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Capital Flows to Latin America and the Caribbean: Recent Developments



UNITED NATIONS



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Highlights

- External conditions have become riskier since the beginning of the year and Latin American markets are vulnerable to a change in both commodity prices and U.S. interest rates.
- Concerns over the unwinding of the U.S. Federal Reserve's monetary stimulus have afflicted borrowers and investors since May, when Chairman Ben Bernanke first raised the possibility of a pullback in stimulus. A market shutdown amid U.S Treasury volatility in June and July raised the prospect of less active debt capital markets in 2013, following record issuance in 2012.
- Latin American and Caribbean issuance reached a historic monthly record of US\$ 22 billion in September, however, following the Fed's decision to delay QE tapering in its September meeting. Whether issuance in 2013 will top last year's record will depend on the market openness over the remainder of the year and volatility in the U.S. Treasury market. Led by the highest ever monthly amount issued in September, Latin America and Caribbean (LAC) new debt issuance amounted to US\$ 37 billion in the third quarter of 2013, second only to the US\$ 43 billion issued in the first quarter of 2012.
- There were several firsts in LAC debt markets in the second and third quarters of 2013:
 - The Dominican Republic placed its largest-ever bond issuance, raising the US\$ 1 billion allowed under its budget;
 - Transportadora de Gas del Peru (TGP) issued US\$ 850 million in April, the largest and highest-rated issuance yet from a Peruvian corporate;
 - Falabella raised US\$ 750 million in its debut visit to the international bond market, adding the first-ever Chilean corporate CLP tranche to a planned dollar bond.
 - Mexico's Televisa issued a US\$ 540 million peso-denominated 2043 global-local bond, becoming the second-ever issuer in the global-local asset class (first issued by America Movil in November 2012, the securities are sold seamlessly to both international and domestic investors,

are SEC and CNBV registered, denominated and settled in MXP, and trade on a fungible basis in international markets and Mexico);

- Petrobras issued a six-tranche bond amounting to US\$ 11 billion, Latin America's largest-ever transaction, according to Dealogic and the largest ever emerging market bond sale, hitting the market ahead of the increase in U.S. Treasury yields and dramatic portfolio outflows from emerging markets which started later in May;
 - Mexico's Red de Carreteras de Occidente (RCO) issued the first peso-denominated cross-border structured transaction (the bonds are secured by the road concession assets, and twice-annual repayments of principal begin December 2019).
 - CAF became the first Kangaroo bond issuer from Latin America, and the second to issue in Australian dollars.¹
 - America Movil (AMX) issued a US\$ 2.77 billion 60-year hybrid sale (the security qualifies as 50% equity) in Europe in September, the first of its kind for a Latin American issuer.
 - Argentina's YPF tested international appetite for the renationalized issuer after a 14-year absence from the international bond market, issuing a US\$ 150 million 2018 bond. YPF had not sold an international bond since a US\$ 225 million transaction in 1999, according to Dealogic data.
- The corporate sector (including corporates, banks, quasi-sovereigns and supranationals) accounted for 80% of total 2013 LAC issuance year-to-date, what compares to a share of 85% of total LAC issuance in 2012. The energy sector has been the main driver of the growth in corporate issuance year-to-date, followed by the financial services, telecommunications and food sectors.
 - One reason for why the corporate sector has been dominating LAC debt issuance is that sovereigns are not borrowing as much, so there is no crowding out effect. Sovereigns are using dollar markets more for liability management than for funding, and that has allowed corporates to reduce their overall funding costs. In the third quarter, sovereigns Mexico and Uruguay took advantage of stable borrowing conditions to use international bond markets to support liability management exercises. Corporate issuers – such as Mexico's Cemex, Brazil's Marfrig and Arcos Dorados (McDonald's franchise headquartered in Argentina) – also took advantage of favorable conditions to carry out buyback operations.
 - Emerging markets corporates have been hit by currency risk since the Fed raised the prospect of tapering its QE program in May. As a result, emerging markets corporate spreads, with the exception of CEMBI Asia, are no longer lower than spreads for the U.S. High-Yield corporate sector. Moreover, corporate spreads have widened more in Latin America than in other regions.
 - Breaking with the trend in recent years, there have been more negative sovereign credit rating actions than positive year-to-date. There were 14 positive sovereign credit rating actions from January to September. However, there have been 19 negative actions year-to-date.

¹ Kangaroo bonds are bonds denominated in Australian dollars and sold in Australia by foreign firms. Pemex opened the AUD-denominated market last year, though its AUD150 million 2017 was done under a general Euro program. CAF's transaction is considered a true Kangaroo bond as it falls under a AUD 2 billion Australian medium-term program.

Overview

The expectation that the United States Federal Reserve's bond purchases, known as quantitative easing – which have dominated financial markets for the past five years – would soon come to an end prompted a flight of capital from emerging markets over the summer. After a long period in which the U.S. transmitted easier monetary policy to the rest of the world, the increase in U.S. yields starting in May – when Federal Reserve Chairman Ben Bernanke first raised the possibility of a pullback in stimulus (a “tapering” of its asset purchases) – was having the reverse effect. The May remarks caught markets by surprise, reminding them that the unprecedented low interest rates in developed markets would not last indefinitely and fueling fears that the Fed might wind up its target for short-term interest rates sooner than expected. Market participants began adjusting to a new global backdrop with potentially less liquidity and higher interest rates, triggering a re-pricing of risk across credit markets. The announcement led to a surge in benchmark bond yields that spilled over across asset classes and regions.

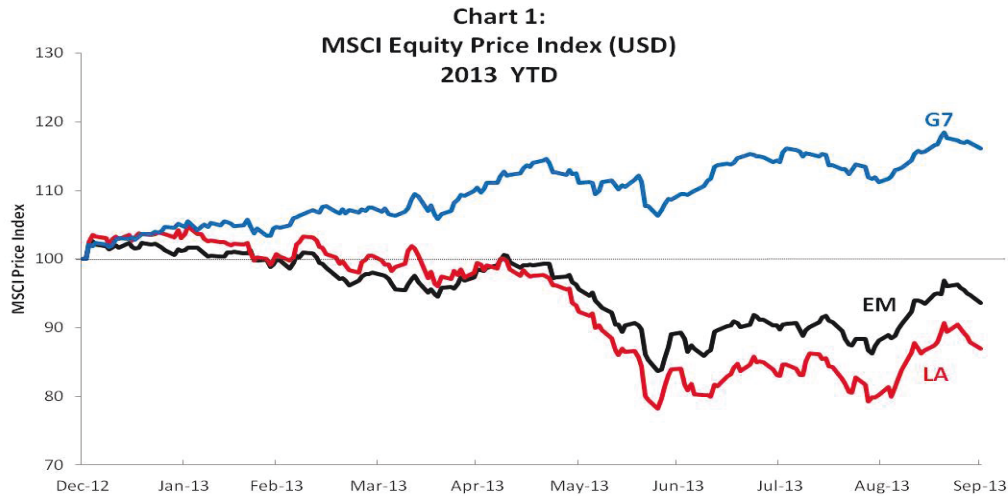
The prospect of tightening global liquidity proved especially harsh to emerging markets. A sell-off – the rapid selling of assets – intensified to levels not seen since the collapse of Lehman Brothers in 2008, leading many to proclaim that the era of cheap and easy credit for emerging market companies and countries was coming to a close. In the summer, retail investors pulled out of emerging market stocks, bonds and currencies, taking almost twice the amount of money taken by institutional investors, such as insurance companies and pension funds. From the beginning of June to the end of August, retail investors pulled more than US\$ 18 billion from emerging market bond funds, about one-third of the amount they had put in since the financial crisis, according to EPFR Global. By comparison, institutional investors pulled US\$ 9.3 billion or about 10% of their inflows.² Though individually small, the outflows of retail investors helped to deepen the slide in emerging markets.

In Latin America and the Caribbean (LAC), countries were hit by this changing environment through several channels: higher borrowing costs, term-of-trade losses from weaker commodity prices and weaker local currencies. Equity, bond and currency markets experienced large losses as a consequence, as the asset class abruptly fell out of favor with investors. However, the U.S. Federal Reserve once again surprised markets in September, when it announced it would not start tapering its

² Larger institutional investors say they are still bullish on developing economies, which are still growing faster than developed ones, and whose currencies and bonds generally offer higher yields.

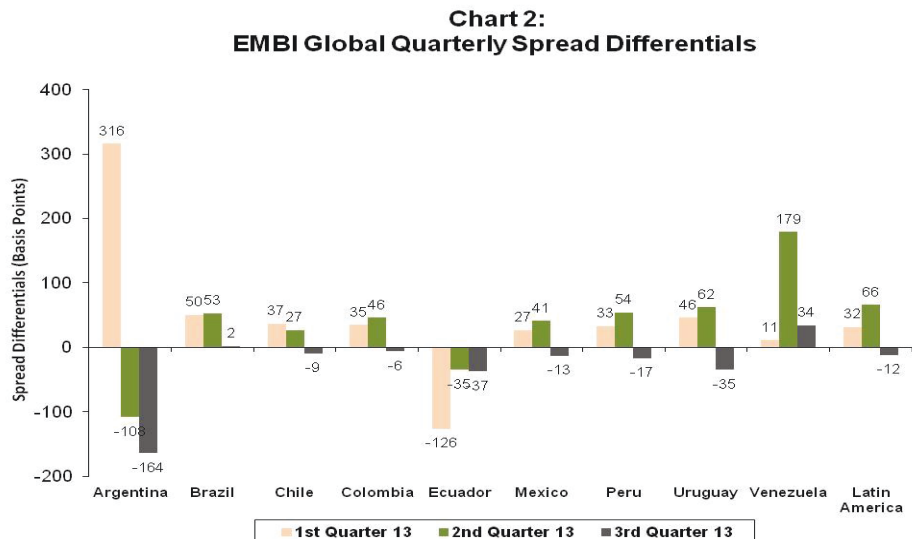
asset purchase program just yet. After months of volatility, emerging markets greeted this news with a wave of euphoria. Equities, bonds and currencies rallied sharply as a response.

Emerging market and Latin American equity prices began to fall in May after Chairman Ben Bernanke announced the possibility of starting tapering the Fed’s asset purchases before the end of the year. The rapid selling of financial assets started to abate in early July, however, when the Federal Reserve reassured markets that the decision to taper quantitative easing (QE) would be data dependent, and monetary policy would remain accomodative until the domestic recovery was on a solid footing. While the Morgan Stanley Capital International (MSCI) Latin American Index lost 16.5% in the second quarter of 2013, following a small gain in the first-quarter, it gained almost 4% in the third quarter, with equity prices increasing faster immediately after the Fed’s decision to postpone tapering was announced in September. Year-to-date the index has lost 13%, compared to a loss of 6% for emerging markets as a whole and a gain of 17% for the G7 countries (see chart 1).



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

Latin American and Caribbean bond spreads widened in the second quarter of 2013, particularly after Bernanke’s announcement in May, but tightened in the third quarter for most countries. Year-to-date, the J.P. Morgan EMBIG Latin component widened by 86 basis points: 32 basis points in the first quarter, 66 basis points in the second and a tightening of 12 basis points in the third (see chart 2).

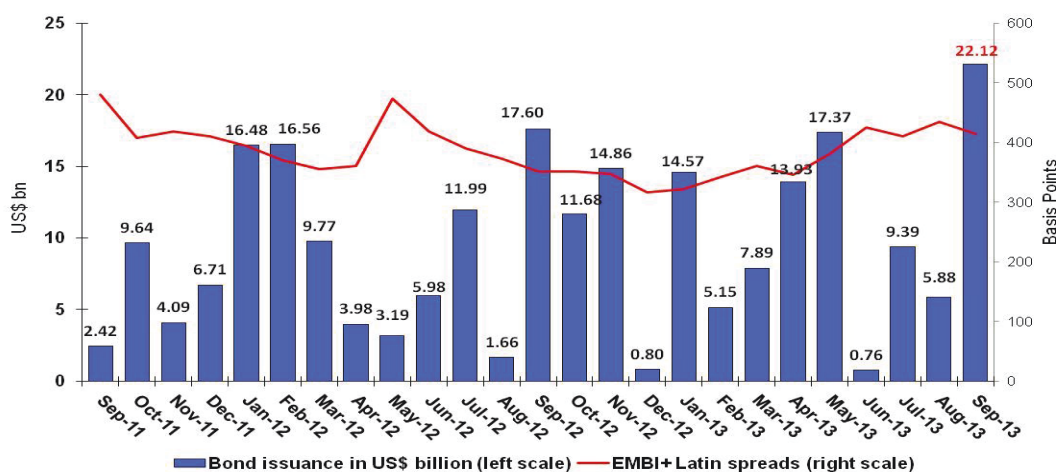


Source: ECLAC, on the basis of JPMorgan data.

While the immediate dangers posed by the anticipated withdrawal of the Fed asset purchases have abated, the Fed's postponement merely provided some breathing space. Moreover, uncertainty remains high. The U.S. Congress failed to pass a budget before the fiscal year ended on 30 September, what led to the U.S. government's first shutdown in 17 years. In addition, concerns about the imminent showdown over the debt ceiling when it hits its limit in mid-October appears to be causing problems for LAC issuers, especially those high-yield issuers hoping to make use of the window of opportunity that opened up in September.

The U.S. Federal Reserve's delay in QE tapering paved the way for Mexico, Cemex, Embotelladoras Andinas and others to sell bonds in the cross-border market in September. The pace of new bond issuance accelerated, with Latin American and Caribbean issuance reaching a historic monthly record of US\$ 22 billion (see chart 3). However, in the first week of October, with no resolution in sight to the partial shutdown of the U.S. federal government and anxiety over the looming debt ceiling showdown on the rise, lesser-known lower-rated credits have run into problems.

Chart 3:
LAC Monthly Sovereign and Corporate Bond Issuance
September 2011 - September 2013



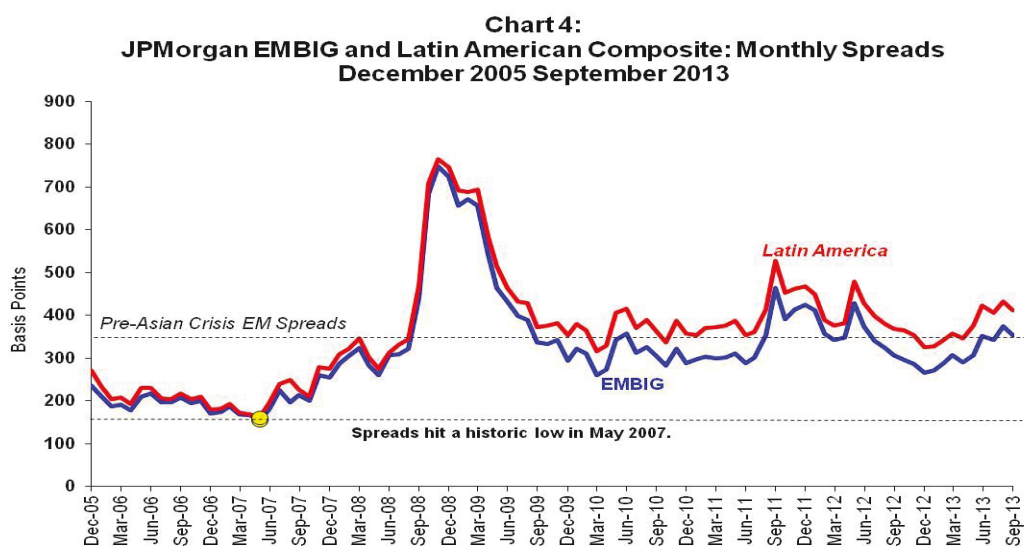
Source: ECLAC on the basis of data from JPMorgan, LatinFinance and Bank of America/Merrill Lynch.

