

United Nations Economic Commission for Latin America and the Caribbean

ECLAC WASHINGTON OFFICE

Capital Flows to Latin America and the Caribbean: Recent Developments



UNITED NATIONS



Washington, D.C., 26 November 2014

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Highlights

- Latin American markets ended the third quarter of 2014 under pressure from a stronger U.S. dollar and developments at the country level – Argentina’s legal standoff with debt holdouts, election-related volatility in Brazil, and the impact of higher oil prices on Venezuela’s oil-dependent economy – with the region’s high-spread credits driving weak performance.
- Although the region’s international bond sales are on track to be the highest on record for the sixth year in a row, expectations are that net issuance for the remainder of the year may slow down. Total new bond issuance in Latin America and the Caribbean was about US\$ 28 billion in the third quarter, lower than in the first (US\$ 44 billion) and second (US\$ 40 billion) quarters. From January to October the total amount issued reached US\$ 123 billion, the same amount issued in all of 2013.
- Following a familiar pattern, there have been several firsts in Latin American and Caribbean debt markets in the third quarter and in October:¹
 - ✓ In **July**, Jamaica staged a successful return to the market after a three-year hiatus with the issuance of a SEC-registered 7.625% US\$ 800 million bond with a final maturity in 2025. Jamaica has gone through two restructurings in the past five years, the last one in February 2013.
 - ✓ Chile’s Corporación Nacional del Cobre (Codelco) made its debut in European markets, issuing a € 600 million (US\$ 816 million) 2024 2.25% bond.
 - ✓ Mexico issued a triple-tranche Samurai transaction totaling JPY 60 billion (US\$ 590 million), that locked in the country’s best-ever financing rates in any currency, in 5,10 and 20-year maturities.
 - ✓ Brazil’s Caixa Econômica Federal (CEF) issued a 7.250% US\$ 500 million 2024 bond, the first Basel III tier 2 bond ever sold publically in Brazil, and only the third of its kind in Latin America.
 - ✓ In **August**, Paraguay returned to cross-border markets to stretch its maturity profile to 30 years with a US\$ 1 billion sale, described by the country’s deputy economy minister as a “vote of confidence” from the investment community.

¹ The list that follows is based on information from LatinFinance and other market sources.

- ✓ Colombia's Financiera de Desarrollo Territorial – Findeter, issued the first global-peso bond out of Colombia in more than 18 months, a US\$ 500 million-equivalent 7.875% 2024 bond. It was sold in Colombian pesos but settled in dollars.
 - ✓ In *September*, Colombia's Empresas Publicas de Medellin (EPM) issued another global-peso bond, a US\$ 500 million-equivalent 7.725% 2024 bond.
 - ✓ El Salvador returned to the cross-border market after an absence of almost 2 years with a US\$ 800 million 6.375% 2027 bond. The country's Congress in June approved the sale of US\$ 1.16 billion of bonds in local and international markets to refinance debt and ease pressure on the Treasury.
 - ✓ Mexico's Puerto de Liverpool (El Puerto de Liverpool S.A.B. de C.V.) issued its first cross-border sale since selling a US\$ 200 million 3-year note in 1993. Liverpool is the largest mid-to-high chain of department stores in Mexico, operating 17 shopping malls.
 - ✓ In *October*, the Central American Bank for Economic Integration (CABEI) issued a five-year *Formosa bond*: a CNH 500 million (US\$ 81 million) 3.850% 2019 bond. Taiwan, an extra-regional member of the Central American Integration System (SICA), serve "as a strategic market for CABEI", said the Bank's head of debt capital markets Ricardo Rico. CNH is the offshore RMB.
 - ✓ Peru's Union Andina de Cementos (Unacem) made its debut in cross-border markets with a US\$ 625 million 5.875% 2021 bond. The Ba2/BB+ rated Peruvian cement firm will use the funds to finance the acquisition of a 98.57% stake in Lafarge's cement operations in Ecuador for US\$ 545 million, which was announced in May.
 - ✓ Finally, Peru returned to the cross-border market after an absence of almost three years with a new global-local US\$1.11 billion-equivalent 5.750% 2024 bond. The A3/BBB+/BBB+ rated sovereign had not tapped the international bond markets since January 2012.
- Beyond the impact of the diverging monetary policy stance of G-4 central banks, which will likely lead to higher volatility in the quarters ahead, country-specific factors – such as the economic fallout from Argentina's standoff with holdouts, market doubts regarding Venezuela's ability to pay its debt, and post-election jitters in Brazil – will also add to the volatile environment.
 - Growth prospects look brighter in 2015 relative to 2014, but a strengthening U.S. dollar, uneven global growth and weakness in commodity prices are skewing the risk toward the downside for the 2015 forecasts across the region. The Institute of International Finance expects the strengthening of the dollar to have a divergent impact across the region, however, depending on trade and financial linkages. A stronger dollar lifts U.S. purchasing power, supporting exports, growth and capital inflows in countries with close trade links to the U.S. economy. However, rising dollar financing costs will increase pressure on countries with weak external positions.
 - Given the effects of falling oil prices and a stronger dollar, some companies in the region, having issued record amounts of foreign currency bonds, may now struggle to service their debts. However, there is still a shortage of bonds at a global level, so LAC debt markets may continue to enjoy a good run despite occasional bursts of high volatility – even if not at the record levels of recent years.

Overview

For six years, the global economy has been driven by the U.S. Federal Reserve's policies of easy money. Liquidity has flowed from developed to developing economies, financing infrastructure and corporate investment and allowing consumers to indulge in credit-fuelled retail spending. Thus the effective ending of the Fed's third round of asset purchases (QE3) at the end of October represents both a watershed and the beginning of a new stage in the world economy. The end of asset-purchases comes at a challenging time for emerging markets, with China's economy slowing, the Euro zone struggling to avoid a recession and the Japanese economy already in recession.

The unwinding of the U.S. monetary stimulus, while the European Central Bank and the Bank of Japan step up their monetary stimulus, has underpinned an appreciation by the U.S. dollar, in which most commodities are priced. An appreciated dollar makes dollar-denominated commodities more expensive to buyers, thereby creating pressure for sellers to lower their prices. Latin American markets ended the third quarter of 2014 under pressure from a stronger U.S. dollar.

In this changing external context, there are many signs that a slowdown in Latin American and Caribbean (LAC) financial markets, particularly debt markets, which have been breaking issuance records for the past six years, may slowdown from now on. Commodity prices – including those of oil, base metals and some goods – are in a prolonged slump. The Bloomberg commodity price index, a benchmark of commodity investments, has fallen to a five-year low as China's economy slows down, and with it the demand for commodities. Investment into the LAC region has decelerated, in large part because of a deceleration of mining investments. Latin American currencies have suffered depreciations, as current account deficits have widening for a number of countries. And LAC companies, having issued record amounts of foreign currency bonds may now struggle to service their debt. In October, credit-rating agency Moody's downgraded the bonds of Brazil's Petrobras to two notches above speculative grade because of the impact of falling oil prices and the weaker *real* on its debt.

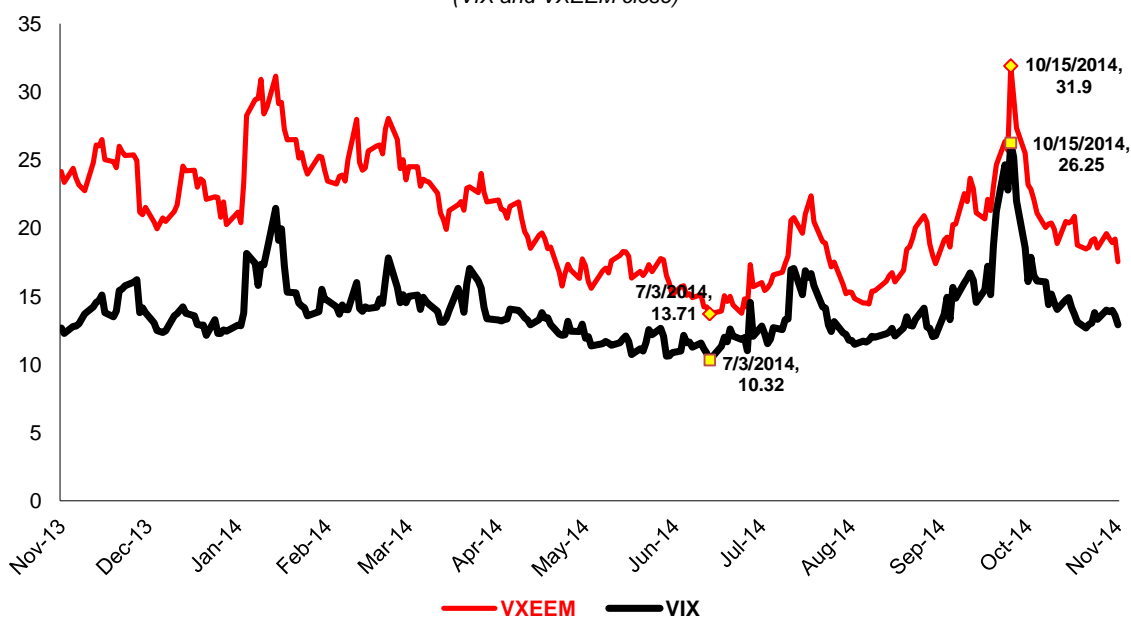
LAC markets were also under pressure from developments at the country level during the third quarter. A dispute regarding a payment to restructured bondholders of Argentinean debt, following a Court decision, moved markets at the end of July, election-related volatility increased in Brazil, and the impact of higher oil prices on Venezuela's oil-dependent economy led markets to begin losing confidence on its ability to pay. The region's high-spread credits, particularly Venezuela, drove the weak performance during the quarter. As of

end-October, Venezuela maintained the highest spread (1507 basis points) of any country in the J.P. Morgan's EMBI Global.

While portfolio inflows to emerging economies accelerated to a two-year high of US\$ 44 billion in July according to estimates published by the Institute of International Finance (IIF), they slowed sharply in August, with emerging economies receiving only US\$ 12 billion. Portfolio debt inflows were particularly affected, basically grinding to a halt. Portfolio inflows recovered a bit in September, with emerging markets receiving US\$ 18 billion. In October, portfolio flows to EMs slowed, reaching a 2014 low of US\$ 1 billion, as cooling sentiment towards emerging markets was exacerbated by general nervousness about uneven global growth. The IIF estimates that portfolio equity flows saw a retrenchment of US\$ 9 billion in October, while bond flows rose to US\$ 10 billion.

Volatility showed big swings in October, with the closely watched Chicago Board Options Exchange (CBOE) Volatility Index (VIX) – a key measure of market expectations of near-term volatility and a barometer of investor sentiment (conveyed by S&P 500 stock index option prices) – exceeding 30 on October 15 (VIX high) amid concerns over global growth. While the VIX close reached its lowest level (10.32) since early-2007 in the beginning of July, and the VXEEM – the CBOE volatility index for emerging markets (conveyed by MSCI Emerging Markets Index Fund option prices) – reached a record low of 13.71 (see chart 1), volatility increased over the third quarter and reached a high in mid-October.

**CHART 1:
CBOE VOLATILITY INDEX**
(VIX and VXEEM close)



Source: Chicago Board Options Exchange, www.cboe.com/micro/vix/historical.aspx

Note: VIX values greater than 30 are generally associated with a large amount of volatility, while values below 20 generally correspond to less stressful, even complacent, times in the markets.

Latin American equities fell in the third quarter and in October, as concerns about poor global and domestic growth increased. The Morgan Stanley Capital International (MSCI) Latin American Index lost 6% in the third quarter. This compares to a loss of 4.5% for emerging markets as a whole and 2% for G7 countries. From January to October 2014 the region lost 1.3%, while emerging markets and the G-7 countries gained 1.3% and 3.5%, respectively (see chart 2).

**CHART 2:
MSCI EQUITY PRICE INDEX**

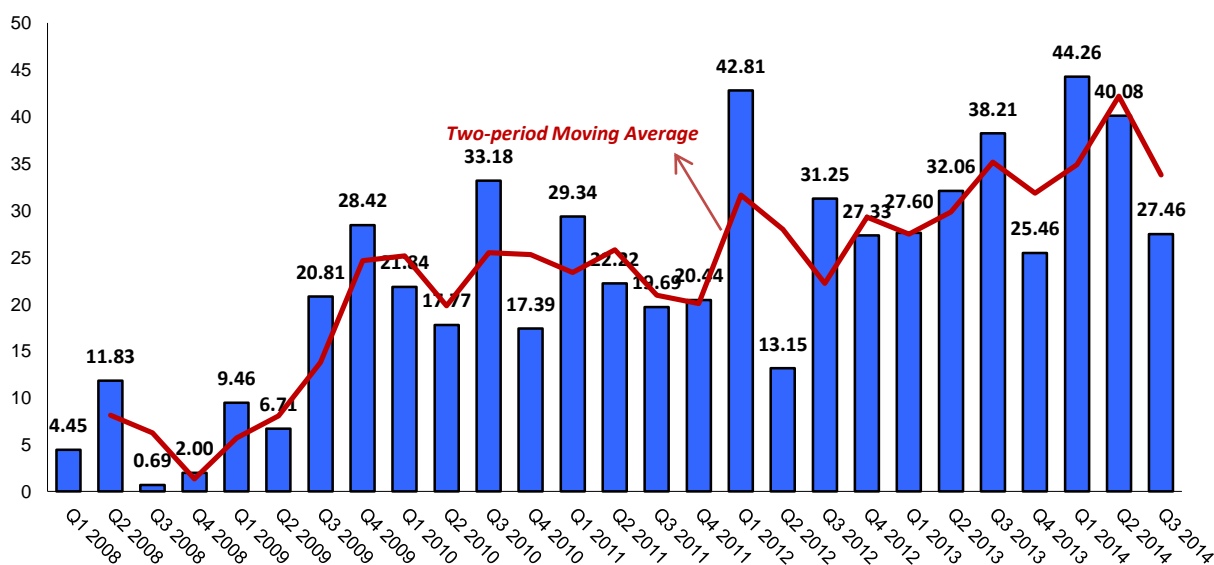


Source: MSCI Equity Indices, <http://www.msci.com/equity/index2.html>

Note: Prices at the end of the month.

In bond markets, borrowers from the region continued to take advantage of low borrowing costs to sell new bonds and refinance outstanding debt with liquidity management exercises. The region’s international bond sales are on track to be the highest on record for the sixth year in a row. Total new bond issuance in Latin America and the Caribbean was about US\$ 28 billion in the third quarter, lower than in the first (US\$ 44 billion) and second (US\$ 40 billion) quarters. From January to October the total amount issued reached US\$ 123 billion, the same amount issued in all of 2013.

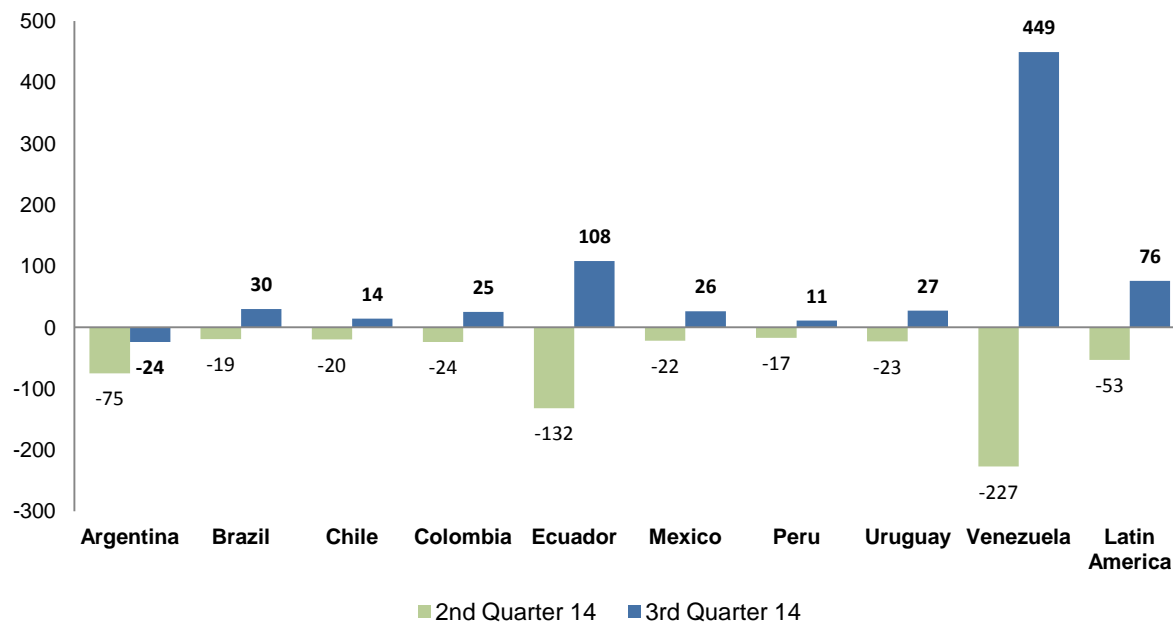
**CHART 3:
QUARTERLY LAC ISSUANCE**
(US\$ Billions)



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

Latin American and Caribbean bond spreads widened in the third quarter of 2014, as concerns about uneven global growth and country-specific problems increased (see chart 4). The widening compares to a tightening in LAC bond spreads in the second quarter. Spreads widened in the third quarter mostly because of country-specific situations, particularly in Venezuela.

