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ECLAC OFFICE IN WASHINGTON, D.C.

Capital Flows to Latin America and the Caribbean

Recent developments

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

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Highlights

- There was a sharp rally in Latin America and the Caribbean (LAC)'s markets from June to October. As the world's major central banks indicated they were prepared to offer more liquidity in the Brexit vote aftermath, the prospect of easier financing led investors to reassess the risk-reward balance of Latin American assets.

- As a result, LAC assets gained in the first ten months of the year: stocks gained almost 43% from January to October, according to the MSCI Latin American Index, with gains accelerating since June, as investor appetite improved.

- After peaking in January, the U.S. dollar moderated against major currencies, supporting a tightening in bond spreads. LAC bond spreads tightened by 138 basis points in the first ten months of 2016, following a widening of almost 100 basis points in 2015.

- Bond issuances from Latin American and the Caribbean reached US$ 117 billion from January to October. That is US$ 37 billion more than the entire year's activity in 2015.

- Five green bonds were issued from April to October. Only three green bonds had been issued in the region before this year. [1]

- The return of Argentine and Brazilian issuers to international bond markets contributed to higher market activity. They were essentially locked out of international bond markets last year; this year, they have been the top 2 and top 3 issuers in the region, respectively.

[1] Peru's Energía Eólica, a wind farm operator, became the first Latin American issuer to sell a green bond when it issued a US$ 204 million 6.000% 2034 bond in December 2014. In May 2015, BRF Brazil Foods, an investment-grade meat producer, issued a EUR 500 million (US$ 549 million) 2.750% 2022 bond, taking advantage of a yield-hungry European market to issue the first green bond from Brazil and second from the region. Nacional Financiera (NAFIN), Mexico's development bank, issued Mexico's first green bond (and third in the region) in October 2015 – a 3.375% US$ 500 million 2020 bond – drawing heavy interest from global accounts including those with dedicated environmental mandates.

- The return of Argentine and Brazilian issuers also upturned the traditional balance of investment-grade and high-yield debt. High-yield bonds made up more than half (54%) of the US$ 117 billion of international bonds issued by LAC issuers from January to October, compared to about a quarter (26%) in 2015.

- Issuers from Argentina and Brazil represented 81% of the total high-yield issuance in the region in the first ten months of 2016. Brazil's Petrobras alone accounted for close to 40% of the total LAC corporate high-yield issuance in the period.

- In October, however, investors started pulling cash from emerging markets against the backdrop of growing conviction that the U.S. Federal Reserve would soon raise interest rates, and as jitters about the U.S. election reduced the appeal of riskier assets.

- The uncertainty that has dogged the U.S. economy in the run-up to the elections could persist and deepen. Emerging market investors seem fearful of the possibility of higher U.S. interest rates, a stronger dollar and greater trade protectionism. So far, concerns about deteriorating prospects for trade and capital flows – due to rising U.S. bond yields and anti-globalization pressures – have led to a sharp and indiscriminate sell-off in emerging market assets.

- For now, investors anticipate higher interest rates and an increase in inflationary pressures in the U.S., based on expectations of tax cuts and higher investment in infrastructure. Higher funding costs for corporate borrowers in Latin America, particularly in Mexico, are expected, but how big the impact on the region will be is uncertain.

Overview

Latin America and the Caribbean (LAC)'s asset markets rallied from June – after the shock of the Brexit vote faded – to October. The market rally was supported by an increase in global liquidity and investors' anticipation of an inflection point in the region's economic cycle, with forecasts for regional growth pointing to a return to growth in 2017.

Low global interest rates, including negative interest rates in Japan and the European Union, have led to a constant search for yield on the part of investors. In particular, global monetary policy in the wake of the Brexit vote was widely seen as *pushing* investors back into the markets after a retreat. As the world's major central banks indicated they were prepared to offer more liquidity after the Brexit vote, the prospect of easier financing led investors to reassess the risk-reward balance of LAC assets.

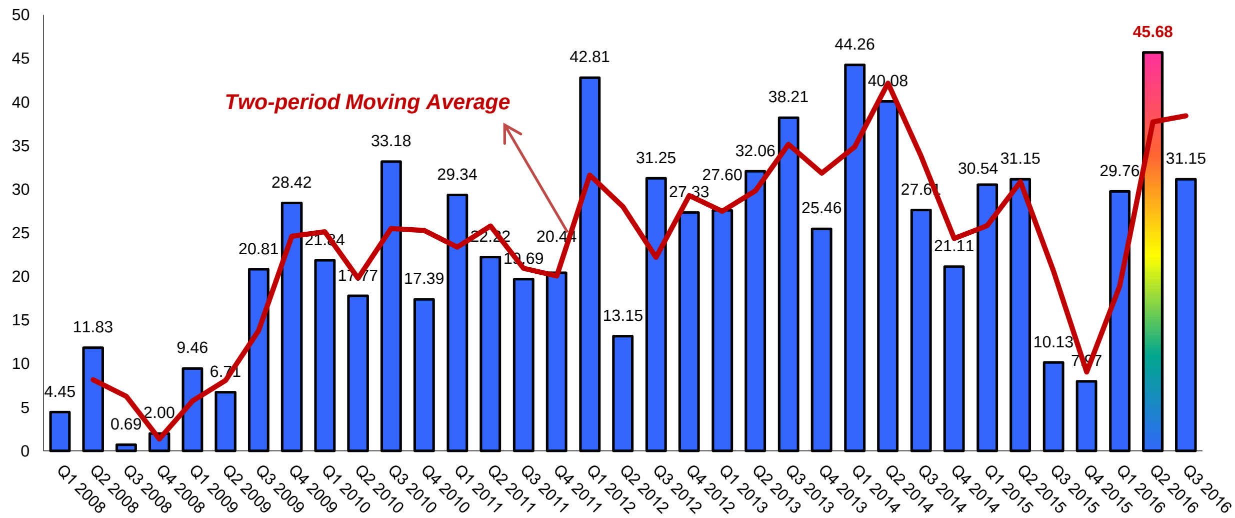
On the other hand, factors seen as *pulling* investors' attention back to the region included expectations of better macroeconomic conditions for the region as a whole in 2017, which was expected to come out of a two-year recession,[2] as well as market-friendly policies, particularly in Argentina and Brazil.

This confluence of external (*pushing*) and domestic (*pulling*) factors led to increased activity in international bond markets in the first ten months of the year. On a quarterly basis, LAC bond issuance in the second quarter of 2016 was the highest ever (US$ 45.7 billion), surpassing the total amount issued in the first quarter of 2014 (US$ 44.3 billion), which was the region's previous peak (chart 1). On a monthly basis, total LAC issuance in April was the third highest. The reason was Argentina's return to the international bond market with a US$ 16.5 billion jumbo issuance.

Total issuance from January to October was 46% higher than in 2015 as a whole. A few factors drove the faster pace: Brazil's Petrobras and Argentina are two of the biggest. They were essentially locked out of international debt markets last year; this year they have increased borrowing. Borrowers from Argentina accounted for 28% of total bond sales from January to October, compared to only 4.5% in 2015 as a whole, while borrowers from Brazil accounted for 18%, compared to 9% in 2015.

[2] Uncertainty about the implications of the incoming U.S. administration's policies may prompt a reassessment of the region's macro outlook for 2017, however.

CHART 1:
QUARTERLY LAC ISSUANCE
(US$ Billions)

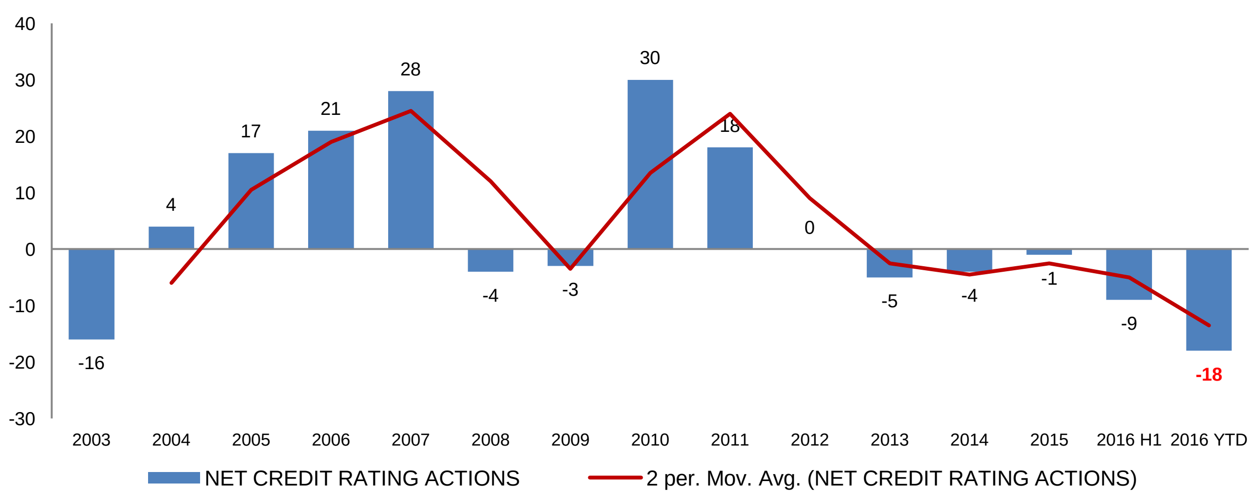


Source: ECLAC, on the basis of data from LatinFinance, JPMorgan and Bank of America-Merrill Lynch.

Bond sales from Argentine and Brazilian issuers also led to a reversal in the traditional balance of investment grade and junk-rated debt issued. High-yield bonds made up more than half (54%) of the US$ 117 billion of bonds issued in Latin America and the Caribbean from January to October of 2016. This was another major factor propelling LAC bond sales in the period, the fact that investors could be looking down the credit spectrum more aggressively than they previously have.

Indeed, LAC asset markets rallied despite continued deterioration in credit quality. From January to October 2016, credit rating agencies lowered their score on LAC borrowers over two times more than they raised them. There were 5 upgrades and 13 downgrades in the region in the period. Net credit ratings actions in the region, including outlook revisions, reviews and upgrades and downgrades, stood at -18 (9 positive actions against 27 negative actions, a one to three rate).

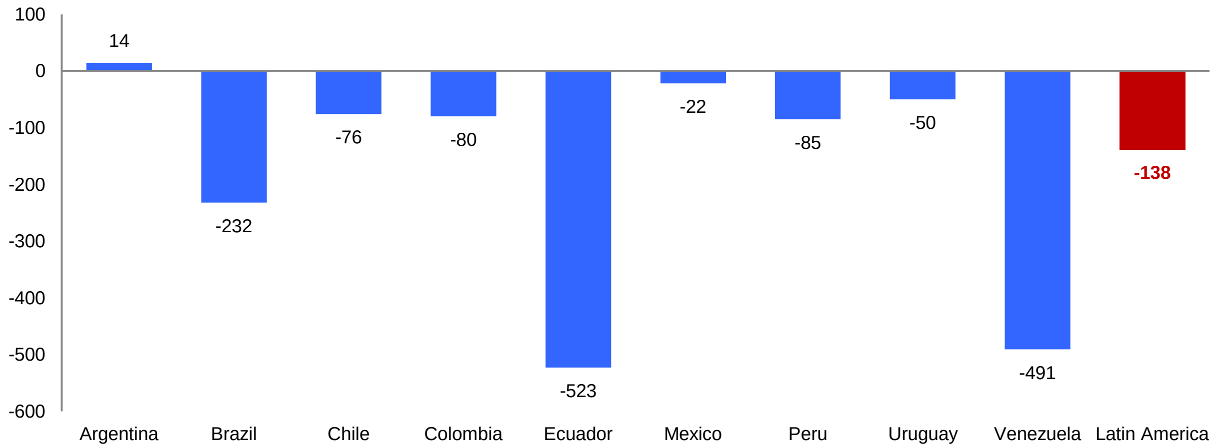
CHART 2:
NET CREDIT RATING ACTIONS
(Number of actions)



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

The increased activity in international bond markets was accompanied by lower issuance costs, despite the weakening in credit quality. LAC bond spreads tightened 138 basis points in the first ten months of 2016 (chart 3), following a widening of almost 100 basis points in all of 2015. After peaking in January, the U.S. dollar moderated against major currencies, supporting the tightening in spreads. Spreads widened mildly for Argentina, but tightened for all the other countries in our sample.