Both companies and countries are vulnerable to the more adverse global environment. The most vulnerable companies are those that have debts or costs denominated heavily in U.S. dollars, but for the most part sell domestically in their local currency. The most vulnerable countries are those running large trade deficits they have been financing with U.S. dollars from overseas investors' purchases of local assets such as real estate, stocks and bonds.

In face of a challenging global environment, economic performances – a function of a country's relative policy approach and its degree of exposure to developed markets and China – will start to diverge. Investors are expected to increasingly differentiate between countries by looking at their policy frameworks as a result. In this scenario, economic policy decisions will become more relevant to the growth outlook. Policy tradeoffs are more challenging in the countries facing a combination of falling growth, rising inflation and the need to finance a growing current account deficit. However, countries that have lagged on improving their policy framework may pose significant upside risks if they implement positive economic reforms.

I. Bond markets and debt management

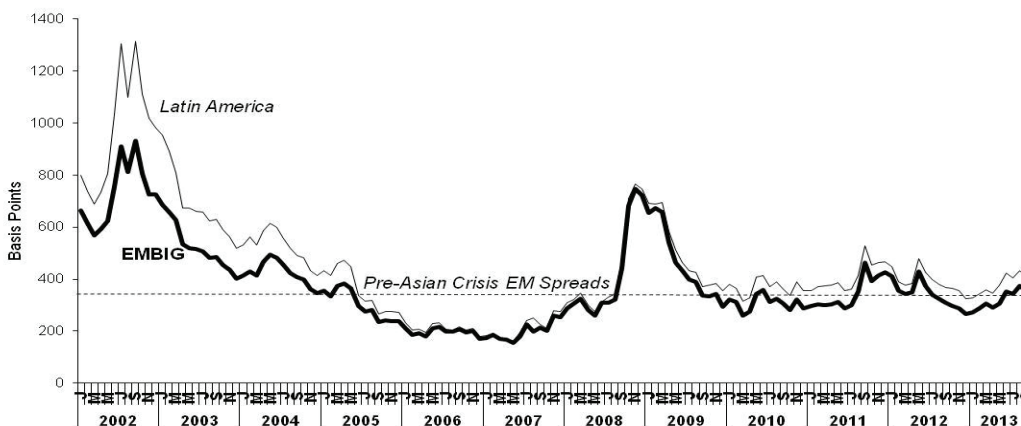
Emerging markets and LAC sovereign bond spreads have widened since the beginning of the year, as investors adjust to a new global backdrop of potentially less liquidity. The EMBIG widened 89 basis points and the Latin component 86 basis points year-to-date. In the third quarter of 2013, the EMBIG Latin component tightened 12 basis points, a small decline that offset only a tiny fraction of the widening that took place in the previous two quarters (see chart 4).



Source: JPMorgan, "Emerging Markets Bond Index Monitor".

Emerging markets and LAC spreads were on a downward trend from 2002 to May (see chart 5). The trend towards lower spreads was supported by a continued upward momentum in credit ratings in emerging markets, with the biggest average upward ratings taking place in Latin America. From the LAC region, there are now eight countries in the triple-B space – Brazil, Colombia, Costa Rica, Mexico, Panama, Peru, Trinidad & Tobago, and Uruguay – together with Italy and Spain. Nine countries, counting the Bahamas, which has a BBB rating from S&P, but a higher A3 rating from Moody's. Chile, the 10th LAC investment grade country, has higher credit ratings: Aa3/A+/A+.

**Chart 5:
EMBIG Spreads and Latin American Component
January 2002 - September 2013**



Source: JPMorgan, "Emerging Markets Bond Index."

However, the leading credit rating agencies have warned that following so many years of improvement in credit ratings, countries in the region are expected to face an uphill challenge to reach higher credit ratings from now on, unless they address institutional problems. According to Moody's, while rating upgrades in previous years were largely driven by increased resilience to external shocks, improved government debt profiles, and strong economic performances, additional upgrades for countries already in the investment grade category will depend on the strengthening of institutions in general, with particular attention given to credible institutional arrangements that reinforce fiscal management.

There were 14 positive sovereign credit rating actions from January to September 2013 – 9 upgrades and 5 outlook upward revisions. However, there have been more negative actions than positive year-to-date, with the negative actions amounting to 19 – 10 downgrades and 9 downward outlook revisions (see table 1).

Seven LAC countries were upgraded from January to September 2013 – Paraguay, Jamaica, Uruguay, Belize, Colombia, Mexico and Peru – and seven – Jamaica, Grenada, Argentina, Venezuela, El Salvador and Honduras – were downgraded.

Six of the rated sovereigns in the region – Colombia, Ecuador, Mexico, Peru, Suriname and Uruguay – had a positive outlook from one or more of the three main credit rating agencies (Moody's, S&P and Fitch) as of beginning of October and eight – Argentina, Bahamas, Barbados, Brazil, El Salvador, Guatemala, Honduras and Venezuela – had a negative outlook (appendix A, table 1). Sovereign rating outlooks give a prospective indication of the agencies' credit views on the countries of the region. Most of the negative views are concentrated on high-EMBIG countries and on the smaller economies of the Caribbean and Central America, reflecting their more sluggish post-crisis recovery when compared to the rest of the LAC region. Now Brazil, which was heavily hit by the prospect of lower global liquidity and is struggling with inflationary pressures, was added to this list when S&P revised its long-term debt rating outlook to negative from stable in June (while reaffirming the country's BBB rating), citing modest economic growth and ambiguous policy signals that have dampened investor confidence. On 2 October, Moody's revised Brazil's Baa2 sovereign rating outlook from positive to stable, citing deteriorating fiscal and growth metrics (see appendix A, box 1).

In August, S&P said that credit conditions in Latin America and the Caribbean face increased downside risks in the next 12 months, due to lower growth prospects in the region. Although the agency

expects stable rating trends for most Latin American sectors in the next 12 months, it believes that credit conditions should get tighter following an expected unwinding of U.S. stimulus. S&P expects stable financial results for Latin America's corporate, banking, public finance and structured finance sectors, while outlooks on sovereign credits are mixed.

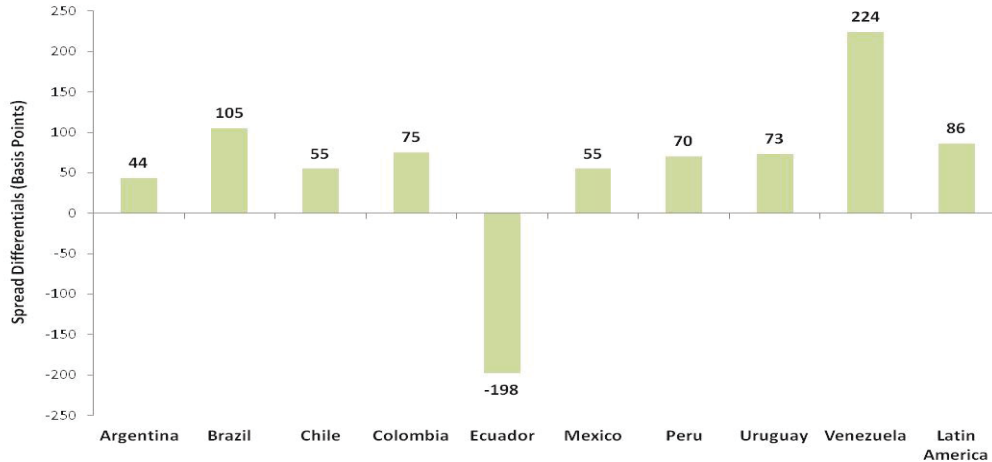
Sovereign Credit Rating Actions in Latin America and the Caribbean - 2013 YTD			
Date	Country	Action	
2013 YTD	14 positive and 20 negative actions		
Q1	7 positive and 10 negative		
8-Jan-13	Paraguay	Moody's upgrades Paraguay's rating to Ba3 from B1 with a stable outlook	<i>Positive</i>
15-Jan-13	Venezuela	Moody's lowers outlook on Venezuela's B2 rating to negative from stable	<i>Negative</i>
18-Jan-13	Jamaica	Fitch lowers outlook on Jamaica's B rating to negative from stable	<i>Negative</i>
12-Feb-13	Jamaica	S&P downgrades Jamaica's rating to SD from B-	<i>Negative</i>
12-Feb-13	Jamaica	Fitch downgrades Jamaica's rating to C from B-	<i>Negative</i>
22-Feb-13	Jamaica	Fitch downgrades Jamaica's rating to RD from C	<i>Negative</i>
26-Feb-13	Honduras	Moody's lowers the outlook on Honduras' B2 rating to negative from stable	<i>Negative</i>
27-Feb-13	Honduras	S&P lowers the outlook on Honduras' B+ rating to negative from stable	<i>Negative</i>
1-Mar-13	Jamaica	Fitch upgrades Jamaica's rating to CCC from RD	<i>Positive</i>
6-Mar-13	Jamaica	S&P upgrades Jamaica's rating to CCC+ from SD	<i>Positive</i>
6-Mar-13	Colombia	Fitch raises the outlook on Colombia's BBB- rating to positive from stable	<i>Positive</i>
6-Mar-13	Jamaica	Moody's downgrades Jamaica's rating to Caa3 from B3	<i>Negative</i>
7-Mar-13	Uruguay	Fitch upgrades Uruguay's rating to BBB- (investment grade) from BB+	<i>Positive</i>
12-Mar-13	Mexico	S&P raises the outlook on Mexico's BBB rating to positive from stable	<i>Positive</i>
12-Mar-13	Grenada	S&P downgrades Grenada's rating to SD from CCC+	<i>Negative</i>
15-Mar-13	Argentina	Moody's downgrades Argentina's foreign law bonds to Caa1 but affirms B3 Issuer Rating	<i>Negative</i>
20-Mar-13	Belize	S&P upgrades Belize's rating to B- from 'SD' with a stable outlook	<i>Positive</i>
Q2	4 positive and 3 negative		
15-Apr-13	Belize	Moody's upgrades Belize's rating to Caa2 from Ca with a stable outlook	<i>Positive</i>
19-Apr-13	Venezuela	S&P lowers the outlook on Venezuela's B+ rating to negative from stable	<i>Negative</i>
24-Apr-13	Colombia	S&P upgrades Colombia's rating to BBB from BBB- with a stable outlook	<i>Positive</i>
25-Apr-13	Suriname	S&P raises the outlook on Suriname's BB minus rating to positive	<i>Positive</i>
8-May-13	Mexico	Fitch upgrades Mexico to BBB+ from BBB with a stable outlook	<i>Positive</i>
6-Jun-13	Brazil	S&P revises Brazil's long-term debt rating outlook to negative from stable	<i>Negative</i>
17-Jun-13	Venezuela	S&P downgrades Venezuela to B from B+. Outlook is negative.	<i>Negative</i>
Q3	3 positive and 6 negative		
8-Jul-13	Colombia	Moody's changes the outlook on Colombia's rating to positive from stable	<i>Positive</i>
11-Jul-13	Guatemala	Fitch affirms Guatemala at BB+ and revises the outlook to negative from stable	<i>Negative</i>
16-Jul-13	El Salvador	Fitch downgrades El Salvador to BB- from BB and maintains a negative outlook	<i>Negative</i>
18-Jul-13	Barbados	S&P revises its outlook on its long-term rating on Barbados to negative from stable	<i>Negative</i>
5-Aug-13	Ecuador	S&P raises the outlook on Ecuador's B credit rating to positive from stable	<i>Positive</i>
7-Aug-13	Honduras	S&P lowers Honduras' credit rating to B from B+	<i>Negative</i>
19-Aug-13	Peru	S&P upgrades Peru's rating to BBB+ from BBB	<i>Positive</i>
10-Sep-13	Argentina	S&P downgrades Argentina to CCC+ with a negative outlook	<i>Negative</i>
23-Sep-13	Costa Rica	Moody's changes the outlook on Costa Rica's Baa3 bond rating to negative from stable	<i>Negative</i>
Q4	1 negative		
2-Oct-13	Brazil	Moody's revises Brazil's Baa2 sovereign rating outlook from positive to neutral	<i>Negative</i>

Source: J.P.Morgan, Emerging Markets Outlook and Strategy and rating agencies.

A. Sovereign Spreads

The J.P. Morgan's EMBIG widened by 89 basis points from January to September of 2013 – from 271 basis points at the end of December 2012 to 355 basis points at the end of September – while its Latin component widened by 86 basis points, from 326 to 412 basis points. Spreads widened for all the countries in our Latin American sample, except for Ecuador, which following upgrades by all three major credit rating agencies in the second half of 2012, continued to see a tightening in spreads in 2013.

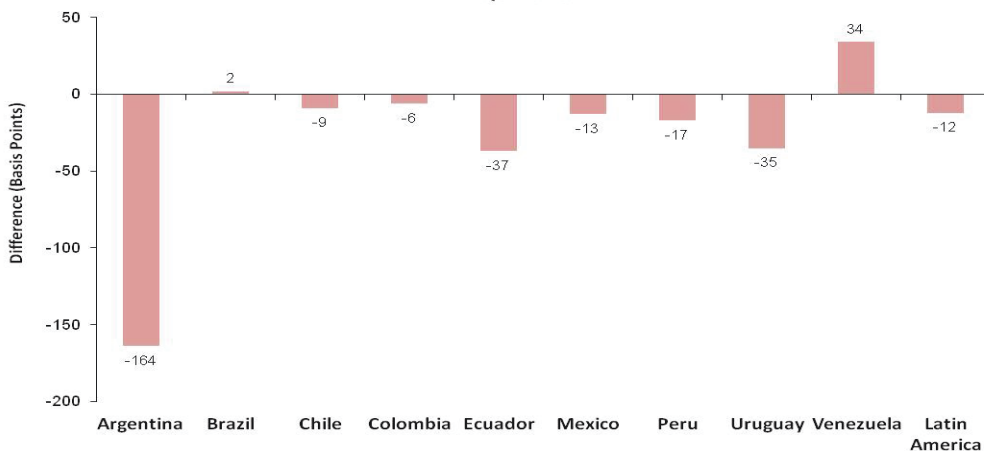
**Chart 6:
EMBI Global Spread Differentials
2013 YTD**



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

With the exception of Venezuela and Brazil, all countries in our sample saw a tightening in spreads in the third quarter (chart 7), however, following the U.S. Federal Reserve's decision to delay the tapering of its QE program.