CHART 4:
QUARTERLY EMBI GLOBAL SPREAD DIFFERENTIALS
(Basis points)



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

Beyond the impact of the diverging monetary policy stance of G-4 central banks, which will likely lead to higher volatility in the quarters ahead, country-specific factors will also add to the volatile environment.

Growth prospects look brighter in 2015 relative to 2014, but a strengthening U.S. dollar, uneven global growth and weakness in commodity prices are skewing the risk toward the downside for the 2015 forecasts across the region. The Institute of International Finance expects the strengthening of the dollar to have a divergent impact across the region, however, depending on trade and financial linkages.² A stronger dollar lifts U.S. purchasing power, supporting exports, growth and capital inflows in countries with close trade links to the U.S. economy. However, rising dollar financing costs will increase pressure on countries with weak external positions.

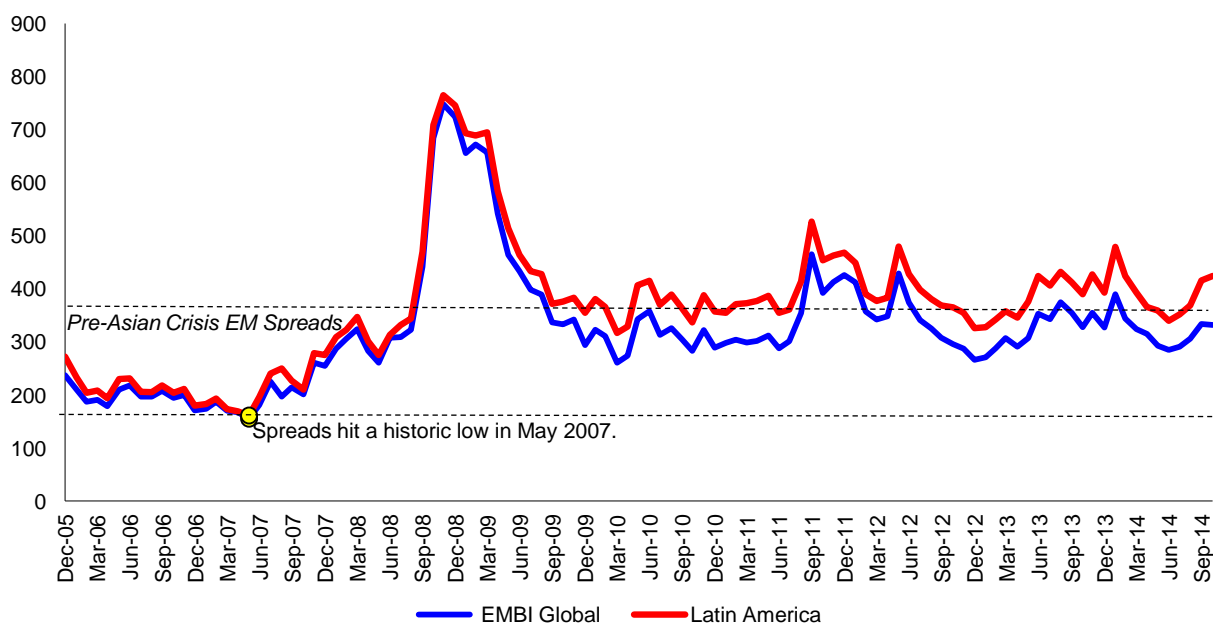
Given the effects of falling oil prices and a stronger dollar, some companies in the region, having issued record amounts of foreign currency bonds, may now struggle to service their debts. Prospects of Fed rate hikes resulting in tighter global liquidity amid the rapid rise in the corporate external bond stock has indeed raised concerns over some companies. However, there is still a shortage of bonds at a global level and the region still enjoys good economic policy management for the most part, so LAC debt markets may continue to enjoy momentum despite occasional bursts of high volatility – even if not at the record levels of recent years.

² The Institute of International Finance, *Capital Flows to Emerging Markets*, October 2, 2014.

I. Bond markets and debt management

Emerging markets and LAC sovereign bond spreads widened in the third quarter of 2014, as investors responded to increasing concerns about uneven and weak global growth, falling commodity prices, particularly oil prices, and a strengthening U.S. dollar. The EMBIG widened 49 basis points and the Latin component 76 basis points in the third quarter (see charts 5 and 6).

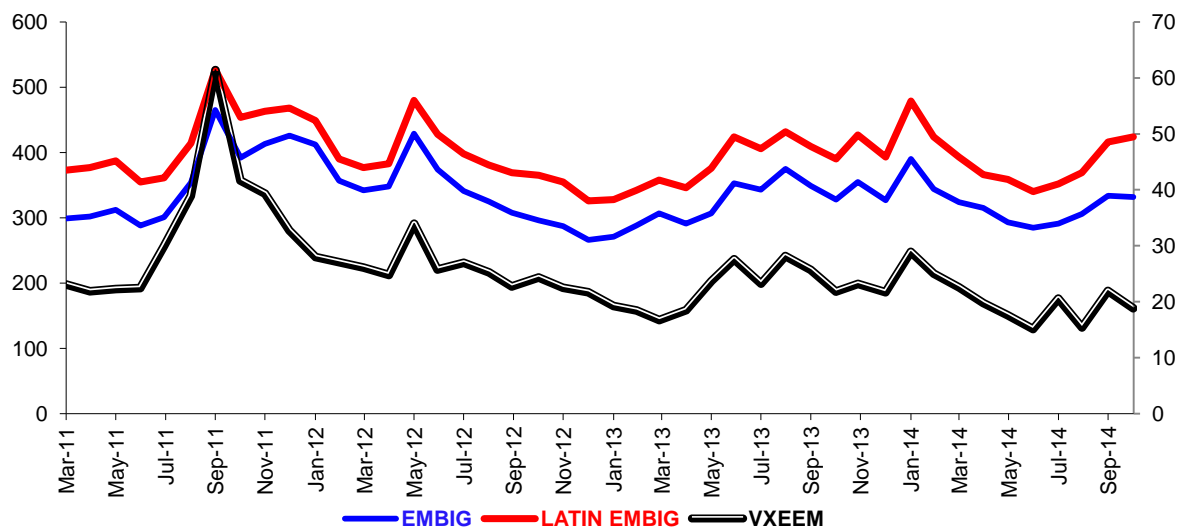
CHART 5:
EMBIG AND LATIN AMERICAN MONTHLY SPREADS
(Basis points)



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

**CHART 6:
CBOE VOLATILITY INDEX AND EMBIG**

(Basis points, left and VXEEM close, right)



Source: JP Morgan, "EMBI Monitor" and Chicago Board Options Exchange, www.cboe.com/micro/vix/historical.aspx

Emerging markets and LAC spreads were on a downward trend from 2002 to May 2007. 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 currently four countries in the triple-B space – Brazil, Colombia, Panama, and Uruguay – together with Italy and Spain. Eight countries, counting the Bahamas, which has a BBB rating from S&P, but a higher A3 rating from Moody's, Trinidad and Tobago, which has a Baa1 rating from Moody's and an A rating from S&P, Mexico, which has a BBB+ rating by S&P and Fitch, but was upgraded to the A space by Moody's on 5 February 2014 (to A3), and Peru, which has a BBB+ rating by S&P and Fitch, but was also upgraded to the A space by Moody's on 2 July 2014 (to A3). Chile, the ninth LAC investment grade country, has higher credit ratings: Aa3/AA-/A+. The number of investment grade countries declined from ten to nine in the third quarter, as Costa Rica lost its Moody's investment grade rating in September, with the agency noting the government's failure to approve a fiscal reform.

In the third quarter of 2014 there were more negative sovereign credit rating actions than positive. There were four positive sovereign credit rating actions in the quarter – three upgrades and one outlook upward revision – and six negative – four downgrades and two downward outlook revisions (see table 1). Three LAC countries were upgraded in the third quarter of 2014 – Peru, Colombia and Ecuador – and another three – Argentina, Venezuela and Costa Rica – were downgraded. Half of the negative actions were directed at Argentina, with all of them taken at the end of July. Argentina was assigned a 'selective default' and 'restricted default' rating by S&P and Fitch, respectively, after a 30-day grace period to make a US\$ 539 million interest payment to bondholders expired at the end of July with no agreement with holdout bondholders. Moody's revised Argentina's credit outlook to negative (see appendix A, box 1).

Only three of the rated sovereigns in the region – Bolivia, Jamaica, and Paraguay – have currently a positive outlook from one or more of the three main credit rating agencies (Moody's, S&P and Fitch) and five – Argentina, Bahamas, Barbados, Brazil, and Venezuela – have 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 still concentrated on the Caribbean, reflecting their high levels of debt, and on high-EMBIG countries, reflecting market concerns about their economic fundamentals and policy framework. Brazil has been included in this group, as election and post-election-related volatility and concerns regarding the future economic policy direction have weighed on Brazil's future credit outlook.

**TABLE 1:
SOVEREIGN CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, 2014 YTD**

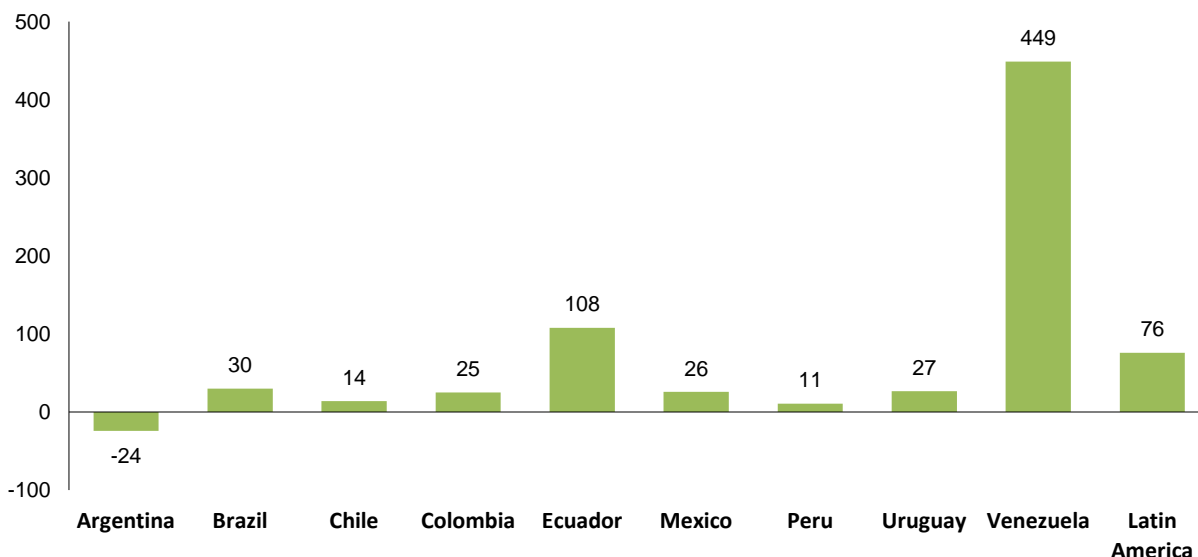
| Date | Country | Action | |
|---|------------|--|----------|
| 2014 YTD 12 positive and 15 negative actions | | | |
| Q1 5 positive and 5 negative | | | |
| 31-Jan-14 | Paraguay | Fitch revises Paraguay's outlook to positive and affirms its BB- rating | Positive |
| 4-Feb-14 | Paraguay | Moody's upgrades Paraguay's rating to Ba2 from Ba3 with a positive outlook | Positive |
| 5-Feb-14 | Mexico | Moody's upgrades Mexico's rating to A3 from Baa1 with a stable outlook | Positive |
| 12-Feb-14 | Jamaica | Moody's changes the outlook on Jamaica's Caa3 rating to positive from stable | Positive |
| 14-Feb-14 | Suriname | Moody's changes Suriname's outlook to stable from positive, and affirms Ba3 rating | Negative |
| 25-Feb-14 | Jamaica | Fitch upgrades Jamaica to B- from CCC with a stable outlook | Positive |
| 27-Feb-14 | Honduras | Moody's downgrades Honduras' rating to B3 from B2 with a stable outlook | Negative |
| 17-Mar-14 | Argentina | Moody's downgrades Argentina's rating to Caa1 from B3, with a stable outlook | Negative |
| 24-Mar-14 | Brazil | S&P's downgrades Brazil's credit rating from BBB to BBB- with a stable outlook | Negative |
| 25-Mar-14 | Venezuela | Fitch downgrades Venezuela to B from B+ with a negative outlook | Negative |
| Q2 3 positive and 4 negative | | | |
| 23-Apr-14 | Cuba | Moody's downgrades Cuba to Caa2 from Caa1 with a stable outlook | Negative |
| 28-Apr-14 | Suriname | S&P's changes Suriname's outlook to stable from positive, and affirms BB- rating | Negative |
| 15-May-14 | Bolivia | S&P's upgrades Bolivia do BB from BB- with a stable outlook | Positive |
| 29-May-14 | Uruguay | Moody's upgrades Uruguay to Baa2 from Baa3 with a stable outlook | Positive |
| 2-Jun-14 | Barbados | Moody's downgrades Barbados to B3 from Ba3, keeping a negative outlook | Negative |
| 11-Jun-14 | Paraguay | S&P's upgrades Paraguay to BB from BB- with a stable outlook | Positive |
| 20-Jun-14 | Guatemala | Fitch downgrades Guatemala to BB from BB+ with a stable outlook | Negative |
| Q3 4 positive and 6 negative | | | |
| 2-Jul-14 | Peru | Moody's upgrades Peru two notches to A3 from Baa2 with a stable outlook | Positive |
| 28-Jul-14 | Colombia | Moody's upgrades Colombia to Baa2 from Baa3, with a stable outlook | Positive |
| 30-Jul-14 | Argentina | S&P's downgrades Argentina to Selective Default (SD) from CCC- | Negative |
| 30-Jul-14 | Argentina | Fitch downgrades Argentina's to Restricted Default ('RD') from 'CC' | Negative |
| 31-Jul-14 | Argentina | Moody's changes Argentina's outlook to negative | Negative |
| 12-Aug-14 | Bolivia | Fitch revises Bolivia's outlook to positive and affirms its BB- rating | Positive |
| 20-Aug-14 | Ecuador | S&P's upgrades Ecuador to B+ from B with a stable outlook | Positive |
| 9-Sep-14 | Brazil | Moody's changes Brazil's outlook to negative from stable and affirms its Baa2 rating | Negative |
| 16-Sep-14 | Venezuela | S&P downgraded Venezuela's rating to CCC+ from B- with a negative outlook | Negative |
| 16-Sep-14 | Costa Rica | Moody's downgrades Costa Rica to Ba1 from Baa3 with a stable outlook | Negative |