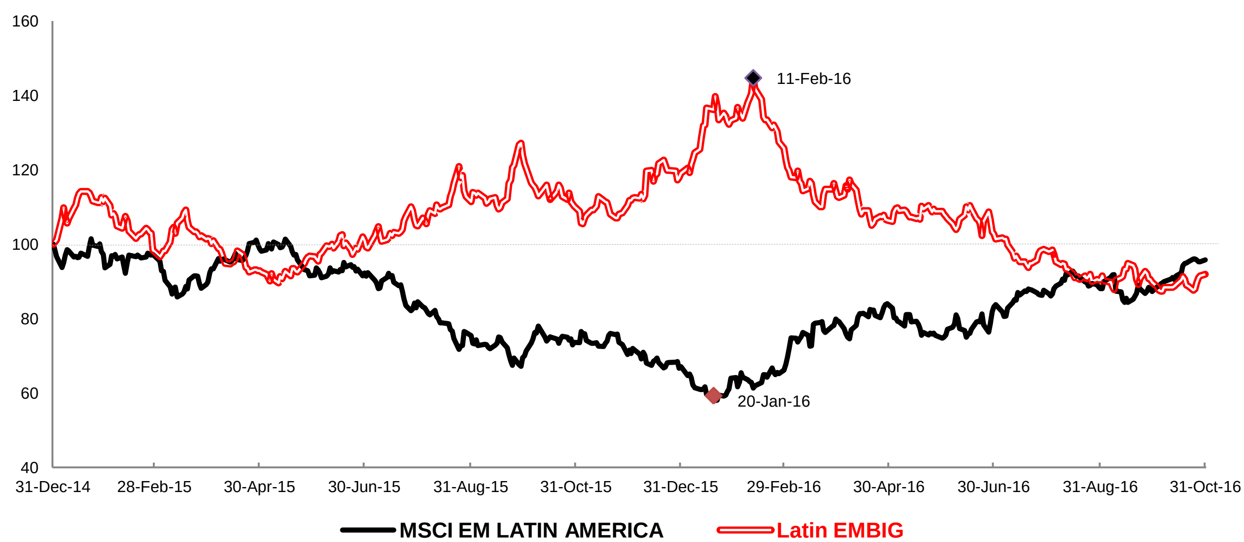
CHART 3:
EMBI GLOBAL SPREAD DIFFERENTIALS: JANUARY–OCTOBER 2016
(Basis points)



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

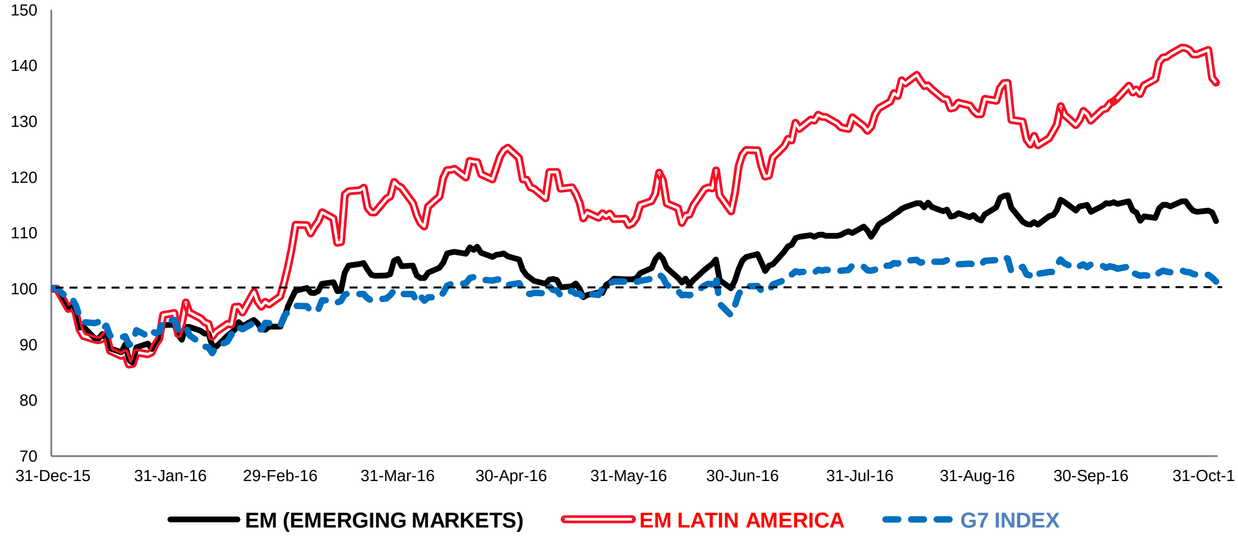
While LAC bond spreads tightened in the first ten months of the year, equity prices increased, almost recovering the 2015 losses (chart 4). Latin American stocks gained almost 43% from January to October, according to the MSCI Latin American Index, with gains accelerating since June, as investor appetite improved. While the MSCI Latin American Index gained 43% in the period, emerging markets as a whole gained 14% and G7 countries 2.5% (chart 5).

CHART 4:
LATIN AMERICAN EQUITY PRICES VS BOND SPREADS
(MCSI and EMBIG indices)



Source: ECLAC, on the basis of data from MSCI Equity Indices and J.P. Morgan.

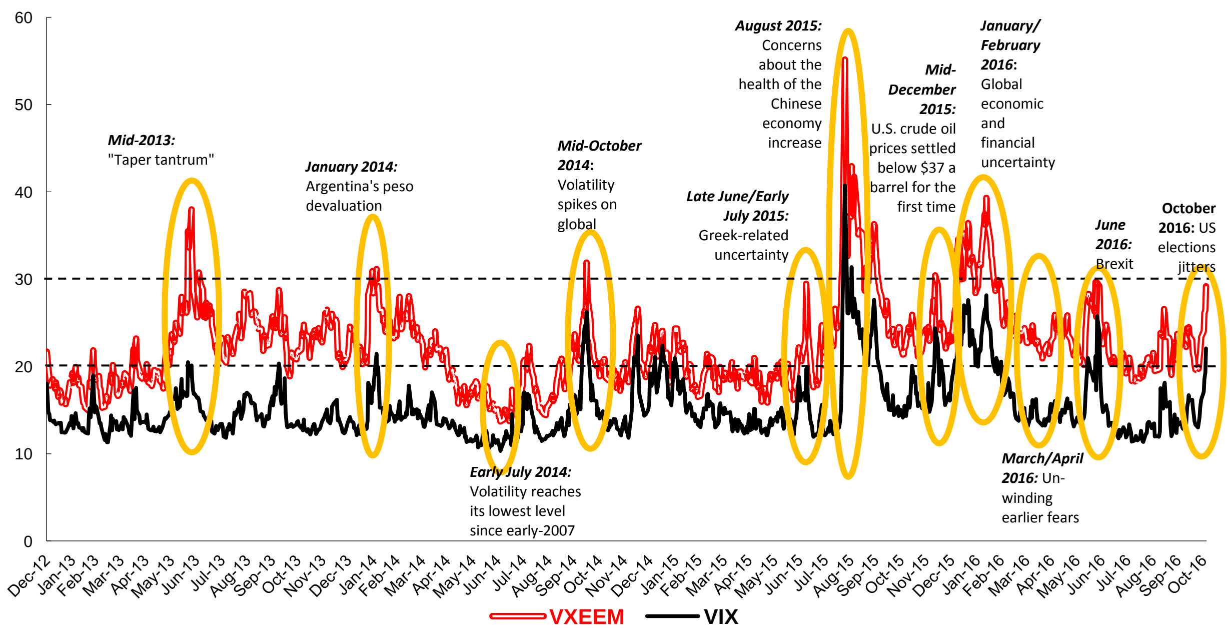
CHART 5:
MSCI EQUITY PRICE INDEX: JANUARY–OCTOBER 2016



Source: MSCI Equity Indices, http://www.msci.com/products/indexes/performance.html, prices at the end of the month.

In October, however, as jitters about the U.S. election and increased volatility reduced the appeal of riskier assets, investors started pulling cash from emerging markets against the backdrop of growing conviction that the U.S. Federal Reserve would soon raise interest rates (chart 6).

CHART 6:
CBOE VOLATILITY INDEX
(VIX and VXEEM close)



Source: ECLAC, on the basis of data from the Chicago Board Options Exchange, www.cboe.com/micro/vix/historical.aspx

Note: The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. 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. The VXEEM is the CBOE volatility index for emerging markets (conveyed by MSCI Emerging Markets Index fund option prices).

Since the U.S. elections on November 8, emerging market assets have been even jumpier by the possibility of higher U.S. interest rates and greater protectionism, which has resulted in losses for holders of all types of emerging market investments, including equities, local markets, external bonds and currencies. In contrast, U.S. stock markets have rallied, as U.S. equity investors have chosen to emphasize the promise of deregulation and fiscal stimulus, including infrastructure spending and corporate tax reform.

An explanation for these opposing bets may be an asymmetry in the transmission of U.S. policy shifts. According to JPMorgan, "to the extent that the shift in U.S. growth is positive, largely due to tax cuts or infrastructure spending, we believe the benefits of this change will fall largely at home. To the extent that a trade shock damps growth, the damage will likely be felt most strongly by the U.S. largest trading partners, particularly those emerging market economies subject to trade restrictions."[3]

The market outlook for U.S. monetary policy implies a December rate hike, which has been fully priced-in to fed funds futures. The implied probability of a Fed hike in December had risen to 84% as of Monday, November 14. Stanley Fischer, Federal Reserve's vice chair, recently remarked the Fed had almost reached the inflation and employment components of its mandate, adding that "the case for removing accommodation gradually is quite strong."

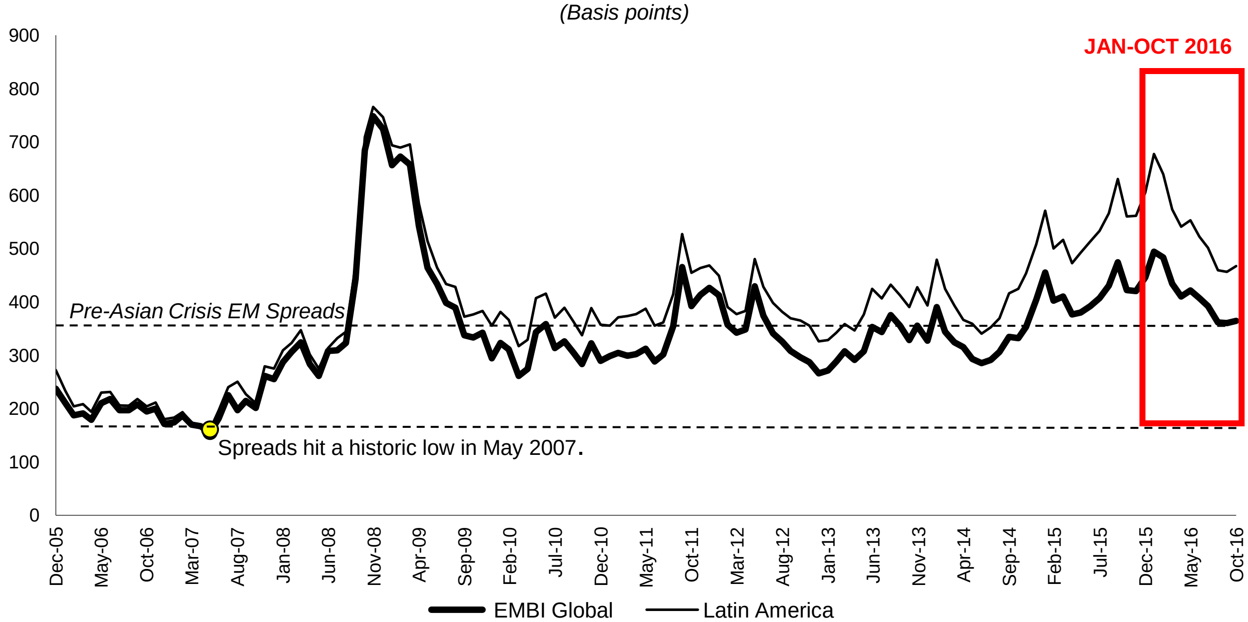
At present, a broad swath of emerging market currencies and bond markets are being hit by the impact of rising bond yields in the U.S. in anticipation of a jump in economic growth and inflation driven by higher infrastructure spending and tax cuts, which have pulled the dollar higher across the board.

[3] JPMorgan, "President Trump and the global economic outlook," *Global Economic Research*, 09 November 2016.

I. Bond markets and debt management

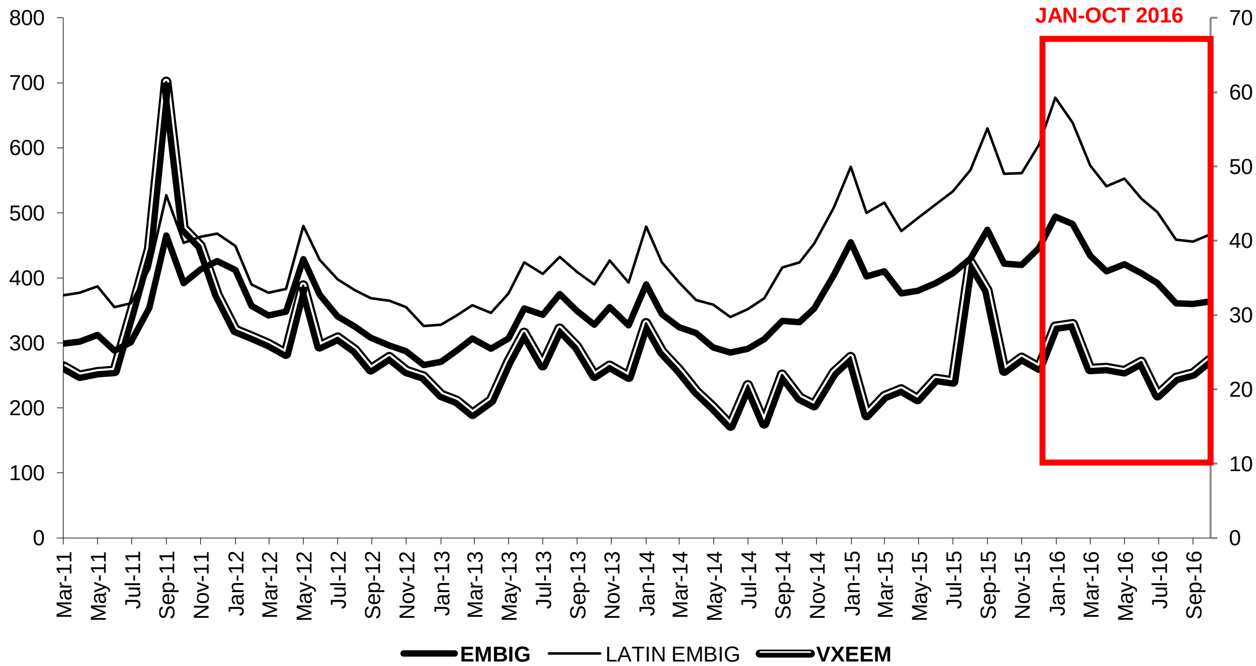
EMBI Global bond spreads tightened 82 basis points while the Latin component tightened 138 basis points in the first ten months of 2016. Following the performance of the U.S. dollar, which after peaking in January moderated against major currencies, LAC spreads widened in January and tightened every month after that, with exception of May and October, when spreads widened slightly in anticipation of the Brexit vote and the U.S. elections, respectively (see charts 7 and 8).

