the first quarter of 2007 with spreads falling from 216 basis points at the end of December to 204 basis points at the end of March. However, spreads widened 68 basis points in April and 5 basis points in May. For the first five months of the year Argentina's spreads widened 51 basis points. Although Argentina's real GDP growth remains high and the external balance strong, fiscal policy is under pressure from the general October elections, and as the date comes closer, the fiscal deterioration will become more discernible. In addition, the controversy surrounding personnel changes at the National Statistical Bureau (INDEC), raised concerns among market participants that the inflation data could be compromised, and has not yet faded away. CPI reporting problems have dragged on, adversely affecting bond spreads.

Brazilian spreads tightened 23 basis points in the first quarter, from 190 basis points at the end of December to 167 basis points at the end of March. Spreads tightened further in April and May. For the first five months of the year Brazilian spreads narrowed by 48 basis points. Strong balance of payments, a strong currency and receding inflation have paved the way for monetary easing, and have supported further spread tightening in 2007. External debt buyback operations and the increasing securitization of private credit and real state have also supported tighter spreads. The recent upgrades of Brazil's sovereign credit have left the sovereign only one notch below investment grade. When Mexico reached investment grade five years ago its bonds traded at 300 basis points over Treasuries. Brazil's spread was 142 basis points at the end of May, already less than half that, even without reaching investment grade.

Chilean spreads widened by 1 basis point in the first quarter, from 84 basis points at the end of December to 85 basis points at the end of March. Spreads tightened in April, thus for the first five months of the year Chile's spreads tightened 4 basis points. Chile has the lowest spread in the Latin American composite of the EMBI Global, reflecting the country's solid macroeconomic stability and low financial needs. Economic activity has been recovering following a period of sluggishness at the end of last year, given ongoing improvements in the labor market and the broad-based demand supporting the economy.

Colombian spreads fell from 161 basis points at the end of December, to 157 basis points at the end of March, tightening 4 basis points in the first quarter of the year. Spreads tightened further in April and May, thus for the first five months of the year Colombian spreads narrowed by 43 basis points. Upbeat GDP growth and positive technicals supported the tightening in bond spreads. Colombia fulfilled its borrowing requirements for 2007 by the end of November of last year, and has been trying to curb foreign exchange strength, as capital inflows continue to sustain the peso appreciation and to feed inflationary pressures.

Ecuadorian spreads fell from 920 basis points at the end of December to 650 basis points at the end of March, tightening 270 basis points in the first quarter. Spreads narrowed further in April. After widening by 308 basis points in December 2006 alone, following the second round of the presidential election at the end of November, spreads began to decline. Concerns that the new administration would seek a restructuring of the country's external debt caused the sharp sell-off of Ecuadorian bonds in December of last year, but the government has since been saying it will continue to service bonds until it comes up with a concrete restructuring plan, what has kept markets placated so far.

Mexican spreads widened 1 basis point in the first quarter, from 115 basis points at the end of December to 116 basis points at the end of March. Spreads fell in April and May, thus for the first five months of the year they tightened 22 basis points, falling from 115 basis points at the end of December to 93 basis points at the end of May. Progress on fiscal reform and lower inflation should support Mexican bonds and long-term rates.

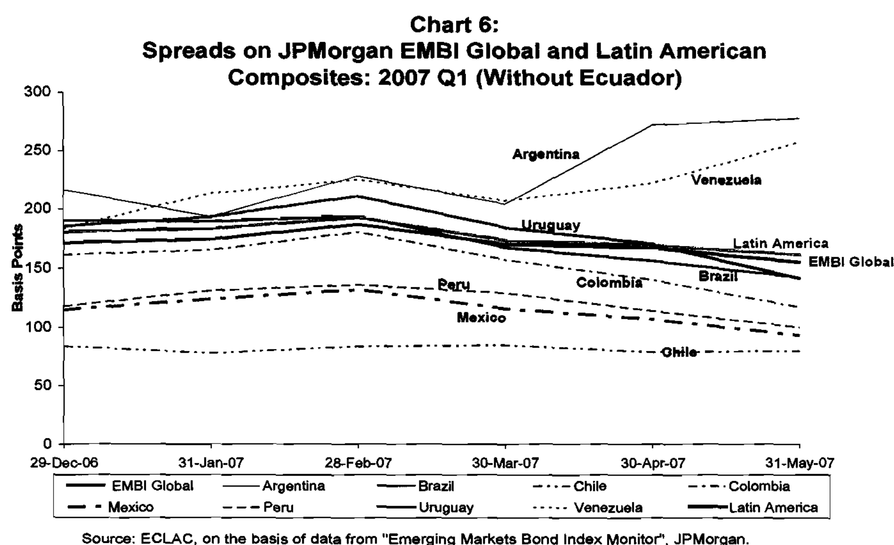
Peruvian spreads widened by 11 basis points in the first quarter, from 118 basis points at the end of December to 129 basis points at the end of March. Spreads tightened in April and May, however, falling from 129 basis points at the end of March to 100 basis points at the end of May. For the first five months of the year Peruvian spreads tightened 18 basis points. Domestic activity continued to expand in the first quarter, inflation dynamics remain very benign and there is more liability management operations

being contemplated. The government has started negotiations with the Paris Club and has indicated that it seeks to finance its Paris Club debt prepayment with long-term local-currency-denominated debt.

Uruguayan spreads tightened 1 basis point in the first quarter, and following the pattern of other countries in the region spreads tightened further in April and May. For the first five months of the year spreads tightened 48 basis points, falling from 185 basis points at the end of December to 141 basis points at the end of May. Economic outlook remains upbeat and the approach to economic policy continues to be prudent.

Finally, Venezuelan spreads widened by 24 basis points in the first quarter, from 183 basis points at the end of December to 207 basis points at the end of March. Spreads widened further in April and May, contrary to the trend in most of the countries of the region, as concerns over the government's economic policies have mounted. GDP continued to advance vigorously in the first quarter, but at the expense of inflation and the trade surplus. Concerns regarding overheating remain, while the current account surplus has been reduced by a half compared to the first quarter of 2006. Overheating and economic distortions are still a concern, but scarcity and relatively high oil prices continue to support Venezuelan debt.