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

A. Sovereign Spreads

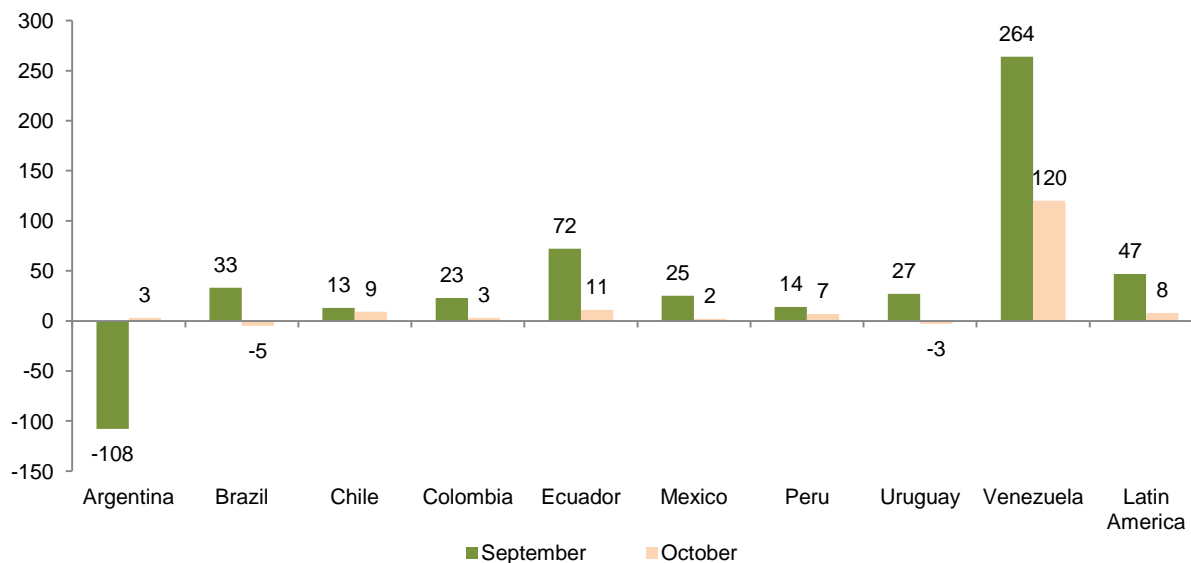
The J.P. Morgan's EMBIG widened 49 basis points in the third quarter of 2014 – from 285 basis points at the end of June 2014 to 334 basis points at the end of September 2014 – while its Latin component widened 76 basis points, from 340 to 416 basis points. Spreads increased for all countries in our Latin American sample except Argentina (chart 7), whose spreads had widened widely in January 2014 because of a currency depreciation, and have been on a tightening trend for the most part since then. Spreads widened in September and October, with Venezuela driving the spread widening (see chart 8).

**CHART 7:
EMBIG QUARTERLY SPREAD DIFFERENTIALS**
(Basis points)



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

**CHART 8:
EMBIG MONTHLY SPREAD DIFFERENTIALS**
(Basis points)

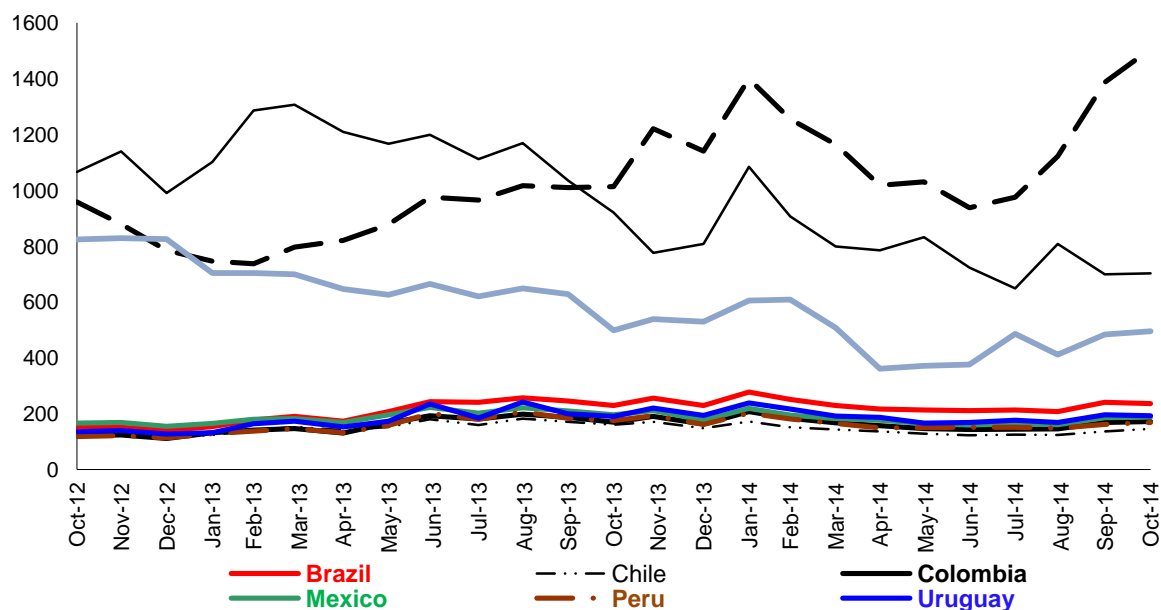


Source: ECLAC, on the basis of data from JPMorgan.

The recent evolution of the EMBIG spreads continues to point to a clustering of Latin American countries into roughly two groups: creditworthy countries, perceived as low risk by investors, with most countries in this group having already received an investment grade; and high EMBIG countries, which are perceived as high risk (see chart 9). Investors see growth in the region marked by a high degree of heterogeneity among countries. For 2015, there are no uniform themes across countries.

**CHART 9:
SPREADS ON JPMORGAN EMBI GLOBAL AND LATIN AMERICAN COMPOSITES**

(Basis points)



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

Among the creditworthy countries, Chile – the highest investment grade country in the region – had the lowest spreads in the EMBIG composite at the end of October 2014: 146 basis points (see appendix B, table 2). Chilean spreads widened 14 basis points in the third quarter. Economic activity has remained subdued and the outlook for the economy remains challenging given renewed downward pressures on copper prices and expectations of lower growth in China.

Peruvian spreads were at 169 basis points at the end of October 2014. They widened 11 basis points in the third quarter. Growth has softened and inflation is back in the range after running above 3% throughout the year, providing some scope for monetary easing.

Colombian spreads were at 172 basis points at the end of October 2014. They increased 25 basis points in the third quarter. The recent decline in oil prices has raised concerns regarding Colombia's growth prospects. While investors remain constructive on the medium-term fundamentals, they recognize potential risks to the economy derived from lower oil prices.

Mexican spreads were at 188 basis points at the end of October 2014. They widened 26 basis points in the third quarter. The drop in oil prices has reminded investors of the country's fiscal vulnerabilities and has raised concerns about prospects for private investments in the energy sector.

Uruguayan spreads were at 193 basis points at the end of October 2014. They increased 27 basis points in the third quarter. Growth has slowed somewhat and inflation has eased a little. There will be a November 30 runoff for the presidential elections, but markets have not been jumpy about it.

Brazilian spreads were at 236 basis points at the end of October 2014. They widened 30 basis points in the third quarter. Political uncertainty and election-related market jitters took a toll on Brazilian asset prices. On September 9, Moody's changed the outlook of Brazil's rating to negative from positive and affirmed its Baa2 rating. The move reflected "the rising risk that sustained low growth and worsening debt metrics indicate a reduction in Brazil's creditworthiness, which would trigger a downward migration in its credit rating."

Finally, Argentina, Venezuela and Ecuador continue to be among the countries with the highest and most volatile spreads in the composite (495, 703 and 1,507 basis points at the end of October 2014, respectively).

Despite the ongoing litigation regarding its defaulted debt and its holdouts, Argentine bond prices have held up. Spreads narrowed 21 basis points in the third quarter, the only country to see a tightening. While bond spreads have decreased, the foreign exchange gap has widened. The bond market has benefitted from investors in a distress situation, with long-term horizons (locked up funding) and limited opportunities in their traditional markets for higher returns. The weakening currency is following more closely the deterioration in fundamentals than tight bond spreads.

Venezuela maintains the highest debt spreads of any country in the EMBIG. Venezuelan spreads widened 449 basis points in the third quarter, as lower oil prices and resulting economic pressure led to increasing market doubts regarding Venezuela's ability to pay its debt. On September 16, S&P's downgraded Venezuela to CCC+ from B- with a negative outlook, saying that the lack of economic policy adjustment has led to deterioration in economic fundamentals that "will continue to erode the government's capacity to pay external obligations over the next two years." The CCC+ rating indicates that S&P believes that there is a one-in-two chance of default over that time horizon.

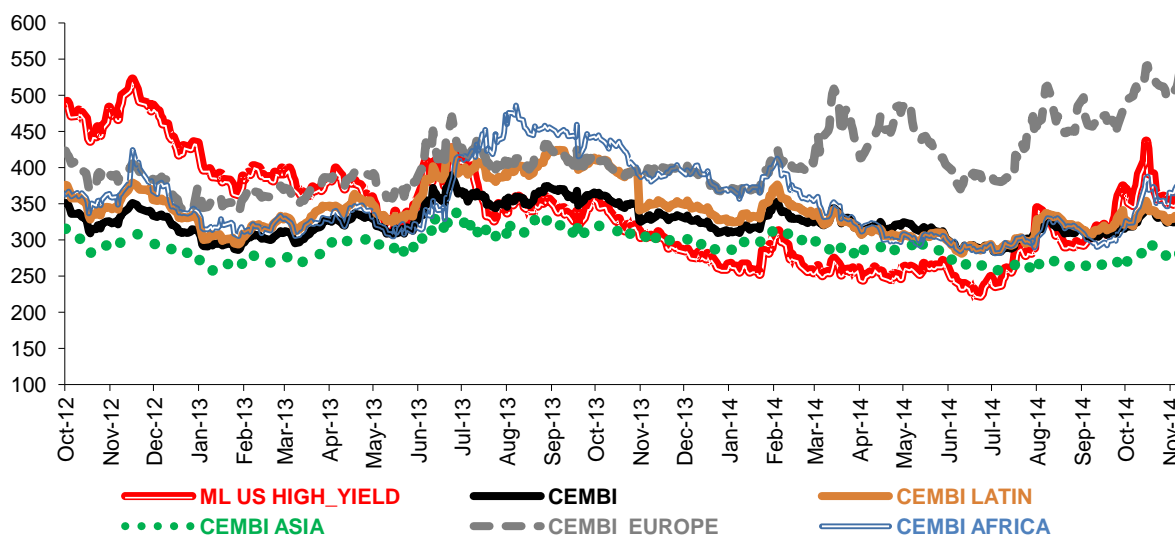
In the case of Ecuador, debt spreads widened 108 basis points in the third quarter of 2014. Investors expect Ecuador to increase its debt levels as it seeks to finance its large spending needs, including a substantive capital expenditure budget, amid lower oil prices.

B. Corporate Spreads

CEMBI and Latin CEMBI spreads widened 23 and 27 basis points, respectively, in the third quarter of 2014. The region currently has lower spreads than most regions (except for Asia) and the U.S. high-yield index (chart 10). LAC corporate spreads widened less than their sovereign counterparts in the third quarter (chart 11).

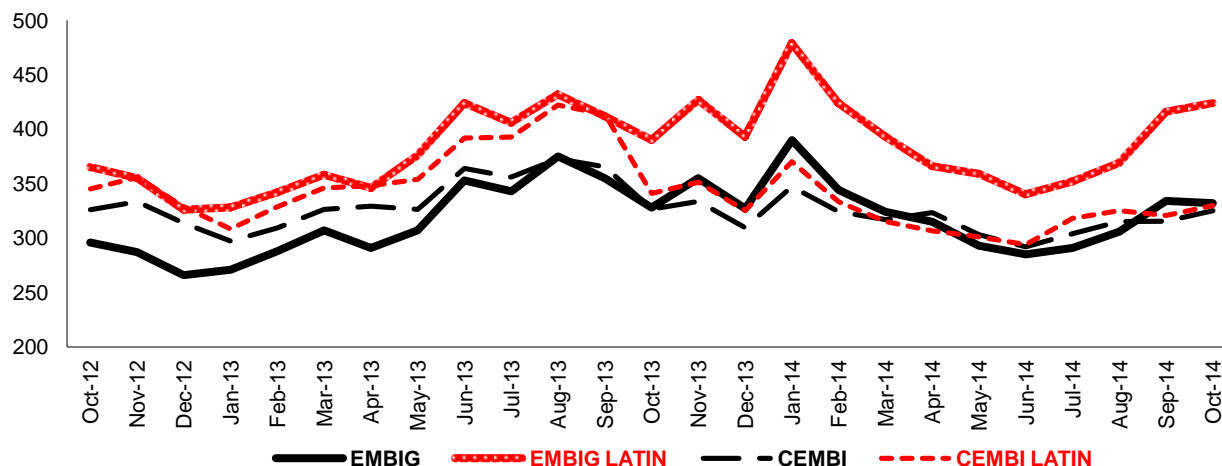
Although Latin American corporates have taken great strides in their market funding strategies, risks remain. Part of the growing volume of Latin American corporate issuances in international bond markets consists of first-time high-yield issuers, bringing with it a higher likelihood of default. According to J.P. Morgan, Latin America's corporate sector has delivered the best returns year-to-date among emerging markets, helped by its longer duration, but the region is also contributing the most to the default rate while it remains more sensitive to U.S. Treasury volatility and global sentiment. The region is susceptible to interest rate risk (longest duration) and to outflows from the high yield market (many LAC credits are widely held by high-yield investors).

CHART 10:
CORPORATE EMBI SPREADS VS U.S. HIGH-YIELD CORPORATE SPREADS
(Basis points)



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

CHART 11:
JPMORGAN EMBIG SPREADS, CORPORATE AND SOVEREIGN
(Basis points)



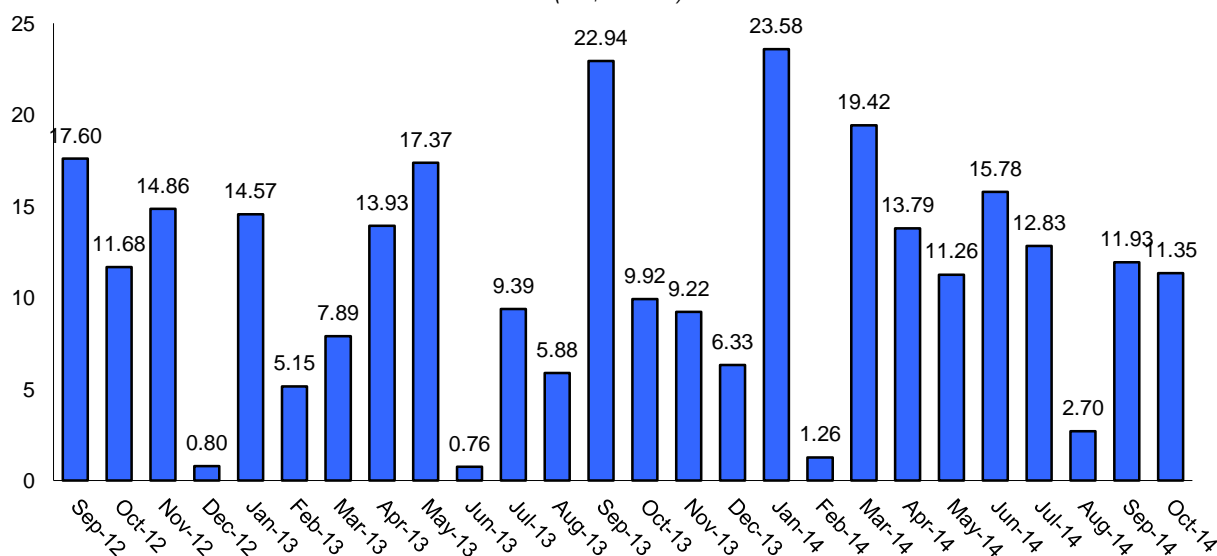
Source: JPMorgan, "Emerging Markets Bond Index Monitor."