CHART 7:
EMBIG AND LATIN AMERICAN MONTHLY SPREADS
(Basis points)



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

CHART 8:
CBOE VOLATILITY INDEX AND EMBIG
(Basis points, left and VXEEM close, right)



Source: ECLAC, on the basis of data from JP Morgan, "EMBI Monitor" and Chicago Board Options Exchange, www.cboe.com/micro/vix/historical.aspx

The spread tightening took place despite deterioration in credit quality. From January to October of 2016, there were nine positive sovereign credit rating actions in Latin America and the Caribbean against twenty-seven negative (table 1).

Among the nine positive actions, five were upgrades, four of them taken in the second quarter. Argentina was upgraded three times in the second quarter, by each of the three main credit rating agencies.

Among the 27 negative actions, 13 were downgrades. The decline in commodity prices, as well as fiscal constraints, loomed large behind the negative actions taken from January to October.

Brazil was downgraded by two rating agencies in February, along with Costa Rica and Suriname. In the second quarter, Barbados, Trinidad & Tobago, Brazil and Suriname were downgraded. The downgrades reflected concerns about progress achieving fiscal consolidation, the impact of lower oil and gas prices, as well as political gridlock, in the case of Brazil. In the third quarter, Bolivia, El Salvador and Bahamas suffered downgrades, and in October, El Salvador was once again downgraded. The number of sovereigns that have been downgraded this year so far (eight) is almost three times the number of sovereigns that were upgraded (Jamaica, Argentina and Honduras).

At the end of October, four of the rated sovereigns in the region – Cuba, Dominican Republic, Honduras and Jamaica[4] – had a positive outlook from one or more of the three main credit rating agencies (Moody's, S&P and Fitch) and eleven – the Bahamas, Barbados, Bolivia, Brazil, Colombia, Costa Rica, Mexico, Suriname, Trinidad & Tobago, Uruguay and Venezuela – had a negative outlook (appendix A, table 1).

[4] On November 21, Moody's followed-up on the positive outlook and upgraded Jamaica's rating to B3 from Caa2 with a stable outlook.

TABLE 1:
SOVEREIGN CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, JAN-OCT 2016

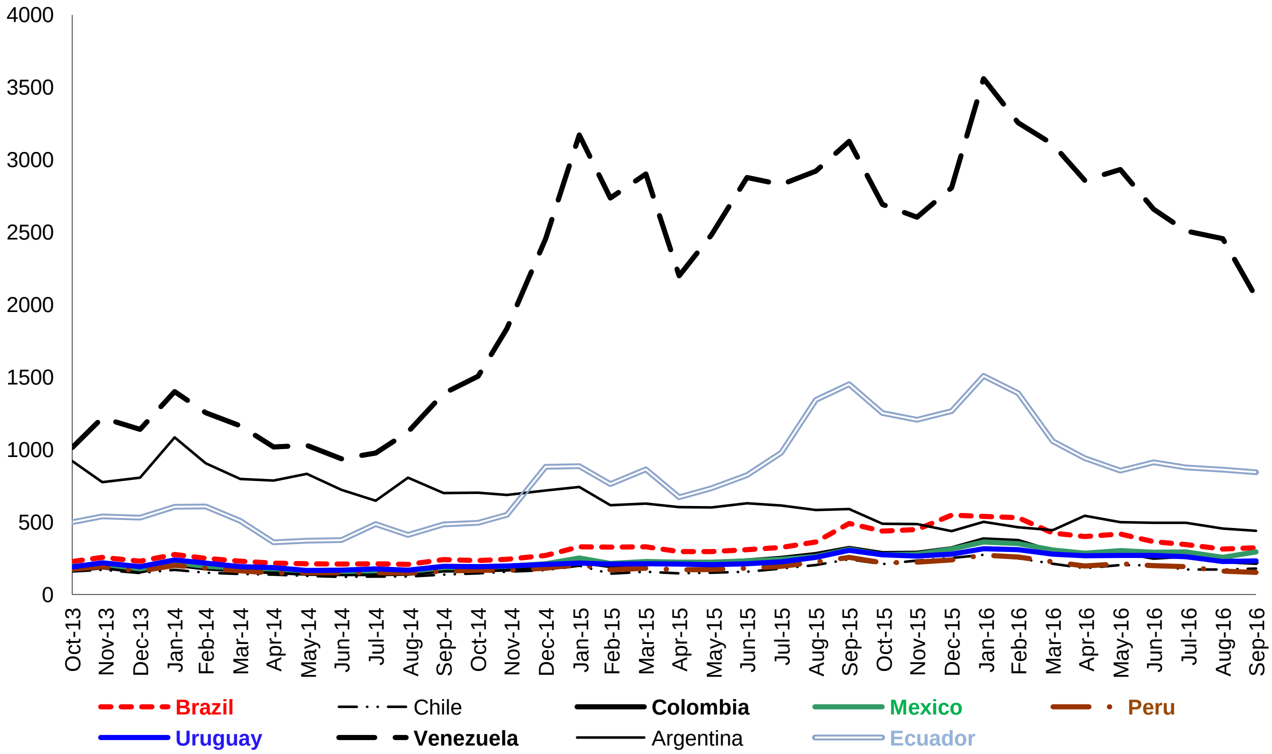
Date	Country	Action	
Q1 2016	**2 positive and 9 negative actions**		
8-Feb-16	Costa Rica	Moody’s affirms Costa Rica’s Ba1 rating and changes outlook to negative from stable	*Negative*
11-Feb-16	Jamaica	Fitch upgrades Jamaica’s rating to B from B- with a stable outlook	*Positive*
11-Feb-16	Nicaragua	S&P assigns B+ first-time rating to Nicaragua with stable outlook	*Positive*
16-Feb-16	Colombia	S&P revises the outlook on Colombia’s BBB rating to negative from stable	*Negative*
17-Feb-16	Brazil	S&P downgrades Brazil long-term rating to BB from BB+ keeping a negative outlook	*Negative*
24-Feb-16	Brazil	Moody’s downgrades Brazil’s rating to Ba2 from Baa3 with a negative outlook	*Negative*
25-Feb-16	Costa Rica	S&P downgrades Costa Rica’s rating to BB- from BB with a negative outlook	*Negative*
26-Feb-16	Suriname	Fitch downgrades Suriname’s rating to B+ from BB- with a negative outlook	*Negative*
4-Mar-16	Venezuela	Moody’s affirms Venezuela’s Caa3 rating and changes outlook to negative from stable	*Negative*
4-Mar-16	T & T	Moody’s places Trinidad & Tobago’s Baa2 rating on review for downgrade	*Negative*
31-Mar-16	Mexico	Moody’s affirms Mexico’s A3 rating and changes outlook to negative from stable	*Negative*
Q2 2016	**7 positive and 9 negative actions**		
1-Apr-16	Barbados	Moody’s downgrades Barbados’s rating to Caa1 from B3 with a stable outlook	*Negative*
15-Apr-16	Argentina	Moody's upgrades Argentina's Caa1 rating to B3 with a stable outlook	*Positive*
15-Apr-16	T & T	Moody’s downgrades T & T’s rating to Baa3 from Baa2 with a negative outlook	*Negative*
22-Apr-16	T & T	S&P downgrades Trinidad and Tobago’s rating to A- from A with a negative outlook	*Negative*
5-May-16	Brazil	Fitch downgrades Brazil’s rating to BB from BB+ with a negative outlook	*Negative*
6-May-16	Argentina	S&P upgrades Argentina's rating to B- from SD with a stable outlook	*Positive*
10-May-16	Argentina	Fitch upgrades Argentina’s rating to B from RD with stable outlook	*Positive*
19-May-16	Saint Vincent	Moody’s changes outlook on St.Vincent and the Grenadines’ B3 rating to stable from negative	*Positive*
20-May-16	Suriname	Moody's downgrades Suriname's rating to B1 from Ba3; stable outlook	*Negative*
24-May-16	Honduras	Moody’s upgrades Honduras’ rating to B2 from B3 with a positive outlook	*Positive*
6-Jun-16	Uruguay	S&P affirms Uruguay’s BBB rating and revises its outlook to negative from stable	*Negative*
10-Jun-16	Bolivia	Moody's affirms Bolivia’s Ba3 rating and revises its outlook to negative from stable	*Negative*
15-Jun-15	Paraguay	S&P affirms Paraguay's BB rating and revise outlook to stable from positive	*Negative*
22-Jun-16	Uruguay	Moody's affirms Uruguay’s Baa2 rating and revises its outlook to negative from stable	*Negative*
29-Jun-16	Dom Republic	Moody's affirms Dom Republic’s B1 rating and revises its outlook to positive from stable	*Positive*
30-Jun-16	Guatemala	Moody’s affirms Guatemala’s Ba1 rating and changes outlook to stable from negative	*Positive*
Q3 2016	**0 positive and 7 negative actions**		
1-Jul-16	The Bahamas	Moody’s places Bahamas’ Baa2 rating on review for downgrade	*Negative*
13-Jul-16	Bolivia	Fitch downgrades Bolivia's rating to BB- from BB with a stable outlook	*Negative*
22-Jul-16	Colombia	Fitch affirms Colombia’s rating at BBB and revises its outlook to negative from stable	*Negative*
11-Aug-16	El Salvador	Moody's downgrades El Salvador's Ba3 rating to B1, and place it on review for further downgrade	*Negative*
22-Aug-16	The Bahamas	Moody’s downgrades the Bahamas’ Baa2 rating to Baa3 with a stable outlook, concluding review	*Negative*
23-Aug-16	Mexico	S&P’s lowers the outlook on Mexico’s BBB+ rating to negative from stable	*Negative*
25-Aug-16	Ecuador	Fitch lowers the outlook of Ecuador’s B rating to negative from stable	*Negative*
Q4 2016	**0 positive and 2 negative actions**		
6-Oct-16	El Salvador	El Salvador’s B+ rating is placed on CreditWatch Negative	*Negative*
13-Oct-16	El Salvador	S&P downgrades El Salvador to B from B+,	*Negative*

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

A. Sovereign Spreads

The JPMorgan's EMBIG narrowed 82 basis points in the first ten months of 2016 – from 446 basis points at the end of December 2015 to 364 basis points at the end of October 2016 – while its Latin component narrowed 138 basis points, from 605 to 467 basis points. In this period, spreads widened mildly for Argentina, but tightened for all the other countries in our sample, with Ecuador and Venezuela showing the biggest spread-tightening in the period (523 and 491 basis points, respectively), supported by stabilization in oil prices. The recent evolution of the EMBIG spreads shows Venezuelan spreads widening sharply relative to the rest of Latin American countries in the EMBIG, however (chart 9).

CHART 9:
EMBIG LATIN: COUNTRY SPREADS
(Basis points)



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

Peru had the lowest spreads in the EMBIG composite at the end of October 2016: 155 basis points (appendix B, table 2). They narrowed 85 basis points from January to October. The result of the second round of Peru's presidential election in June was well received by investors, who had expected market-friendly policies to continue regardless of the results.

Chilean spreads were at 177 basis points at the end of October. They tightened 76 basis points from January to October. Chile is seen as among the least directly vulnerable to a shift in U.S. policy direction. However, it may be indirectly vulnerable, to the extent that trade restrictions imposed by the U.S. on China lead to reduced demand for copper or to lower copper prices.

Uruguayan spreads were at 230 basis points at the end of October. They tightened 50 basis points in the first ten months of 2016. In June, both S&P and Moody's revised the outlook on Uruguay's BBB and Baa2 rating, respectively, to negative from stable, citing macroeconomic weakness and downside risks stemming from larger-than-expected regional spillovers, as well as structural expenditure rigidities.

Colombian spreads were at 237 basis points at the end of October. They tightened 80 basis points from January to October. While investors remain constructive on the medium-term fundamentals, they recognize potential risks to the economy derived from lower oil prices. The energy sector is Colombia's primary link to export and foreign direct investment flows that could be adversely affected by a change in the direction of U.S. policy after the election.

Mexican spreads were at 293 basis points at the end of October 2016. They tightened 22 basis points in the period. Mexico's economy stands out as the Latin American country facing the biggest downside risks from a shift in U.S. policy, especially through the trade channel. Risks also include delays or cancellations of investments in Mexico by local and foreign firms due to higher policy uncertainty in the U.S., and a weaker peso and higher inflation leading to higher interest rates and increased debt costs to some households and companies.

Brazilian spreads were at 316 basis points at the end of October. They tightened 232 basis points from January to October. Markets have rallied in anticipation of and following the end of the impeachment process, with the sovereign and corporations tapping international bond markets successfully. When Brazil turned to the bond market for funding in late July borrowing US$ 1.5 billion, it was greeted with enthusiasm by investors, paying less for the 30-year instrument than it had just months earlier for a 10-year bond.