Chart 6:
Spreads on JPMorgan EMBI Global and Latin American Composites: 2007 Q1 (Without Ecuador)



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

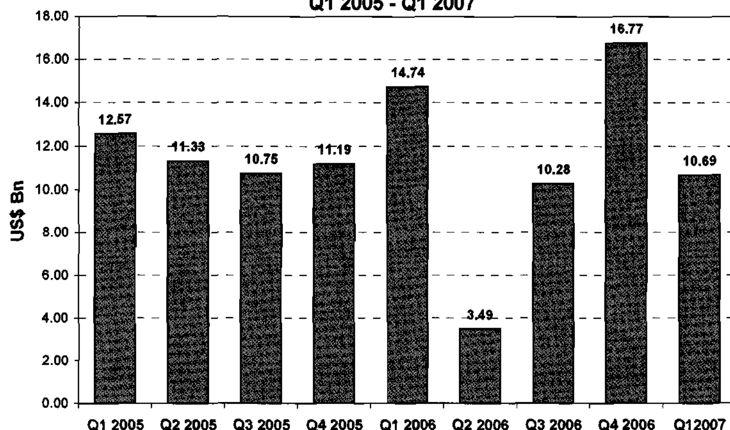
B. Issuance

According to ECLAC estimates based on JPMorgan data, emerging markets issuance in the first quarter of 2007 reached US$ 58.1 billion, compared to US$ 47.3 billion in the fourth quarter and to US$ 45.8 billion in the first quarter of 2006. Emerging markets issuance was strong in the first quarter, despite the turbulence in financial markets in late-February and early-March, with high levels of liquidity, low risk aversion and strong inflows supporting emerging markets in both local and external debt. New issuance responded to the favorable borrowing conditions and historically low yields, as well as to the improving quality of emerging markets credit.

Latin American bond issuers placed a total of US$ 10.7 billion in international capital markets in the first quarter, less than the US$ 16.8 billion placed in the forth quarter and the US$ 14.7 billion place in the first quarter of 2006 (see chart 7). The smaller amount may reflect the lower financial needs of the sovereigns of the region in 2007, having pre-financed almost half of its 2007 financial needs by the end of

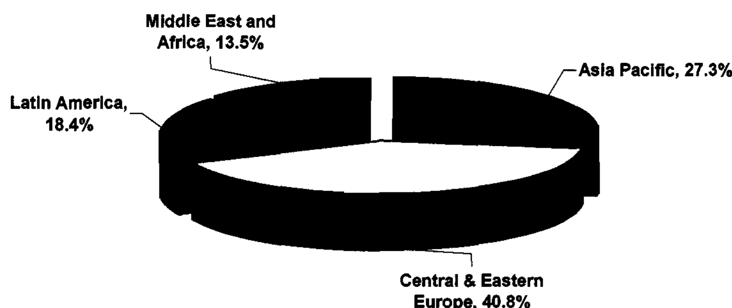
2006. Latin American issuance was the third largest share of total emerging markets issuance following Emerging Europe and Asia (see chart 8).

Chart 7:
Latin American Issuance by Quarter
Q1 2005 - Q1 2007



Source: ECLAC, on the basis of data from JPMorgan.

Chart 8:
Emerging Markets Debt Issuance: Regional Breakdown
Q1 2007



Note: Total emerging markets debt issuance for Q1 2007 is US$ 58.1billion.
Source: ECLAC, on the basis of data from JPMorgan.

Latin American issuance remained dominated by corporates in the first quarter of 2007, which amounted to US$ 7.8 billion or 73% of total Latin American issuance. Corporate issuance in the region has been well distributed across industries, with energy- and commodities-related deals representing the biggest share of the corporate deals, followed by the bank, and the technology and telecom sectors. Brazilian corporates accounted for the largest share of total corporate issuance within the region (37.6% of all Latin American corporate issuance), followed by Mexico (27.8%). However, first quarter corporate issuance in Latin America included many deals rated B+ or below. Some of the liquidity in financial markets has been going to firms in the region that should be paying much more to compensate for the risk. The combination of low-credit debt and increasing participation by cross-over investors for whom the market represents an off-index bet, could result in a substantial correction and in a "flight-to-quality" sell-off if liquidity suddenly dries up.

Sovereigns to tap the international capital markets in the first quarter of 2007 were Brazil, Jamaica, Panama and Uruguay, and local-currency issuance accounted for 55% of the total amount issued

by these sovereigns (see appendix C). Sovereign issuance amounted to US$ 2.9 billion or 27% of Latin American issuance in the first quarter (table 1). 77.5% of the Latin American bonds issued (sovereign and corporate combined) were denominated in dollars, and 22.5% in local currencies, which included Brazilian reais, and Mexican and Uruguayan pesos (table 2). With sovereign debt stock shrinking, new inflows have been moving to corporate and local currency debt.

Table 1
Issuer Type Breakdown
(% of Latin America's Total)

Issuer Type	2007 Q1
Sovereign	27.0%
Corporate*	73.0%

*Also includes bank issuance.
Source: ECLAC, with data from JPMorgan.

Table 2
Currency Breakdown
(% of Latin America's Total)

Currency	2007 Q1
Dollar	77.5%
Euro	0.0%
JPY	0.0%
Other*	22.5%

* Issuance in Brazilian Reias, Mexican and Uruguayan Pesos.
Source: ECLAC, with data from JPMorgan.