Note: EMBIG and EMBIG Latin: sovereign spreads, CEMBI and CEMBI Latin: blended spreads.

C. New Debt Issuance

Total LAC debt issuance reached US\$ 123.3 billion at the end of October 2014, compared to US\$ 107.8 billion in the same period in 2013. It is the same amount issued in all of 2013. On a monthly basis, total issuance in January 2014, at US\$ 23.6 billion, was the highest on record. After a dormant, volatile February, the bond market returned to life in March, and monthly issuance continued to be strong in the following months, with the exception of August (see chart 12).

CHART 12:
MONTHLY LAC ISSUANCE
(US\$ Billions)

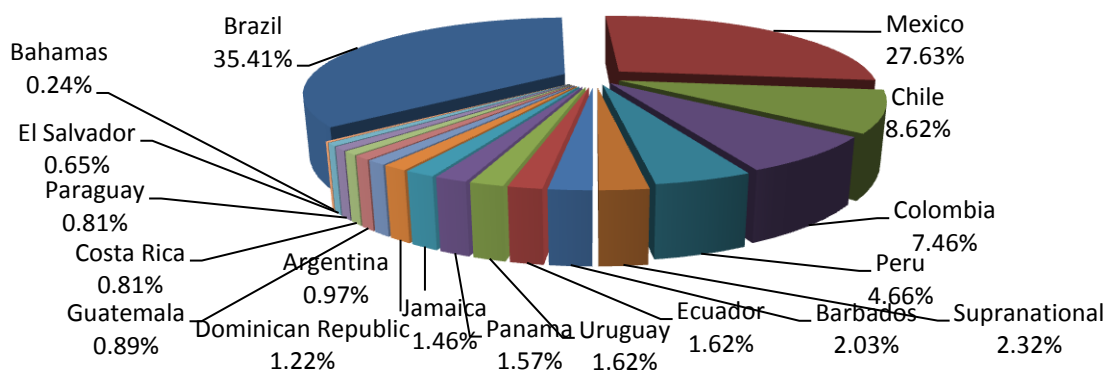


Source: ECLAC, on the basis of data from LatinFinance, JPMorgan and Bank of America-Merrill Lynch.

Brazil had the largest share of bond issuances – sovereign and corporate combined – in the first ten months of 2014, followed by Mexico. Brazil and Mexico issued (sovereign and corporate combined) US\$ 44 billion and US\$ 34 billion, respectively. Brazilian and Mexican issues together account for 63% of the total LAC issuance in the period (chart 13).

CHART 13:
LAC DEBT ISSUANCE IN 2014 YTD

(Country shares in percentage)



Source: ECLAC on the basis of data from LatinFinance.

i. Sovereign Issuance

Nine sovereigns – Jamaica, Dominican Republic, Mexico, Brazil, Paraguay, El Salvador, Panama, Colombia and Peru – tapped international debt markets in the third quarter of 2014 and in October (see appendix C, tables 5 and 6).

In July, **Jamaica** staged a successful return to the market after a three-year hiatus and two restructurings in the past five years, the last one in February 2013. The US\$ 800 million SEC registered bond has a 7.625% coupon and a final maturity in 2025, but will amortize in equal installments in 2023, 2024 and 2025. The **Dominican Republic** reopened its 7.450% 2044 bond to add US\$ 250 million, which had been originally sold in April. **Mexico** issued a triple-tranche Samurai transaction totaling JPY 60 billion (US\$ 590 million) that locked in the country's best-ever financing rates in any currency, in 5, 10 and 20-year maturities. **Brazil** also came to the markets in July, issuing a US\$ 3.5 billion 5.000% 2045 bond, its first dollar bond of the year. It consisted of US\$ 1.5 billion in new cash and US\$ 2 billion that will be financed by a liability exercise. The coupon was described as one of the lowest for a 30-year transaction out of Latin America.

In August, **Paraguay** issued a US\$ 1 billion 6.100% 2044 bond to stretch its maturity profile to 30 years. The deal was described by the country's deputy economy minister as a “vote of confidence” from the investment community.

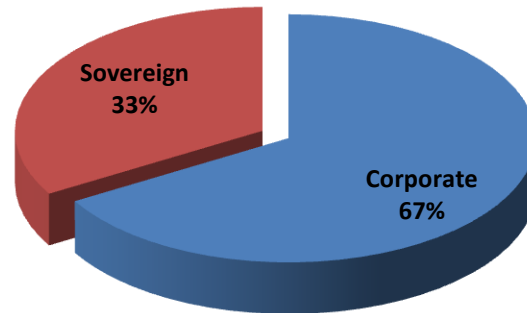
In September, **Brazil** reopened its 4.250% 2025 bond to add US\$ 1.05 billion, bringing the total outstanding size on the note to US\$ 4.25 billion. Brazil sold the US\$ 3.25 billion senior unsecured bond in October 2013 as part of a one-day liability management transaction. **El Salvador** issued an US\$ 800 million 6.375% 2027 bond. The Central American sovereign last visited the cross-border market in November 2012. **Panama** issued a 4.000% 2024 US\$ 1.25 billion bond, as part of pre-financing for next year's budget.

In October, **Colombia** reopened its 4.000% 2024 bond to add US\$ 500 million, which was first sold in September 2013, bringing the total to US\$ 2.1 billion. Colombia also reopened its 5.625% 2044 to add US\$ 500 million, which was first sold in January, bringing the total to US\$ 2.5 billion. The transactions give Colombia a head start on its US\$ 3 billion cross-border funding program for 2015. **Peru** issued a new US\$ 1.11 billion equivalent 5.750% 2024 global-local bond. The issuance marked Peru's return to the cross-border market after an absence of almost three years. Peru also reopened its 5.625% 2050 bond to add US\$ 500 million. According to market sources, Peru might have reopened the long bond, which it sold in January 2012, to pick up on strong demand for duration.

ii. Corporate Issuance

LAC debt issuance in international bond markets has been increasingly a corporate-denominated market, with the corporate sector (including corporates, banks, quasi-sovereigns and supranationals) accounting for 67% of total LAC issuance in the third quarter of 2014 (see chart 14). This was less than the 83% share in the first half of the year. From January to October, the corporate sector accounted for 77% of total LAC issuance.

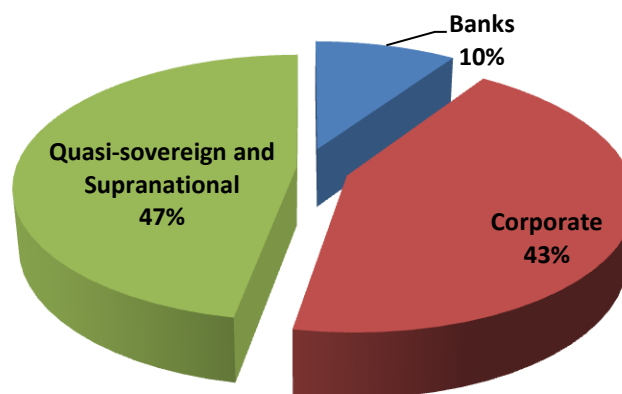
CHART 14:
LAC CORPORATE AND SOVEREIGN ISSUANCE IN Q3 2014
(Percentage)



Source: ECLAC on the basis of data from LatinFinance.

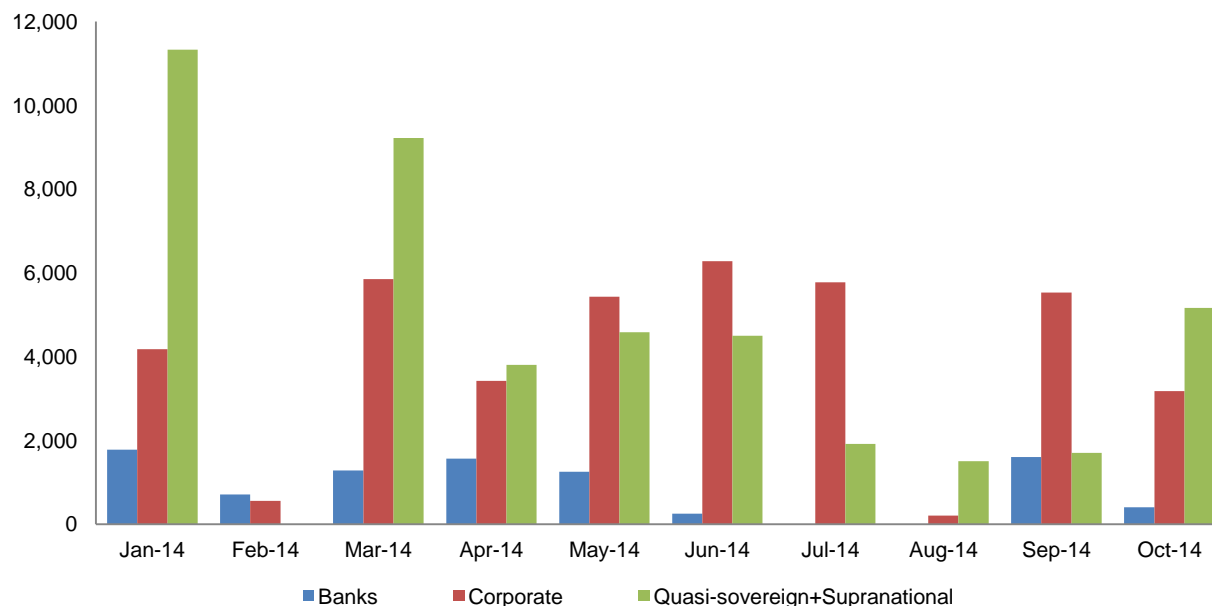
Quasi-sovereign issuance has been strong since the beginning of the year. From January to October 2014, quasi-sovereign and supranational issuers accounted for 47% of total LAC corporate issuance, a significant increase from the 39% and 31% shares in 2013 and 2012, respectively. Banks and corporations accounted for the other 53% (chart 15).

CHART 15:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE IN 2014 YTD
(Percentage)



Source: ECLAC on the basis of data from LatinFinance.

CHART 16:
CORPORATE ISSUANCE BY TYPE IN 2014 YTD
(US\$ Millions)



Source: ECLAC on the basis of data from LatinFinance.

In January and March, quasi-sovereign and supranational issuance was particularly high, and except for February, there has been significant quasi-sovereign issuance in every month since the beginning of the year. Total quasi-sovereign and supranational issuance amounted to US\$ 11.3 billion in January and US\$ 9.2 billion in March. In October quasi-sovereign and supranational issuance was the highest since March, amounting to US\$ 5.2 billion.

In July, three quasi-sovereigns tapped the international bond market (appendix C, table 5): Chile's Corporación Nacional del Cobre (Codelco), Peru's Corporación Financiera de Desarrollo S.A. (Cofide), and Brazil's Caixa Econômica Federal (CEF), which issued Brazil's first Basel III tier 2 bond ever, and only the third of its kind in Latin America.

In August, one supranational and one quasi-sovereign tapped the international bond market. CAF, the Development Bank of Latin America issued a 1.500% 2017 US\$1 billion bond. The Aa3/AA-/AA- rated borrower chose a large size to ensure liquidity, and a short maturity to lure new investors. Colombia's Financiera de Desarrollo Territorial – Findeter, issued a US\$ 500 million-equivalent 7.875% 2024 bond (sold in Colombian pesos but settled in dollars), the first global-peso bond out of Colombia in more than 18 months.

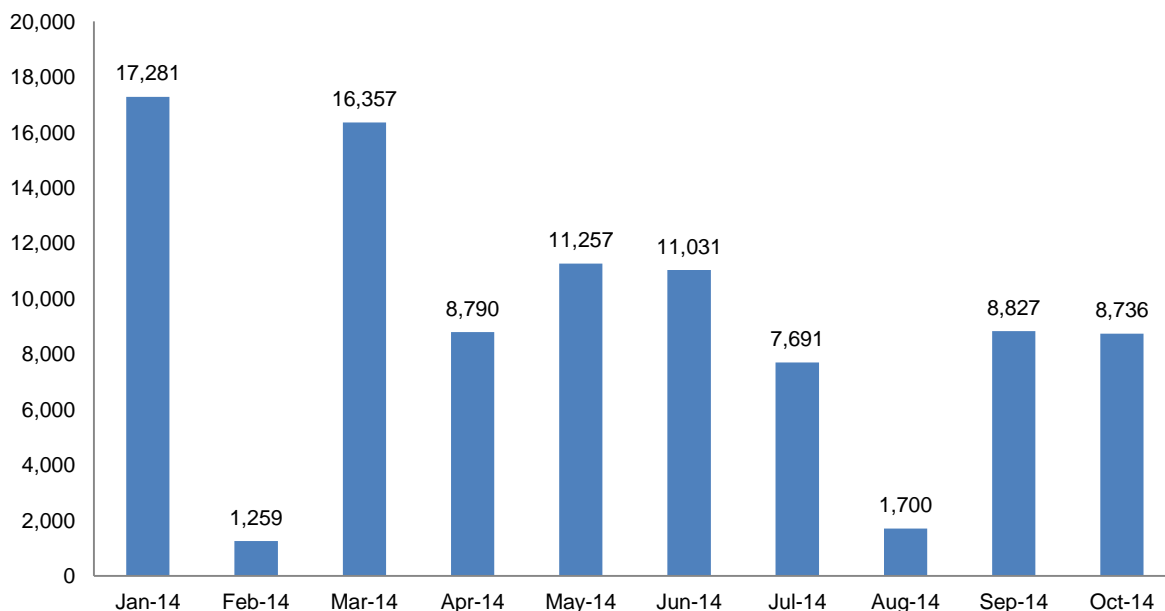
In September, two quasi-sovereigns tapped the international bond market. Colombia's Empresas Públicas de Medellín (EPM) issued a US\$ 500 million 7.625% global-peso and Ecopetrol issued its second dollar-denominated debt sale of the year (first one was in May), a US\$ 1.2 billion 4.125% 2025 bond.

In October, one supranational and three quasi-sovereigns tapped the markets. Pemex issued four bonds in October (appendix C, table 6). Chile's Empresa Nacional de Petróleo (Enap) issued a US\$ 600 million 4.375% 2024 bond and Corporación Nacional del Cobre (Codelco) issued a US\$ 980 million 4.875% 2044 bond. The deal helped the miner diversify its investor base and significantly lengthen its debt curve. Finally, the Central American Bank for Economic Integration (CABEI) issued a five-year *Formosa bond*: a CNH 500 million (US\$ 81 million) 3.850% 2019 bond. CNH is the offshore RMB.

Regarding issuances from banks and corporations in 2014 year-to-date, monthly activity was strong in September and October (chart 17). In September, there were a string of deals from Mexican companies, including Cemex, a global leader in the building materials industry, Mexichem, a petrochemical company returning to the cross-border market after a two-year absence, Axtel, a telecommunications company reopening its 2020 bond, and Puerto de Liverpool, the largest mid-to-high chain of department stores in Mexico, in its first cross-border sale 1993. Brazil's Banco BTG Pactual issued a Basel III-compliant tier one hybrid instrument, while Gol Transportes Aereos and Samarco Mineração also tapped the cross-border market. The other corporate to access the international bond market were Chile's Inversiones CMPC S.A, a pulp maker and CorpBanca, a bank lender, and Colombian-Canadian oil producer Pacifico Rubiales (appendix C, table 5).

In October, Barbados' Consolidated Energy Limited issued a dual tranche bond totaling US\$ 1.25 billion. Peruvian InRetail Consumer accessed the cross-border market in a liability management exercise and Union Andina de Cementos (Unacem) made its debut in international markets. Chile's Falabella, a retailer, Sociedad Quimica y Minera de Chile (SQM), and E-CL, a Chilean utility company, also tapped international markets. Finally, Panama's Global Bank issued a 2021 bond (appendix C, table 6).