**Chart 7:
EMBI Global Quarterly Spread Differentials
Q3 2013**



Source: ECLAC on the basis of data from JPMorgan.

Mexico had the fifth lowest spreads in the EMBIG composite at the end of September (210 basis points). Investors have turned very positive on Mexico, as the government embarks on a path of structural reform. Fitch upgraded Mexico to BBB+ from BBB with a stable outlook in May, citing continuing macroeconomic improvements and anticipated structural reforms. However, Mexican spreads, following the same pattern of the other countries in our sample, widened 55 basis points from January to September.

Brazilian spreads were at 245 basis points at the end of September 2013. Slow growth and concerns about inflation have dented foreign investor confidence in the economy. In June S&P revised Brazil's long-term debt rating outlook to negative from stable while reaffirming the country's BBB rating, citing modest economic growth and ambiguous policy signals that have dampened investor confidence. More recently (02 October), Moody's revised Brazil's Baa2 sovereign rating outlook from positive to neutral, reflecting deteriorating fiscal and growth metrics. From January to September 2013, Brazilian spreads widened 105 basis points.

Finally, Argentina, Venezuela and Ecuador continue to be among the countries with the highest and most volatile spreads in the composite (1035, 1010 and 628 basis points, respectively). In the case of Argentina, the ongoing litigation regarding its defaulted debt and its holdouts continues to weigh on its debt spreads. Also weighing on debt spreads is the fact that official currency reserves have diminished, and to preserve international reserves amidst growing external pressures will be challenging.

All credit rating agencies have a negative outlook on Venezuela. Higher spreads reflect the uncertain political and economic outlook. From January to September Venezuelan spreads widened the most among the countries in our sample (224 basis points).

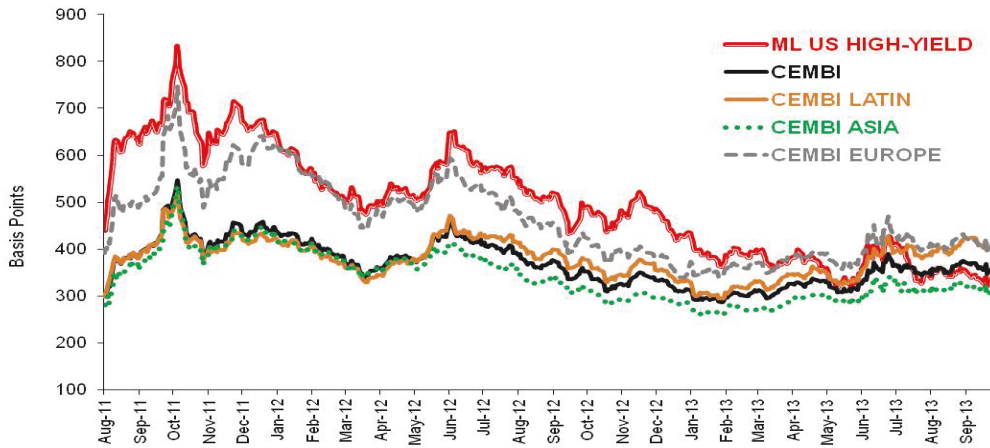
In the case of Ecuador, since it was upgraded to Caa1 from Caa2 by Moody's in September 2012, debt spreads have been tightening. The credit rating situation improved further in August 2013, when S&P raised the outlook on Ecuador's B credit rating to positive from stable on the expectation of an improvement in its fiscal position over the coming year due to higher tax revenues. Although Ecuadorian spreads remain high, they tightened 198 basis points from January to September 2013.

B. Corporate Spreads

Emerging markets corporates have been hit by currency risk since the Fed raised the prospect of tapering its QE program. As global demand for commodities boomed, even companies without dollar revenues decided to take advantage of the accompanying strength of local currencies and issued millions in dollar debt. For example, Peruvian Coca-Cola bottler Corporación Lindley S.A. issued US\$ 260 million in 10-year bonds in April, increasing its dollar-denominated bond holdings to US\$ 580 million. According to Fitch ratings, it is now exposed to currency risk related to its debt obligations that are predominantly denominated in U.S. dollars. Petrobras, Brazilian state-controlled oil company and Latin America's most indebted company with about US\$ 76 billion in foreign-currency debt, had financial losses of 3.55 billion *reais* in the second quarter as the cost of holding dollar-denominated debt rose. It had posted gains of 1.8 billion *reais* just two years earlier, when the real was strengthening.

As a result, emerging markets corporate spreads, with the exception of CEMBI Asia, are no longer lower than spreads for the U.S. High-Yield corporate sector since May. Moreover, corporate spreads have widened more in Latin America than in other regions. The Latin CEMBI widened 85 basis points from January to September, while in Asia and in emerging Europe corporate spreads widened less (45 basis points). The gap between Latin American corporate spreads relative to Asian corporate spreads, which has been increasing since April 2012, widened further (see chart 9).

**Chart 9:
Corporate EMBI Spreads
September 2011 - September 2013**



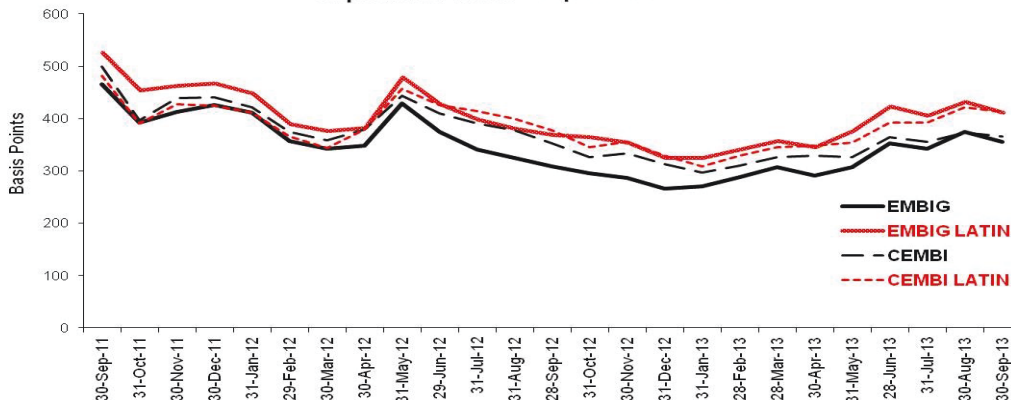
Source: ECLAC, on the basis of data from JPMorgan CEMBI and Merrill Lynch U.S. High-Yield Master II Index (HOA0).

Although Latin American corporates have taken great strides in their market funding strategies, risks remain and are reflected in the increase in spreads year-to-date. Part of the growing volume of Latin American corporate issuances in international bond markets consists of first-time high-yield issuers, bringing with it a higher likelihood of default. Brazilian OXG, Grupo Rede and Lupatech in the energy sector, and the Mexican homebuilders are prominent examples of borrowers missing their obligations.

Latin American corporate spreads, according to the J.P.Morgan CEMBI, widened as much as sovereign spreads in 2013 year-to-date. The Latin CEMBI increased by 85 basis points year-to-date, compared to a widening of 86 basis points by the Latin EMBIG. In the third quarter of 2013, however, the Latin CEMBI widened by 22 basis points, while the Latin EMBIG tightened by 12 basis points. Latin corporate spreads at the end of September were at about the same level as their sovereign counterparts (see chart 10).

Although riskier names are growing, the pool of top-quality Latin American corporate issuers is also expanding. Today, debt market access for the best corporates in the region is on par with their global peers. According to J.P. Morgan, issuance from Latin corporates has shown remarkable growth – from US\$ 11.5 billion in December 2001 to US\$ 235 billion in mid-2013 – with the Latin CEMBI overtaking the Latin EMBIG (which was US\$ 228 billion in mid-2013).

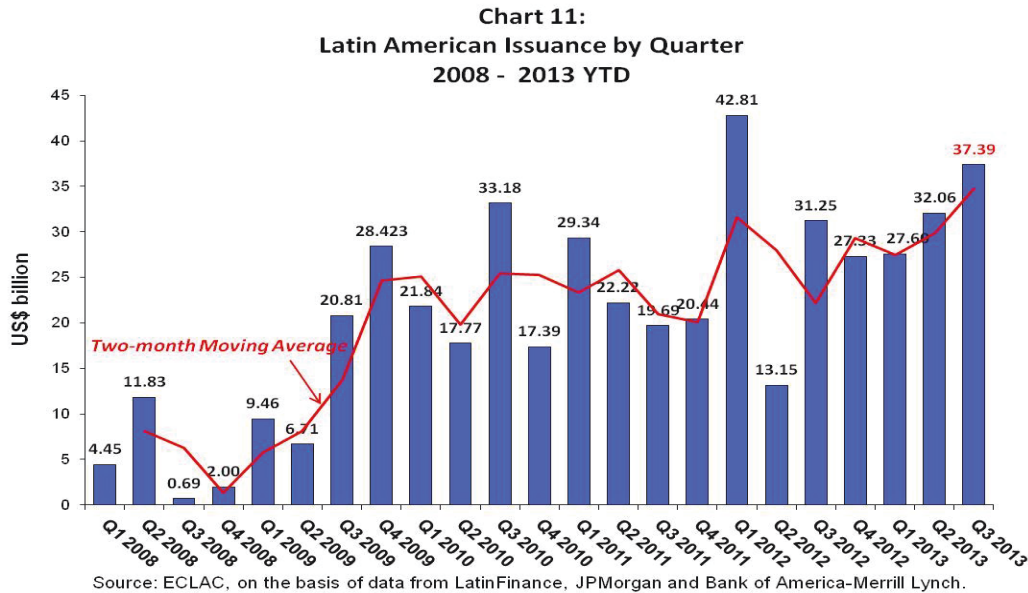
**Chart 10:
JPMorgan EMBIG Spreads, Corporate and Sovereign
September 2011 - September 2013**



Source: JPMorgan, "Emerging Markets Bond Index Monitor."
Note: EMBIG and EMBIG Latin: sovereign spreads, CEMBI and CEMBI Latin: blended spreads.

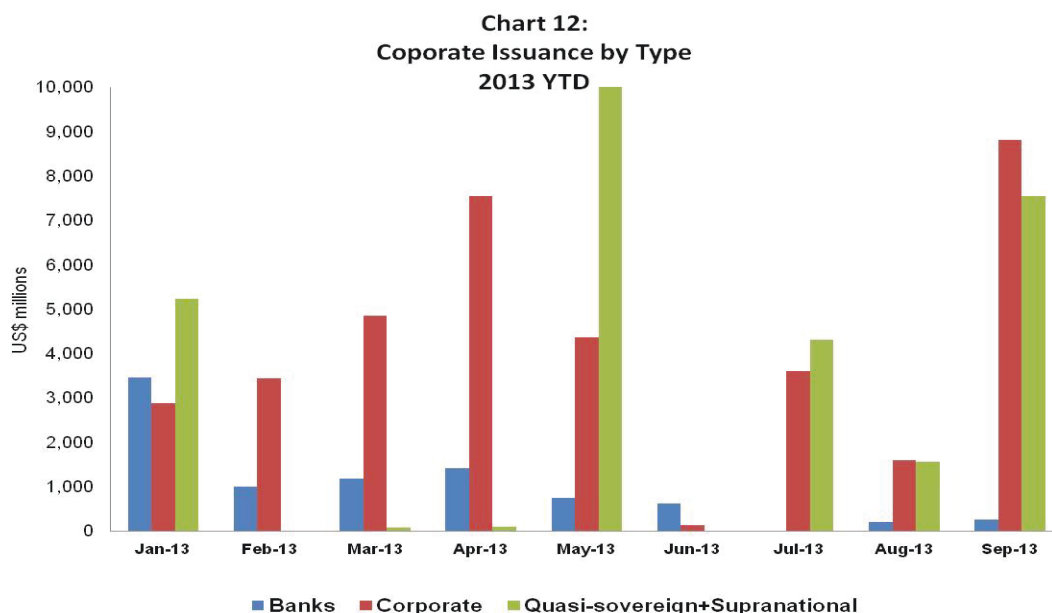
C. Sovereign and Corporate Issuance

Froms January to September 2013, total LAC debt issuance reached US\$ 97 billion, compared to US\$ 87 billion for the same period in 2012 (see chart 3, p.8). The pace of new bond issuance accelerated in the third quarter of 2013 compared to the same quarter last year. Total LAC bond issuance in the third quarter of 2013 reached US\$ 37.4 billion, an improvement over the previous quarter (US\$ 32.1 billion), and second only to the record-breaking US\$ 43 billion issued in the first quarter of 2012 (see chart 11).



While issuance in the first quarter of 2013 dropped by 36% compared to the first quarter of 2012, issuance in the second and third quarters of 2013 increased by 144% and 20% respectively, compared to the second and third quarters of 2012. The main driver of the drop in the first quarter had been lower quasi-sovereign issuance, with a big reason for the difference being the absence of Petrobras from international bond markets in the first three months of the year compared to the same period last year (see appendix C, tables 4 and 8). With issuances amounting to US\$ 7 billion in the first quarter last year and to US\$ 6 billion in the first quarter of 2011, Petrobras had been a regular first-quarter volume booster that opted to wait. In May, however, Petrobras came back to international bond markets with a vengeance. Continuing to set new records in international debt markets, the company raised US\$ 11 billion. The deal, which was expected following a Brazil sovereign retap the week before, easily surpassed a US\$ 7.5 billion Venezuela's PdVSA sale done in 2007 to become Latin America's largest-ever transaction, according to Dealogic. It is also said to be the biggest-ever single bond sale in emerging markets and the second-biggest in the world this year after Apple's US\$ 17 billion transaction.

Since Petrobras' sale in May, quasi-sovereign issuance has strengthened and was significant in July, August and September, although there was more corporate issuance than quasi-sovereign issuance in September (see chart 12). Following the United States Federal Reserve's surprising no-tapering announcement, Brazil's BNDES sold its first dollar bond in three years, issuing US\$ 2.5 billion in international bond markets, while Mexico's Pemex raised US\$ 750 million with a 2024 bond (see Appendix C, table 6).