Argentina's spreads were at 452 basis points at the end of October. After a long period of descent since January 2014, spreads widened 14 basis points from January to October 2016. The approval of a deal with holdout creditors in the first quarter opened the way for the end of Argentina's 15-year absence from the international debt market. Global investors welcomed a US$ 16.5 billion bond sale from Argentina on April 19, with orders reaching almost US$ 70 billion. The sovereign tapped international bond markets again in June and October, when Argentina returned to the euro market after a 15-year hiatus. With the October euro-denominated issuance Argentina reached a new investor base and was able to diversify its currency reserves. It was Argentina's third benchmark-sized cross-border bond issue of 2016. The increase in debt together with the economic challenges still facing the sovereign and their funding needs led to the small widening in spreads. Higher U.S. Treasury yields pose a risk to Argentina, as they would mean greater financing costs.

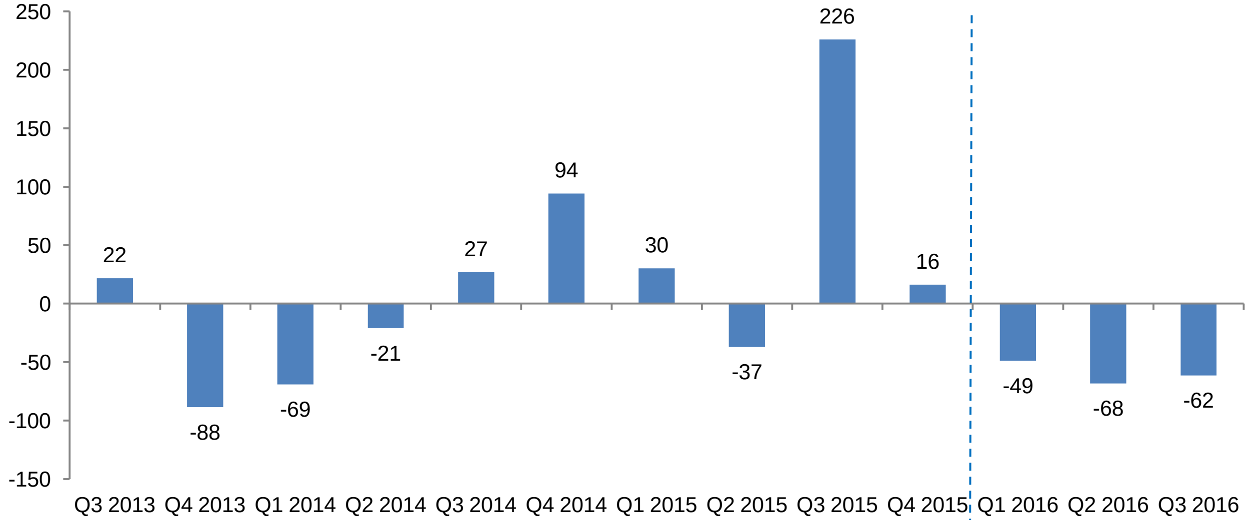
Ecuadorian spreads were at 743 basis points at the end of October. Spreads tightened 523 basis points in from January to October as oil prices showed signs of stabilizing, the biggest tightening in our sample. At the start of the year, the Ecuadorian economy had been hit by a double blow of depressed oil prices and a strong U.S. dollar, which posed challenges to the competitiveness of the fully dollarized economy. A 7.8 magnitude earthquake in April added to the country's problems, leaving it hard-pressed to pay for reconstruction. Ecuador turned to the cross-border bond markets in July and September, seeking liquidity in a bid to pre-fund its 2017 budget and to help the country finance reconstruction efforts.

Venezuela maintains the highest debt spreads of any country in the EMBIG. Venezuelan spreads tightened 491 basis points from January to October 2016 as oil prices began to stabilize, the second biggest tightening in our sample. However, the political and economic situation in Venezuela continues to be regarded with concern by investors, hence the high level of its spreads. In terms of the risks ahead, Venezuela is exposed to the change in U.S. policy direction via the oil sector.

B. Corporate Spreads

Latin America and the Caribbean corporate bond spreads followed the behavior of their sovereign counterparts and tightened in the first ten months of 2016, as ample global liquidity, stabilization in oil prices and moderation in the U.S. dollar against other major currencies supported the region's assets. The Latin component of JPMorgan's Corporate Emerging Markets Bond Index (CEMBI) tightened 220 basis points from January to October 2016. It tightened 49, 68 and 62 basis points in the past three quarters, respectively, the first three successive quarterly tightening since the second quarter of 2014 (chart 10).

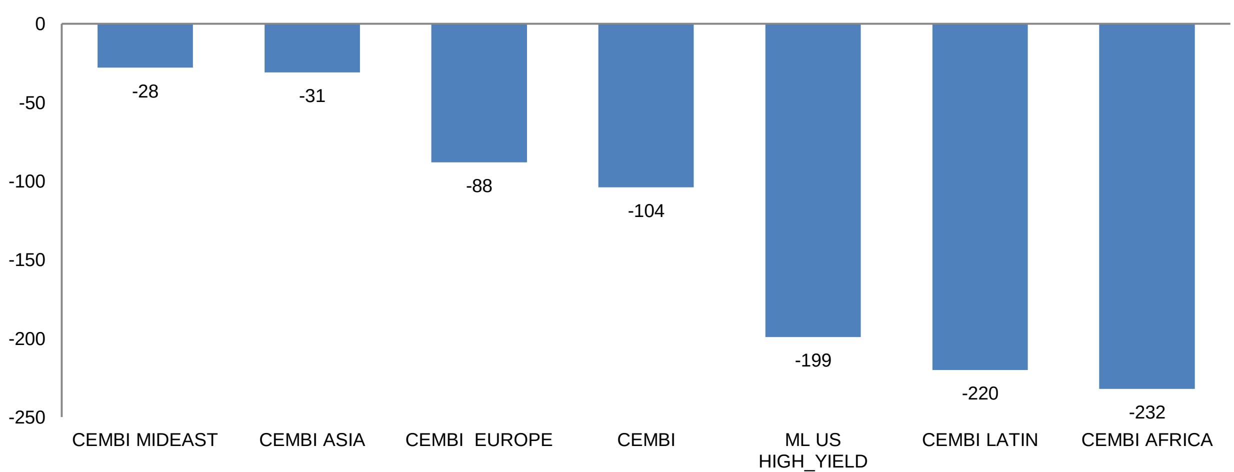
CHART 10:
CORPORATE EMBI QUARTERLY SPREADS: LATIN COMPONENT
(Basis points)



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

CEMBI spreads tightened 104 basis points from January to October, less than half the tightening in the Latin component. Given the region's relatively high exposure to commodity exports and large corporates with very high levels of foreign currency borrowing, as the U.S. dollar moderated against major currencies and oil prices stabilized, Latin American corporate credit spreads tightened more than corporate spreads for most regions (charts 11).

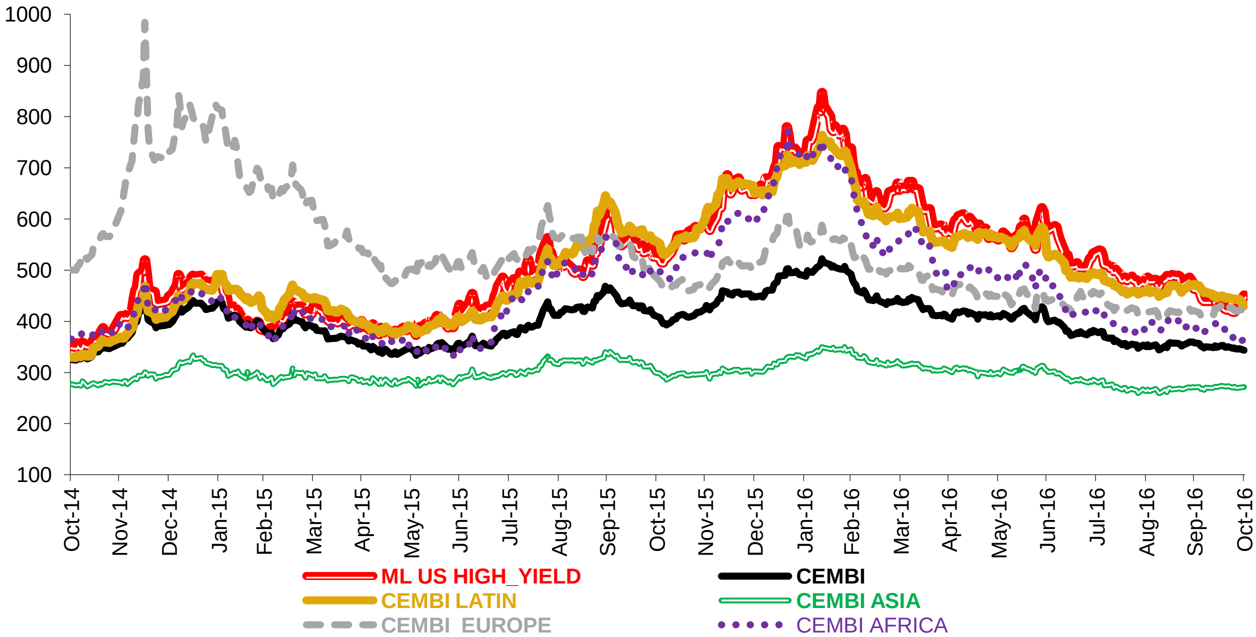
CHART 11:
CEMBI AND ML US HIGH YIELD SPREAD DIFFERENTIALS: JAN-OCT 2016
(Basis points)



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

However, this tightening was not enough to compensate for the underperformance relative to its peers in other regions in 2015. At the end of October, the CEMBI Latin was still higher than the CEMBI for other emerging market regions, although lower than spreads in the U.S. high-yield corporate sector, as measured by Merrill Lynch's U.S. High-Yield Master II Index (chart 12).

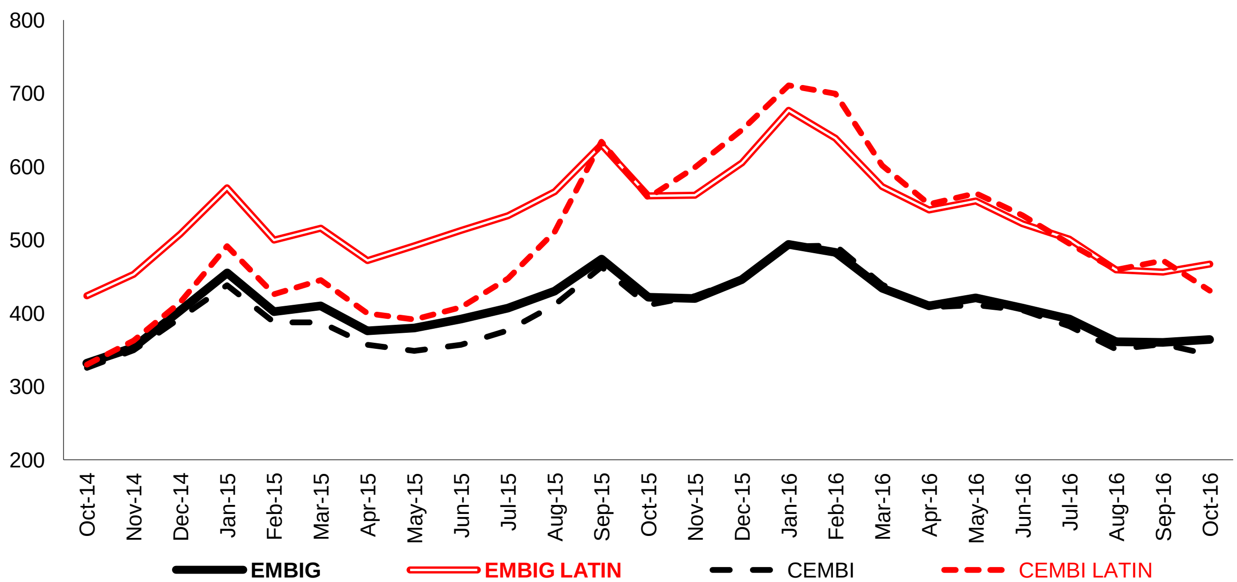
CHART 12:
CORPORATE EMBI SPREADS VS U.S. HIGH-YIELD COPORATE SPREADS: JAN-OCT 2016
(Basis points)



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

The region's corporate spreads tightened more than sovereign spreads from January to October 2016. Latin CEMBI spreads were also lower than their sovereign counterpart at the end of October, after widening almost three times more than sovereign spreads in 2015 (chart 13).