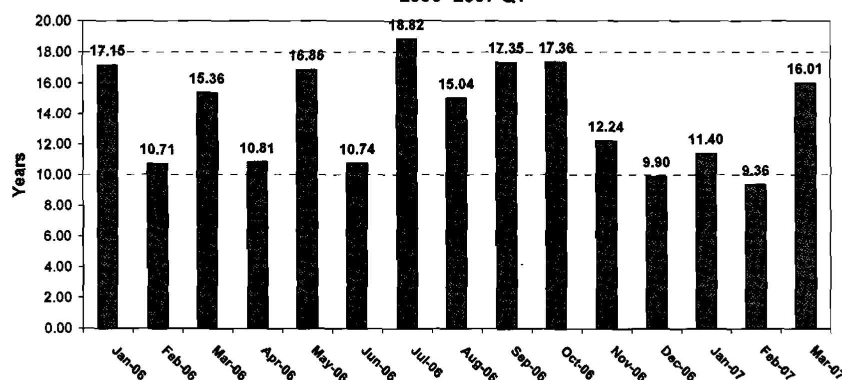
Brazil was the biggest sovereign issuer, with a share of 55% of the region's total sovereign issuance, followed by Uruguay with 17%. Brazil was also among the top five issuers in emerging markets (sovereign and corporate issuance combined) in the first quarter, ranking fourth, with total issuance amounting to US$4.5 billion (table 3). Brazil issued 42% of the total Latin American issuance in the first quarter. Mexico was the second biggest issuer in the region (sovereign and corporate combined), with total issuance of US$ 2.2 billion or 21% of the Latin American total.

Table 3
Top 5 Issuers
In Emerging Markets*
2007 Q1

Country	Amount (US$mn)
Russia	10,839
UAE	5,526
Kazakhstan	5,070
Brazil	4,522
India	3,725

* Sovereign and Corporate Combined
Source: ECLAC, with data from JP Morgan.

Chart 9:
New Latin American Debt issuance: Average Maturity
2006- 2007 Q1



Note: monthly averages do not include perpetual bonds.
Source: ECLAC, on the basis of data from JPMorgan.

Favorable borrowing conditions and improved debt structures have been reflected on the higher average maturity of the new debt issued in the region (chart 9). Brazilian and Mexican corporates issued two perpetual bonds each in the first quarter of 2007. Perpetual bonds have no maturity date, thus are not redeemable, but pay a steady stream of interest forever. A perpetual bond offers a longer duration for investors seeking long-term investments.

The Latin American debt market continued its maturation process in the first quarter, characterized by proactive liability management, an extension in the maturity profile of debt, increase in the share of domestic financing and development of domestic capital markets, as well as legislative improvements and structural reforms.

In January, Brazil did an unexpected tap of its 2037 dollar bond, selling US$ 500 million of its 7.125% global. The Andean Development Corporation (CAF) opened its dollar bond at the end of the month, tapping the 5.75% 2017 for US$ 250 million, bringing the total size to US$ 500 million. The rest of the total amount issued in January came from the corporate sector, totaling US$ 3 billion (appendix C, table 4).

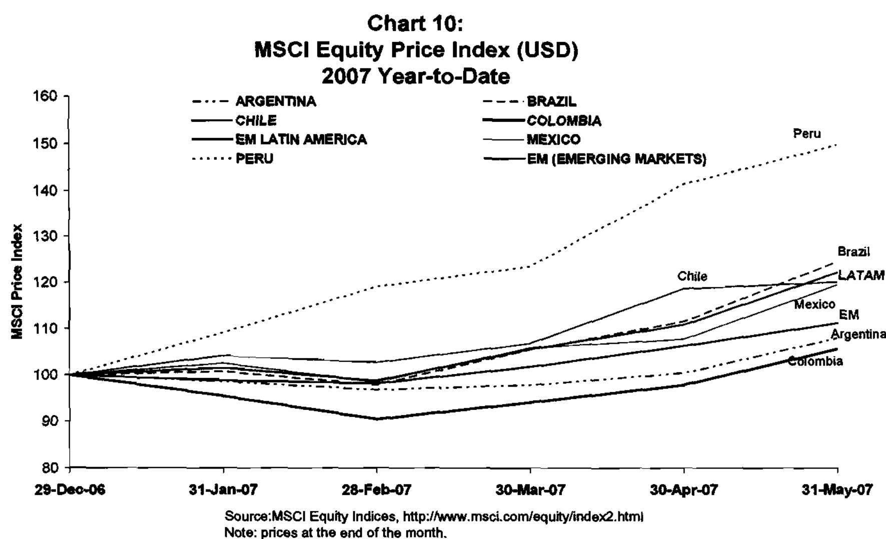
In February, Brazil extended its global local currency curve with a 21-year bond of 1.5 billion *reais* (US$ 720 million). In a sign that the region's debt markets have matured, Digicel, a Jamaica-based wireless provider, issued US$ 1.5 billion in CCC-rated bonds in international markets (appendix C, table 5), a jumbo junk deal that was priced at a tighter than expected 8.875% on a US$ 1 billion cash pay portion and 9.125% on a US$ 400 million notes portion. In addition, Peru implemented its biggest liability management operation as February closed, taking out US$ 2.3 billion worth of 2012 globals and two classes of Brady bonds. Argentina raised US$ 500 million in February through the fourth and final sale of Bonar VII bonds (issued under Argentine law) from a US$ 2 billion program, and Venezuelan investors hurried to buy the second Bond of the South (Bono del Sur) issue at the end of the month, with demand reportedly exceeding the US$ 1.5 billion on offer by 9 times. The new bond packaged together US$ 750 million of Venezuelan government 2019 TICCs and US$ 750 million of Argentine dollar-denominated Boden 2015, and the heavy demand for the bond reflects local investors' appetite for dollars.

In March, Brazil reopened the 2028 for 750 million *reais* (US$ 364 million), and Jamaica, Panama and Uruguay also tapped international capital markets with sovereign issues (appendix C, table 6). Sovereign issuance accounted for half of the total March issuance, with the rest coming from the corporate sector.

II. Portfolio equity flows into Latin America

Latin American equity markets registered double-digit gains since the end-2006, despite market jitters in late-February and early-May. The Morgan Stanley Capital International (MSCI) Latin American Price Index gained 22.1% for the first five months of the year (chart 10). Brazil, Chile, Mexico and Peru registered double-digit gains, surging 24%, 20%, 19% and 50%, respectively. Argentina and Colombia gained 8% and 6%, respectively. The quick recovery of Latin American asset prices after the sell-off indicated that investors' willingness to take risk remained strong, and that the market confidence on the region was not easily displaced, even by sharp fluctuations in asset prices.