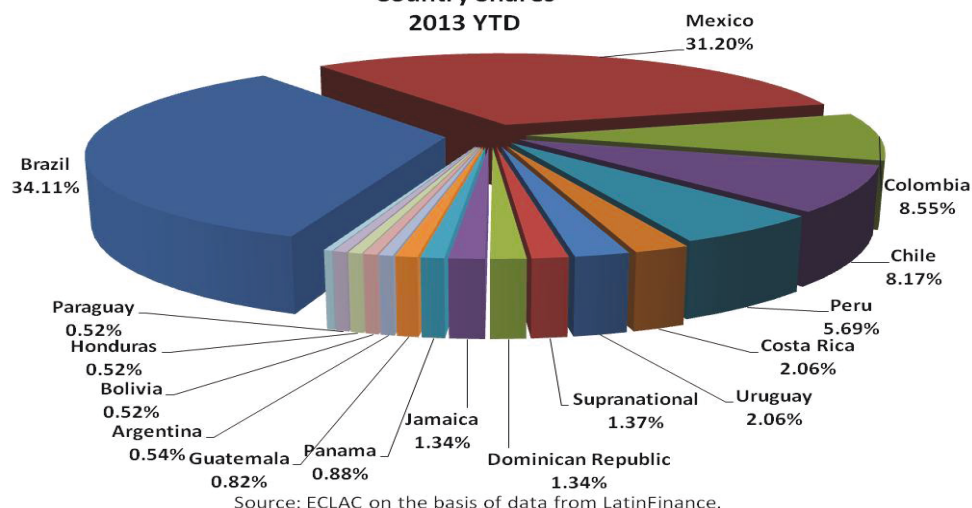
The share of new debt issuers in 2013 year-to-date was 13%, higher than the 8% for 2012 as a whole. In the first four months of the year, several new issuers came to the international bond markets, reaching a record share of 26%. It gradually declined after that, and in the third quarter the share of new debt issuers was only 4%. One sovereign (Honduras), one quasi-sovereign (Banco de Costa Rica), two Brazilian states and 23 corporates from Brazil, Chile, Mexico and Peru are among the debut issuers year-to-date.

Brazil had the largest share of bond issuances – sovereign and corporate combined – year-to-date (from January to September 2013). Brazil and Mexico issued (sovereign and corporate combined) US\$ 33 billion and US\$ 30 billion, respectively, from January to September 2013. Brazilian and Mexican issues together account for 65% of the total LAC issuance in 2013 year-to-date (see chart 13).

Nine sovereigns – Mexico, Paraguay, Colombia, Guatemala, Honduras, Dominican Republic, Panama, Costa Rica and Brazil – tapped international debt markets year-to-date. Minas Gerais and Maranhão, the Brazilian states, also tapped the international debt markets in a debut issuance in March and July, respectively, giving international investors access to Brazilian state-level debt (see appendix C, tables 4-6).

Paraguay and Honduras made their debut in international debt markets this year. In February, Guatemala issued US\$ 700 million 2028 bond, its first deal since the US\$ 700 million sale of the 2022s done in May 2012. In its first international sale in more than two years, Panama – which has been focusing recently on its domestic market – issued a US\$ 750 million 2053 bond in April. Also in April, the Dominican Republic placed its largest-ever bond issuance, raising the US\$ 1 billion allowed under its budget, while Costa Rica tackled at once the full amount it is allowed to borrow internationally this year, issuing US\$ 1 billion. In May, Brazil went for a repap of its 2023 bond originally issued in September 2012. In the largest unguaranteed Samurai offering since 1997, Mexico raised JPY 80.6 billion in July (US\$ 822 million) through a triple-tranche Samurai issue, marking its second non-JBIC (Japan Bank for International Corporation) guaranteed bond in the Japanese market. In August, Uruguay issued a US\$ 2 billion 2024 bond, to support a buyback operation, while Bolivia issued its second international bond, a US\$ 500 million 2023 bond. In September, Colombia issued the maximum remaining under its current budget and Mexico issued a US\$ 3.9 billion 2023 bond to buy back four bonds with shorter tenors on which it pays higher coupons.

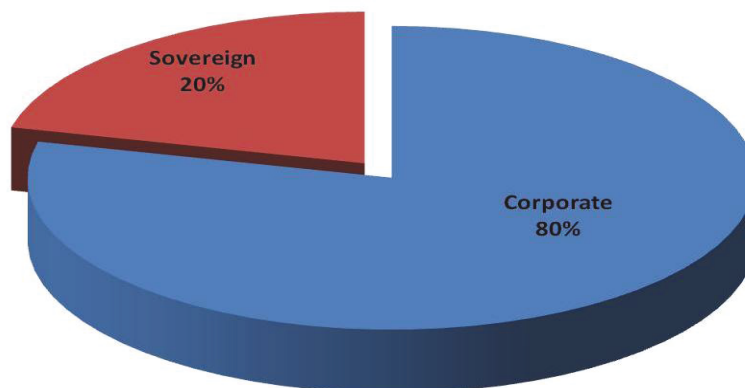
**Chart 13:
LAC Debt Issuance (sovereign and corporate combined):
Country Shares
2013 YTD**



LAC debt issuance in international bond markets has been increasingly a corporate-denominated market, however, with the corporate sector (including corporates, banks, quasi-sovereigns and supranationals) accounting for 80% of total LAC issuance in 2013 year-to-date (see charts 14 and 15). While sovereigns Mexico and Uruguay took advantage of stable borrowing conditions to use international bond markets to support liability management exercises in the third quarter, corporate issuers – such as Mexico’s Cemex, Brazil’s Marfrig and Arcos Dorados (McDonald’s franchise headquartered in Argentina) – also took advantage of favorable conditions to carry out buyback operations (see Appendix C, table 6).

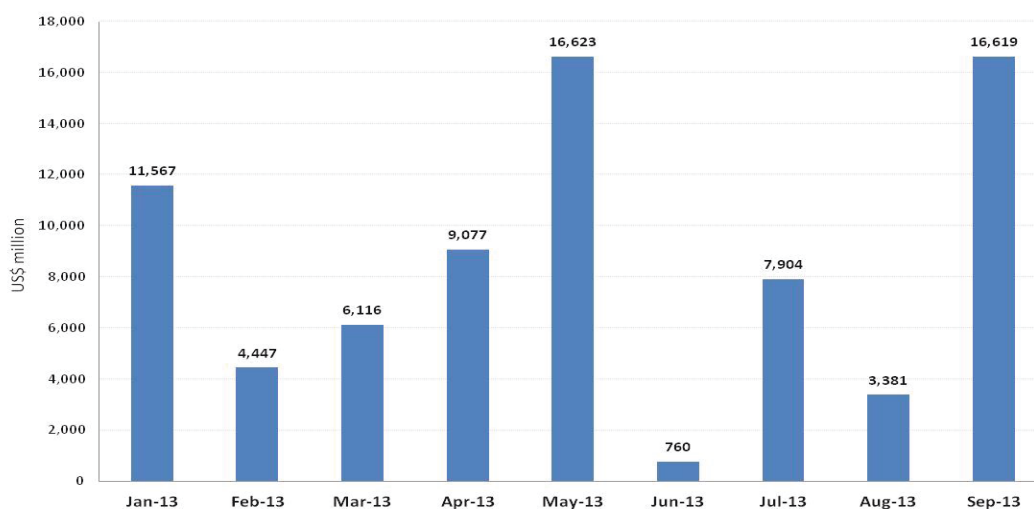
Regarding corporate issuance in the second and third quarters, several novelties took place. In the second quarter (see Appendix C, table 5), Transportadora de Gas del Peru (TGP) issued US\$ 850 million in April, the largest and highest-rated issuance yet seen from a Peruvian corporate. Chile’s Falabella raised US\$ 750 million in its debut visit to the international bond market, adding the first-ever Chilean corporate CLP tranche to a planned dollar bond. Mexico’s Televisa issued a US\$ 540 million peso-denominated 2043 global-local bond, becoming the second-ever issuer in the global-local asset class (first issued by America Movil in November 2012, the securities are sold seamlessly to both international and domestic investors, are SEC and CNBV registered, denominated and settled in MXP, and trade on a fungible basis in international markets and Mexico). As mentioned before, Brazil’s oil giant Petrobras issued a six-tranche bond amounting to US\$ 11 billion in May, hitting the market ahead of the increase in U.S. Treasury yields and dramatic portfolio outflows from emerging markets which started later in May. Also in May Mexico’s Red de Carreteras de Occidente (RCO) issued the first peso-denominated cross-border structured transaction (the bonds are secured by the road concession assets, and twice-annual repayments of principal begin December 2019).

Chart 14:
LAC corporate and sovereign issuance
2013 YTD



Source: ECLAC, on the basis of data from *Latin Finance*.

Chart 15:
LAC Monthly Corporate Bond Issuance 2013 YTD

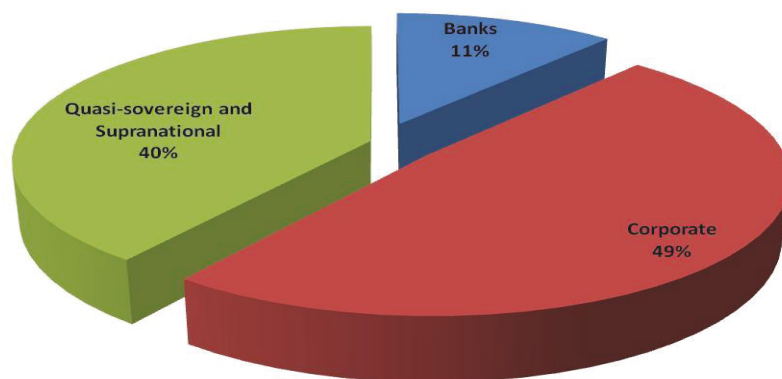


Source: ECLAC on the basis of data from JPMorgan, LatinFinance and Bank of America/Merrill Lynch.

In the third quarter, CAF (the Development Bank of Latin America) became the first Kangaroo bond issuer from Latin America, and the second to issue in Australian dollars. Kangaroo bonds are bonds denominated in Australian dollars and sold in Australia by foreign firms. Pemex opened the AUD-denominated market last year, though its AUD 150 million 2017 bond issuance was done under a general Euro program. CAF's transaction is considered a true Kangaroo bond as it falls under a AUD 2 billion medium-term program. America Movil (AMX) got September's new bond issuance rolling with a US\$ 2.77 billion 60-year hybrid sale (the security qualifies as 50% equity) in Europe, the first of its kind for a Latin American issuer. Finally, Argentina's YPF tested international appetite for the renationalized issuer after a 14-year absence from the international bond market, issuing a US\$ 150 million 2018 bond. YPF has not sold an international bond since a US\$ 225 million transaction in 1999, according to Dealogic data (see Appendix C, table 6).

Most of LAC’s international corporate bonds in 2013 year-to-date have been issued by private sector companies and banks (60%), with quasi-sovereign and supranational issuers accounting for 40% of the total, an significant increase from last year’s 31% share (chart 16).

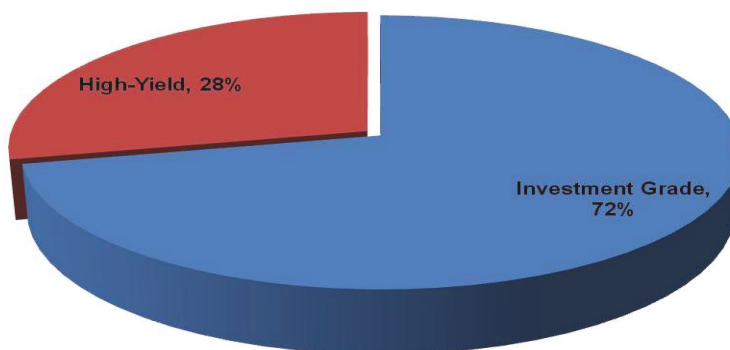
Chart 16:
LAC International Corporate Bond issuance by Type
2013 YTD



Source: ECLAC, on the basis of data from LatinFinance, JPMorgan and Bank of America/Merrill Lynch.

Investment grade companies continued to dominate corporate issuance in 2013 year-to-date. High-yield credit dominated issuance in the first weeks of 2013, taking advantage of an uptick in risk appetite. Later on, however, sentiment started to turn amid a pick-up in U.S. Treasury yields, and several high-yield transactions were shelved. From January to September 2013, the share of high-yield issuance was 28%, what compares to a share of 21% in 2012 as a whole.

Chart 17:
Breakdown of LAC International Corporate Bond Issuance by Rating
2013 YTD
(Percentage of total)



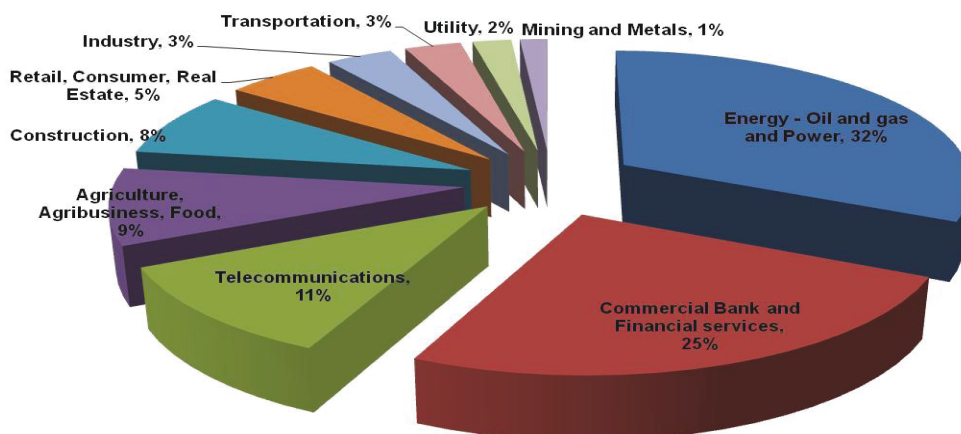
Source: ECLAC, on the basis of data from LatinFinance, JPMorgan and Bank of America/Merrill Lynch.

Note: corporate issuance includes corporates, banks, quasi-sovereigns and supranationals.

From a sectoral perspective, almost 80% of LAC corporate debt issuance in 2013 year-to-date comes from four sectors: energy, financial, telecommunications and food sectors (chart 18). The energy sector, including oil, gas as well as power, has been the main driver of the growth in corporate issuance and accounted for 32% of the total volume. The financial sector, including banks as well as financial services companies, was the second most relevant sector in terms of aggregate volume (25% of total

corporate issuance year-to-date). Telecommunications came in third (11%) and Agriculture, Agribusiness and Food in fourth (accounting for a 9% share, due to issuances from some high-yield names in the Brazilian protein sector such as Brazilian meatpackers Mafrig, Minerva and JBS).

Chart 18:
LAC international corporate bond issuance by sectors
2013 YTD



Source: ECLAC, on the basis of data from LatinFinance, JPMorgan and Bank of America/Merrill Lynch.

Note: corporate issuance includes corporates, banks, quasi-sovereigns and supranationals.