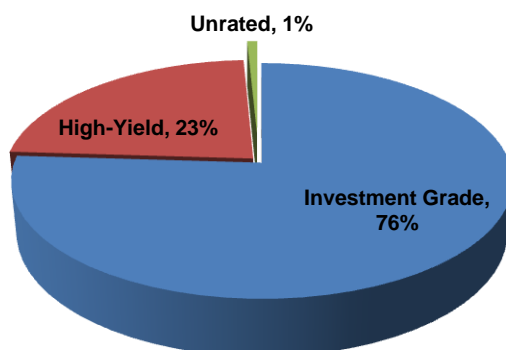
CHART 17:
LAC MONTHLY BANK AND CORPORATE BOND ISSUANCE IN 2014 YTD
(US\$ Millions)



Source: ECLAC on the basis of data from LatinFinance.

Investment grade companies continued to dominate corporate issuance in the first ten months of 2014. The share of high-yield issuance was 23% (see chart 18), below the 2013 share of 30%, but above the share in 2012. LAC high-yield debt in particular has benefitted from low global interest rates, seeing an unprecedented demand from international investors in search of yield. With the prospect of an increase in interest rates by the U.S. Federal Reserve next year, investors may turn more cautious on debt, and high-yield issuance from the Latin American and Caribbean region may become more difficult.

CHART 18:
2014 YTD BREAKDOWN OF LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY RATING
(Percentage of total)

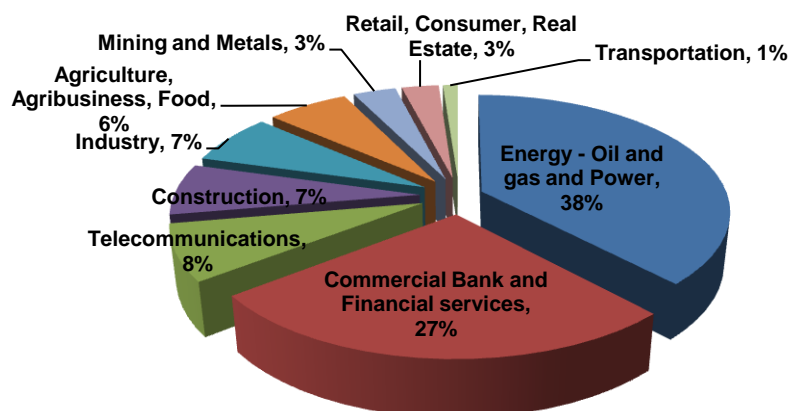


Source: ECLAC, on the basis of data from LatinFinance, JPMorgan and Bank of America/Merrill Lynch.

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

From a sectoral perspective, 65% of LAC corporate debt issuance (including corporate, banks, quasi-sovereigns and supranationals) from January to October 2014 came from two sectors: energy and financial services (chart 19). The energy sector, including oil, gas as well as power, has been the main driver of the growth in corporate issuance and accounted for 38% 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 (27% of total corporate issuance year-to-date). Telecommunications came in third, accounting for 8%, followed by construction (7%) and industry, including chemical and petrochemical, steel, pulp and paper and auto-parts (7%).

CHART 19:
2013 LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY SECTORS
(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.

iii. Currency Composition

Most of the international debt issuance in the region from January to October was denominated in U.S. dollars (79.27%), but there was also issuance in Euros (12.83%), local currencies (2.81%), British pounds (2.14%), Swiss francs (1.98%), Japanese yen (0.75%), Australian dollars (0.09%), offshore Renmimbi (0.07%) and Hong Kong dollars (0.06%). Local currencies included Mexican and Colombian pesos, and Peruvian soles. Mexican pesos had the highest share (1.09%), followed by Peruvian soles (0.90%) and Colombian pesos (0.91%).

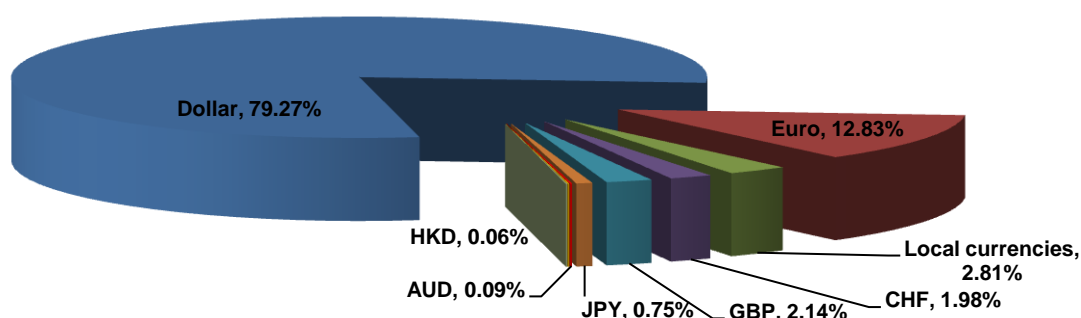
The share of dollar-denominated bonds has decreased slightly when compared to 2013. In 2013, 82.51% of the total amount issued was denominated in dollars, while only 6.20% was denominated in Euros. The increase in euro-denominated issuances took place as lower benchmark rates in Europe – driven by the central bank's continued stimulus program – encouraged borrowers to drift away from the dollar market in the first months of the year.

TABLE 2:
CURRENCY BREAKDOWN
(Percentage of Latin America's total)

| Currency | 2014 YTD |
|------------------|----------|
| Dollar | 79.27% |
| Euro | 12.83% |
| Local currencies | 2.81% |
| GBP | 2.14% |
| CHF | 1.98% |
| JPY | 0.75% |
| AUD | 0.09% |
| CNH | 0.07% |
| HKD | 0.06% |

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

CHART 20:
2014 YTD CURRENCY BREAKDOWN

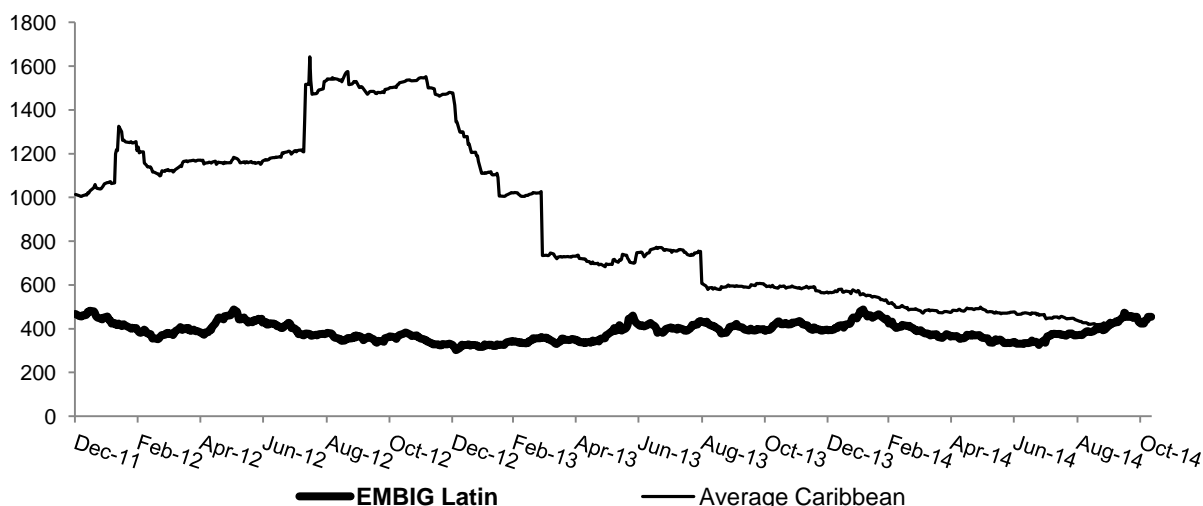


Source: ECLAC with data from LatinFinance (Bonds Database).

II. Bond markets and credit management in the Caribbean

Despite some economic diversity among Caribbean countries, there are common trends and exposure to external and internal risks, such as low growth, high debt and vulnerability to the global outlook, little economic diversification, and fiscal and external deficits. Both the commodity-intensive and tourism-based economies have seen subpar growth since the global financial crisis, particularly the latter. 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 more than 1,500 basis points as a result. In the third quarter of 2014 the spread gap was finally reversed, as recent successful bond restructurings have lowered spreads for the region (chart 21).

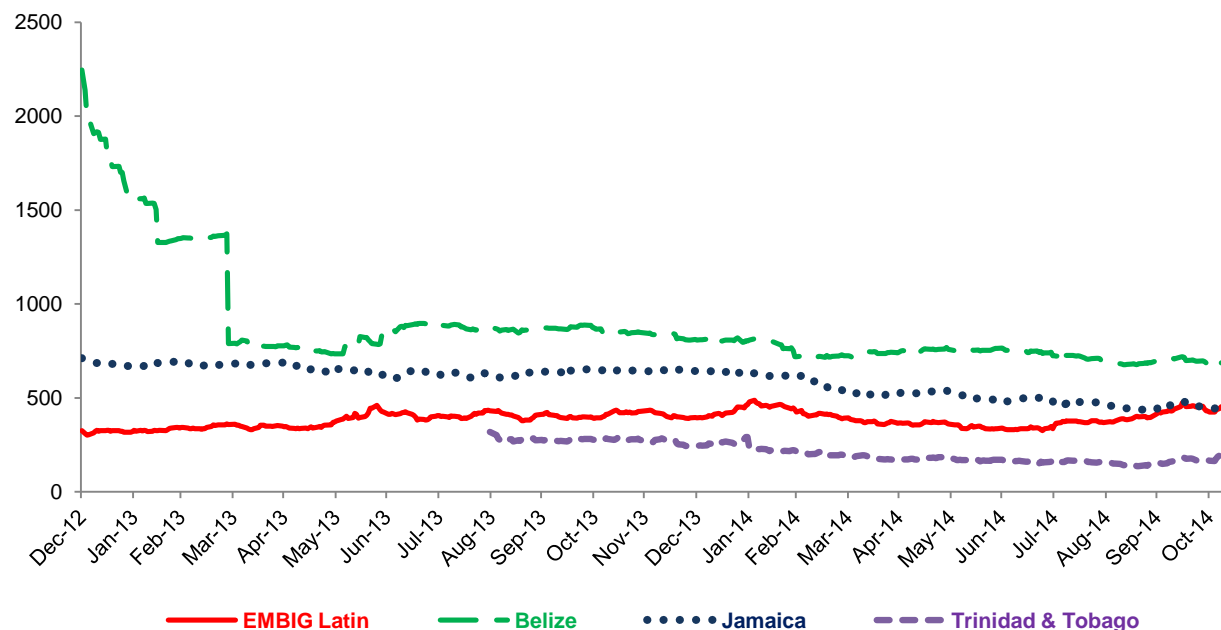
CHART 21:
EMBIG SPREADS, CARIBBEAN VERSUS LAC
(Basis points)



Source: ECLAC, on the basis of data from JPMorgan. The Caribbean average includes Belize and Jamaica, and since 30 August 2013, it also includes Trinidad & Tobago.

From January to October 2014, while Latin American sovereign spreads widened 5 basis points according to the J.P. Morgan EMBIG Latin component, spreads for the Caribbean region tightened 130 basis points, finally reversing the gap between them. In the third quarter, while the EMBIG Latin widened 76 basis points, spreads for the Caribbean region tightened by 50 basis points.

CHART 22:
CARIBBEAN COUNTRIES, 2014 YTD EMBIG SPREADS
(Basis points)



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

The main driver for the tightening of the Caribbean spreads average in the first ten months of 2014 was the decline in spreads for Jamaica (see chart 22). Jamaica's spreads tightened 189 basis points in the period, from 641 basis points at the end of December 2013 to 452 basis points at the end of October 2014, following two positive rating actions in February from Moody's and Fitch, which included a change in its credit outlook to positive from stable and an upgrade. In July, Jamaica staged a successful return to the international bond market after a three-year hiatus.

Belize's spreads tightened 121 basis points from January to October 2014, from 807 basis points at the end of December 2013 to 686 basis points at the end of October 2014. Belize's spreads have been on a downward trend since the exchange offer made in February 2013 for its US\$ 547 million 2029 "super bond" and the government's announcement in March 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.

Trinidad & Tobago's spreads – which were added to the J.P. Morgan EMBIG index on 30 August 2013 – tightened 79 basis points in the same period, from 244 basis points at the end of December 2013 to 165 basis points at the end of October 2014. Spreads widened 21 basis points in October, however, as the impact of declining oil prices and a stronger dollar were felt. Spreads for Trinidad & Tobago, which has an investment grade from Moody's and Standard & Poor's, are way below the regional average.

Credit Rating Actions

There were no credit rating actions in the Caribbean region in the third quarter of 2014. From January to October 2014, there were two positive credit rating actions in the Caribbean region, both related to Jamaica, and one negative action (see table 3). All actions were taken in February.

On February 12, Moody's changed the outlook on Jamaica's Caa3 rating to positive from stable, citing recent and anticipated improvements on key fiscal and debt metrics. On February 25, Fitch upgraded Jamaica to B- from CCC with a stable outlook, citing reduced financing risks due to fiscal consolidation and the lengthening of domestic debt repayments achieved through the National Debt Exchange (NDX) that took place in February 2013.

On February 14, Moody's affirmed Suriname's Ba3 rating but changed its outlook to stable from positive, citing deterioration in fiscal performance, rising debt levels and lower commodity prices.

**TABLE 3:
SOVEREIGN CREDIT RATING ACTIONS IN THE CARIBBEAN, 2013**

| Date | Country | Action | |
|-----------|----------|--|-----------------|
| 12-Feb-14 | Jamaica | Moody's changes the outlook on Jamaica's Caa3 rating to positive from stable | <i>Positive</i> |
| 14-Feb-14 | Suriname | Moody's changes Suriname's outlook to stable from positive, and affirms Ba3 rating | <i>Negative</i> |
| 25-Feb-14 | Jamaica | Fitch upgrades Jamaica to B- from CCC with a stable outlook | <i>Positive</i> |

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

Debt issuance

There were six new bond issuances from the Caribbean region from January to October of 2014. In January, the Bahamas issued a 2024 bond with a 5.750% coupon totaling US\$ 300 million. The Bahamas, rated A3/A-, was last in the market in 2009, when it sold a 6.95% US\$ 300 million 2029 bond.

In March, Jamaica's Digicel issued a US\$ 1 billion 7.125% 2022 bond. The bond sale came as the high-yield borrower opened a liability management exercise, offering to repurchase its 10.5% US\$ 775 million 2018 senior notes. The telecommunications company is rated Caa1-/B-. Also in March, Barbados' Columbus International issued a US\$ 1.25 billion 7.375% 2021 bond that met heavy investor demand, despite its downgrade to B3 in December 2013 by Moody's.

In July, Jamaica staged a successful return to the market after a three-year hiatus. The SEC registered bond amounting to US\$ 800 million has a coupon of 7.625% and a final maturity in 2025, but will amortize in equal installments in 2023, 2024 and 2025. Jamaica's return to the bond market followed Ecuador's come back in June, six years after the Andean nation defaulted on US\$ 3.2 billion of debt. Jamaica is heavily indebted and has gone through two restructurings in the past five years, the last one in February 2013. Since then, it has benefitted from an IMF program that aims to lower the country's public debt and bolster economic growth.

In October, Barbados' Consolidated Energy Limited, B2/BB- rated, issued a dual tranche bond totaling US\$ 1.25 billion. It issued a US\$ 1.05 billion 6.750% 2019 bond and a US\$ 200 million five-year floating rate.

Risks

High levels of indebtedness are a concern to investors. Low growth is also a concern, as it makes fiscal adjustment harder to implement, thus upcoming increases in global interest rates mean some countries could still have to resort to debt restructuring. Finally, the strengthening dollar is a risk, as it hurts competitiveness and worsens external account fragilities.

III. Portfolio equity flows

The third quarter was a difficult one for the region's equity markets, as volatility in major markets rose. The Latin American MSCI lost 6%, while emerging markets as a whole lost 4%. From January to September 2014, the MSCI Latin American Index lost 1%, compared to a gain of 0.26% for emerging markets as a whole (table 4). Concerns about poor global growth, declining oil prices, strengthening dollar and higher volatility had an impact on the region's equity markets.