CHART 13:
JPMORGAN EMBIG SPREADS, CORPORATE AND SOVEREIGN
(Basis points)

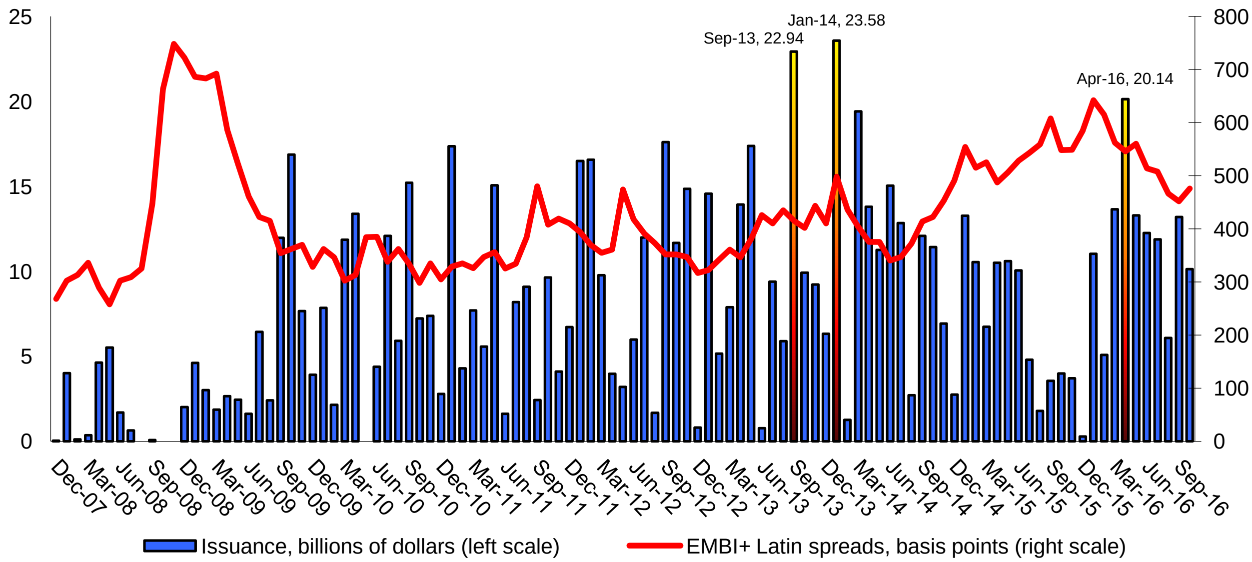


Source: ECLAC, on the basis of data from JPMorgan, "Emerging Markets Bond Index Monitor." EMBIG and EMBIG Latin: sovereign spreads, CEMBI and CEMBI Latin: blended spreads.

C. New Debt Issuance

From January to October 2016, total LAC debt issuance amounted to US$ 116.71 billion, 46% higher than the US$ 79.79 billion issued in all of 2015. On a monthly basis, April 2016 was the highest monthly issuance this year – and the third highest on record (below only the US$ 22.9 billion issued in September 2013, and the US$ 23.6 billion issued on January 2014) – due to Argentina's return to international bond markets after a 15-year absence, with a US$ 16.5 billion four-tranche bond deal (chart 14).

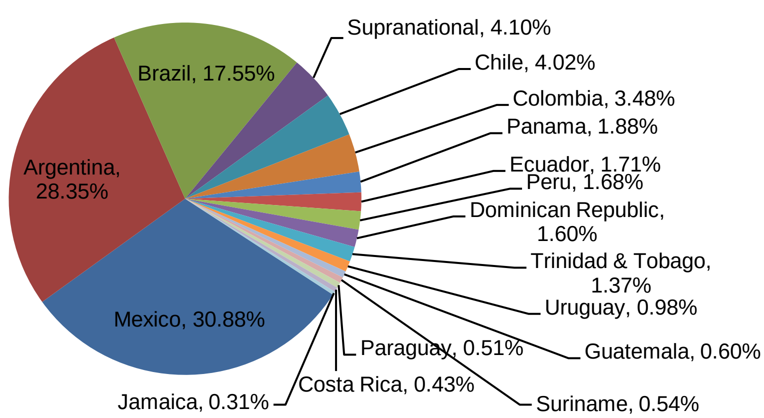
CHART 14:
MONTHLY LAC ISSUANCE
(Left axis: US$ Billions; right axis: Basis Points)



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

Mexico had the largest share of bond issuances – sovereign and corporate combined – in the January-October 2016 period, followed by Argentina and Brazil. Mexico, Argentina and Brazil issued (sovereign and corporate combined) US$ 36.0 billion, US$ 33.1 billion, and US$ 20.5 billion, respectively. Their issuances account for 77% of the total LAC issuance in the period (chart 15).

CHART 15:
LAC DEBT ISSUANCE JAN-OCT 2016: COUNTRY BREAKDOWN
(Country shares in percentage)



Source: ECLAC on the basis of data from LatinFinance.

Almost a third of the bonds issued in the period (29%) were equal to or above the US$ 1 billion mark, and 28% of them were denominated in currencies other than the U.S. dollar.

Some of the largest issuances in the period have come from sovereigns and quasi-sovereigns. Sovereigns, quasi-sovereigns and development banks accounted for 79% of the total amount issued from January to October. Mexican state-owned oil producer Pemex and Brazil's Petrobras accounted for 25% of the total amount issued by sovereigns, quasi-sovereigns and supranational development banks in the period.

i. Sovereign Issuance

Fifteen sovereigns – Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Guatemala, Jamaica, Mexico, Panama, Paraguay, Peru, Suriname, Trinidad & Tobago, and Uruguay– tapped international debt markets in the first ten months of the year (appendix C, tables 3, 4, 5 and 6).

In ***July***, Uruguay (with a reopening), Argentina's Province of Chubut, Brazil, Ecuador and Trinidad & Tobago tapped international bond markets (appendix C, table 5).

In ***August***, Mexico, Argentina's Province of Salta (with a debut), Jamaica (with a reopening), and Argentina's Province of Salta (reopening) tapped international bond markets (appendix C, table 5).

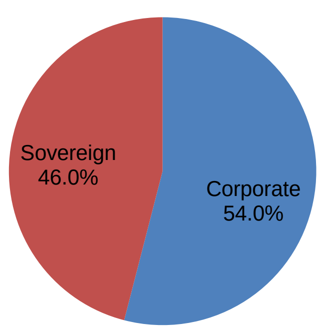
In ***September***, Ecuador reopened the bond it had originally issued in July, seeking liquidity in a bid to pre-fund its 2017 budget (appendix C, table 5).

In ***October***, Argentina returned to the euro market after a 15-year hiatus with a dual tranche issuance totaling EUR 2.5 billion (US$ 2.8 billion-equivalent), the Buenos Aires Province reopened its 2019 and 2027 bonds originally issued in June, Suriname made its debut in cross-border bond markets with a 10-year US$ 550 million bond (a previous issuance in June had been a private placement), Mexico tapped the international bond markets with a reopening of its 2031 euro-denominated bond and with a new US$1.3 billion-equivalent 2025 1.375% euro-denominated bond, and Argentina's Province of Santa Fe issued a 2027 US$ 600 million bond (appendix C, table 6).

ii. Corporate Issuance

In the first ten months of 2016, the corporate sector (including corporations, banks, quasi-sovereigns and supranationals) accounted for 54% of total LAC issuance (see chart 16). The share of corporate issuance has been declining since 2012, when it reached a peak of 85%.

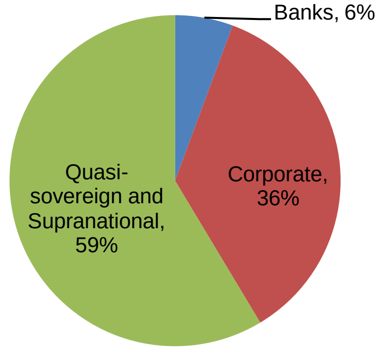
CHART 16:
LAC CORPORATE AND SOVEREIGN ISSUANCE: JAN-OCT 2016
(Percentage)



Source: ECLAC on the basis of data from LatinFinance.

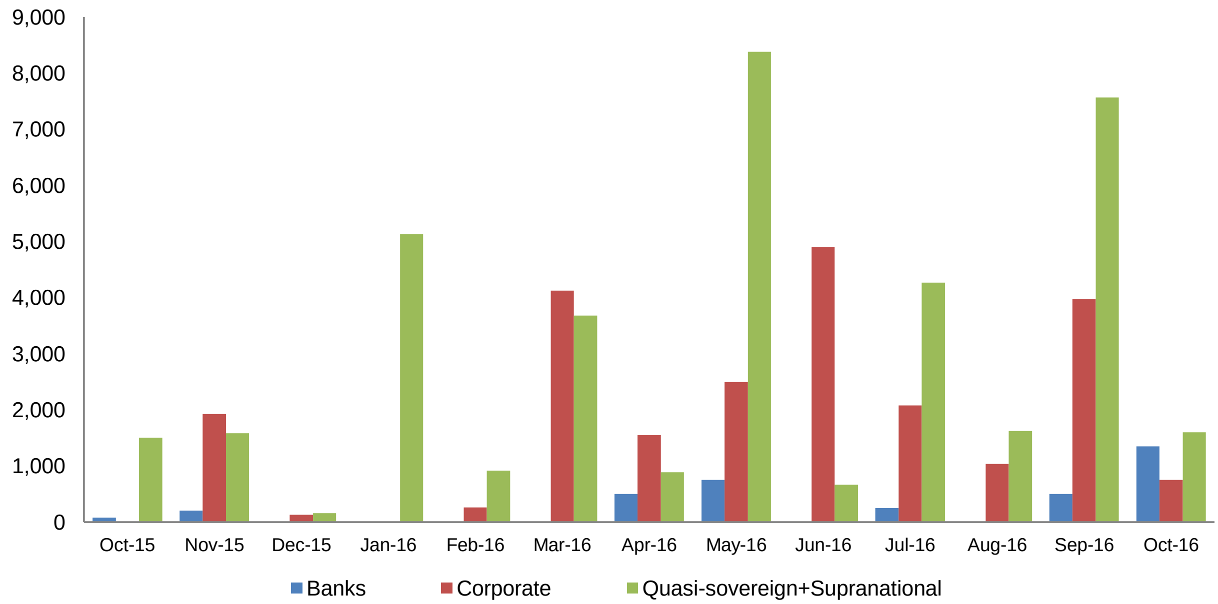
Quasi-sovereign and supranational issuers accounted for 59% of total LAC corporate issuance in international markets from January to October 2016. Corporations accounted for 36% and banks for 6% (charts 17 and 18).

CHART 17:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE: JAN-OCT 2016
(Percentage)



Source: ECLAC on the basis of data from LatinFinance.

CHART 18:
LAC INTERNATIONAL CORPORATE ISSUANCE BY TYPE: OCT 2015 – OCT 2016
(US$ million)



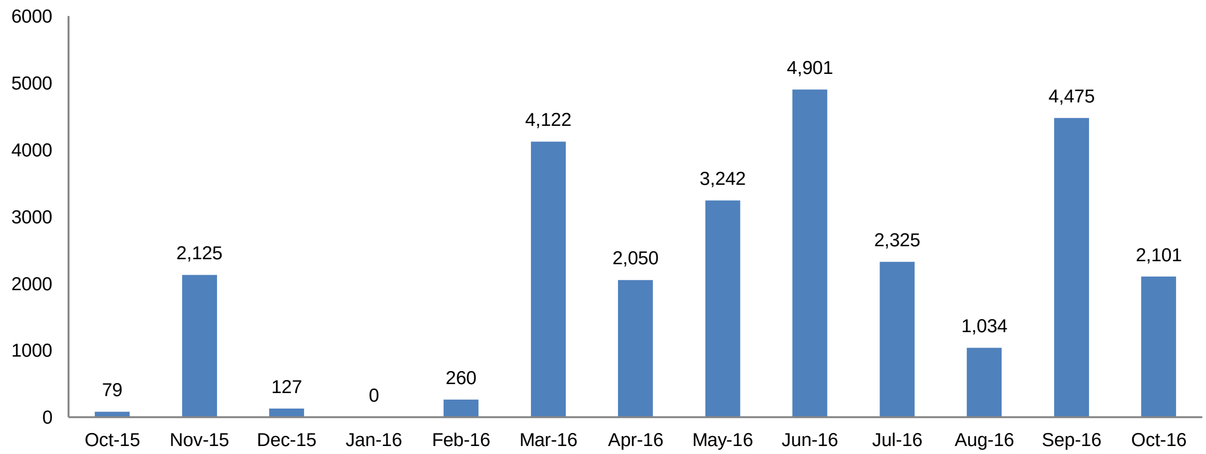
Source: ECLAC on the basis of data from LatinFinance.

Quasi-sovereigns from Argentina (YPF), Brazil (Petrobras), Colombia (Ecopetrol), Chile (Enap and BancoEstado), Mexico (Pemex, Bancomext, Mexico City Airport Trust and CFE) and Trinidad & Tobago (TGU) tapped the international markets in the first ten months of 2016. Trinidad & Tobago's Trinidad Generation Unlimited (TGU), the largest energy supplier in the country, made its bond debut in cross-border bond marklets at the end of October with a US$ 600 million 2027 5.250% bond (appendix C, table 6).

Mexico's Pemex and Brazil's Petrobras accounted for 64% of all quasi-sovereign and supranational issuance from January to October, with a 36% and 28% share, respectively.

Regarding issuances from the **private corporate sector** from January to October of 2016, not including quasi-sovereigns and supranationals, there was no activity in January and very low activity in February, but activity rebounded in the following months (chart 19). There was one debut in cross-border bond markets by Mexico's Banco Mercantil del Norte (Banorte), which issued a US$ 500 million 2031 5,750% tier-2 bond in September (appendix C, table 5).

CHART 19:
LAC MONTHLY PRIVATE CORPORATE SECTOR BOND ISSUANCE: JAN-OCT 2016
(US$ Millions)

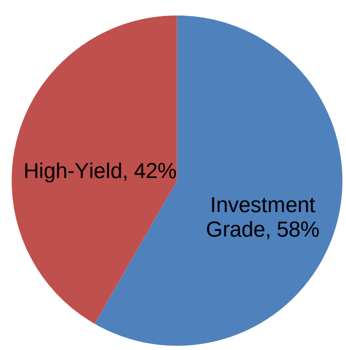


Source: ECLAC on the basis of data from LatinFinance.