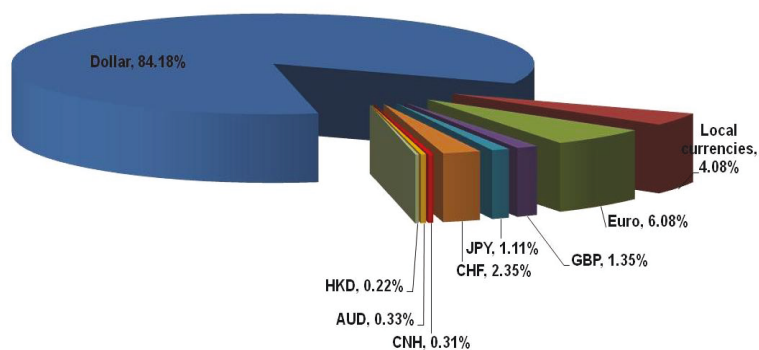
Most of the international debt issuance in the region year-to-date has been denominated in U.S. dollars (84%), but there was also issuance in Euro (6%), Swiss francs (2.4%), British pounds (1.4%), Japanese yen (1%), Australian dollars (0.3%), Chinese offshore renminbi (0.3%), Hong Kong dollars (0.2%) and local currencies (4%). Although demand for local assets has increased, local-currency bonds sold to foreign investors represented less than 7% of the total amount issued year-to-date. Local currencies included Brazilian reais, and Mexican, Colombian and Chilean pesos.

Table 2	
Currency Breakdown	
(% of Latin America's Total)	
Currency	2013 YTD
Dollar	84.18%
Euro	6.08%
Local currencies	4.08%
CHF	2.35%
GBP	1.35%
JPY	1.11%
AUD	0.33%
CNH	0.31%
HKD	0.22%

Source: ECLAC with data from LatinFinance (Bonds Database).

Local currencies include Brazilian reais, Mexican Chilean and Colombian pesos.

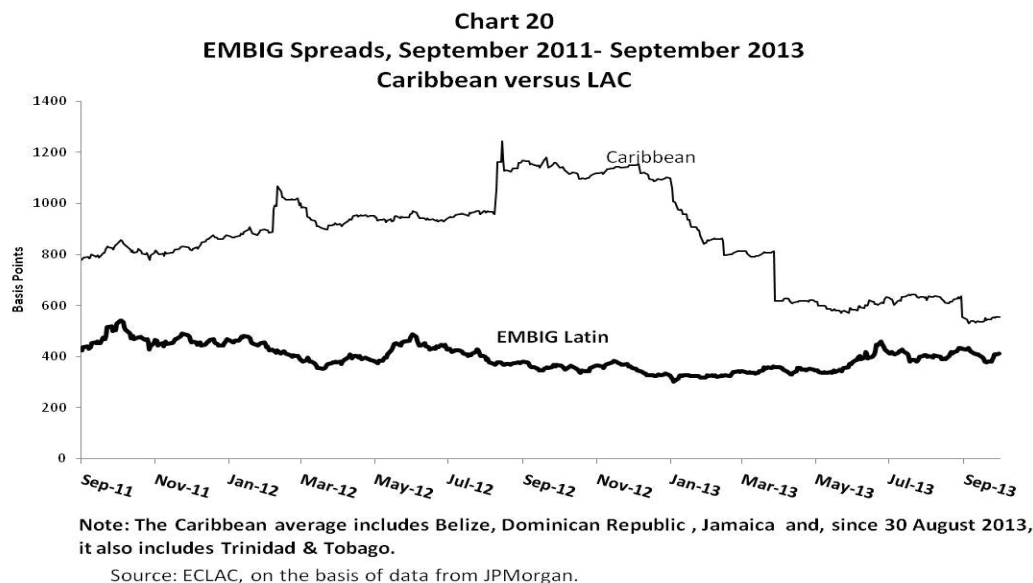
Chart 19:
Currency Breakdown
(% of Latin America's total debt issuance)
2013 YTD



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

D. Bond markets and credit management in the Caribbean Region

Latin American and Caribbean (LAC) growth has been marked by a high degree of heterogeneity among countries. In recent bouts of volatility, the Caribbean countries seem to have felt a bigger impact than the rest of the region. Over the past three years, a number of Caribbean countries have restructured bond payments, making this period one with the highest number of defaults on loan agreements in the Caribbean region. From late 2010 to late 2012 the spread gap between the Caribbean countries and the EMBIG Latin component widened by almost 800 basis points. In 2013 year-to-date, however, while LAC sovereign spreads widened by 86 basis points according to the J.P.Morgan EMBIG Latin component, spreads for the Caribbean region alone tightened by 546 basis points, reversing some of the spread gap (see chart 20).



The main reason for the tightening of the Caribbean spreads average was the large decline in spreads for Belize. Belize's spreads tightened 1373 basis points from January to September 2013 – from 2245 basis points at the end of December 2012 to 872 basis points at the end of September 2013 – more than compensating for the 854 basis points spread widening that took place in 2012. The reason for Belize's spread decline was the exchange offer made on 15 February 2013 for its US\$ 547 million 2029 "super bond" and the government's announcement on 08 March 2013 that holders of 86.17% of the country's U.S. dollar bonds due 2029 had decided to participate in the restructuring and exchange their bonds for new U.S. dollar bonds due 2038. Belize's spreads fell sharply in one day, from 1373 basis points on March 27, to 789 basis points on March 28. Moody's raised Belize's rating to Caa2 from Ca on April 16, saying the sovereign's debt restructuring is positive for liquidity, although further potential fiscal woes remain on the horizon.

Jamaica's spreads also tightened in 2013 year-to-date by 74 basis points, enough to compensate for the 74 basis points spread widening that took place in 2012. The government has renegotiated an agreement with the International Monetary Fund – a 48-month, US\$ 932 million Extended Arrangement – which was approved by the Fund's Executive Board on 1 May 2013. However, the uncertainty surrounding Jamaica's economy – marked by high deficits, a large public debt burden and challenging foreign exchange reserves, while facing a tough global economy – has translated into higher spreads, which at 637 basis points at the end of September 2013, remained above the regional average.

In the Dominican Republic – where debt spreads tightened 254 basis points in 2012, more than the 142 basis points tightening in the EMBIG Latin component – spreads widened 86 basis points from

January to September 2013, as much as the EMBIG Latin component. Spreads were at 429 basis points at the end of September. Dominican Republic spreads are close to the Latin American regional average, and for the most part, have followed global conditions.

Spreads for Trinidad & Tobago were added to the J.P.Morgan EMBIG index on 30 August 2013. At the end of September 2013 spreads were at 276 basis points, below the regional average.

Credit Rating Actions:

There have been five positive credit rating actions and seven negative actions in the Caribbean region in 2013 year-to-date. Seven of these actions were related to Jamaica (see table 3).

Sovereign Credit Rating Actions in the Caribbean - 2013 YTD			
Date	Country	Action	
2013 YTD			
18-Jan-13	Jamaica	Fitch lowers outlook on Jamaica's B rating to negative from stable	<i>Negative</i>
12-Feb-13	Jamaica	S&P downgrades Jamaica's rating to SD from B-	<i>Negative</i>
12-Feb-13	Jamaica	Fitch downgrades Jamaica's rating to C from B-	<i>Negative</i>
22-Feb-13	Jamaica	Fitch downgrades Jamaica's rating to RD from C	<i>Negative</i>
1-Mar-13	Jamaica	Fitch upgrades Jamaica's rating to CCC from RD	<i>Positive</i>
6-Mar-13	Jamaica	S&P upgrades Jamaica's rating to CCC+ from SD	<i>Positive</i>
6-Mar-13	Jamaica	Moody's downgrades Jamaica's rating to Caa3 from B3	<i>Negative</i>
12-Mar-13	Grenada	S&P downgrades Grenada's rating to SD from CCC+	<i>Negative</i>
20-Mar-13	Belize	S&P upgrades Belize's rating to B- from 'SD' with a stable outlook	<i>Positive</i>
15-Apr-13	Belize	Moody's upgrades Belize's rating to Caa2 from Ca with a stable outlook	<i>Positive</i>
25-Apr-13	Suriname	S&P raises the outlook on Suriname's BB minus rating to positive	<i>Positive</i>
18-Jul-13	Barbados	S&P revises its outlook on its long-term rating on Barbados to negative from stable	<i>Negative</i>
Source: J.P.Morgan, Emerging Markets Outlook and Strategy and rating agencies.			
Number of positive actions: 5; number of negative actions: 7.			

In January, Fitch changed its outlook on Jamaica's B- rating to negative from stable, citing growing financial difficulties. In February, S&P lowered its foreign currency sovereign credit rating on Jamaica to 'Selective Default' (SD) from B- following the government's announcement of a debt exchange program. Based on its criteria, S&P said it considered the exchange a default. Fitch also downgraded Jamaica in February to 'Restricted Default' (RD), saying that the completed exchange constituted a 'distressed debt exchange' (DDE).

In March, however, Fitch raised Jamaica's ratings to CCC, citing a participation level above 98% at the final close of the National Debt Exchange (NDX) and S&P also raised its long-term foreign currency sovereign credit rating on Jamaica to CCC+ from SD following the completion of the government's debt restructuring.

S&P returned Grenada's credit rating to SD from CCC+ in March, sending it back to the level where it was before the October 2012 upgrade to CCC+. The move came after Grenada announced that it wouldn't pay a coupon due March 25 on its USD and ECD-denominated 2025 bonds.

Also in March S&P upgraded Belize to B- from 'SD' with a stable outlook, on the expected completion of debt exchange. In April, Moody's raised Belize's government bond rating to Caa2 from Ca, saying the country's debt restructuring was positive for liquidity.

S&P raised the outlook on Suriname's BB- rating to positive in April, on the expectation of improved growth. The agency highlighted improving macroeconomic fundamentals, robust medium-term growth prospects, a low debt position, and solid external indicators.

In July, S&P revised its outlook on its long-term rating on Barbados to negative from stable. The outlook revision reflected the potential for a downgrade if the wider fiscal deficit is not reversed or if external pressures associated with persistent current account deficits mount.

Debt issuance:

There were two new bond issuances and a reopening from the Caribbean region in the first quarter of 2013. In January, Dominican Republic's Banco de Reservas de la Republica Dominicana (Banreservas) made its debut in international bond markets with a US\$ 300 million, 7.000%, 2023 Tier 2 bond, becoming the first Dominican bank to issue a cross-border bond and opening the cross-border bond markets for other Dominican banks. Jamaica's Digicel, the Caribbean telecom, tapped international bond markets twice. In February, it issued a US\$ 1 billion, 6.000%, 2021 bond. One month later, it visited the international bond markets again adding an additional US\$ 300 million to the 2021 bond issued in February, bringing its outstanding size to US\$ 1.3 billion. The deal raises funds to replace Digicel's 12% 2014 notes.

There was one issuance in the Caribbean region in the second quarter. The Dominican Republic placed its largest-ever bond issuance in April, raising the US\$ 1 billion allowed under its budget through a 2024 bond with a 5.875% coupon. The sovereign now turns to finance the remaining US\$ 3 billion it needs through US\$ 1 billion-equivalent in the local markets, US\$ 650 million through Petrocaribe payments and the remainder from multilateral and bilateral sources.

There were no issuances in the Caribbean region in the third quarter.

The Caribbean region's issuance as a share of the total LAC issuance was 2.7% in 2013 year-to-date, a small increase from the 2% share in 2012.

II. Portfolio equity flows

Portfolio equity flows to Latin America are expected to fall to US\$ 13 billion in 2013 according to the Institute of International Finance (IIF)'s estimates, from US\$ 25 billion in 2012.³ 2013 flows are thus expected to be half of the amount received in 2012 and one-third of the amount received in equity flows in 2010.⁴ Anticipation of QE tapering by the U.S. Federal Reserve and slower regional growth triggered a retrenchment of private inflows, mostly in portfolio equity, in the first half of 2013. Portfolio equity inflows to Brazil, the region's biggest stock market, have declined, reflecting a worsened profit outlook.

Portfolio equity inflows are recovering, however, on the back of increased risk appetite following postponement of Fed tapering, and given the still wide interest rate differentials vis-à-vis mature economies. The recovery in portfolio equity flows is also expected to be supported by improving growth prospects for 2014. In spite of increased volatility in stock markets, medium-term investors have remained vested in the region amid increased market differentiation across countries.

From January to September of 2013, while world equity markets generally performed well, emerging markets lagged. The MSCI Latin American Index lost 13%, compared to a loss of 6% for emerging markets as a whole and a gain of 17% for the G7 countries. Investors' concerns regarding the pace of economic growth and policy management issues in the major emerging market economies have contributed to the underperformance. Capital is, for now, flowing to the developed world because a number of near-term headwinds for emerging markets remain. Among these headwinds is the prospect of QE tapering, large current account deficits in several emerging nations and China's rebalancing of its economy softening demand for commodities.

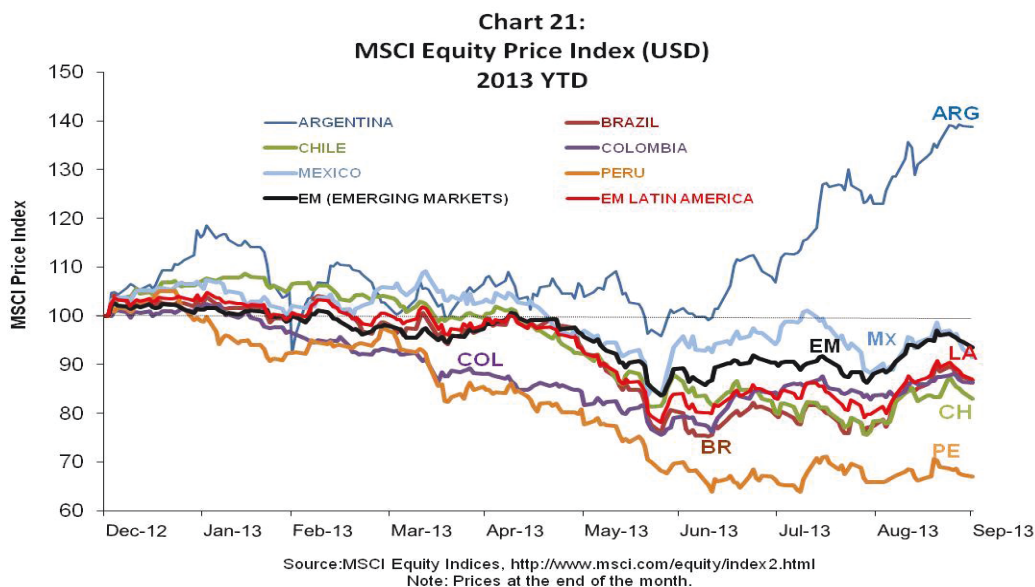
Within the region, Argentina showed the biggest gain in the third quarter and year-to-date (38% and 38.7%, respectively). The MSCI index for all the other countries in the sample has lost since the beginning of the year (see table 4 and chart 21). The biggest loss was Peru's (33%), followed by Chile's (17%), Colombia's (14%), Brazil's (13%) and Mexico's (8%). In 2012, Argentina showed the biggest loss (-39%) and Colombia the biggest gain (32%).