Chart 10:
MSCI Equity Price Index (USD)
2007 Year-to-Date



Source:MSCI Equity Indices, http://www.msci.com/equity/index2.html
Note: prices at the end of the month.

In the first quarter, Latin America's MSCI gained 5.6% in dollar terms, following a gain of 21.1% in the fourth quarter of 2006. Peru showed the biggest gain in the first quarter (23.4%), followed by Chile (6.7%), Mexico (5.8%), and Brazil (5.5%). Argentina and Colombia registered losses in the quarter, as equity prices fell by 2.4% and 6%, respectively, during the period of market turbulence, and did not

recover by the end of the quarter. At the year ending on March, Latin American equity markets gained 18% (table 4).[4]

Table 4
Stock Price Indexes
Q2, Q3, Q4, 2006 - Q1 2007

	Price Index in US Dollars					Variation				
	31-Mar-06	30-Jun-06	29-Sep-06	29-Dec-06	30-Mar-07	Q2/06	Q3/06	Q4/06	Q1/07	Mar06-Mar07
Emerging markets	787.802	747.545	778.166	912.655	929.030	-5.11%	4.10%	17.28%	1.79%	17.93%
Latin America	2,469.40	2,368.20	2,473.06	2,995.67	3163.2	-4.10%	4.43%	21.13%	5.59%	28.10%
Argentina	2,370.29	2,473.90	2,307.66	3,084.08	3014.58	4.37%	-6.72%	33.65%	-2.25%	27.18%
Brazil	1,886.23	1,821.85	1,790.82	2,205.43	2325.91	-3.41%	-1.70%	23.15%	5.46%	23.31%
Chile	1,263.74	1,169.27	1,262.84	1,492.42	1592.6	-7.48%	8.00%	18.18%	6.71%	26.02%
Colombia	580.398	395.246	470.735	549.79	516.85	-31.90%	19.10%	16.79%	-5.99%	-10.95%
Mexico	4,215.96	4,016.03	4,645.12	5,483.30	5802.94	-4.74%	15.66%	18.04%	5.83%	37.64%
Peru	483.502	543.691	598.707	671.351	828.2	12.45%	10.12%	12.13%	23.36%	71.29%
Venezuela	161.066	151.44	156.172	174.127	NA	-5.98%	3.12%	11.50%	NA	NA

Source:MSCI Equity Indices, http://www.msci.com/equity/index2.html

Despite the overall steady performance of the economies in the region, the Institute of International Finance (IIF) projects that net portfolio equity outflows will take place in Latin America in 2007. Net outflows are expected to drop below US$ 2 billion in 2007, after exceeding US$ 2.4 billion last year. According to the IIF, the bulk of the net outflows from the region will come from Chile, where for the seventh consecutive year pension fund managers will diversify their portfolios through the purchase of overseas stocks. Brazil is expected to attract the most portfolio equity investment in Latin America, a projected US$ 5 billion according to the IIF, with IPO activity staying strong as medium-size companies outgrow family-owned business models and seek to increase equity issuance.

Latin America was voted the most popular region for investors in emerging markets in a poll conducted by Merrill Lynch in April. In March, Asia was the preferred region. According to the latest report from Emerging Portfolio, an American consulting firm specialized on global investment funds, foreign investors are shifting their attention to Latin American markets following the Chinese government's decision to impose restrictions on its stock market, most recently the decision to enforce a tax increase on stock investments from 0.1% to 0.3% at the end of May. While investors pulled out more than US$ 1 billion from Shanghai's stock market, Latin American equity markets received about US$ 810 million in the first week of June in dedicated funds, the strongest weekly inflow since Emerging Portfolio started to follow these funds in 2000. According to the report, this was a bet on strong economic growth in China and on China's robust demand for Latin American commodities.

[4] Venezuela's stock market lost almost a third of its value after two of its largest and most liquid stocks were delisted. After the government's announcement in January that CANTV, Venezuela's largest telecommunications company and until then its largest traded company, and Electricidad de Caracas, the largest remaining private electricity utility, would be nationalized, their shares were removed. There is thus no data available for Venezuela since the beginning of the year.

III. Bank Lending[5]

Latin America received net lending of US$ 5.8 billion in the fourth quarter of 2006, following net repayments to commercial banks of US$ 3.3 billion in the third quarter. Claims on the region increased by US$ 11.2 billion, while liabilities increased by US$ 5.4 billion. According to the BIS Quarterly Review, the continued growth in claims on Latin American residents was primarily due to an expansion in reporting banks' local claims in local currency. This was especially true for Mexico and Brazil.

Mexico was the country receiving the largest net inflow of funds in the region in the final quarter of 2006 (US$ 11.3 billion), followed by Brazil (US$ 1.7 billion). Mexico and Brazil were the only countries to receive net lending from commercial banks in the fourth quarter of 2006. Argentina, Chile, Colombia and Venezuela experienced a net outflow of funds of US$ 1.9, US$ 1.2, US$ 0.82 and US$ 1.1 billion, respectively (table 5).

Table 5

Cross-border bank flows to Latin America

Exchange rate adjusted changes in amounts outstanding, in billions of US$ dollars