Note: issuance from the private corporate sector only (including companies and banks); quasi-sovereigns and supranationals are not included in the chart.

Investment grade companies dominated corporate issuance from January to October 2016, but the share of high-yield issuance reached 42% (see chart 20), higher than the 2015 share of 21%, the 2014 share of 23% and the 2013 share of 30%. The share of corporate high-yield issuances had a boost with the return of B3/B+/BB rated Petrobras to cross-border bond markets, which accounted for 39% of all corporate high-yield issuance in the period.

CHART 20:
BREAKDOWN OF LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY RATING: JAN-OCT 2016
(Percentage of total)

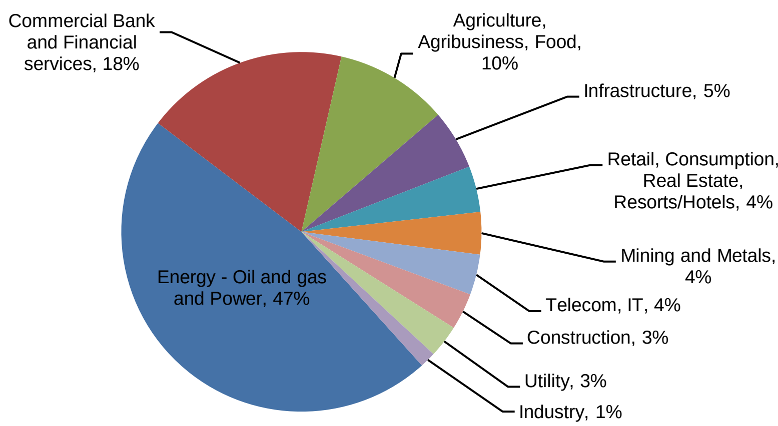


Source: ECLAC, on the basis of data from LatinFinance.
Note: corporate issuance includes corporates, banks, quasi-sovereigns and supranationals.

From a sectoral perspective, 47% of LAC corporate debt issuance (including corporates, banks, quasi-sovereigns and supranationals) from January to October 2016 came from one sector: energy (chart 21). Mexico's and Brazil's state-owned oil producers Pemex and Petrobras issued 38% of the total corporate issuance in the period, and 19% of the total issuance in the region (corporate and sovereign combined). In addition, Colombia's Ecopetrol, Chile's Enap and Trinidad & Tobago's TGU also tapped the international bond markets in the period.

The financial sector, including banks as well as financial services companies, was the second most relevant sector in terms of aggregate volume (18% of total corporate issuance), followed by agriculture (10%) and infrastructure (5%).

CHART 21:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY SECTORS: JAN-OCT 2016
(Percentage of total)

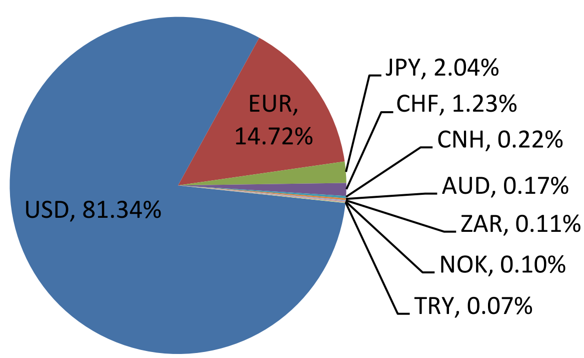


Source: ECLAC, on the basis of data from LatinFinance.
Note: corporate issuance includes corporates, banks, quasi-sovereigns and supranationals.

iii. Currency Composition

Most of the international debt issuance in the region in the first ten months of 2016 was denominated in U.S. dollars (81%), an increase from the 2015's share of 73%. The share of issuances in euro, on the other hand, declined to 15% in January-October 2016, from 20% in 2015. There was also issuance in Japanese yen (2%), Swiss franc (1%), offshore Chinese Yuan (0.22%), Australian dollar (0.17%), South African rand (0.11%), Turkish lira (0.07%), and Norwegian Krone (0.1%).

CHART 22:
CURRENCY BREAKDOWN: JAN-OCT 2016



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

iv. Green Bonds

There were five green bonds issued in Latin America and the Caribbean from January to October 2016, totaling US$ 3.1 billion (see table 2). They accounted for 3% of the region's total issuance in the period and for 73% of the total project bonds issued by LAC issuers in international markets. The labeled green bond market is small relative to the project and infrastructure bond universe in the region, but has shown important growth potential.

TABLE 2:
LAC GREEN BONDS ISSUANCE IN INTERNATIONAL MARKETS, JAN-OCT 2016
(Millions of dollars)

Country	Issuer	Amount (million)	US$ million	Coupon	Maturity	Issue Date
Costa Rica	Banco Nacional de Costa Rica (BNCR)	USD 500	500	5.875%	2021	20-Apr-16
Brazil	Suzano Papel e Celulose (Bahia Sul Holdings)	USD 500	500	5.750%	2026	7-Jul-16
Supranational	Central American Bank for Economic Integration (CABEI)	ZAR 1032	74	8.400%	2020	1-Aug-16
Mexico	Mexico City Airport Trust	USD 1000	1,000	4.250%	2026	22-Sep-16
Mexico	Mexico City Airport Trust	USD 1000	1,000	5.500%	2046	22-Sep-16
			3,074			

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

Banco Nacional de Costa Rica (BNCR) issued a US$ 500 million 5.875% 2021 green bond in April 2016, which was the fourth green bond ever issued in the region. Proceeds will be allocated to "eligible green projects" such as wind, solar or hydroelectric projects less than or equal to 50 megawatts of installed capacity and waste treatment projects.

In July, Suzano Papel e Celulose (Bahia Sul Holdings) issued Brazil's second green bond (the first was issued in May 2015 by BRF Brazil Foods), a US$ 500 million 5.750% 2026 bond. The company will use part of the resources to finance projects that involve forest management, water treatment and that have the capacity to reduce the consumption of water and chemicals.

In August, the Central American Bank for Economic Integration (CABEI) debuted a green bond in the Uridashi market,[5] issuing a ZAR 1,032 million (US$ 74 million), 8.400% 2020 bond. Cabei's head of capital and financial markets said that proceeds were earmarked for renewable projects and Cabei's development goals.

In September, a two-tranche jumbo green bond – a US$ 1 billion 2026 4.250% bond and a US$ 1 billion 2046 5.500% bond – was issued through a special purpose trust connected to Mexico's development bank Nafin. The trust's issuance marked the largest green bond ever out of Latin America. Bondholders will be paid through cash flows generated from Mexico City's existing airport traffic (cash flows from passenger charges), effectively helping pay for the construction of the new Mexico City International Airport (NAIM) that will start operations in 2020. The airport will be environmentally sustainable and reflects a follow-through on Mexico's commitment to reduce greenhouse gas emission by 22% by 2030 under the Paris agreement.

So far, most of the green bonds issued by issuers from LAC were issued in international markets. However, on August 31, Mexico's development bank Nafin issued Mexico's first green bond in Mexican pesos, in the local market. The MXN 2 billion (US$ 109 million) 2023 green bond with a 6.05% coupon is expected to receive a Climate Bond Certification issued by the Climate Bonds Initiative (CBI) in the coming months and will be used to finance three renewable energy projects in the states of Puebla and Nayarit.

[5] An Uridashi bond is sold to Japanese retail investors and is normally issued in high-yielding currencies in order to give the investor a higher return than the historically low domestic interest rate in Japan.

II. Bond markets and credit management in the Caribbean

In the Caribbean region,[6] the countries more reliant on tourism are still in distress from the global financial crisis and the commodity-exporter countries are facing headwinds from the waning of the international commodity boom. The Caribbean is also one of the most disaster-prone regions in the world, and some countries are still struggling with fiscal and economic wounds left by severe tropical storms.

For some of the economies of the region, it is difficult to get a foothold in the capital markets borrowing, because bonds' benchmark sizes – US$ 500 million is the EMBI minimum – are in general too high for the size of their economies. The region's high level of indebtedness has compounded the problem. The slow and steady build-up of debt has left the region's economies vulnerable to external shocks.

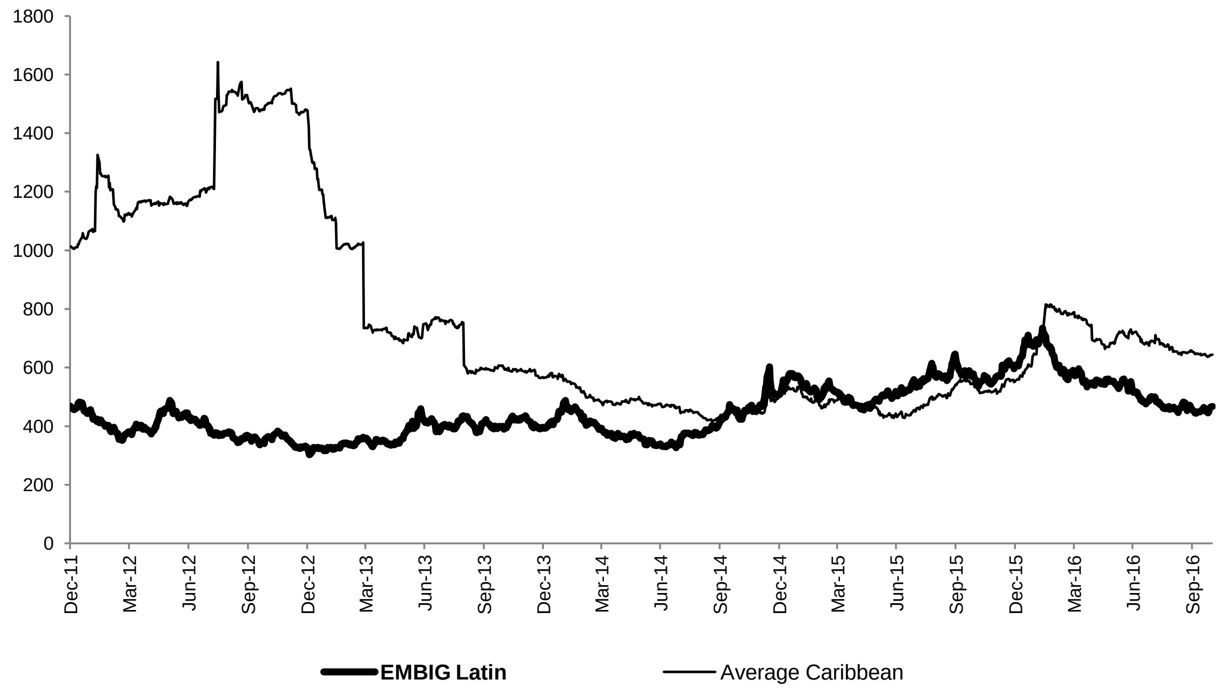
From late 2010 to late 2012 the spread gap between the Caribbean countries and the EMBIG Latin component widened by almost 1,000 basis points as a result of the high number of defaults in the Caribbean region. In 2014 the spread gap was finally closed, as successful bond restructurings lowered spreads for the region, and in 2015 the gap was actually reversed, with Caribbean spreads lower than the EMBIG Latin component by 50 basis points at the end of the year.

In the first ten months of 2016, however, the gap reappeared. Caribbean spreads were higher than the EMBIG Latin component by 177 basis points at the end of October (chart 23). While Latin American sovereign spreads tightened 138 basis points in the period, according to the JPMorgan EMBIG Latin component, spreads for the Caribbean region widened 90 basis points, as stabilization of oil prices and dollar weakness had an adverse impact on the region. In 2015, Caribbean countries had benefited from lower oil prices and from an increase in tourism flows, with the rebound in the economies that rely on tourism offsetting the impact of softer commodity prices on growth among commodity producer economies.

The widening in Caribbean spreads was driven by a 462 basis points widening in Belize's spreads, where there was concern about the country's ability to service a stepped-up coupon. Belize's spreads widened to 1,460 basis points at the end of March from 822 basis points at the end of December 2015, but retreated slight after that, falling to 1,284 basis points at the end of October (chart 24).

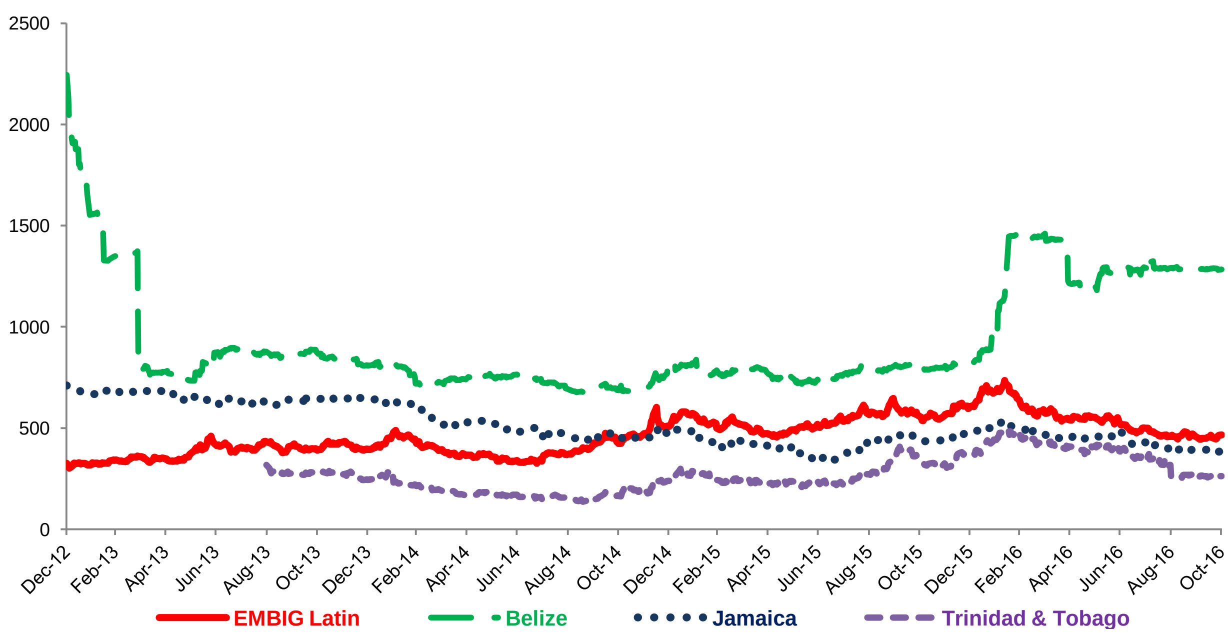
[6] Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Of these 13 countries, only a few have tapped international capital markets.