³ Institute of International Finance, *Capital Flows to Emerging Market Economies*, 7 October 2013. <http://www.iif.com/emr/capflows201310.php>

⁴ Equity flows suffered a huge decline from 2010 to 2011 (to US\$ 7 billion from US\$ 41 billion in 2010), when the escalation of the euro zone crisis prompted investors to shed risky assets for the security of gold and U.S. dollar.

Table 4: Stock Price Indices								
2013 YTD								
	Price Index in USD				Variation			
	Dec 31, 2012	Mar 29, 2013	Jun 28, 2013	Sep 30, 2013	Q1 2013	Q2 2013	Q3 2013	YTD
<i>Emerging markets</i>	1,055.196	1,034.904	940.330	987.458	-1.92%	-9.14%	5.01%	-6.42%
<i>Latin America</i>	3,797.805	3,816.111	3,187.223	3,303.097	0.48%	-16.48%	3.64%	-13.03%
<i>Argentina</i>	1,253.169	1,287.288	1,259.765	1,738.175	2.72%	-2.14%	37.98%	38.70%
<i>Brazil</i>	2,727.710	2,691.313	2,196.647	2,365.846	-1.33%	-18.38%	7.70%	-13.27%
<i>Chile</i>	2,394.702	2,492.014	2,106.622	1,988.331	4.06%	-15.47%	-5.62%	-16.97%
<i>Colombia</i>	1,360.131	1,267.214	1,075.469	1,173.504	-6.83%	-15.13%	9.12%	-13.72%
<i>Mexico</i>	7,118.530	7,538.040	6,656.801	6,522.655	5.89%	-11.69%	-2.02%	-8.37%
<i>Peru</i>	1,597.795	1,554.310	1,113.320	1,071.176	-2.72%	-28.37%	-3.79%	-32.96%

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



On a separate note, the volatility in Latin American markets in recent months is leading some global banks to shy away from the region and rethink their strategies. There have been noticeable signs that Wall Street's presence in the region is less pronounced. For example, Goldman Sachs is reducing its staff in Brazil, though the bank says it is still engaged in the region, expanding operations in Chile and Mexico. Barclays and Raymond James have also acknowledged scaling back operations in Brazil. However, as Wall Street-based firms retrench, local bankers are ready to fill the void. Two Brazilian banks, Itaú BBA and BTG Pactual, are making inroads in displacing global banks when competing for stock listings, merger advice or bond offerings. So far this year, BTG Pactual has had the largest share of stock market offerings in Latin America, US\$ 2.96 billion, followed closely by Credit Suisse with US\$ 2.91 billion and Itaú BBA with US\$ 2.89 billion, according to data from Dealogic. Ten years ago, there was not a single Latin American investment bank in Dealogic's top five for the region.

III. Bank Lending

In the first half of 2013, Latin American syndicated loan volume reached US\$ 11.1 billion, according to the Bank for International Settlements (BIS), down 30% from the US\$ 15.9 billion recorded in the first half of 2012. Brazil accounted for 42% of the region's total volume, with a total of US\$ 4.7 billion. Mexico came in second place with US\$ 3.8 billion and a 34% share (see table 5). The latest data available is for the second quarter of 2013.

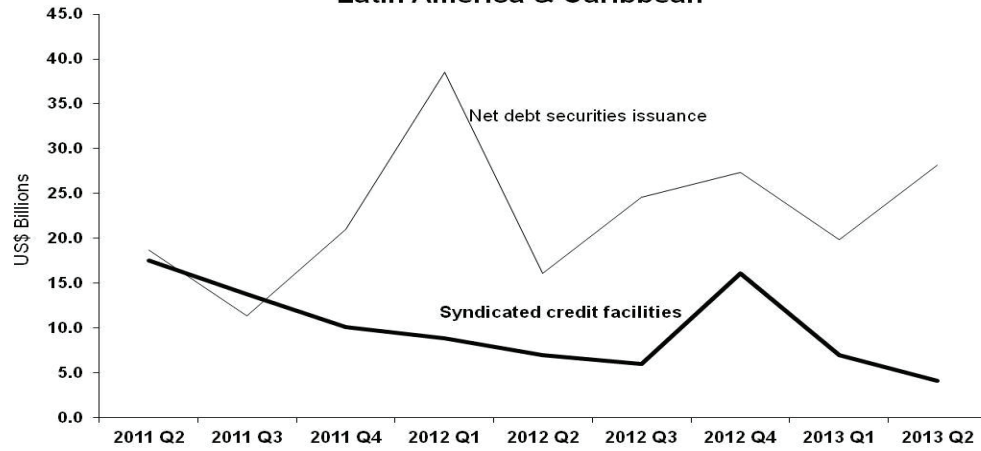
	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2012	2013 Q1	2013 Q2	2013 H1	% of LAC Total
Latin America & Caribbean	8.9	7.0	6.0	16.1	38.1	7.0	4.1	11.1	
Argentina	1.1	0.4	0.2	0.1	1.8	-	0.1	1.5	13.51%
Brazil	3.0	1.7	2.6	5.4	12.7	2.0	2.7	4.7	42.34%
Chile	1.0	1.7	0.4	3.1	6.2	-	0.3	0.3	2.70%
Mexico	2.2	1.4	1.0	6.2	10.7	3.0	0.8	3.8	34.23%
Peru	0.1	-	0.5	0.5	1.1	0.8	-	0.8	7.21%
Venezuela	1.3	0.5	0.1	-	1.9	-	-	0.0	0.00%

Source: ECLAC, on the basis of data from BIS Quarterly Review, Statistical Annex, (Table 10), September 2012.

Syndicated credits are not necessarily a reliable proxy for future bank lending, but the data suggests that bank lending to the region slowed in the first half of 2013. Lending conditions deteriorated (see chart 22) as the prospect of QE tapering by the Federal Reserve weighed on financial assets, leading lenders and borrowers to begin adjusting to a new global backdrop with potentially less liquidity and higher interest rates.

IIF estimates that bank flows to Latin America will be of the order of US\$ 23 billion in 2013, a decline from US\$ 31 billion in 2012 and US\$ 35 billion in 2011. In 2014, the IIF forecasts an increase in bank flows to LAC to US\$ 36 billion.

Chart 22
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

Market uncertainty has heightened, as the United States Federal Reserve considers QE tapering but struggles with how to time its exit. Rising uncertainty is compounded by other concerns, such as large current account deficits in some emerging market countries, and China's rebalancing of its economy softening demand for commodities.

Due to the difficulty in predicting the timing of the normalization of U.S. monetary policy, countries and companies in the region may be better off preparing sooner rather than later for a global backdrop with potentially less liquidity and higher interest rates. For the most part, markets expect a slowdown in capital inflows and not a sudden stop or a capital account crisis, which can be defined as a large fall in capital inflows occurring in conjunction with a sharp rise in credit spreads, as a result of tighter financial conditions.

As the external environment becomes less supportive and investors start to increasingly differentiate among countries, attention will turn to policy frameworks and economic reforms that focus on facilitating economic growth.

Appendix

A. Credit Rating

Table 1:
Credit Ratings in Latin America and the Caribbean - 2013 YTD

	Moody's		S&P		Fitch		Recent Moody's Action		Recent S&P Action		Recent Fitch Action	
	Rating	View	Rating	View	Rating	View	Action	Date	Action	Date	Action	Date
Argentina	Caa1	(-)	CCC+	(-)	CC	NM	Downgrade, O/L (-)	15-Mar-13	Downgrade, O/L (-)	10-Sep-13	Downgrade, O/L not meaningful	27-Nov-12
Bahamas	A3	(-)	BBB	(-)			O/L changed to (-)	31-Aug-11	O/L changed to (-)	24-Sep-12		
Barbados	Ba1	(-)	BB+	(-)	NR		Downgrade, O/L (-)	20-Dec-12	O/L changed to (-), Affirmed	18-Jul-13		
Belize	Caa2		B-		NR		Upgrade, O/L stable	15-Apr-13	Upgrade, O/L stable	20-Mar-13		
Bolivia	Ba3		BB-		BB-		Upgrade, O/L stable	8-Jun-12	Affirmed, O/L stable	10-May-13	Affirmed, O/L stable	30-Sep-13
Brazil	Baa2		BBB	(-)	BBB		O/L revised to neutral	2-Oct-13	O/L changed to (-), Affirmed	6-Jun-13	Affirmed, O/L stable	18-Jul-13
Chile	Aa3		AA-		A+		Affirmed, O/L stable	24-Apr-12	Upgrade, O/L stable	26-Dec-12	Affirmed, O/L stable	30-Jan-12
Colombia	Baa3	(+)	BBB		BBB-	(+)	O/L changed to (+), Affirmed	8-Jul-13	Upgrade, O/L stable	24-Apr-13	O/L changed to (+), Affirmed	6-Mar-13
Costa Rica*	Baa3	(-)	BB		BB+		O/L changed to (-), Affirmed	23-Sep-13	Affirmed, O/L stable	28-Feb-13	Affirmed, O/L stable	14-Feb-12
Cuba	Caa1		NR		NR		Affirmed, O/L stable	28-Feb-12				
Dominican Republic	B1		B+		B		Affirmed, O/L stable	10-Oct-11	Affirmed, O/L stable	29-May-13	Affirmed, O/L stable	11-Dec-12
Ecuador	Caa1		B	(+)	B-	(+)	Upgrade, O/L stable	13-Sep-12	Affirmed, O/L changed to (+)	6-Aug-13	O/L changed to (+), Affirmed	24-Oct-12
El Salvador	Ba3		BB-	(-)	BB-	(-)	Downgrade, O/L stable	5-Nov-12	O/L changed to (-), Affirmed	21-Dec-12	Downgrade, O/L (-)	16-Jul-13
Grenada			SD						Downgrade	12-Mar-13		
Guatemala	Ba1		BB		BB+	(-)	Affirmed, O/L stable	10-Jul-13	O/L chngd to stable, Affirmed	6-Sep-12	O/L chngd to (-), Affirmed	11-Jul-13
Honduras	B2	(-)	B		NR		Affirmed, O/L (-)	26-Feb-13	Downgrade, O/L stable	7-Aug-13		
Jamaica	Caa3		CCC+		CCC	NM	Downgrade, O/L stable	6-Mar-13	Upgrade, O/L chngd to stable	6-Mar-13	Upgrade, O/L not meaningful	1-Mar-13
Mexico	Baa1		BBB	(+)	BBB+		Affirmed, O/L stable	18-Aug-11	O/L changed to (+), Affirmed	12-Mar-13	Upgrade, O/L stable	8-May-13
Nicaragua	B3		NR		NR		Affirmed, O/L stable	18-Apr-13				
Panama	Baa2		BBB		BBB		Upgrade, O/L stable	31-Oct-12	Affirmed, O/L stable	1-Aug-13	Affirmed, O/L stable	14-May-13
Paraguay	Ba3		BB-		NR		Upgrade, O/L stable	8-Jan-13	O/L changed to stable, Affirmed	29-Aug-12		
Peru	Baa2	(+)	BBB+		BBB		Upgrade, O/L (+)	16-Aug-12	Upgrade, O/L stable	19-Aug-13	Affirmed, O/L stable	9-Nov-12
Suriname	Ba3	(+)	BB-	(+)	BB-		Upgrade, O/L (+)	14-Aug-12	O/L changed to (+), Affirmed	25-Apr-13	Affirmed, O/L stable	24-May-13
Trinidad & Tobago	Baa1		A		NR		Affirmed, O/L stable	16-Jan-13	Affirmed, O/L stable	21-Dec-12		
Uruguay*	Baa3	(+)	BBB-		BBB-		Upgrade, O/L (+)	31-Jul-12	Affirmed, O/L stable	22-May-13	Upgrade, O/L stable	7-Mar-13
Venezuela	B2	(-)	B	(-)	B+	(-)	O/L changed to (-), Affirmed	15-Jan-13	Affirmed, O/L (-)	30-Aug-13	Affirmed, O/L (-)	27-Mar-13

Changes for 2013 Q1 are in red.

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

A review/watch [+ or -] is indicative of a likely short-term development.

An outlook [(+) or (-)] suggests that a review/watch or long/intermediate-term movement is likely.

Source: JPMorgan, Emerging Markets Outlook and Strategy and rating agencies.

*S&P issue rating is one notch above the issuer credit rating.

BOX 1: CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN – 2013 YTD

There have been two positive actions and four negative actions in Latin America and the Caribbean in 2013 year-to-date.

Positive Actions: 14 (Bold)*January*

- Paraguay (January 8): **Moody's upgrades Paraguay's government bond rating to Ba3 from B1 with a stable outlook**, noting that finances have remained strong despite volatile growth. The agency says the upgrade is supported by improved government debt metrics due to consecutive budget surpluses during 2004-2011 and improved medium-term growth prospects given government plans to increase investment in infrastructure.
- Trinidad & Tobago (January 16): Moody's affirms Baa1 sovereign rating and maintains stable outlook (*no change*).

February

- Costa Rica (February 28): S&P affirms Costa Rica's BB rating and maintains a stable outlook (*no change*).

March

- Jamaica (March 1): **Fitch raises Jamaica's ratings to CCC**, citing a participation level above 98% at the final close of the National Debt Exchange (NDX).
- Jamaica (March 6): **S&P raises its long-term foreign currency sovereign credit rating on Jamaica to CCC+ from SD** following the completion of the government's debt restructuring (known as NDX).
- Colombia (March 6): **Fitch changes the outlook on Colombia's BBB- rating to positive from stable** due to strengthening external accounts and favorable government debt dynamics. The agency expects Colombia to join Brazil and Peru as a net external creditor in 2013.
- Uruguay (March 7): **Fitch upgrades Uruguay's credit rating to BBB- from BB+**, citing economic resilience, strong GDP growth, and prudent fiscal and public debt management.
- Mexico (March 12): **S&P revises the outlook on Mexico's BBB rating to positive from stable**, citing the higher possibility of structural reforms as well as a strong track record of cautious fiscal and monetary policy that should support macroeconomic stability and contribute to economic resiliency. S&P says the outlook reflects a greater than one-in-three chance that the government will pass a series of policies that meaningfully improve Mexico's fiscal options and medium-term growth prospects.
- Belize (March 20): **S&P upgrades Belize's rating to B- from 'SD' with a stable outlook**, on the expected completion of debt exchange.

April

- Belize (April 15): **Moody's raises Belize's government bond rating to Caa2 from Ca**, saying the country's debt restructuring is positive for liquidity.
- Nicaragua (April 18): Moody's affirms Nicaragua's B3 rating and maintains a stable outlook (*no change*).
- Colombia (April 24): **S&P upgrades Colombia's rating to BBB from BBB- with a stable outlook**, citing positive trends in economic growth, as well as monetary policy and fiscal measures that better insulate it against external shocks, as among the factors in the ratings rise.
- Suriname (April 25): **S&P has raised the outlook on Suriname's BB minus rating to positive** on an expectation of improved growth. The agency highlights improving macroeconomic fundamentals, robust medium-term growth prospects, a low debt position, and solid external indicators.