	Banks Position*	2006				Stocks at end-Dec 2005	Stocks at end -Sep 2006	Stocks at end-Dec 2006	Growth Q4 2006	Growth 2006
		Q1	Q2	Q3	Q4					
Latin Ameri	Claims	12.8	4.0	9.3	11.2	261.2	284.6	298.1	4.8%	14.1%
	Liabilities	26.1	-4.2	12.6	5.4	304.3	323.8	331.2	2.3%	8.8%
Argentina	Claims	0.2	0.5	0.04	0.51	14.8	15.6	16.3	4.2%	10.0%
	Liabilities	0.4	0.7	-0.4	0.7	23.1	24.0	24.9	3.5%	7.6%
Brazil	Claims	11	0.7	1.0	5.5	85.1	98.8	104.9	6.1%	23.2%
	Liabilities	9.4	-5.6	-1.6	3.8	49.2	52.1	56.2	7.9%	14.3%
Chile	Claims	0.8	2	-0.3	1.4	21.7	24.6	26.1	6.2%	20.5%
	Liabilities	5.9	0.9	-1.1	2.6	17.3	23.0	25.7	11.3%	48.3%
Colombia	Claims	0.1	-0.1	1.0	-0.02	9.5	10.6	10.7	0.3%	12.2%
	Liabilities	-0.8	0.8	2.0	0.8	10.7	12.8	13.6	6.3%	26.7%
Mexico	Claims	1.5	4.2	6.8	3.0	60.4	73.9	77.9	5.5%	29.0%
	Liabilities	5.0	5.0	10.1	-8.3	60.0	76.2	68.6	-9.9%	14.3%
Venezuela	Claims	-0.6	-0.6	-0.1	-0.1	13.4	11.0	11.0	-0.3%	-18.1%
	Liabilities	-4.1	-4.1	0.6	1.1	50.4	45.3	46.7	3.0%	-7.3%

Source: BIS Quarterly Review (Table 6A), June 2007.

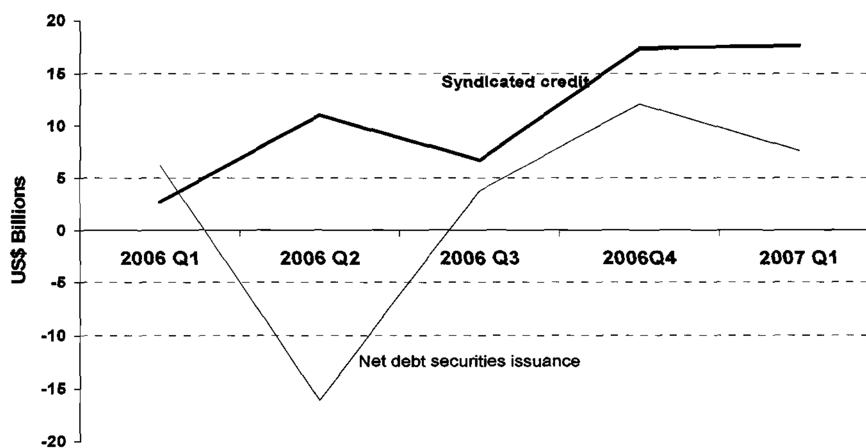
* External on-balance sheet positions of banks in the BIS reporting area. Liabilities mainly comprise deposits.

An increase in claims represents an inflow into Latin American economies; an increase in liabilities an outflow.

[5] The latest data available on bank lending is for the last quarter of 2006.

Activity in the international market for syndicated loans was very strong in the first quarter of 2007, following an equally strong fourth quarter. Although syndicated credits data are not necessarily a reliable proxy for future bank lending, the data indicates that bank lending will continue to grow in the first half of 2007 (chart 11).

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



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

* Net Issuance: Gross Issues - Repayments

IV. Prospects

After a strong 2006, emerging and Latin American markets were off to an uneven start in 2007. Both the EMBI Global (EMBIG) and the GBI-EM Global Diversified were down -0.30% and -0.80%, respectively, in January,[6] given the return of some degree of uncertainty to the region. Ecuador's new administration confirmed in January its intentions to restructure its debt, although still lacking a debt restructuring plan, what prompted the country's sovereign credit rating to be downgraded by all credit rating agencies. However, the government has since been saying it will continue to service bonds until it comes up with a concrete restructuring plan, what has placated markets somewhat. Venezuela's announcement of upcoming reforms, including the nationalization of the telecommunications and energy sectors, also contributed to increase uncertainty with regards to economic policy in the region, but Venezuelan debt continues to be supported by relative scarcity and high oil prices, what has mitigated market concerns.

Despite the bumpy start and the sudden shift in market sentiment in late-February and early-March, triggered by steep declines in global equity markets and by concerns about the U.S. mortgage market and its potential impact on the U.S. economy, Latin American markets performed well in the first quarter. Latin American spreads tightened to new lows, equity prices climbed further, debt management operations continued, issuance in local currency and by the corporate sector increased. Governments are expected to continue to switch to local-currency financing to reduce the volatility of their debt service, while flexible exchange rates will continue to contribute to the increase in liquidity and maturity of the debt markets in the region. The combination of a shrinking sovereign debt market, tightening yields and currency appreciation have been pushing investors out of external debt and into local markets.

The fact that the countries of the region can borrow in their own currency reflects a confluence of forces. Low inflation rates around the world make it less likely that sharp currency devaluations will take place. Low interest rates in many developed countries have led global investors to take more risk to get higher returns or borrow in low-rate countries like Japan and invest in higher-rate emerging markets. At the same time, financial markets have evolved, with the growth in derivatives markets and credit-default swaps meaning that investors can better cover exchange-rate risk and credit-event risk internationally than in the past. The government budgets of Latin American countries are in better shape, and the rise in

6 JPMorgan, *Emerging Markets Outlook and Strategy*, 2 February 2007.

pension funds, insurance companies and mutual funds in the region creates an appetite for local-currency bonds.

New inflows are also moving out of external debt and into corporate debt. However, the hunt for yield is entering a fundamentally "undisciplined" market according to a corporate forum hosted by EMTA. U.S. rate hikes, tight valuations and a lack of experience at the CEO, investor and analyst levels are a concern, and an increasing amount of new corporate issuance in the region is junk rated. Investors must be more selective and try to secure cover before the corporate market is put to a test. As the latest issue of *LatinFinance* stresses, corporate contagion would have distressing consequences for a region which still considers that the main risks it is facing are external.[7]

From the external side, the key risks to Latin American markets' outlook include geopolitical tensions with possible implications for energy prices, a sharper slowdown in U.S. growth or an acceleration in inflation, spillover effects from credit and financial market shocks, and a disorderly adjustment of the large global imbalances. However, the global economy remains in good shape and most analysts predict that global growth will continue. Moreover, the U.S. economy is expected to rebound in the second quarter and inflation to remain under control, thus the Latin American financial and economic prospects remain benign for future quarters.