Within the region, Brazil's equity prices, according to the MSCI index, had the sharpest decline in the third quarter (9.21%), as elections-related volatility increased (table 4, and chart 23). The loss in Brazilian equity prices was followed by Colombia's (8.66%), Chile's (7.93%) and Peru's (1.71%). Argentina's and Mexico's stock prices showed a gain (2.61% and 1.81%, respectively).

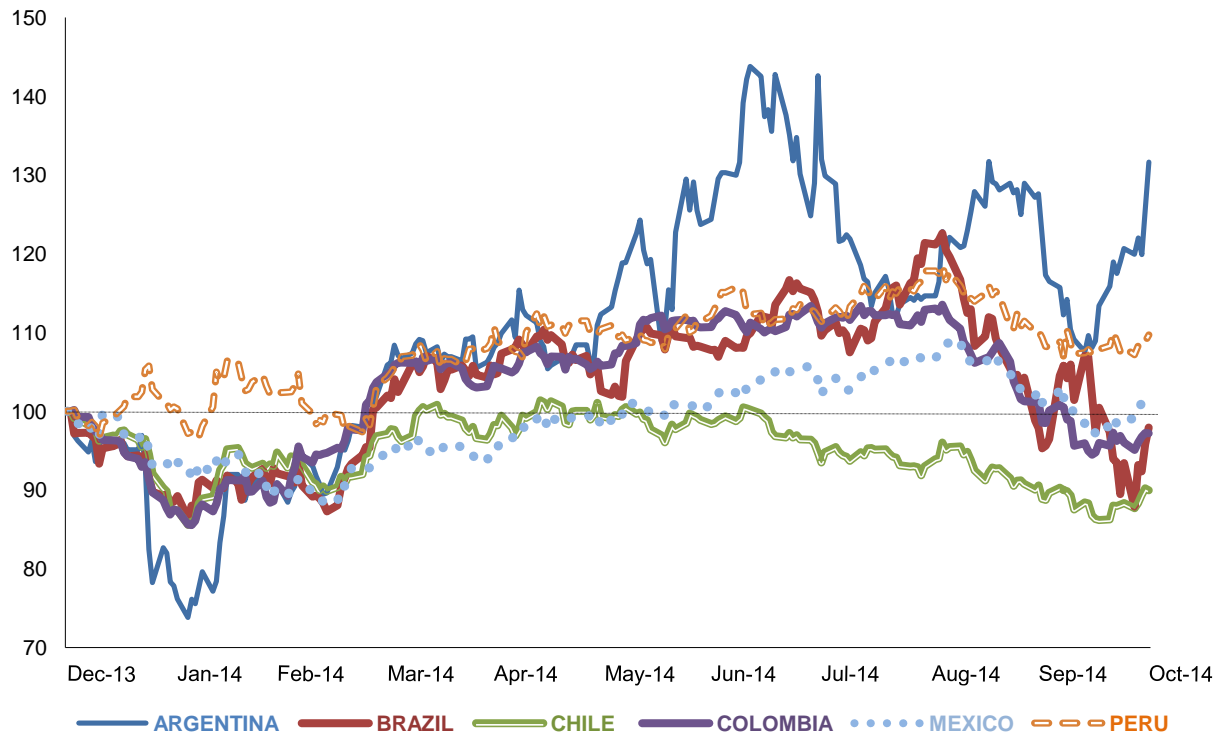
With the Federal Reserve and the Bank of England preparing to exit seven years of zero interest rate policy while the European Central Bank and the Bank of Japan increase QE, the global economy is entering uncharted territory. Emerging and LAC equity markets will likely face a bumpy ride next year as a result.

**TABLE 4:
STOCK PRICE INDICES, 2014 YTD**

| | Price Index in USD | | | | | Variation | | | | |
|-------------------------|--------------------|--------------|--------------|--------------|--------------|-----------|---------|---------|---------|----------|
| | Sep 30, 2013 | Dec 31, 2013 | Mar 31, 2014 | Jun 30, 2014 | Sep 30, 2014 | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 | 2014 YTD |
| <i>Emerging markets</i> | 987.458 | 1,002.693 | 994.653 | 1,050.778 | 1,005.326 | 1.54% | -0.80% | 5.64% | -4.33% | 0.26% |
| <i>Latin America</i> | 3,303.097 | 3,200.796 | 3,194.200 | 3,369.946 | 3,170.514 | -3.10% | -0.21% | 5.50% | -5.92% | -0.95% |
| <i>Argentina</i> | 1,738.175 | 2,050.852 | 2,171.164 | 2,550.214 | 2,616.797 | 17.99% | 5.87% | 17.46% | 2.61% | 27.60% |
| <i>Brazil</i> | 2,365.846 | 2,218.127 | 2,261.810 | 2,390.351 | 2,170.284 | -6.24% | 1.97% | 5.68% | -9.21% | -2.16% |
| <i>Chile</i> | 1,988.331 | 1,842.792 | 1,789.228 | 1,812.885 | 1,669.182 | -7.32% | -2.91% | 1.32% | -7.93% | -9.42% |
| <i>Colombia</i> | 1,173.504 | 1,038.324 | 1,087.321 | 1,149.277 | 1,049.734 | -11.52% | 4.72% | 5.70% | -8.66% | 1.10% |
| <i>Mexico</i> | 6,522.655 | 6,976.541 | 6,624.220 | 7,036.339 | 7,163.362 | 6.96% | -5.05% | 6.22% | 1.81% | 2.68% |
| <i>Peru</i> | 1,071.176 | 1,101.731 | 1,148.437 | 1,235.201 | 1,214.110 | 2.85% | 4.24% | 7.55% | -1.71% | 10.20% |

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

**CHART 23:
MSCI EQUITY PRICE INDEX, 2014 YTD**



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

IV. Bank Lending

Cross-border lending to Latin America and the Caribbean expanded at a very modest pace in the first quarter of 2014 – the latest data available – according to the Bank for International Settlements (BIS). Claims on the region rose, but only by US\$ 8.9 billion. Cross-border lending to Brazil grew by US\$ 7.6 billion. By contrast, cross-border claims on Mexico fell by US\$ 3.7 billion.

The reduction in cross-border banking flows has been a notable feature of global capital flows in the aftermath of the 2008 global financial crisis. During the crisis, concerns about bank solvency led banks to deleverage by reducing lending both domestically and across borders. In addition, renewed funding pressures during the Euro area sovereign debt crisis in 2010-11 effectively stalled a nascent recovery in cross-border bank lending. As of early 2014, BIS-reporting banks' international claims remained around 18% lower than their pre-crisis peak in 2008, despite a recovery since late 2013 and in the first quarter of 2014. In the process, while the importance of bank lending for the corporate sector across emerging markets declined, the role of international bond markets increased.

The IIF estimates that bank flows to Latin America will increase to US\$ 26 billion in 2014, from US\$ 25 billion in 2013, but will decline to US\$ 15 billion in 2015. The growing importance of international bond markets, rather than bank lending, for emerging markets' corporate sector, seems set to continue.

V. Prospects

Latin American and Caribbean debt markets continued to perform well in the third quarter of 2014, but ended the quarter under pressure from a stronger U.S. dollar and developments at the country level. However, concerns about weak global growth, declining oil prices, strengthening dollar and higher volatility had an adverse impact on the region's equity markets during the quarter. The underlying trend is still a moderation in private capital inflows due to weaker growth prospects and commodity prices, and tighter external financial conditions. Overall, the IIF forecasts that private capital flows to the region this year will decline to US\$ 283 billion in 2014 from US\$ 291 billion in 2013, and to US\$ 275 billion in 2015, reflecting lower debt inflows. Weaker growth and a more stressful external financial environment are downside risks.³

Global monetary policy divergence adds another dimension of uncertainty to the outlook for capital flows. If the Federal Reserve moves swiftly to a more hawkish monetary policy stance, debt markets that have received a great amount of QE-related cash may be particularly vulnerable. However, although the Fed has ended its quantitative easing program at the end of October and is expected to increase interest rates sometime next year, the Bank of Japan and the European Central Bank are set to continue increasing global liquidity for the foreseeable future.

³ Institute of International Finance, *Capital flows to emerging markets*, 2 October 2014.

Appendix

A. Credit Rating

**TABLE 1:
CREDIT RATINGS IN LATIN AMERICA AND THE CARIBBEAN, 2014 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 | (-) | SD | | RD | | Affirmed, O/L changed to (-) | 31-Jul-14 | Downgrade to SD | 30-Jul-14 | Downgrade to RD | 30-Jul-14 |
| Bahamas | A3 | (-) | BBB | (-) | | | O/L changed to (-) | 31-Aug-11 | O/L changed to (-) | 24-Sep-12 | | |
| Barbados | B3 | (-) | BB- | (-) | NR | | Downgrade, O/L (-) | 2-Jun-14 | Downgrade, O/L changed to (-) | 20-Nov-13 | | |
| Belize | Caa2 | | B- | | NR | | Upgrade, O/L stable | 15-Apr-13 | Affirmed, O/L stable | 27-Nov-13 | | |
| Bolivia | Ba3 | | BB | | BB- | (+) | Upgrade, O/L stable | 8-Jun-12 | Upgrade, O/L stable | 15-May-14 | Affirmed, O/L changed to (+) | 12-Aug-14 |
| Brazil | Baa2 | (-) | BBB- | | BBB | | Affirmed, O/L changed to (-) | 9-Sep-14 | Downgrade, O/L stable | 24-Mar-14 | Affirmed, O/L stable | 18-Jul-13 |
| Chile | Aa3 | | AA- | | A+ | | Affirmed, O/L stable | 29-Oct-13 | Affirmed, O/L stable | 16-Dec-13 | Affirmed, O/L stable | 25-Oct-13 |
| Colombia | Baa2 | | BBB | | BBB | | Upgrade, O/L stable | 28-Jul-14 | Affirmed, O/L stable | 29-Apr-14 | Affirmed, O/L stable | 20-Nov-14 |
| Costa Rica* | Ba1 | | BB | | BB+ | | Downgrade, O/L stable | 16-Sep-14 | Affirmed, O/L stable | 28-Feb-14 | Affirmed, O/L stable | 27-Jan-14 |
| Cuba | Caa2 | | NR | | NR | | Downgrade, O/L stable | 23-Apr-14 | | | | |
| Dominican Republic | B1 | | B+ | | B | | Affirmed, O/L stable | 10-Oct-11 | Affirmed, O/L stable | 29-May-13 | Affirmed, O/L stable | 26-Nov-14 |
| Ecuador | Caa1 | | B+ | | B | | Upgrade, O/L stable | 13-Sep-12 | Upgrade, O/L stable | 20-Aug-14 | Upgrade, O/L stable | 18-Oct-13 |
| El Salvador | Ba3 | | BB- | (-) | BB- | (-) | Downgrade, O/L stable | 5-Nov-12 | Affirmed, O/L (-) | 19-Dec-13 | Downgrade, O/L (-) | 16-Jul-13 |
| Grenada | | | SD | | | | | | Downgrade | 12-Mar-13 | | |
| Guatemala | Ba1 | | BB | | BB | | Affirmed, O/L stable | 10-Jul-13 | Affirmed, O/L stable | 11-Oct-13 | Downgrade, O/L stable | 20-Jun-14 |
| Honduras | B3 | | B | | NR | | Downgrade, O/L stable | 27-Feb-14 | Downgrade, O/L stable | 7-Aug-13 | | |
| Jamaica | Caa3 | (+) | B- | | B- | | O/L changed to (+), Affirmed | 12-Feb-14 | Upgrade, O/L changed to stable | 24-Sep-13 | Upgrade, O/L stable | 25-Feb-14 |
| Mexico | A3 | | BBB+ | | BBB+ | | Upgrade, O/L stable | 5-Feb-14 | Upgrade, O/L stable | 19-Dec-13 | Affirmed, O/L stable | 1-May-14 |
| 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 | 7-May-14 |
| Paraguay | Ba2 | (+) | BB | | BB- | (+) | Upgrade, O/L (+) | 4-Feb-14 | Upgrade, O/L stable | 11-Jun-14 | O/L changed to (+), Affirmed | 31-Jan-14 |
| Peru | A3 | | BBB+ | | BBB+ | | Upgrade, O/L stable | 2-Jul-14 | Upgrade, O/L stable | 19-Aug-13 | Affirmed, O/L stable | 30-Sep-14 |
| Suriname | Ba3 | | BB- | | BB- | | O/L changed to stable from (+) | 14-Feb-14 | O/L changed to stable from (+) | 28-Apr-14 | Affirmed, O/L stable | 12-May-14 |
| Trinidad & Tobago | Baa1 | | A | | NR | | Affirmed, O/L stable | 16-Jan-13 | Affirmed, O/L stable | 24-Dec-13 | | |
| Uruguay* | Baa2 | | BBB- | | BBB- | | Upgrade, O/L stable | 29-May-14 | Affirmed, O/L stable | 22-May-13 | Affirmed, O/L stable | 4-Mar-14 |
| Venezuela | Caa1 | (-) | CCC+ | (-) | B | (-) | Downgrade, O/L (-) | 16-Dec-13 | Downgrade, O/L (-) | 16-Sep-14 | Downgrade, O/L (-) | 25-Mar-14 |

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

Changes for 2014 YTD 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.

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

BOX 1
CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, 2014 YTD

There have been 12 positive and 15 negative actions in Latin America and the Caribbean in 2014 YTD.

Positive Actions: 12 (Bold)

January

- Costa Rica (January 27): Fitch affirms Costa Rica's BB+ rating with a stable outlook (*no change*).
- Paraguay (January 31): **Fitch revises Paraguay's outlook to positive and affirms its BB- rating**, citing economic activity acceleration and dynamism, and increased economic resilience to weaker economic conditions in its main neighboring trade partners.

February

- Paraguay (February 4): **Moody's upgrades Paraguay's rating to Ba2 from Ba3 with a positive outlook**, citing lower debt ratios, recent fiscal reforms and a smooth political transition since the impeachment of former president Fernando Lugo in 2012.
- Mexico (February 5): **Moody's upgrades Mexico's rating to A3 from Baa1 with a stable outlook**, citing Mexico's structural reforms that it expects will translate into improvements in the country's credit metrics.
- Jamaica (February 12): **Moody's changes the outlook on Jamaica's Caa3 rating to positive from stable**, citing recent and anticipated improvements on key fiscal and debt metrics.
- Jamaica (February 25): **Fitch upgrades Jamaica to B- from CCC with a stable outlook**, citing reduced financing risks due to fiscal consolidation and the lengthening of domestic debt repayments achieved through the National Debt Exchange (NDX) in February 2013.

March

- Uruguay (March 4): Fitch affirms Uruguay's rating at BBB- with a stable outlook (*no change*).

April

- Colombia (April 29): S&P affirms Colombia's rating at BBB with a stable outlook (*no change*).

May

- Mexico (May 1): Fitch affirms Mexico's rating at BBB+ with a stable outlook (*no change*).
- Panama (May 7): Fitch affirms Panama's rating at BBB with a stable outlook (*no change*).
- Suriname (May 12): Fitch affirms Suriname's Ratings at BB- with a stable outlook (*no change*).
- Bolivia (May 15): **S&P upgraded Bolivia to BB from BB- with a stable outlook**, citing greater economic resilience against negative shocks thanks to persistent GDP growth and current account and fiscal surpluses.
- Uruguay (May 29): **Moody's upgrades Uruguay to Baa2 from Baa3 with a stable outlook**, citing the strengthening of its credit profile, as reflected by the convergence of fiscal and debt metrics with the medians for the Baa peer group, an overall government debt profile that is currently associated with moderate credit risks, and the country's reduced vulnerabilities to regional and commodity shocks.

June

- Paraguay (June 11): **S&P upgrades Paraguay to BB from BB- with a stable outlook**, noting that the country's infrastructure development programs should fuel economic growth.