May

- Mexico (May 8): **Fitch upgrades Mexico to BBB+ from BBB with a stable outlook**, based on continuing macroeconomic improvements and anticipated structural reforms.
- Bolivia (May 10): S&P affirms Bolivia's BB- rating and maintains a stable outlook (*no change*).
- Panama (May 14): Fitch affirms Panama's BBB rating and maintains a stable outlook (*no change*).
- Uruguay (May 22): S&P affirms Uruguay's BBB- rating and maintains a stable outlook (*no change*).
- Dominican Republic (May 29): S&P affirms the sovereign's B+ rating and maintains a stable outlook (*no change*).
- Suriname (May 24): Fitch affirms Suriname's BB- rating with a stable outlook (*no change*).

July

- Colombia (July 08): **Moody's changes the outlook on Colombia's rating to positive from stable**. The Baa3 rating is affirmed. The outlook change is based on expectations of continued fiscal consolidation, reduced fiscal deficits and a consistent and predictable macroeconomic policy environment.

(Continued)

Box 1– (cont.)

- Guatemala (July 10): Moody’s affirms Guatemala’s Ba1 rating with a stable outlook (*no change*).
- Brazil (July 18): Fitch affirms Brazil’s BBB rating with a stable outlook (*no change*).

August

- Panama (August 1): S&P affirms Panama’s BBB rating with a stable outlook (*no change*).
- Ecuador (August 6): **S&P raises the outlook on Ecuador’s B credit rating to positive from stable**, on the expectation of an improvement in its fiscal position over the coming year due to higher tax revenues.
- Peru (August 19): **S&P upgrades Peru’s rating to BBB+ from BBB**, citing lower vulnerability to external shocks and a healthy GDP growth outlook.

September

- Bolivia (September 30): Fitch affirms Bolivia’s BB- rating with a stable outlook (*no change*).

Negative Actions: 20 (Bold)*January*

- Venezuela (January 15): **Moody’s changes Venezuela’s outlook to negative from stable**, to reflect “increased political uncertainty and associated risks to the economy and government finances following President Chavez’s failure to attend his inauguration ceremony on January 10.”
- Jamaica (January 18): **Fitch changes its outlook on Jamaica’s B- rating to negative from stable**, citing growing financial difficulties.

February

- Jamaica (February 12): **S&P lowers its foreign currency sovereign credit rating on Jamaica to SD from B-** following the government’s announcement of a debt exchange program. Based on its criteria, S&P said it considered the exchange a default.
- Jamaica (February 12): **Fitch downgrades Jamaica’s long-term foreign currency rating to C from B-** following the government’s announcement of a debt exchange program, saying that if the exchange is completed it would constitute a ‘distressed debt exchange’(DDE) and the rating would be lowered further to ‘Restricted Default’(RD).
- Jamaica (February 22): **Fitch downgrades Jamaica’s long-term foreign currency rating to RD from C.**
- Honduras (February 26): **Moody’s lowers the outlook on Honduras’ B2 rating to negative from stable**, citing fiscal concerns and external finance issues.
- Honduras (February 27): **S&P revises its outlook on the long-term ratings on Honduras to negative from stable**, citing the risk of a continued deterioration in macroeconomic stability.

March

- Jamaica (March 6): **Moody’s downgrades Jamaica’s government debt rating to Caa3 from B3**, concluding the review for downgrade initiated on February 14. The outlook is stable. The reasons given for the downgrade are: the debt exchange, which Moody’s considers a distressed exchange; the still high debt burden as nominal debt levels remain unchanged since the announced restructuring did not impose any principal haircuts; and expectations of continued slow growth that will make fiscal consolidation efforts more difficult.
- Grenada (March 12): **S&P returns Grenada’s credit rating to SD from CCC+**, sending it back to the level where it was before an October upgrade to CCC+. The move comes after Grenada announced that it won’t pay a coupon due March 25 on its USD and ECD-denominated 2025 bonds.
- Argentina (March 15): **Moody’s downgrades Argentina’s foreign law bonds to Caa1 and keeps a negative outlook**, due to the increased default risk coming from the US court proceedings, but affirms B3 Issuer Rating with a negative outlook (*no change*). The agency noted that the downgrade of the foreign-law bonds reflected concerns not about the country’s ability to pay but rather over its willingness.
- Venezuela (March 27): Fitch affirms Venezuela’s rating at B+ with a negative outlook (*no change*).

April

- Argentina (April 11): S&P affirms Argentina’s B- rating and maintains a negative outlook (*no change*).
- Venezuela (April 19): **S&P lowers the outlook on Venezuela’s B+ rating to negative from stable**, due to increasing political risk.

(Continued)

Box 1– (conclusion)*June*

- Brazil (June 06): **S&P revises Brazil’s long-term debt rating outlook to negative from stable** while reaffirming the country’s BBB rating, citing modest economic growth and ambiguous policy signals that have dampened investor confidence.
- Venezuela (June 17): **S&P downgrades Venezuela to B from B+** on greater challenges to economic policy implementation. **Outlook is negative.**

July

- Guatemala (July 11): **Fitch affirms Guatemala at BB+ and revises the outlook to negative from stable.** The move is based on a slow progress in addressing long standing structural weaknesses that continue to hinder growth potential and limit per capita income convergence to similarly rated peers.
- El Salvador (July 16): **Fitch downgrades El Salvador to BB- from BB and maintains a negative outlook,** citing El Salvador’s sustained macroeconomic underperformance relative to peers and protracted high fiscal deficits that have resulted in a debt-to-GDP ratio of 56.7% in 2012, well above the 39% median in the BB class.
- Barbados (July 18): **S&P revises its outlook on its long-term rating on Barbados to negative from stable.** The outlook revision reflects the potential for a downgrade if the wider fiscal deficit is not reversed or if external pressures associated with persistent current account deficits mount.

August

- Honduras (August 7): **S&P lowers Honduras’ credit rating to B from B+,** saying that diminished fiscal flexibility and a rising debt burden have made Honduras more vulnerable to external shocks or negative political developments.
- Venezuela (August 30): S&P affirms Venezuela’s B rating and maintain a negative outlook (*no change*).

September

- Argentina (September 10): **S&P downgrades Argentina to CCC+ with a negative outlook.** The agency said the downgrade is based on increased risks to debt service stemming from a lawsuit over the debt the government still maintains in default.
- Costa Rica (September 23): **Moody’s changes the outlook on Costa Rica’s Baa3 bond rating to negative from stable,** citing a continued increase in the main debt metrics since 2009; and the country’s difficulty in passing legislation to reduce high fiscal deficits and limit the increase in the debt burden..

October

- Brazil (October 2): **Moody’s revised Brazil’s Baa2 sovereign rating outlook from positive to neutral,** reflecting deteriorating fiscal and growth metrics, and slipping fiscal reporting standards.

Source: ECLAC, on the basis of information from various market sources.

B. Latin American Spreads

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
30-Sep-08	442	953	333	223	318	1001	275	310	412	959	470
31-Oct-08	684	1787	451	366	531	3150	390	513	834	1486	709
28-Nov-08	748	1722	490	337	575	3576	482	530	775	1544	765
31-Dec-08	724	1704	429	343	498	4731	434	509	685	1864	746
30-Jan-09	656	1495	409	392	472	3842	411	416	613	1730	693
27-Feb-09	672	1727	420	348	460	3433	429	383	587	1644	689
31-Mar-09	657	1894	424	286	486	3568	441	425	636	1570	695
30-Apr-09	542	1766	353	298	353	3385	350	304	525	1314	584
29-May-09	464	1291	291	193	311	3003	270	278	372	1328	514
30-Jun-09	433	1062	282	161	301	1322	280	272	383	1208	464
31-Jul-09	398	962	266	147	284	1180	250	262	348	1146	433
31-Aug-09	389	957	270	146	288	1091	271	258	352	1030	428
30-Sep-09	337	784	234	139	223	940	234	205	321	904	372
30-Oct-09	333	721	238	139	237	814	224	213	301	989	376
30-Nov-09	342	766	228	129	223	842	221	199	273	1141	383
31-Dec-09	294	660	189	95	198	769	192	165	238	1041	355
29-Jan-10	323	753	232	119	241	806	214	214	266	979	381
26-Feb-10	311	806	212	137	211	822	196	179	263	989	366
31-Mar-10	261	646	182	115	173	817	159	149	191	890	317
30-Apr-10	274	659	196	112	192	823	181	168	205	898	329
28-May-10	343	807	234	162	241	952	219	208	261	1244	407
30-Jun-10	358	845	247	146	229	1013	212	215	260	1247	415
30-Jul-10	313	721	212	133	183	1037	192	171	220	1104	370
31-Aug-10	326	778	229	138	197	1040	210	191	219	1214	389
30-Sep-10	305	689	203	136	169	1226	191	174	214	1162	363
29-Oct-10	283	543	173	130	138	1011	155	136	151	1148	337
30-Nov-10	322	597	198	128	180	988	187	180	185	1291	388
31-Dec-10	289	507	189	115	172	913	173	165	188	1114	357
31-Jan-11	298	552	179	125	150	841	162	152	177	1139	355
28-Feb-11	304	580	178	115	148	759	162	156	191	1174	371
31-Mar-11	299	539	174	117	153	780	160	173	176	1137	373
29-Apr-11	302	555	172	124	147	782	164	217	183	1138	377
31-May-11	312	592	177	131	144	799	168	189	188	1195	387
30-Jun-11	288	568	150	131	121	783	148	169	151	1117	355
29-Jul-11	301	592	160	121	132	779	159	159	171	1123	361
31-Aug-11	354	738	197	151	165	871	196	186	207	1273	414
30-Sep-11	465	993	277	181	240	868	267	279	312	1450	527
31-Oct-11	392	835	223	153	188	886	221	205	215	1269	454
30-Nov-11	413	941	229	159	199	838	228	227	221	1287	463
30-Dec-11	426	925	225	172	191	846	222	216	213	1258	468
31-Jan-12	412	840	225	162	200	818	229	221	222	1155	449
29-Feb-12	357	843	197	160	171	788	209	195	206	916	390
30-Mar-12	342	880	177	148	141	824	185	157	173	939	377
30-Apr-12	348	962	188	156	152	792	187	166	190	926	383
31-May-12	429	1236	244	191	207	948	249	216	251	1209	480
29-Jun-12	374	1088	208	167	158	892	202	174	197	1129	428
31-Jul-12	341	1087	183	154	140	852	176	145	172	1099	398
31-Aug-12	325	1051	179	146	137	791	186	145	158	1001	381
28-Sep-12	308	897	162	143	132	743	172	125	139	956	369
31-Oct-12	296	1066	154	126	122	824	166	118	136	959	365
30-Nov-12	287	1140	152	130	124	829	169	122	140	880	355
31-Dec-12	266	991	140	116	112	826	155	114	127	786	326
31-Jan-13	271	1102	154	124	132	704	165	129	132	746	328
28-Feb-13	288	1287	178	140	141	704	180	138	164	737	342
28-Mar-13	307	1307	190	153	147	700	182	147	173	797	358
30-Apr-13	291	1210	173	141	131	647	169	132	153	821	346
31-May-13	307	1167	208	153	167	626	196	159	173	878	376
28-Jun-13	353	1199	243	180	193	665	223	201	235	976	424
31-Jul-13	343	1112	241	160	181	620	202	180	185	966	406
30-Aug-13	375	1170	257	182	198	649	222	207	242	1017	432
30-Sep-13	355	1035	245	171	187	628	210	184	200	1010	412

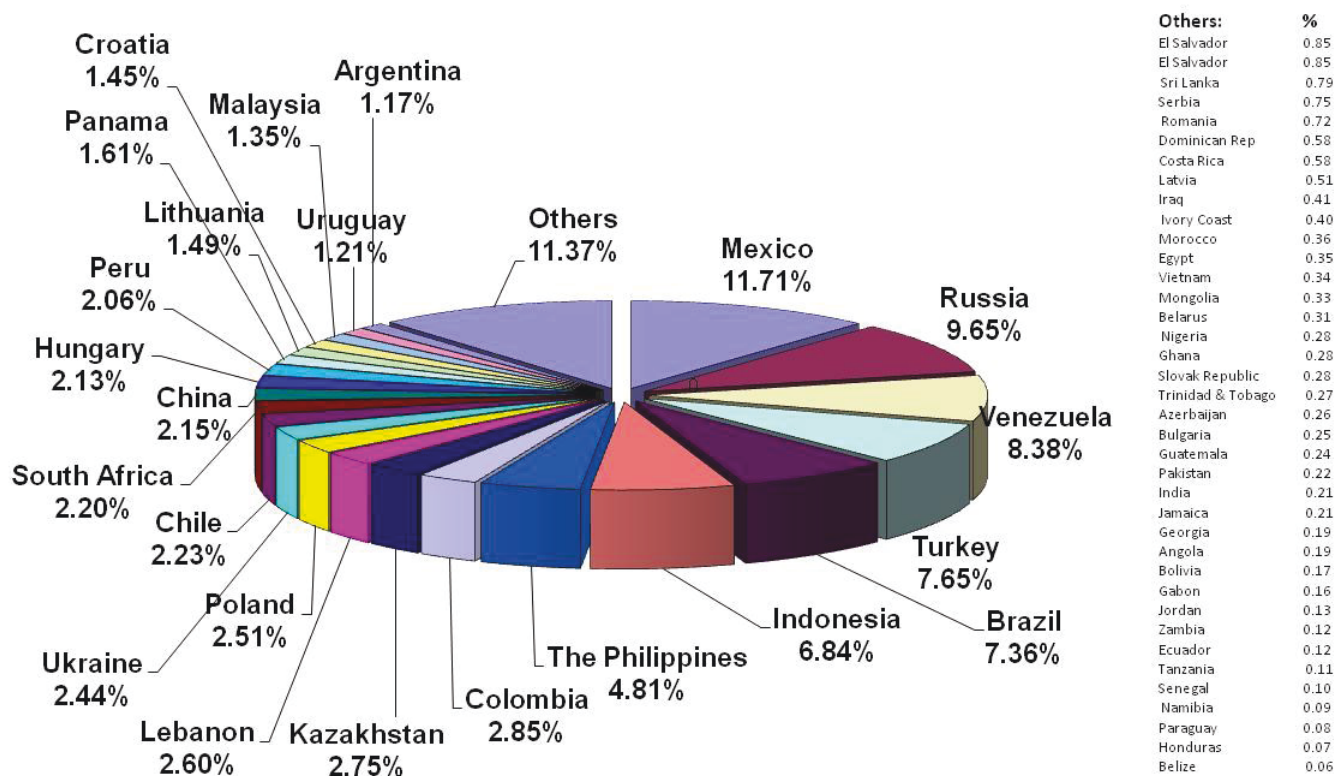
Source: "Emerging Markets Bond Index Monitors"; JPMorgan.