[7] "Corporate Time Bomb Ticking", *LatinFinance,* Number 188, June 2007.

Appendix

A. Credit Ratings

Table 1:

Credit Ratings in Latin America, 2007 Year-to-Date

	Moody's		S&P		Recent Moody's Action		Recent S&P Action	
	Rating	View	Rating	View	Action	Date	Action	Date
Argentina	B3	(+)	B+		O/L changed to (+)	16-Jan-07	Upgrade, stable	2-Oct-06
Barbados	Baa2		BBB+		Affirmed, stable	9-Jul-02	O/L changed to stable	26-Jul-06
Belize	Caa1		B		Upgrade, O/L stable	13-Feb-07	Upgrade, O/L stable	20-Feb-07
Bolivia	B3		B-	(-)	Affirmed, stable	16-Apr-03	Affirmed, O/L (-)	22-Dec-06
Brazil	Ba2	+	BB+	(+)	Review for possible upgrade	24-May-07	Upgrade, O/L (+)	16-May-07
Chile	A2		A	(+)	Upgrade, stable	7-Jul-06	O/L changed to (+), Affirmed	14-Dec-06
Colombia*	Ba2		BBB-		Affirmed,O/L changed to stable	9-Mar-06	Upgrade	12-Jun-07
Costa Rica*	Ba1		BB+		Affirmed O/L changed to stable	27-Jun-06	Upgrade	12-Jun-07
Cuba	Caa1		nr		Assigned	5-Apr-99		
Dominican Republic	B2		B	(+)	Upgrade, stable	2-May-07	Affirmed,O/L changed to (+)	17-Aug-06
Ecuador	Caa2	(-)	CCC	(-)	Downgrade, O/L changed to (-)	30-Jan-07	Downgrade, O/L changed to (-)	19-Jan-07
El Salvador	Baa3		BB+		O/L changed to stable	18-Dec-03	Affirmed, stable	9-Aug-06
Guatemala	Ba2	(+)	BB-		O/L changed to (+)	24-Jul-06	Affirmed, stable	26-Oct-06
Honduras	B2		nr		Affirmed, stable	29-Sep-98		
Jamaica	B1		B		Downgrade, stable	27-May-03	Affirmed, stable	7-Mar-07
Mexico	Baa1		BBB		Upgrade, stable	6-Jan-05	Affirmed, stable	6-Sep-06
Nicaragua	B2		nr		Downgrade, stable	30-Jun-03		
Panama	Ba1		BB	(+)	Affirmed, stable	7-May-03	O/L changed to positive, Affirmed	3-May-07
Paraguay	Caa1		B		Downgrade, stable	28-Apr-03	Upgrade, O/L stable	4-Jun-07
Peru	Ba3	+	BB	(+)	Review for possible upgrade	8-Mar-07	Upgrade, O/L stable	20-Nov-06
Trinidad & Tobago	Baa1		A-		Upgrade, stable	13-Jul-06	Affirmed, stable	17-Aug-06
Uruguay*	B1		BB-		Upgrade, O/L stable	21-Dec-06	Upgrade	12-Jun-07
Venezuela	B2		BB-		Upgrade, stable	7-Sep-04	O/L changed to stable, Affirmed	11-Jan-07

Changes for 2007year-to-date are highlighted in yellow, for S&P actions, and in green, for Moody's actions.

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: JPMorgan, Emerging Markets Outlook and Strategy, January to June, 2007.

* S&P upgrades reflect issue rating, while country issuer rating is one notch lower.

Rating Scale					
	MOODY's	S&P		MOODY's	S&P
Upper Investment Grade	Aaa	AAA	Lower Non-Investment Grade	B1	B+
	Aa1	AA+		B2	B
	Aa2	AA		B3	B-
	Aa3	AA-		Caa1	CCC+
	A1	A+		Caa2	CCC
	A2	A		Caa3	CCC-
	A3	A-		Co	CC
Lower Investment Grade	Baa1	BBB+		C	C
	Baa2	BBB+	Default		SD
	Baa3	BBB-			D
Non-Investment Grade	Ba1	BB+			
	Ba2	BB			
	Ba3	BB-			

B. Latin American Spreads

Table 2:

Sovereign Spreads on JPMorgan EMBI+ and Latin American Composites

	EMBI+	*Argentina*	*Brazil*	*Colombia*	*Ecuador*	*Mexico*	*Peru*	*Venezuela*	*Latin America*
31-Jan-05	366	5129	418	365	644	162	239	461	439
28-Feb-05	343	4980	393	344	632	153	211	437	419
31-Mar-05	384	5393	458	396	660	180	239	459	466
29-Apr-05	395	6298	457	407	810	188	234	492	482
31-May-05	372	6498	420	354	875	164	206	498	455
30-Jun-05	307	462	414	332	808	168	206	466	350
29-Jul-05	290	413	402	317	735	152	173	434	331
31-Aug-05	296	439	413	309	727	152	169	425	337
30-Sep-05	244	349	345	236	634	136	138	309	280
31-Oct-05	253	371	357	258	660	132	176	302	288
30-Nov-05	248	495	340	239	642	117	158	323	288
30-Dec-05	245	504	311	238	669	126	206	318	283
31-Jan-06	217	440	266	195	579	115	160	251	243
28-Feb-06	191	354	221	158	574	103	143	228	210
31-Mar-06	192	344	235	174	524	127	187	190	215
28-Apr-06	178	314	218	157	483	122	181	167	199
31-May-06	215	369	273	207	504	146	178	212	239
30-Jun-06	221	385	254	239	519	138	169	228	235
31-Jul-06	196	346	223	208	488	120	152	200	209
31-Aug-06	194	320	223	204	532	111	135	208	209
29-Sep-06	208	342	233	200	608	121	171	233	224
31-Oct-06	194	294	223	185	513	113	150	225	209
30-Nov-06	199	298	223	192	612	121	158	235	217
29-Dec-06	169	216	192	161	920	98	118	182	186
31-Jan-07	172	193	182	165	822	106	131	211	188
28-Feb-07	185	228	195	180	717	114	136	224	198
30-Mar-07	166	204	167	157	650	97	129	206	175
30-Apr-07	164	272	156	140	600	88	114	222	173
31-May-07	153	277	142	117	620	75	100	259	168

Source: "Emerging Markets Bond Index Monitors"; JPMorgan.
EMBI+ composition by market sector (end-May 2007): Brady 15.65%; Benchmark Eurobonds 84.35%.
by country: Brazil and Mexico account for 35.18% of the total weighting.
by region: Latin: 57.34%; Non-Latin: 42.66%.