July

- Peru (July 2): **Moody's upgrades Peru two notches to A3 from Baa2 with a stable outlook**, citing an improving government balance sheet.
- Colombia (July 28): **Moody's upgrades Colombia's long-term foreign currency sovereign rating to Baa2 from Baa3, with a stable outlook**. This upgrade placed Moody's rating on Colombia in line with S&P and Fitch, which upgraded Colombia's rating to BBB in April and October 2013, respectively. Strong growth dynamics, robust long-term growth prospects, and strong fiscal management were identified as key drivers of the upgrade.

Box 1– (cont.)*August*

- Bolivia (August 12): **Fitch affirms Bolivia at BB- and revises its outlook to positive from stable**, citing strong economic growth and progress in the implementation of reforms to the legal framework for hydrocarbons, investment, mining and public enterprises in 2013-2014.
- Ecuador (August 20): **S&P upgrades Ecuador to B+ from B, with a stable outlook**, citing greater fiscal flexibility, better external liquidity position, and the improving investment climate in the country. The move places S&P one notch above Fitch, which rates Ecuador at B, and two above Moody's, which rates it at Caa2.
- Peru (August 26): S&P affirms Peru's BBB+ rating with a stable outlook (*no change*).

September

- Peru (September 30): **Fitch** affirms Peru's rating at BBB+ with a stable outlook (*no change*).

November

- Colombia (November 21): Fitch affirms Colombia's rating at BBB with a stable outlook (*no change*).

Negative Actions: 15 (Bold)*February*

- Suriname (February 14): **Moody's affirms Suriname's Ba3 rating and changes outlook to stable from positive**, citing a deterioration in fiscal performance, rising debt levels and lower commodity prices.
- Honduras (February 27): **Moody's downgrades Honduras' rating to B3 from B2 with a stable outlook**, citing a widening fiscal deficit and gross financing needs that are above the median of B-rated peers.
- Argentina (March 17): **Moody's downgrades Argentina's sovereign debt rating to Caa1 from B3, with a stable outlook**, citing the significant fall in foreign exchange reserves and an inconsistent policy environment.

March

- Brazil (March 24): **S&P's downgrades Brazil's long-term foreign currency credit rating from BBB to BBB-** (one notch above junk: BBB- is the lowest investment grade category) with a stable outlook, citing deteriorating government accounts, rising debt and weakening growth. The last time Brazil had a downgrade in its sovereign credit rating was in July 2002.
- Venezuela (March 25): **Fitch downgrades Venezuela to B from B+ with a negative outlook**, citing macroeconomic instability, a lack of policies to curb inflation, problems in its FX market, and deterioration in external accounts. The downgrade was expected, since Fitch had assigned a negative outlook to its Venezuela ratings, which were 2 and 3 notches higher than those of other ratings agencies (S&P rates Venezuela B- and Moody's has it at Caa1, both with negative outlooks).

April

- Argentina (April 4): S&P affirms Argentina's rating of CCC+ with a negative outlook (*no change*).
- Cuba (April 23): **Moody's downgrades Cuba a notch to Caa2 with a stable outlook**, saying that the decision to downgrade was driven by an assessment of the country's vulnerability to external and domestic shocks, relative to rating peers.
- Suriname (April 28): S&P's **affirms Suriname's BB- rating and changes outlook to stable from positive**, citing the vulnerability of the government's fiscal position to commodity price swings.

June

- Barbados (June 02): **Moody's downgrades Barbados to B3 from Ba3; outlook remains negative**. The three-notch downgrade reflects: negative fiscal trends; increasing government debt ratios projected at above 100% of GDP by FY 2014/15, coupled with elevated short-term issuance and gross financing needs in excess of 30% of GDP in 2014 and 2015; expected decline in international reserves this year due to large current account deficits and weaker private sector inflows.
- Guatemala (June 20): **Fitch downgrades Guatemala to BB from BB+ with a stable outlook**, noting its stagnant growth and failure to widen its revenue base.

Box 1– (conclusion)*July*

- Argentina (July 30): **S&P downgrades Argentina’s long-term foreign currency rating to Selective Default (SD) from CCC-** after a 30-day grace period to make a US\$ 539 million interest payment to bondholders expired.
- Argentina (July 30): **Fitch downgrades Argentina's Foreign Currency Issuer Default Rating (IDR) to Restricted Default ('RD') from 'CC**, as the sovereign was not able to cure the missed coupon payments on its discount bonds issued under foreign law by the end of the 30-day grace period, which expired on July 30.
- Argentina (July 31): **Moody’s changes Argentina's outlook to negative** saying that default will hasten economic decline.

September

- Brazil (September 9): **Moody’s changes the outlook of Brazil’s rating to negative from positive and affirms its Baa2 rating.** The move reflects “the rising risk that sustained low growth and worsening debt metrics indicate a reduction in Brazil’s creditworthiness, which would trigger a downward migration in its credit rating.”
- Venezuela (September 16): **S&P’s downgrades Venezuela to CCC+ from B-, with a negative outlook,** saying that the lack of economic policy adjustment has led to deterioration in economic fundamentals that “will continue to erode the government’s capacity to pay external obligations over the next two years.” The CCC+ rating indicates that S&P believes that there is a one-in-two chance of default over that time horizon.
- Costa Rica (September 16): **Moody’s downgrades Costa Rica to Ba1 from Baa3 with a negative outlook,** noting the government’s failure to approve a fiscal reform. With the downgrade, Costa Rica lost its Moody’s investment grade rating.

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

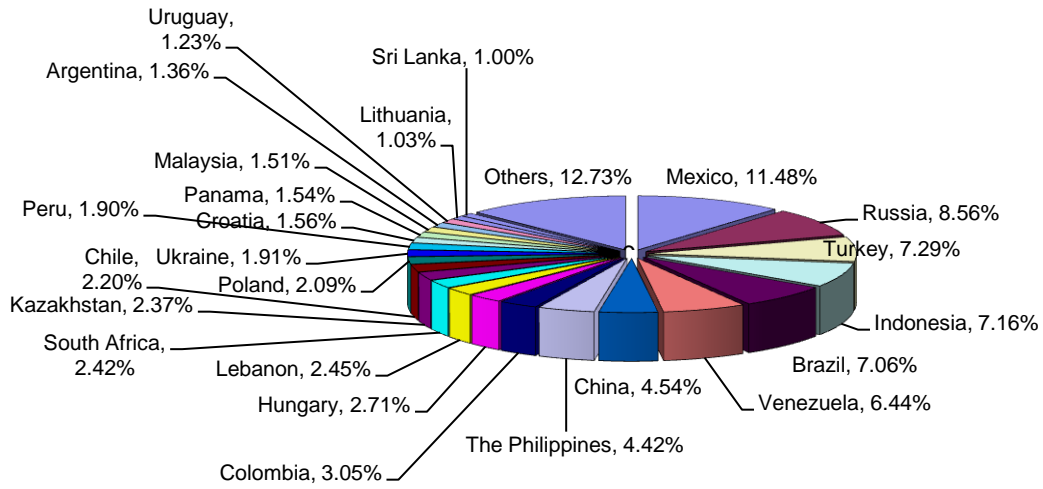
B. Latin American Spreads

TABLE 2:
SOVEREIGN SPREADS ON JPMORGAN EMBI GLOBAL AND LATIN AMERICAN COMPOSITES
(Basis Points)

| | EMBI Global | Argentina | Brazil | Chile | Colombia | Ecuador | Mexico | Peru | Uruguay | Venezuela | Latin America |
|-----------|-------------|-----------|--------|-------|----------|---------|--------|------|---------|-----------|---------------|
| 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 |
| 31-Oct-13 | 328 | 921 | 229 | 161 | 170 | 499 | 196 | 176 | 190 | 1014 | 390 |
| 27-Nov-13 | 355 | 776 | 256 | 171 | 190 | 539 | 211 | 193 | 220 | 1221 | 427 |
| 31-Dec-13 | 327 | 808 | 230 | 148 | 163 | 530 | 177 | 162 | 194 | 1141 | 393 |
| 31-Jan-14 | 390 | 1085 | 278 | 172 | 208 | 605 | 219 | 202 | 239 | 1400 | 479 |
| 28-Feb-14 | 344 | 907 | 251 | 151 | 184 | 609 | 195 | 181 | 217 | 1255 | 424 |
| 31-Mar-14 | 324 | 799 | 230 | 143 | 168 | 508 | 182 | 165 | 192 | 1165 | 393 |
| 30-Apr-14 | 315 | 786 | 217 | 137 | 157 | 361 | 177 | 149 | 187 | 1018 | 366 |
| 30-May-14 | 293 | 833 | 214 | 129 | 147 | 372 | 165 | 150 | 167 | 1031 | 359 |
| 30-Jun-14 | 285 | 724 | 211 | 123 | 144 | 376 | 160 | 151 | 169 | 938 | 340 |
| 31-Jul-14 | 291 | 649 | 214 | 125 | 145 | 486 | 164 | 151 | 177 | 976 | 352 |
| 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 |
| 31-Oct-13 | 328 | 921 | 229 | 161 | 170 | 499 | 196 | 176 | 190 | 1014 | 390 |
| 27-Nov-13 | 355 | 776 | 256 | 171 | 190 | 539 | 211 | 193 | 220 | 1221 | 427 |
| 31-Dec-13 | 327 | 808 | 230 | 148 | 163 | 530 | 177 | 162 | 194 | 1141 | 393 |
| 31-Jan-14 | 390 | 1085 | 278 | 172 | 208 | 605 | 219 | 202 | 239 | 1400 | 479 |
| 28-Feb-14 | 344 | 907 | 251 | 151 | 184 | 609 | 195 | 181 | 217 | 1255 | 424 |
| 31-Mar-14 | 324 | 799 | 230 | 143 | 168 | 508 | 182 | 165 | 192 | 1165 | 393 |
| 30-Apr-14 | 315 | 786 | 217 | 137 | 157 | 361 | 177 | 149 | 187 | 1018 | 366 |
| 30-May-14 | 293 | 833 | 214 | 129 | 147 | 372 | 165 | 150 | 167 | 1031 | 359 |
| 30-Jun-14 | 285 | 724 | 211 | 123 | 144 | 376 | 160 | 151 | 169 | 938 | 340 |
| 30-Apr-14 | 315 | 786 | 217 | 137 | 157 | 361 | 177 | 149 | 187 | 1018 | 366 |
| 30-May-14 | 293 | 833 | 214 | 129 | 147 | 372 | 165 | 150 | 167 | 1031 | 359 |
| 30-Jun-14 | 285 | 724 | 211 | 123 | 144 | 376 | 160 | 151 | 169 | 938 | 340 |
| 31-Jul-14 | 291 | 649 | 214 | 125 | 145 | 486 | 164 | 151 | 177 | 976 | 352 |
| 29-Aug-14 | 306 | 808 | 208 | 124 | 146 | 412 | 161 | 148 | 169 | 1123 | 369 |
| 30-Sep-14 | 334 | 700 | 241 | 137 | 169 | 484 | 186 | 162 | 193 | 1387 | 416 |
| 31-Oct-14 | 332 | 703 | 236 | 146 | 172 | 495 | 188 | 169 | 193 | 1507 | 424 |

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

Note: EMBI Global composition: **by market sector** (end-October 2014): Brady, 3.64%; Benchmark Eurobonds 96.36%; **by country**: Brazil, Mexico and Venezuela account for 28.04% of the total weighting; **by region**: Latin: 40.64%; Non-Latin: 59.36%.

EMBI GLOBAL COMPOSITION (AS OF OCTOBER 2014)

| Others: | % |
|-------------------|--------------|
| Romania | 0.98 |
| El Salvador | 0.88 |
| Serbia | 0.86 |
| Costa Rica | 0.81 |
| Dominican Rep | 0.76 |
| Pakistan | 0.51 |
| Ivory Coast | 0.48 |
| Latvia | 0.43 |
| Ecuador | 0.43 |
| Azerbaijan | 0.42 |
| Ghana | 0.39 |
| Iraq | 0.37 |
| India | 0.35 |
| Morocco | 0.35 |
| Trinidad & Tobago | 0.33 |
| Jamaica | 0.33 |
| Kenya | 0.32 |
| Vietnam | 0.29 |
| Mongolia | 0.29 |
| Zambia | 0.28 |
| Slovakia | 0.25 |
| Gabon | 0.24 |
| Nigeria | 0.24 |
| Egypt | 0.24 |
| Paraguay | 0.24 |
| Guatemala | 0.23 |
| Georgia | 0.17 |
| Honduras | 0.17 |
| Angola | 0.16 |
| Bolivia | 0.16 |
| Senegal | 0.16 |
| Belarus | 0.13 |
| Mozambique | 0.13 |
| Armenia | 0.11 |
| Tanzania | 0.10 |
| Namibia | 0.08 |
| Belize | 0.06 |
| Total | 12.73 |

C. New LAC Debt Issuance

**TABLE 3:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FIRST QUARTER OF 2014**

| Country | Issuer | Amount (million) | Amount US\$ (mm) | Coupon (%) | Maturity |
|---------------|---|------------------|------------------|---------------|--------------|
| Jan-14 | | | | | |
| Brazil | Petrobras | EUR 1500 | 2,052 | 2.750% | 2018 |
| Brazil | Petrobras | EUR 750 | 1,026 | 3.750% | 2021 |
| Brazil | Petrobras | EUR 800 | 1,100 | 4.750% | 2025 |
| Brazil | Petrobras | GBP 600 | 984 | 6.625% | 2034 |
| Supranational | CAF Development Bank of Latin America | CHF 275 | 303 | 2.000% | 2024 |
| Mexico | United Mexican States | USD 1000 | 1,000 | 3.500% | 2021 |
| Mexico | United Mexican States | USD 3000 | 3,000 | 5.550% | 2045 |
| Brazil | BNDES | EUR 650 | 889 | 3.685% | 2019 |
| Mexico | Coca-Cola Femsa (KOF) | USD 150 | 150 | 3.875% | 2023 (r) |
| Mexico | Coca-Cola Femsa (KOF) | USD 200 | 200 | 5.250% | 2043 (r) |
| Bahamas | Bahamas | USD 300 | 300 | 5.750% | 2024 |
| Mexico | Oro Negro Drilling | USD 725 | 725 | 7.500% | 2019 |
| Peru | Hochschild | USD 350 | 350 | 7.750% | 2021 NC18 |
| Peru | Banco de Credito del Peru (BCP) | USD 200 | 200 | 6.125% | 2027 (r) |
| Mexico | Pemex | USD 500 | 500 | 3.125% | 2019 |
| Mexico | Pemex | USD 500 | 500 | 4.875% | 2024 |
| Mexico | Pemex | USD 3000 | 3,000 | 6.375% | 2045 |
| Chile | Santander Chile | CHF 300 | 330 | 1.000% | 2017 |
| Brazil | Braskem | USD 500 | 500 | 6.450% | 2024 |
| Colombia | Republic of Colombia | USD 2000 | 2,000 | 5.625% | 2044 |
| Brazil | Santander Brasil | USD 1247 | 1,247 | 7.375% | Perp |
| Mexico | Fibra Uno | USD 600 | 600 | 5.250% | 2024 |
| Mexico | Fibra Uno | USD 400 | 400 | 6.950% | 2044 |
| Chile | Empresa de Transporte de Pasajeros de Metro (Metro de Santiago) | USD 500 | 500 | 4.750% | 2024 |
| Supranational | CAF Development Bank of Latin America | EUR 200 | 274 | 3.500% | 2039 |
| Supranational | Central American Bank for Economic Integration (CABEI) | CHF 180 | 201 | 1.875% | 2022 |
| Guatemala | Comcel | USD 800 | 800 | 6.875% | 2024 NC5 |
| Peru | Minsur | USD 450 | 450 | 6.250% | 2024 |
| | | | 23,581 | | |
| Feb-14 | | | | | |
| Mexico | Playa Resorts Holding | USD 75 | 75 | 8.000% | 2020 NC3 (r) |
| Brazil | Odebrecht | USD 580 | 480 | 6.625% | 2022 |
| Chile | Banco de Chile | CHF 150 | 169 | 3-month L+75 | 2016 |
| Chile | Banco de Chile | CHF 125 | 141 | 1.250% | 2019 |
| Brazil | Banco Safra | CHF 350 | 394 | 1.850% | 2017 |
| | | | 1,259 | | |
| Mar-14 | | | | | |
| Chile | Santander Chile | AUD 125 | 114 | 4.500% | 2017 |
| Mexico | Credito Real | USD 350 | 350 | 7.500% | 2019 NC3 |
| Brazil | Petrobras | USD 1600 | 1600 | 3.250% | 2017 |
| Brazil | Petrobras | USD 1400 | 1400 | 3-month L+236 | 2017 |
| Brazil | Petrobras | USD 1500 | 1500 | 4.875% | 2020 |
| Brazil | Petrobras | USD 500 | 500 | 3-month L+288 | 2020 |
| Brazil | Petrobras | USD 2500 | 2500 | 6.250% | 2024 |
| Brazil | Petrobras | USD 1000 | 1000 | 7.250% | 2044 |
| Peru | Interbank | USD 300 | 300 | 6.625% | 2029 NC10 |
| Mexico | United Mexican States | GBP 1000 | 1660 | 5.625% | 2114 |
| Brazil | Banco Daycoval | USD 500 | 500 | 5.750% | 2019 |
| Brazil | Banco do Brasil | EUR 300 | 420 | 3.750% | 2018 (r) |
| Jamaica | Digicel | USD 1000 | 1000 | 7.125% | 2022 NC3 |
| Mexico | Alfa | USD 500 | 500 | 5.250% | 2024 |
| Mexico | Alfa | USD 500 | 500 | 6.875% | 2044 |
| Barbados | Columbus International | USD 1250 | 1250 | 7.375% | 2021 NC4 |
| Mexico | Cemex | EUR 400 | 553 | 5.250% | 2021 NC3 |
| Mexico | Cemex | USD 1000 | 1000 | 6.000% | 2024 NC5 |
| Peru | Fondo Mivivienda | USD 300 | 300 | 3.375% | 2019 |
| Brazil | Republic of Brazil | EUR 1000 | 1400 | 2.875% | 2021 |
| Brazil | Minerva | USD 300 | 300 | 8.750% | Perp |
| Chile | Banco de Chile | JPY 2000 | 20 | 0.980% | 2019 |
| Brazil | JBS | USD 750 | 750 | 7.250% | 2024 |
| | | | 19,417 | | |

Source: LatinFinance (Bonds Database).