CHART 23:
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.

CHART 24:
CARIBBEAN COUNTRIES, EMBIG SPREADS: DEC 2012 – OCT 2016
(Basis points)



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

Jamaica's spreads tightened 83 basis points from January to October, from 469 basis points at the end of December 2015 to 386 basis points at the end of October 2016. In February, Fitch upgraded Jamaica's rating to B from B- with a stable outlook, citing fiscal surpluses and improved external finances. On November 21, Moody's upgraded Jamaica's ratings to B3 from Caa2 and changed the outlook to stable from positive, citing significant and sustained fiscal consolidation, the government's strong commitment to continued reforms to reduce its high debt burden, and significant improvement in the current account balance and in reserve levels, which has reduced external vulnerability.

Trinidad & Tobago's spreads – which were added to the JPMorgan EMBIG index on 30 August 2013 – tightened 110 basis points, to 263 basis points at the end of October 2016 from 373 basis points at the end of December 2015. In early March, Moody's placed the sovereign under review for possible downgrade, "to assess the extent of the impact of the further sharp fall in oil and gas prices on the country's economic performance and the balance sheet of its government in the coming years." On April 15, Moody's downgraded Trinidad and Tobago's rating to Baa3 negative, concluding the review for downgrade. The agency concluded that low oil and gas prices will continue to "negatively and materially undermine the country's economic and government financial strength at least throughout 2018." Nonetheless, spreads for Trinidad & Tobago, which still has an investment grade from Moody's and Standard & Poor's, remain below the LAC average.

Credit Rating Actions

There were two positive and eight negative credit rating actions in the Caribbean from January to October of 2016 (table 3).

TABLE 3:
SOVEREIGN CREDIT RATING ACTIONS IN THE CARIBBEAN, JAN-OCT 2016

Date	Country	Action	
Q1 2016	**1 positive and 2 negative actions**		
11-Feb-16	Jamaica	Fitch upgrades Jamaica's rating to B from B- with a stable outlook	Positive
26-Feb-16	Suriname	Fitch downgrades Suriname's rating to B+ from BB- with a negative outlook	Negative
4-Mar-16	Trinidad & Tobago	Moody's places Trinidad and Tobago's Baa2 rating on review for downgrade	Negative
Q2 2016	**1 positive and 4 negative actions**		
1-Apr-16	Barbados	Moody's downgrades Barbados's rating to Caa1 from B3 with a stable outlook	*Negative*
15-Apr-16	T&T	Moody's downgrades T&T's rating to Baa3 from Baa2 with a negative outlook	*Negative*
22-Apr-16	T&T	S&P downgrades Trinidad and Tobago's rating to A- from A with a negative outlook	*Negative*
19-May-16	St Vincent and the Grenadines	Moody's changes outlook on St Vincent and the Grenadines' B3 rating to stable from negative	*Positive*
20-May-16	Suriname	Moody's downgrades Suriname's rating to B1 from Ba3; stable outlook	*Negative*
Q3 2016	**0 positive and 2 negative actions**		
1-Jul-16	Bahamas	Moody's places Bahamas' Baa2 rating on review for downgrade	*Negative*
22-Aug-16	Bahamas	Moody's downgrades the Bahamas' Baa2 rating to Baa3 with a stable outlook, concluding review	*Negative*

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

The positive actions were taken in February and May. Citing fiscal surpluses and improved external finances, Fitch upgraded Jamaica's B- rating to B on February 11. In May, Moody's changed the outlook on St Vincent and the Grenadines' B3 rating to stable from negative, citing its expectation that faster growth and lower fiscal deficits would keep St Vincent's debt metrics consistent with B-rated peers.

The negative actions were taken in February, March, April, May, July and August. On February 26, Fitch downgraded Suriname's rating to B+ from BB- with a negative outlook, citing weakening external finances driven by a shock to commodity export prices.

On March 4, Moody's placed Trinidad and Tobago's Baa2 rating on review for downgrade, “to assess the extent of the impact of the further sharp fall in oil and gas prices on the country's economic performance and the balance sheet of its government in the coming years.”

On April 1, Moody’s downgraded Barbados’s government bond rating and issuer rating to Caa1 from B3 and changed the outlook to stable from negative, citing slow progress toward achieving fiscal consolidation consistent with a sustainable debt trajectory and low level of foreign exchange reserves and weak funding conditions.

On April 15, Moody’s downgraded Trinidad and Tobago’s government bond rating to Baa3 from Baa2 with a negative outlook, concluding the review for downgrade. The agency cited the negative impact of low oil and gas prices and the likelihood that the policy response to the commodity shock will not be as timely and effective as required.

On April 22, S&P’s downgraded Trinidad and Tobago’s long-term foreign currency rating to A- from A with a negative outlook, saying that the downgrade reflected the erosion of Trinidad and Tobago's financial profile as well as S&P’s revised (downward) macroeconomic projections for the next three years, particularly for economic growth, fiscal revenues, and external balances.

On May 20, Moody’s downgraded Suriname’s rating to B1 from Ba3 with a stable outlook, due to “substantial deterioration” of the country’s credit profile over the past year in absolute terms and in comparison to its peers.

On July 1, Moody’s placed the Bahamas’ Baa2 rating on review for downgrade, looking to assess medium-term economic growth prospects and the likelihood that the government would stabilize its deteriorating debt metrics and restore fiscal strength.

On August 22, Moody’s downgraded the Bahamas’ Baa2 rating to Baa3 with a stable outlook, concluding the review for downgrade. The agency said it expects the sovereign’s economic performance over the next five years to remain subdued and constrained by structural rigidity. The stable outlook reflected the expectation that Bahamas’ economic performance would strengthen between this year and 2018.

Debt issuance

There were five issuances from the Caribbean region in the first ten months of 2016 (table 4) totaling US$ 2.6 billion or 2% of the total issuance from the LAC region as a whole. Four were sovereign issuances and one a quasi-sovereign.

TABLE 4:
CARIBBEAN DEBT ISSUANCE, JAN-OCT 2016

Country	Issuer	Amount (million)	Amount (US$ million)	Coupon (%)	Maturity	Issue Date
Suriname	Republic of Suriname	USD 86	86		2018	22-Jun-16
Trinidad & Tobago	Republic of Trinidad & Tobago	USD 1000	1,000	4.500%	2026	29-Jul-16
Jamaica	Republic of Jamaica	USD 364	364	8.000%	2039 (r)	11-Aug-16
Suriname	Republic of Suriname	USD 550	550	6.250%	2026	19-Oct-16
Trinidad & Tobago	Trinidad Generation Unlimited (TGU)	USD 600	600	5.250%	2027	26-Oct-16
			2,600			

Source: LatinFinance (Bonds Database).

In June, Suriname placed a 18-month private bond through sole coordinator Oppenheimer. Suriname will use the proceeds from its inaugural bridge note to prefund the Merian gold mine, which the government co-owns through a joint-venture with U.S.-based Newmont Mining. Shortly after the deal, the IMF approved a US$ 478 million two-year standby agreement with Suriname for the government's economic reform program.

In July, Trinidad and Tobago latched onto investor appeal for the newly appointed administration, which investors saw as market-friendly and committed to fiscal discipline, and issued a 10-year US$ 1 billion bond. Moody's assigned a Baa3 rating to the bond.

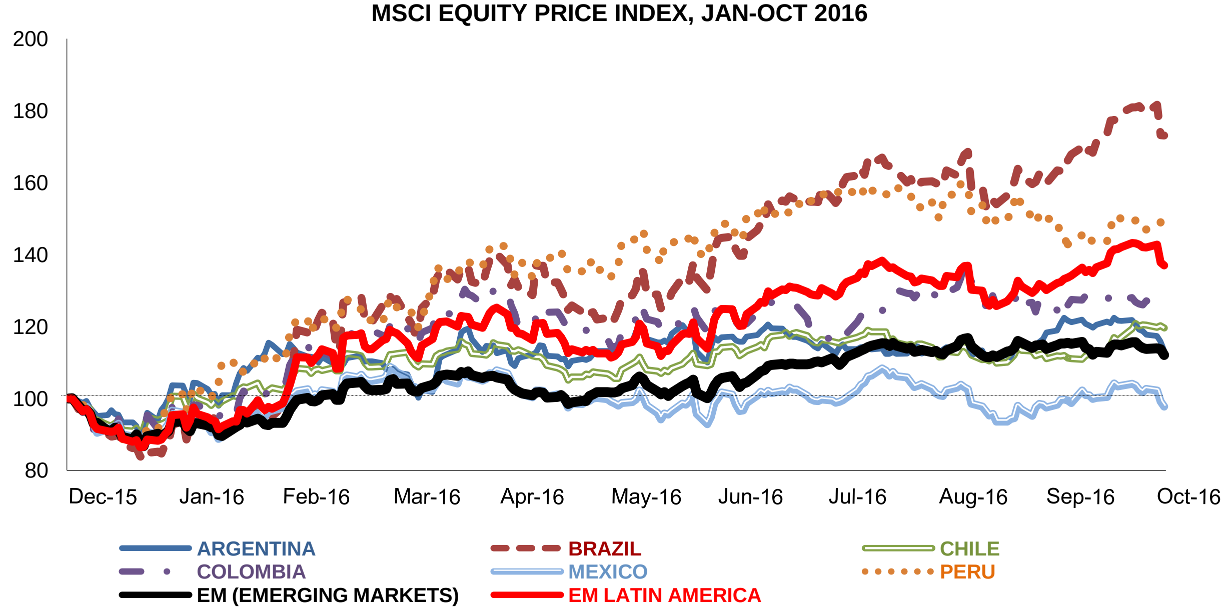
In August, in an effort to build the longer-dated part of its curve and retire short-term debt, Jamaica reopened its 2039 bond to add US$ 364 million. Jamaica has US$ 500 million outstanding on its 2039 bonds, which will amortize through three equal installments in 2037, 2038, and 2039. The bond was initially issued in March 2007.

In October, Suriname made its debut in the cross-border bond market with a 10-year US$ 550 million bond (the issuance in June was a private placement). There was another debut in October, with Trinidad and Tobago’s Trinidad Generation Unlimited (TGU) issuing a 2027 US$ 600 million bond in international markets for the first time. TGU is indirectly controlled by the Government of the Republic of Trinidad and Tobago through Union Estate Electricity Generation Company Limited, an entity formed expressly to hold the government's shares in TGU. The 11-year amortizing bond will be used to repay a US$ 600 million syndicated bridge facility maturing in July 2017. TGU is the largest energy supplier in Trinidad and Tobago.

III. Portfolio equity flows

Latin American equities faced headwinds early in the year, but the pace of offerings quickened after that, particularly through the summer, with the region enjoying high investment flows. Low global interest rates and higher global liquidity, especially after the Brexit vote, as well as stabilizing commodity prices, fueled Latin American stocks, which gained 43% from January tom October, according to the MSCI Latin American Index (chart 25).

CHART 25:
MSCI EQUITY PRICE INDEX, JAN-OCT 2016



Source: ECLAC, on the basis of data from MSCI Equity Indices, http://www.msci.com/equity/index2.html. Prices at the end of the month.

Within the region, Brazil's MSCI index had the sharpest gain in the period (81.64%), with Brazilian inflows peaking after the country's interim administration announced its economic team, which was well received by markets. Brazil, the fifth-largest market by capitalization weighting in the MSCI Emerging Markets index, became a big bet with the stabilization of commodity prices, low global interest rates, and a sense that its political crisis had veered into a more market-friendly direction.

The gain in Brazilian equity prices was followed by Peru's (48.42%), Colombia's (25.71%), Chile's (19.77%), Argentina's (17.39%) and Mexico's (2.19%). Mexico had a weak performance in the period as it struggled with low growth in the manufacturing, agriculture and service sectors, as well as a decline in exports to the United States.