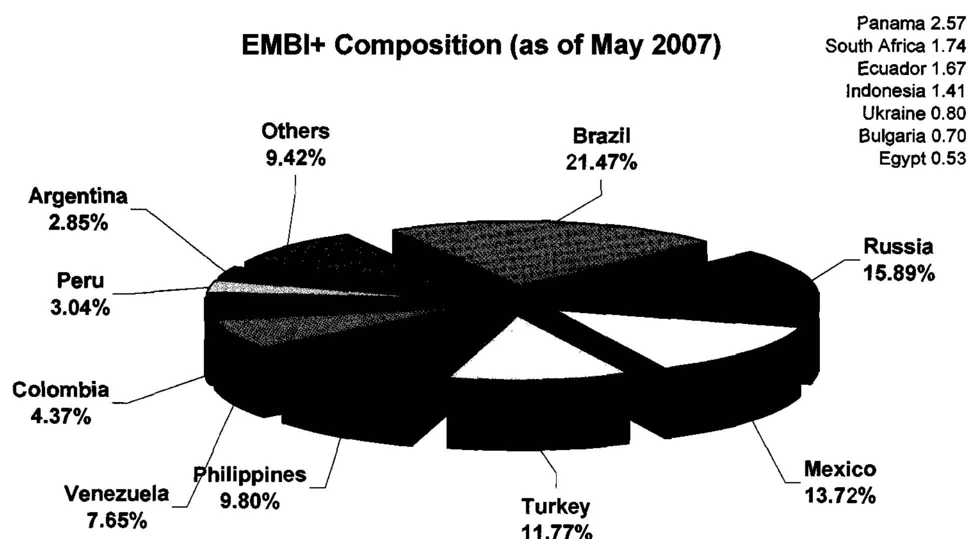


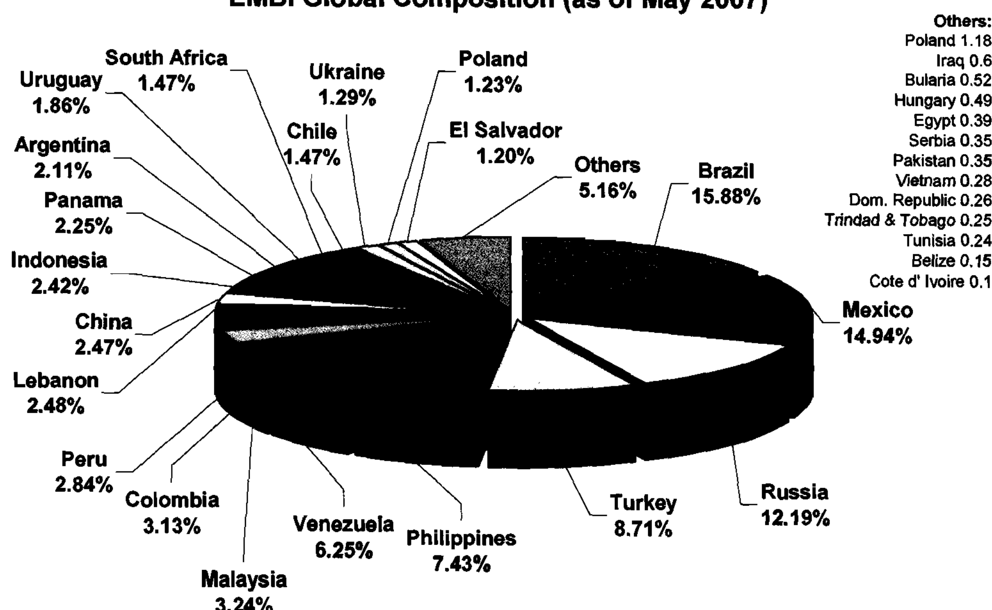
Table 3:

Sovereign Spreads on JPMorgan EMBI Global and Latin American Composites

	EMBI Global	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Uruguay	Venezuela	Latin America
31-Jan-05	356	5022	412	60	364	644	172	267	402	452	434
28-Feb-05	333	4827	388	59	343	632	161	247	344	427	413
31-Mar-05	373	5105	455	71	393	660	188	277	427	455	459
29-Apr-05	384	5757	452	72	406	810	198	279	470	491	473
31-May-05	364	5956	415	68	353	875	176	251	446	494	448
30-Jun-05	297	462	409	60	331	808	181	252	406	460	337
29-Jul-05	276	413	397	56	316	735	165	218	366	430	316
31-Aug-05	281	439	409	55	307	727	165	223	376	419	320
30-Sep-05	235	349	341	55	240	634	82	183	310	303	267
31-Oct-05	242	371	353	74	261	660	146	213	327	298	274
30-Nov-05	237	495	337	74	243	642	133	199	320	318	274
30-Dec-05	237	504	308	80	244	661	143	257	298	313	272
31-Jan-06	210	440	264	73	200	565	132	203	247	248	233
28-Feb-06	187	354	218	68	156	551	122	185	231	223	204
31-Mar-06	191	344	232	73	263	503	140	226	223	190	208
28-Apr-06	179	314	215	78	157	461	135	205	224	167	194
31-May-06	210	369	270	85	207	487	157	209	271	212	230
30-Jun-06	218	385	252	83	239	506	154	202	307	226	231
31-Jul-06	197	346	222	88	208	470	135	184	265	199	206
31-Aug-06	197	320	222	85	204	515	130	170	252	207	205
29-Sep-06	208	342	232	85	202	608	141	169	254	233	218
31-Oct-06	194	294	222	81	197	513	132	150	229	225	204
30-Nov-06	200	298	221	90	208	612	140	158	231	234	211
29-Dec-06	171	216	190	84	161	920	115	118	185	183	180
31-Jan-07	174	193	189	78	165	822	124	131	193	213	183
28-Feb-07	187	228	194	84	180	717	132	136	211	225	193
30-Mar-07	170	204	167	85	157	650	116	129	184	207	173
30-Apr-07	167	272	156	79	140	600	107	114	170	222	169
31-May-07	155	277	142	80	117	620	93	100	141	257	161

Source: "Emerging Markets Bond Index Monitors"; JPMorgan.