Notes:

Q1 2014 Total

44,257

(r): retap.

NC3, NC4, NC5: only callable after 3, 4 and 5 years, respectively.

NC10: only callable after 10 years.

NC18: only callable after 18 years.

**TABLE 4:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
SECOND QUARTER OF 2014**

| Country | Issuer | Amount (million) | Amount US\$ (mm) | Coupon (%) | Maturity |
|--------------------|--|------------------|------------------|-------------|--------------|
| Apr-14 | | | | | |
| Mexico | United Mexican States | EUR 1000 | 1,375 | 2.375% | 2021 |
| Mexico | United Mexican States | EUR 1000 | 1,375 | 3.625% | 2029 |
| Argentina | YPF | USD 1000 | 1,000 | 8.750% | 2024 |
| Costa Rica | Republic of Costa Rica | USD 1000 | 1,000 | 7.000% | 2044 |
| Colombia | Avianca Holdings | USD 250 | 250 | 8.375% | 2020 NC4 (r) |
| Mexico | BBVA Bancomer | USD 750 | 750 | 4.375% | 2024 |
| Mexico | Kimberly Clark Mexico (KCM) | USD 250 | 250 | 3.800% | 2024 |
| Guatemala | Banco Agromercantil | USD 300 | 300 | 6.250% | 2019 |
| Brazil | BNDES | USD 1000 | 1,000 | 4.000% | 2019 |
| Brazil | BNDES | USD 500 | 500 | 5.750% | 2023 (r) |
| Mexico | Pemex | EUR 1000 | 1,300 | 3.750% | 2026 |
| Brazil | Gerdau | USD 500 | 500 | 7.250% | 2044 |
| Chile | Empresa Nacional de Electricidad de Chile (Endesa) | USD 400 | 400 | 4.250% | 2024 |
| Chile | BBVA Chile | CHF 150 | 170 | 1.375% | 2017 |
| Colombia | Sura Asset Management | USD 500 | 500 | 4.875% | 2024 |
| Brazil | Braskem | USD 250 | 250 | 6.450% | 2024 (r) |
| Chile | Santander Chile | JPY 6600 | 66 | 55bp+YLibor | 2017 |
| Chile | Santander Chile | JPY 2000 | 20 | 0.750% | 2017 |
| Chile | Santander Chile | JPY 18700 | 183 | 0.700% | 2019 |
| Brazil | Votorantim Cimentos | EUR 650 | 899 | 3.250% | 2021 |
| Chile | Banco de Chile | HKD 600 | 77 | 3.080% | 2019 |
| Dominican Republic | Dominican Republic | USD 1250 | 1,250 | 7.450% | 2044 |
| Peru | Camposol | USD 75 | 75 | 9.875% | 2017 NC3 (r) |
| Chile | Masisa | USD 300 | 300 | 9.500% | 2019 NC3 |
| | | | 13,790 | | |
| May-14 | | | | | |
| Mexico | Fermaca | USD 550 | 550 | 6.375% | 2038 |
| Chile | Banco de Chile | JPY 5000 | 49 | 1.100% | 2022 |
| Colombia | Ocensa (Oleoducto Central) | USD 500 | 500 | 4.000% | 2021 |
| Brazil | Caixa Econômica Federal (CEF) | USD 1300 | 1300 | 4.250% | 2019 |
| Brazil | Fibria Celulose | USD 600 | 600 | 5.250% | 2024 |
| Mexico | Grupo Televisa | USD 1000 | 1000 | 5.000% | 2045 |
| Brazil | Tonon Bioenergia | USD 230 | 230 | 10.500% | 2024 NC19 |
| Brazil | Brasil Foods | USD 750 | 750 | 4.750% | 2024 |
| Mexico | Arendal | USD 80 | 80 | 10.500% | 2016 |
| Peru | Fondo Mivivienda | CHF 250 | 280 | 1.250% | 2018 |
| Colombia | Ecopetrol | USD 2000 | 2000 | 5.875% | 2045 |
| Mexico | Empresas ICA | USD 700 | 700 | 8.875% | 2024 NC19 |
| Supranational | CAF Development Bank of Latin America | EUR 750 | 1000 | 1.875% | 2021 |
| Panama | Banco General | CHF 180 | 201 | 1.625% | 2018 |
| Mexico | Financiera Independencia | USD 200 | 200 | 7.500% | 2019 NC17 |
| Mexico | América Móvil | EUR 600 | 817 | 1.000% | 2018 |
| Mexico | Banco Inbursa | USD 1000 | 1000 | 4.125% | 2024 |
| | | | 11,257 | | |
| Jun-14 | | | | | |
| Mexico | América Móvil | MXN 7500 | 579 | 7.125% | 2024 |
| Mexico | América Móvil | MXN 10000 | 771 | 6.000% | 2019 |
| Panama | Global Bank | CHF 75 | 84 | 3.000% | 2018 |
| Brazil | Grupo Virgolino de Oliveira (GVO) | USD 230 | 130 | 11.000% | 2024 |
| Uruguay | Oriental Republic of Uruguay | USD 2000 | 2000 | 5.100% | 2050 |
| Brazil | Odebrecht Oil and Gas | USD 400 | 400 | 7.000% | Perp NC10 |
| Brazil | Marfrig | USD 850 | 850 | 6.880% | 2019 |
| Brazil | Banco do Brasil | USD 2500 | 2500 | 9.000% | Perp NC10 |
| Brazil | Votorantim - Companhia Brasileira de Alumínio | USD 400 | 400 | 4.750% | 2024 |
| Brazil | JBS USA | USD 750 | 750 | 5.875% | 2024 |
| Chile | Banco de Crédito e Inversiones (BCI) | CHF 150 | 167 | 1.125% | 2019 |
| Brazil | Rio Previdencia | USD 2000 | 2000 | 6.250% | 2024 |
| Ecuador | Republic of Ecuador | USD 2000 | 2000 | 7.950% | 2024 |
| Brazil | Odebrecht Finance | USD 500 | 500 | 5.250% | 2029 |
| Mexico | Grupo Bimbo | USD800 | 800 | 3.875% | 2024 |
| Mexico | Grupo Bimbo | USD 500 | 500 | 4.875% | 2044 |
| Brazil | OAS | USD 400 | 400 | 8.000% | 2021 |
| Argentina | Mastellone Hermanos | USD 200 | 200 | 12.625% | 2021 |
| | | | 15,031 | | |

Source: LatinFinance (Bonds Database).

Notes:

(r): retap.

NC3: only callable after 3 years.

NC4: only callable after 4 years.

NC10: only callable after 10 years.

NC19: only callable after 19 years.

Q2 2014 Total
H1 2014

40,078
84,335

**TABLE 5:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
THIRD QUARTER OF 2014**

| Country | Issuer | Amount (million) | Amount US\$ (mm) | Coupon (%) | Maturity |
|--|--|----------------------|------------------|------------|-----------------|
| Jul-14 | | | | | |
| Jamaica | Jamaica | USD 800 | 800 | 7.625% | 2025 Amortizing |
| Brazil | Odebrecht Oil and Gas | USD 150 | 150 | 7.000% | Perp NC10 (r) |
| Peru | InRetail Shopping Mall | USD 350 | 350 | 6.500% | 2021 NC17 |
| Chile | Colbun | USD 500 | 500 | 4.500% | 2024 |
| Chile | Corporación Nacional del Cobre (Codelco) | EUR 600 | 816 | 2.250% | 2024 |
| Peru | Corporación Financiera de Desarrollo S.A. - Cofide | USD 300 | 300 | 3.250% | 2019 |
| Peru | Corporación Financiera de Desarrollo S.A. - Cofide | USD 300 | 300 | 5.250% | 2029 NC24 |
| Chile | Transelec | USD 375 | 375 | 4.250% | 2025 |
| Brazil | Klabun | USD 500 | 500 | 5.250% | 2024 |
| Brazil | InterCement | USD 750 | 750 | 5.500% | 2024 |
| Brazil | Tupy | USD 350 | 350 | 6.625% | 2024 |
| Dominican Republic | Dominican Republic | USD 250 | 250 | 7.450% | 2044 (r) |
| Mexico | United Mexican States | JPY 33800 | 332 | 0.800% | 2019 |
| Mexico | United Mexican States | JPY 13900 | 137 | 1.440% | 2024 |
| Mexico | United Mexican States | JPY 12300 | 121 | 2.570% | 2034 |
| Chile | Celulosa Arauco | USD 500 | 500 | 4.500% | 2024 |
| Mexico | Unifin Financiera | USD 400 | 400 | 6.250% | 2019 |
| Brazil | Caixa Econômica Federal (CEF) | USD 500 | 500 | 7.250% | 2024 NC5 |
| Chile | Empresa Nacional de Telecomunicaciones (Entel) | USD 800 | 800 | 4.750% | 2026 |
| Brazil | Federative Republic of Brazil | USD 3500 | 3,500 | 5.000% | 2045 |
| | | | 11,731 | | |
| Aug-14 | | | | | |
| Paraguay | Republic of Paraguay | USD 1000 | 1,000 | 6.100% | 2044 |
| Supranational | CAF Development Bank of Latin America | USD 1000 | 1,000 | 1.500% | 2017 |
| Colombia | Financiera de Desarrollo Territorial – Findeter | COP 946175 | 500 | 7.875% | 2024 |
| Brazil | Minerva | USD 200 | 200 | 7.750% | 2023 NC5 (r) |
| | | | 2,700 | | |
| Sep-14 | | | | | |
| Brazil | Republic of Brazil | USD 1050 | 1,050 | 4.250% | 2025 (r) |
| Colombia | Empresas Publicas de Medellin (EPM) | COP 965745 | 500 | 7.625% | 2024 |
| Mexico | Cemex | EUR 400 | 517 | 4.750% | 2022 |
| Mexico | Cemex | USD 1100 | 1,100 | 5.700% | 2025 |
| Mexico | Mexichem | USD 750 | 750 | 5.875% | 2044 |
| Colombia | Ecopetrol | USD 1200 | 1,200 | 4.125% | 2025 |
| Mexico | Axtel | USD 150 | 150 | 8.000% | 2020 (r) |
| Chile | Inversiones CMPC S.A. | USD 500 | 500 | 4.750% | 2024 |
| El Salvador | Republic of El Salvador | USD 800 | 800 | 6.375% | 2027 |
| Brazil | Banco BTG Pactual | USD 1300 | 1,300 | 8.750% | Perp NC5 |
| Panama | Republic of Panama | USD 1250 | 1,250 | 4.000% | 2024 |
| Colombia | Pacific Rubiales | USD 750 | 750 | 5.625% | 2025 NC5 |
| Peru | BBVA Banco Continental | USD 300 | 300 | 5.250% | 2029 |
| Chile | CorpBanca | USD 750 | 750 | 3.875% | 2019 |
| Brazil | Gol Transportes Aereos | USD 325 | 325 | 8.875% | 2022 |
| Brazil | Samarco Mineração | USD 500 | 500 | 5.375% | 2024 |
| Mexico | Puerto de Liverpool | USD 300 | 300 | 3.950% | 2024 |
| Brazil | Cimento Tupi | USD 35 | 35 | 9.750% | 2018 (r) |
| | | | 12,077 | | |
| Source: LatinFinance (Bonds Database). | | Q3 2014 Total | 27,608 | | |
| Notes: | | 2014 YTD | 96,066 | | |
| (r): retap. | | | | | |
| NC5: only callable after 5 years. | | | | | |
| NC10: only callable after 10 years. | | | | | |
| NC17: only callable after 17 years. | | | | | |
| NC24: only callable after 24 years. | | | | | |

**TABLE 6:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FOURTH QUARTER OF 2014**

| Country | Issuer | Amount (million) | Amount US\$ (mm) | Coupon (%) | Maturity |
|---------------|--|------------------|------------------|---------------|----------|
| Oct-14 | | | | | |
| Mexico | Pemex | USD 500 | 500 | 3-month L+35 | 2025 |
| Barbados | Consolidated Energy Limited | USD 1050 | 1,050 | 6.750% | 2019 |
| Barbados | Consolidated Energy Limited | USD 200 | 200 | 3-month L+350 | 2019 |
| Supranational | Central American Bank for Economic Integration (CABEI) | CNH 500 | 81 | 3.850% | 2019 |
| Mexico | Pemex | USD 1000 | 1,000 | 4.250% | 2025 |
| Mexico | Pemex | USD 1500 | 1,500 | 5.500% | 2044 |
| Mexico | Pemex | USD 500 | 500 | 2.378% | 2025 |
| Peru | InRetail Consumer | USD 300 | 300 | 5.250% | 2021 NC4 |
| Colombia | Republic of Colombia | USD 500 | 500 | 4.000% | 2024 (r) |
| Colombia | Republic of Colombia | USD 500 | 500 | 5.625% | 2044 |
| Chile | Falabella | USD 400 | 400 | 4.375% | 2025 |
| Chile | Sociedad Quimica y Minera de Chile (SQM) | USD 250 | 250 | 4.375% | 2025 |
| Chile | E-CL | USD 350 | 350 | 4.500% | 2025 |
| Chile | Empresa Nacional de Petroleo (Enap) | USD 600 | 600 | 4.375% | 2024 |
| Chile | Corporación Nacional del Cobre (Codelco) | USD 980 | 980 | 4.875% | 2044 |
| Panama | Global Bank | USD 400 | 400 | 5.125% | 2019 |
| Peru | Union Andina de Cementos (Unacem) | USD 625 | 625 | 5.875% | 2021 NC4 |
| Peru | Republic of Peru | PEN 3250 | 1,110 | 5.750% | 2024 |
| Peru | Republic of Peru | USD 500 | 500 | 5.625% | 2050 (r) |
| | | | 11,346 | | |

Source: LatinFinance (Bonds Database).

Notes:

(r): retap.

NC4: only callable after 4 years.

2014 YTD

123,289