EMBI Global composition by market sector (end-September 2013): Brady, 4.31%; Benchmark Eurobonds 95.69%.

by country: Brazil, Mexico and Venezuela account for 27.45% of the total weighting.

by region: Latin: 41.82%; Non-Latin: 58.18%.

EMBI Global Composition (as of September 2013)



C. New Latin American and Caribbean Debt Issuance

Table 4:

Latin American and Caribbean Debt Issuance					
First Quarter of 2013					
Jan-13					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Mexico	United Mexican States	USD 1500	1,500	4.750%	2044 (r)
Brazil	BTG Pactual	USD 1000	1,000	4.000%	2020
Colombia	Empresa de Telecomunicaciones de Bogota (ETB)	COP 530180	300	7.000%	2023
Chile	Automotores Gildemeister (AG)	USD 300	300	6.750%	2023 NC5
Chile	CorpBanca	USD 800	800	3.125%	2018
Peru	Corporación Pesquera Inca (Copeinca)	USD 75	75	9.000%	2017 (r)
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 150	164	1.500%	2020
Brazil	Bradesco	CNH 350	56	3.700%	2016
Supranational	CAF Development Bank of Latin America	CHF 250	272	1.375%	2021
Brazil	Marfrig Alimentos	USD 600	600	9.875%	2017
Brazil	Tonon Bioenergia	USD 300	300	9.250%	2020 NC4
Brazil	Minerva	USD 850	850	7.750%	2023 NC5
Paraguay	Republic of Paraguay	USD 500	500	4.625%	2023
Colombia	Republic of Colombia	USD 1000	1,000	2.625%	2023
Peru	BBVA Continental	USD 300	300	2.250%	2016
Colombia	Banco Davivienda	USD 500	500	2.950%	2018
Mexico	Pemex	USD 2000	2,000	3.500%	2023
Brazil	Banco do Brasil	USD 2000	2,000	6.250%	Perp NC11
Peru	Fondo Mivienda	USD 500	500	3.500%	2023
Peru	Pesquera Exalmar	USD 200	200	7.375%	2020 NC4
Dominican Republic	Banco de Reservas de la Republica Dominicana (Banreservas)	USD 300	300	7.000%	2023
Mexico	Grupo Posadas	USD 50	50	7.875%	2017 (r)
Brazil	JBS	USD 500	500	6.250%	2023 NC5
Chile	Corp Group Banking	USD 500	500	6.750%	2023 NC%
			14,567		
Feb-13					
Mexico	Grupo Cementos Chihuahua (GCC)	USD 260	260	8.125%	2020NC3
Peru	Cementos Pacasmayo	USD 300	300	1.500%	2023
Colombia	GeoPark Latin America	USD 300	300	7.500%	2020 NC4
Chile	Grupo SMU	USD 300	300	7.750%	2020 NC4
Guatemala	Republic fo Guatemala	USD 700	700	4.875%	2028
Chile	Banco de Credito e Inversiones (BCI)	USD 500	500	4.000%	2023
Brazil	Gol	USD 200	200	10.750%	20223 NC5
Colombia	Banco de Bogota	USD 500	500	5.375%	2023
Jamaica	Digicel Limited	USD 1000	1,000	6.000%	2021 NC3
Mexico	Tenedora Nemark	USD 500	500	5.500%	2023 NC5
Mexico	America Movil (AMX)	MXP 7500	587	6.450%	2022 (r)
			5,147		
Mar-13					
Chile	Grupo Tanner Servicios Financieros	USD 250	250	4.375%	2018
Chile	Santander Chile	CHF 150	159	Libor + 100 bp	2017
Brazil	Cosan	USD 500	500	5.000%	2023 NC5
Brazil	Cosan	BRL 500	252	9.500%	2018
Brazil	Santander Brazil	BRL 750	384	8.000%	2016
Honduras	Republic of Honduras	USD 500	500	7.500%	2024
Mexico	Cemex	USD 600	600	5.875%	2019 NC3
Peru	Alicorp	USD 450	450	3.875%	2023
Mexico	Javer	USD 50	50	9.875%	2021
Brazil	BTG Pactual	CNH 1000	161	4.100%	2016
Jamaica	Digicel Limited	USD 300	300	6.000%	2021 NC3 (r)
Brazil	Cosan	BRL 350	175	9.500%	2018
Peru	Compania Minera Milpo	USD 350	350	4.625%	2023
Peru	Gas Natural de Lima y Callao (Calidda)	USD 320	320	4.375%	2023
El Salvador	AES El Salvador	USD 310	310	6.750%	2023
Brazil	Banco ABC Brasil	BRL 250	124	8.500%	2016
Brazil	Minas Gerais	USD 1270	1270	5.333%	2028
Colombia	Pacific Rubiales	USD 1000	1000	5.125%	2023 NC5
Supranational	Central American Bank for Economic Integration (CABEI)	CNH 500	81	3.200%	2016
Peru	Banco de Credito del Peru (BCP)	USD 350	350	4.250%	2023
Chile	Sociedad Quimica y Minera de Chile (SQM)	USD 300	300	3.625%	2023
			7,886		
Source: LatinFinance (Bonds Database).					
Notes:					
Q1 2013					
27,600					
(r): retap.					
NC3: only callable after 3 years.					
NC4: only callable after 4 years.					
NC5: only callable after 5 years.					
NC11: only callable after 11 years.					

Table 5:

Latin American and Caribbean Debt Issuance					
Second Quarter of 2013					
Apr-13					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Peru	BBVA Continental	USD 500	500	3.250%	2018
Supranational	CAF Development Bank of Latin America	CHF 100	107	1.375%	2021
Peru	Banco de Credito del Peru	USD 170	170	6.125%	2027 (r)
Brazil	Gerdau	USD 750	750	4.750%	2023
Brazil	JBS (ESAL)	USD 275	275	6.250%	2023 NC5 (r)
Mexico	United Mexican States	EUR 1600	2,104	2.750%	2023
Peru	Corporación Lindley	USD 260	260	4.625%	2023
Brazil	BTG Investments	USD 700	700	4.500%	2018
Dominican Republic	Dominican Republic	USD 1000	1,000	5.875%	2024
Brazil	Banco Fibra	USD 150	150	4.500%	2016
Mexico	Metalsa	USD 300	300	4.900%	2023
Chile	Latam Airlines Group	USD 138	138	2.004%	2024
Brazil	Odebrecht	BRL 500	250	8.375%	2018
Brazil	Odebrecht	USD 550	550	4.500%	2024
Brazil	OAS	USD 500	500	8.875%	Perp NC5
Peru	Ferreycorp	USD 300	300	4.875%	2020 NC4
Chile	Banco de Chile	HKD 700	90	3.230%	2023
Panama	Republic of Panama	USD 750	750	4.300%	2053
Brazil	Construtora Andrade Gutierrez (CAG)	USD 500	500	4.000%	2018
Peru	Transportadora de Gas del Peru (TGP)	USD 850	850	4.250%	2028
Costa Rica	Republic of Costa Rica	USD 500	500	4.375%	2025
Costa Rica	Republic of Costa Rica	USD 500	500	5.625%	2043
Mexico	Kansas City Southern de Mexico (KCSM)	USD 450	450	3.000%	2023
Mexico	Kansas City Southern de Mexico (KCSM)	USD 275	275	2.350%	2020
Colombia	Banco GNB Sudameris	USD 300	300	3.875%	2018
Chile	Falabella	CLP 118000	250	6.500%	2023
Chile	Falabella	USD 500	500	3.750%	2023
Chile	Banco de Chile	CHF 200	212	1.125%	2018
Brazil	Aralco	USD 250	250	10.125%	2020 NC3
Peru	Consorcio Transmatara	USD 450	450	4.375%	2023
			13,931		
May-13					
Brazil	Santander Brazil	BRL 500	249	8.000%	2016 (r)
Colombia	Avianca Holdings	USD 300	300	8.375%	2020 NC4
Guatemala	Central American Bottling Corporation (Cabcorp)	USD 100	100	6.750%	2022
Chile	Banco de Chile	CHF 50	53	1.125%	2018 (r)
Chile	Banco Estado de Chile	USD 200	200	2.000%	2017 (r)
Mexico	Grupo Televisa	MXP 6500	540	7.250%	2043
Mexico	Femsa (Fomento Económico Mexicano)	USD 300	300	2.875%	2023
Mexico	Femsa (Fomento Económico Mexicano)	USD 700	700	4.375%	2043
Chile	Empresas CMPC	USD 500	500	4.375%	2023
Costa Rica	Instituto Costarricense de Electricidad (ICE)	USD 500	500	6.375%	2043
Brazil	Republic of Brazil	USD 750	750	2.625%	2023 (r)
Mexico	Prestaciones Finmart	USD 30	30	8.500%	2016
Brazil	Petrobras	USD 1250	1250	2.000%	2016
Brazil	Petrobras	USD 1000	1000	L+162	2016
Brazil	Petrobras	USD 1500	1500	L+214	2019
Brazil	Petrobras	USD 2000	2000	3.000%	2019
Brazil	Petrobras	USD 3500	3500	4.375%	2023
Brazil	Petrobras	USD 1750	1750	5.625%	2043
Mexico	America Movil	CHF 300	300	1.125%	2018 (r)
Brazil	Brasil Foods (BRF)	USD 500	500	3.950%	2023
Brazil	Brasil Foods (BRF)	BRL 500	248	7.750%	2018
Mexico	Red de Carreteras de Occidente (RCO)	MXP 7500	603	9.000%	2028
Mexico	Grupo Famsa	USD 250	250	7.250%	2020 NC4
Chile	Santander Chile	USD 250	250	L+187.5	2018
			17,373		
Jun-13					
Brazil	Santander Brazil	CHF 125	131	1.125%	2015
Chile	Banco Estado de Chile	JPY 24000	253	0.837%	2018
Chile	Banco de Chile	CHF 225	243	3mL + 60	2016
Chile	Latam Airlines Group	USD 133	133	2.581%	2024
			760		
Source: LatinFinance (Bonds Database).					
Notes:		Q2 2013	32,064		
(r): retap.		2013 H1	59,664		
NC3: only callable after 3 years.					
NC4: only callable after 4 years.					
NC5: only callable after 5 years.					
NC11: only callable after 11 years.					

Table 6:

Latin American and Caribbean Debt Issuance					
Third Quarter of 2013					
Jul-13					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Mexico	Pemex	USD 500	500	6.500%	2041 (r)
Mexico	Pemex	USD 1,000	1,000	4.875%	2024
Mexico	Pemex	USD 1,000	1,000	3.500%	2018
Mexico	Pemex	USD 500	500	L+202	2018
Supranational	CAF Development Bank of Latin America	HKD 940	121	4.270%	2028
Mexico	America Movil (AMX)	GBP 300	452	4.948%	2033
Mexico	America Movil (AMX)	EUR 750	979	3.259%	2023
Supranational	CAF Development Bank of Latin America	CHF 250	265	1.500%	2020
Brazil	Banco do Brasil	EUR 700	917	3.750%	2018
Mexico	Aeromexico	USD 170	170	2.537%	2025
Chile	Transelec	USD 300	300	4.625%	2023
Brazil	Maranhão	USD 662	662	5.477%	2023
Brazil	Odebrecht	USD 1700	1,700	6.750%	2022
Mexico	United Mexican States	JPY 48600	495	1.160%	2016
Mexico	United Mexican States	JPY 15000	153	1.390%	2018
Mexico	United Mexican States	JPY 17000	173	1.540%	2019
			9,387		
Aug-13					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Costa Rica	Banco de Costa Rica	USD 500	500	5.250%	2018
Mexico	Cemex	USD 1000	1,000	6.500%	2019 NC4
Mexico	Alpek	USD 300	300	5.375%	2023
Mexico	Playa Resorts	USD 300	300	8.000%	2023 NC3
Chile	Corporación Nacional del Cobre (Codelco)	USD 750	750	4.500%	2023
Uruguay	Republic of Uruguay	USD 2000	2,000	4.500%	2024
Bolivia	Bolivia (Plurinational State of)	USD 500	500	5.950%	2023
Supranational	CAF Development Bank of Latin America	AUD 275	249	4.250%	2016
Supranational	CAF Development Bank of Latin America	AUD 75	67	4.250%	2016
Chile	Banco de Credito e Inversiones (BCI)	CHF 200	215	1.250%	2016
			5,881		
Sep-13					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Mexico	America Movil	GBP 550	859	6.375%	2073 NC7
Mexico	America Movil	EUR 550	721	6.375%	2073 NC10
Mexico	America Movil	EUR 900	1,180	5.125%	2073 NC5
Chile	Santander Chile	CHF 150	159	1.750%	2019
Mexico	America Movil;	USD 750	750	L+100	2016
Peru	Inkia Energy	USD 150	150	8.375%	2021 NC5 (r)
Mexico	Pemex	USD 400	400	2.830%	2024
Colombia	Ecopetrol	USD 850	850	7.375%	2043
Colombia	Ecopetrol	USD 1300	1,300	5.875%	2023
Colombia	Ecopetrol	USD 350	350	4.250%	2018
Mexico	TV Azteca	USD 500	500	7.625%	2020 NC4
Brazil	JBS USA	USD 500	500	7.250%	2021 (r)
Brazil	Marfrig	USD 400	400	11.250%	2021 NC4
Panama	Global Bank	USD 100	100	4.750%	2017 (r)
Mexico	Office Depot de Mexico (ODM)	USD 350	350	6.875%	2020 NC4
Mexico	Offshore Drilling Holding (ODH)	USD 950	950	8.375%	2020 NC4
Colombia	Republic of Colombia	USD 1600	1,600	4.000%	2024
Mexico	Pemex	USD 750	750	L+43	2024
Brazil	BNDES	USD 1250	1,250	3.375%	2016
Brazil	BNDES	USD 1250	1,250	5.750%	2023
Mexico	United Mexican States	USD 3900	3,900	4.000%	2023
Argentina	Arcos Dorados	USD 375	375	6.625%	2023
Mexico	Cemex	USD 1000	1,000	7.250%	2021 NC4
Mexico	Cemex	USD 400	400	L+475	2018
Chile	Embotelladora Andina	USD 575	575	5.000%	2023
Brazil	Caixa Econômica Federal (CEF)	USD 1250	1,250	4.500%	2018
Argentina	YPF	USD 150	150	L+750	2018
Mexico	Cemex	USD 100	100	L+475	2018 (r)
			22,119		
Note: September issuance as of middle of the month.					
Source: LatinFinance (Bonds Database).		Q3 2013	37,387		
Notes:		2013 YTD	97,051		
(r): retap.					
NC3: only callable after 3 years.					
NC4: only callable after 4 years.					
NC5: only callable after 5 years.					
NC11: only callable after 11 years.					