EMBI Global composition by market sector (end-May 2007): Brady, 12.63%; Benchmark Eurobonds 87.12%; Loans, 0.0%.
by country: Brazil and Mexico account for 30.82% of the total weighting.
by region: Latin: 53.31%; Non-Latin: 46.69%.



C. New Latin American Debt Issuance

C1. January 2007

Table 4:

New Latin American Debt Issuance First Quarter of 2007 Jan-07					
Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon(%)	Maturity
Argentina	Banco Macro	USD150	150	8.50%	1-Feb-17
Brazil	CESP	BRL750	352	9.75%	15-Jan-15
Brazil	GP Investments	USD150	150	10.00%	Perpetual
Brazil	Cosan	USD400	400	7.00%	1-Feb-17
Brazil	Minerva	USD150	150	9.50%	1-Feb-17
Brazil	Isa Capital	USD200	200	7.88%	30-Jan-12
Brazil	Isa Capital	USD354	354	8.80%	30-Jan-17
Brazil	Federal Republic of Brazil	USD500	500	7.13%	20-Jan-37
Brazil	Independencia	USD225	225	9.88%	31-Jan-17
Mexico	Maxcom Telecomunicaciones	USD25	25	11.00%	15-Dec-14
Mexico	Vitro	USD700	700	9.13%	1-Feb-17
Mexico	Vitro	USD300	300	8.63%	1-Feb-12
Supranational	CAF	USD250	250	5.75%	12-Jan-17
Total			3,756		

Source: ECLAC, on the basis of data from JPMorgan.

January average maturity: **11.40 years.**

Currency Breakdown
(% of Latin America's Total)

Currency	Jan-07
Dollar	90.63%
Euro	0.00%
GBP	0.00%
JPY	0.00%
Other*	9.37%

* Issuance in Brazilian Reais.
Source: ECLAC, with data from JPMorgan.

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

Issuer Type	Jan-07
Sovereign	13.31%
Corporate*	86.69%

*Also includes bank issuance.
Source: ECLAC, with data from JPMorgan.

C2. February 2007

Table 5:

New Latin American Debt Issuance First Quarter of 2007 Feb-07					
Country	**Issuer**	**Amount (million)**	**Amount US$ (mm)**	**Coupon(%)**	**Maturity**
Argentina	Impsat	USD225	225	9.875%	15-Feb-17
Brazil	Minerva	USD50	50	9.500%	1-Feb-17
Brazil	Federal Republic of Brazil	BRL1500	720	10.250%	10-Jan-28
Brazil	Vigor	BRL100	100	STEP	22-Feb-17
Chile	Pampa Calichera	USD250	250	7.375%	14-Feb-22
Jamaica	Digicel	USD1000	1000	8.875%	15-Jan-15
Jamaica	Digicel	USD400	400	9.125%	15-Jan-15
Mexico	CEMEX	USD750	750	6.640%	Perpetual
Mexico	IxeBanco	USD120	120	9.750%	Perpetual
Total			3,615		

Source: ECLAC, on the basis of data from JPMorgan.

February average maturity: **9.36 years.**

Currency Breakdown
(% of Latin America's Total)

Currency	Feb-07
Dollar	77.32%
Euro	0.00%
GBP	0.00%
JPY	0.00%
Other*	22.68%

* Issuance in Brazilian Reais.
Source: ECLAC, with data from JPMorgan.

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

Issuer Type	Feb-07
Sovereign	19.92%
Corporate*	80.08%

*Also includes bank issuance.
Source: ECLAC, with data from JPMorgan.

C3. March 2007

Table 6:

New Latin American Debt Issuance First Quarter of 2007 Mar-07					
Country	**Issuer**	**Amount (million)**	**Amount US$ (mm)**	**Coupon(%)**	**Maturity**
Brazil	Banco Bradesco	USD200	200	5.500%	1-Apr-8
Brazil	GOL	USD225	225	7.500%	3-Apr-17
Brazil	Brazil,Federal Republic of Brazil	BRL750	364	10.250%	10-Jan-28
Brazil	Banco Cruzeiro	USD35	35	6.700%	30-Mar-9
Brazil	Rede Empresas de Energia Electrica	USD400	400	11.125%	Perpetual
Brazil	Banco Votorantim	BRL200	97	10.625%	10-Apr-14
Dominican Republic	Cerveceria Nacional Dominica	USD255	255	8.000%	27-Mar-14
Dominican Republic	Cerveceria Nacional Dominica	USD175	175	16.000%	27-Mar-12
Jamaica	Government of Jamaica	USD350	350	8.000%	15-Mar-39
Mexico	CCM	MXN3000	272	8.700%	30-Mar-27
Panama	Panama,Republic of Panama	USD450	450	6.700%	26-Jan-36
Uruguay	Uruguay,Oriental Republic of Uruguay	UYU12000	498	4.250%	5-Apr-27
Total			3,321		

Source: ECLAC, on the basis of data from JPMorgan.

September average maturity: **16.31 years.**

Currency Breakdown
(% of Latin America's Total)

Currency	Mar-07
Dollar	62.93%
Euro	0.00%
GBP	0.00%
JPY	0.00%
Other*	37.07%

* Issuance in Brazilian Reais, Mexican and Uruguayan Pesos.
Source: ECLAC, with data from JPMorgan.

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

Issuer Type	Mar-07
Sovereign	50.05%
Corporate*	49.95%

*Also includes bank issuance.
Source: ECLAC, with data from JPMorgan.