TABLE 5:
MSCI EQUITY INDICES, JAN-OCT 2016

	Price Index in USD					Variation			
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Oct 31, 2016	Q1 2016	Q2 2016	Q3 2016	**2016 YTD**
Emerging markets	794.139	836.803	834.103	903.460	905.089	5.37%	-0.32%	8.32%	**13.97%**
Latin America	1,829.812	2,168.492	2,269.342	2,380.821	2,612.340	18.51%	4.65%	4.91%	**42.77%**
Argentina	2,376.295	2,572.163	2,756.922	2,812.620	2,789.608	8.24%	7.18%	2.02%	**17.39%**
Brazil	1,036.234	1,320.007	1,495.375	1,655.731	1,882.258	27.39%	13.29%	10.72%	**81.64%**
Chile	1,277.847	1,435.245	1,444.131	1,419.005	1,530.496	12.32%	0.62%	-1.74%	**19.77%**
Colombia	452.693	552.214	564.670	576.933	569.091	21.98%	2.26%	2.17%	**25.71%**
Mexico	5,262.186	5,697.365	5,268.513	5,129.746	5,377.411	8.27%	-7.53%	-2.63%	**2.19%**
Peru	811.957	1,030.976	1,205.620	1,218.437	1,205.096	26.97%	16.94%	1.06%	**48.42%**

Source: ECLAC, on the basis of data from MSCI Equity Indices, http://www.msci.com/equity/index2.html

IV. Bank Lending

The third quarter 2016 total volume of Latin American loans decreased 45.21% from the third quarter of 2015, to US$ 18.7 billion, according to Bloomberg's Global Syndicated Loans League Tables, while the total number of deals decreased 31.71%.

In a context of uncertainty, lenders will likely be more cautious in the short term, especially in Mexico. Earlier in November, Pemex signed a US$ 1.5 billion revolving credit facility, with twenty-one lenders, led by six book runners, contributing to it. However, Pemex signed the revolver just before the U.S. elections on November 8.

For the most part, Latin America's loan market remained focused on Colombia's 4G toll road concessions program this year, says *LatinFinance*, with local banks getting more involved and the government taking steps to set up access to financing for the later rounds.[7] However, there is a risk that some banks could stop providing dollar-denominated loans to infrastructure projects in Latin America, given expectations of a stronger dollar.

[7] *LatinFinance*, Issue No. 251, September/October 2016, www.latinfinance.com

V. Prospects

Markets anticipate a boost to global demand through a potential fiscal stimulus being implemented by the U.S. incoming administration and an increase in inflation as a result. In this scenario, the U.S. Federal Reserve, which is expected to raise interest rates in its next meeting in December, may have to continue to increase rates next year, and if in the medium-term growth indeed accelerates, the Fed may have to do so rapidly. Some see an inflection point in monetary policy, and this will have an impact on Latin American and Caribbean markets.

Higher U.S. Treasury yields leading to higher funding costs and an acceleration of capital outflows is a concern, especially for the countries that have more substantial foreign participation in their local markets. Another source of risk for the region is the possibility of reduced foreign investment, which could adversely affect growth and external accounts. Businesses may postpone investment decisions until after details of U.S. relevant policies are clarified.

The possibility of protectionism is also a concern. Overall, Mexico is seen as the most exposed in the LAC region through the trade channel. The president-elect has talked of imposing a 35% tariff on U.S. companies that outsource abroad, a policy that would hit Mexico hardest, and renegotiating, or potentially even leaving, the NAFTA agreement.

Colombia is also exposed via the trade channel, with an important share of its exports going to the U.S. In addition, Chile and Peru, together with Colombia and Mexico, would have been part of the Trans Pacific Partnership, which now is unlikely to advance further. On a positive note, metal exporters such as Chile, may potentially benefit from an increase in spending in infrastructure in the United States.

Several countries in Central America and the Caribbean are reliant on remittances from friends and relatives in the U.S., notably Honduras, El Salvador, Haiti, Jamaica, and Guatemala. If U.S. policy shifts towards more nationalism and protectionism, migration and remittances are likely to drop.

The region is bracing for a period of uncertainty. It is still too early to assess the impact of potential changes in policy direction in the U.S. on real activity in LAC economies. However, the potential adoption of pro-growth and inflation-inducing policies – including tax cuts and infrastructure spending – at a time when the U.S. economy is close to full employment is expected to affect the low interest rate environment that the world has gotten used to and shake the market out of a decade-long period where low interest rates became the norm.

Appendix

A. Credit Rating

TABLE 1:
CREDIT RATINGS IN LATIN AMERICA AND THE CARIBBEAN, JAN-OCT 2016

	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	B3		B-		B		Upgrade, O/L stable	15-Apr-16	Upgrade, O/L stable	6-May-16	Affirmed, O/L stable	22-Mar-16
Bahamas	Baa3		BBB-	(-)			Downgrade, O/L stable	22-Aug-16	Downgrade, O/L (-)	25-Aug-15		
Barbados	Caa1		B	(-)	NR		Downgrade, O/L stable	1-Apr-16	Downgrade, O/L to (-)	19-Dec-14		
Belize	Caa2		B-		NR		Affirmed, O/L stable	17-Jun-15	O/L changed to stable from (+)	25-Nov-15		
Bolivia	Ba3	(-)	BB		BB-		Affirmed, O/L changed to (-)	10-Jun-16	Upgrade, O/L stable	15-May-14	Downgrade, O/L stable	13-Jul-16
Brazil	Ba2	(-)	BB	(-)	BB	(-)	Downgrade, O/L (-)	24-Feb-16	Downgrade, O/L (-)	17-Feb-16	Downgrade, O/L (-)	5-May-16
Chile	Aa3		AA-		A+		Affirmed, O/L stable	11-Jul-16	Affirmed, O/L stable	16-Dec-13	Affirmed, O/L stable	25-Oct-13
Colombia	Baa2		BBB		BBB	(-)	Affirmed, O/L stable	26-May-16	Affirmed, O/L stable	29-Apr-14	Affirmed, O/L changed to (-)	22-Jul-16
Costa Rica*	Ba1	(-)	BB-	(-)	BB+	(-)	Affirmed, O/L changed to (-)	8-Feb-16	Downgrade, O/L (-)	25-Feb-16	Affirmed, O/L changed to (-)	22-Jan-15
Cuba	Caa2	(+)	NR		NR		Affirmed, O/L changed to (+)	10-Dec-15				
Dominican Republic	B1	(+)	BB-		B+		Affirmed, O/L changed to (+)	29-Jun-16	Upgrade, O/L stable	20-May-15	Upgrade, O/L stable	21-Nov-14
Ecuador	B3		B		B		Upgrade, O/L stable	19-Dec-14	Affirmed, O/L stable	4-Aug-16	Affirmed, O/L changed to (-)	25-Aug-16
El Salvador	B1		B		B+		Downgrade, Review (-)	11-Aug-16	Downgrade, CreditWatch (-)	13-Oct-16	Affirmed, O/L stable	7-Jul-16
Grenada			SD						Downgrade	12-Mar-13		
Guatemala	Ba1		BB		BB		O/L changed to stable from (-)	30-Jun-16	Affirmed, O/L stable	11-Oct-13	Downgrade, O/L stable	20-Jun-14
Honduras	B2	(+)	B+		NR		Upgrade, O/L (+)	24-May-16	Upgrade, O/L stable	20-Jul-15		
Jamaica	Caa2	(+)	B		B		Upgrade, O/L (+)	28-May-15	Upgrade, O/L stable	3-Jun-15	Upgrade, O/L stable	11-Feb-16
Mexico	A3	(-)	BBB+	(-)	BBB+		Affirmed, O/L changed to (-)	31-Mar-16	Affirmed, O/L changed to (-)	23-Aug-16	Affirmed, O/L stable	28-Jul-16
Nicaragua	B2		B+		B+		Upgrade, O/L stable	10-Jul-15	First-time rating, O/L stable	16-Feb-16	First-time rating, O/L stable	16-Dec-15
Panama	Baa2		BBB		BBB		Upgrade, O/L stable	31-Oct-12	Affirmed, O/L stable	1-Aug-13	Affirmed, O/L stable	19-Feb-16
Paraguay	Ba1		BB		BB		Affirmed, O/L stable	21-Jun-16	O/L changed to stable from (+)	15-Jun-16	Upgrade, O/L stable	29-Jan-15
Peru	A3		BBB+		BBB+		Upgrade, O/L stable	2-Jul-14	Affirmed, O/L stable	10-Aug-16	Affirmed, O/L stable	23-Mar-16
St Vincent and the Grenadines	B3						O/L changed to stable from (-)	19-May-16				
Suriname	B1		BB-		B+	(-)	Downgrade, O/L stable	20-May-16	O/L changed to stable from (+)	28-Apr-14	Downgrade, O/L (-)	26-Feb-16
Trinidad & Tobago	Baa3	(-)	A-	(-)	NR		Downgrade, O/L (-)	15-Apr-16	Downgrade, O/L (-)	22-Apr-16		
Uruguay*	Baa2	(-)	BBB	(-)	BBB-		Affirmed, O/L changed to (-)	6-Jun-16	Affirmed, O/L changed to (-)	22-Jun-16	Affirmed, O/L stable	5-Oct-16
Venezuela	Caa3	(-)	CCC	(-)	CCC		Affirmed, O/L changed to (-)	4-Mar-16	Affirmed, O/L (-)	20-Feb-16	Affirmed	1-Jul-16

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

Changes for January to October 2016 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, JAN-OCT 2016

There have been 9 positive and 27 negative actions in Latin America and the Caribbean from January to October 2016.

Positive Actions: 9 (Bold)

February

- Jamaica (February 11): **Fitch upgrades Jamaica's rating to B from B- with a stable outlook**, citing fiscal surpluses and improved external finances.
- Nicaragua (February 11): **S&P assigns B+ first-time rating to Nicaragua with a stable outlook,** citing the country's steady economic growth in recent years, along with pragmatic policies and cooperation between the government and the private sector.
- Panama (February 19): Fitch affirms Panama's BBB rating with a stable outlook (*no change*).
- Mexico (February 26): Fitch affirms Mexico's BBB+ rating with a stable outlook (*no change*).

March

- Argentina (March 22): Fitch affirms Argentina's long-term foreign currency rating at RD *(no change)*, but the long-term local-currency rating was upgraded to B from CCC.
- Peru (March 23): Fitch affirms Peru's rating at BBB+ with a stable outlook *(no change)*.

April

- Argentina (April 15): **Moody's upgrades Argentina's issuer rating to B3 from Caa1 with a stable outlook,** saying that the likelihood that Argentina will make payments to restructured bondholders has increased after a U.S. appeals court, in the week before, upheld a lower court decision to lift the injunctions against the country.
- Argentina (April 15): S&P affirms the SD foreign currency sovereign credit rating on Argentina and changes it to "solicited" from unsolicited.

May

- Argentina (May 6). **S&P raises Argentina's long-term foreign currency sovereign credit rating to B- from SD, with a stable outlook**. The action followed the payment on May 5, 2016, of US$ 2.7 billion of past-due interest on Argentina's discount, par, and global 2017 bonds that were in default since July 2014.
- Argentina (May 10): **Fitch upgrades Argentina's long-term foreign currency sovereign credit rating to B from RD with stable outlook,** saying that the upgrade was supported by Argentina's recent debt payments to restructured bondholders and the return to international financial markets, as well as improved policy framework and reduced vulnerability.
- St Vincent and the Grenadines (May 19): **Moody's changes outlook on St Vincent and the Grenadines' B3 rating to stable from negative**; affirms rating.
- Honduras (May 24): **Moody's upgrades Honduras' rating to B2 from B3 with a positive outlook**, citing the decrease in Honduras' central administration deficit and institutional enhancements that have brought discipline to the budget process.
- Colombia (May 26): Moody's affirms Colombia's long-term foreign currency sovereign rating at Baa2, with a stable outlook *(no change).*

June

- Paraguay (June 21): Moody's affirms Paraguay's Ba1 rating with a stable outlook *(no change).*
- Dominican Republic (June 29): **Moody's affirms Dominican Republic's B1 rating and changes outlook to positive from stable**, citing robust growth outlook and expectations that the debt burden will continue to fall.
- Guatemala (June 30): **Moody's affirms Guatemala's Ba1 rating and changes outlook to stable from negative**, citing macroeconomic and fiscal resilience to political crisis and anticipated strengthening of weak institutions in tax administration and rule of law.

July

- Venezuela (July 1): Fitch affirms Venezuela's CCC rating *(no change).* No outlook assigned to the rating.
- El Salvador (July 7): Fitch affirms El Salvador's B+ rating; outlook stable *(no change).*
- Chile (July 11): Moody's affirms Chile's Aa3 rating and maintains stable outlook *(no change).*
- Mexico (July 28): Fitch affirms Mexico at BBB+; outlook stable *(no change)*.

Box 1– (cont.)

August

- Ecuador (August 4): S&P affirms Ecuador's long-term foreign currency rating at B with a stable outlook *(no change).*
- Peru (August 10): S&P affirms Peru's long-term foreign currency debt rating at BBB+ with a stable outlook *(no change).*
- Nicaragua (August 24): Fitch affirms Nicaragua's long-term foreign currency rating at 'B+' with a stable outlook *(no change).*

September

- Peru (September 29): Fitch affirms Peru's long-term sovereign currency debt rating at BBB+ with a stable outlook *(no change).*

October

- Uruguay (October 05): Fitch affirms Uruguay's long-term sovereign currency debt rating at BBB- with a stable outlook *(no change).*
- Argentina (October 13): Fitch affirms Argentina's long-term sovereign currency debt rating at B with a stable outlook *(no change).*

Negative Actions: 27 (Bold)

February

- Costa Rica (February 8): **Moody's affirms Costa Rica's Ba1 rating and changes outlook to negative from stable**, citing high fiscal deficits, which are expected to continue and to lead to a continued increase in government debt, as the reason for the negative outlook.
- Colombia (February 16): **S&P's affirms Colombia's BBB long-term foreign currency sovereign credit rating and revises the outlook to negative from stable**. The change in outlook reflects "the risk that Colombia's external position could deteriorate further."
- Brazil (February 17): **S&P's downgrades Brazil long-term ratings to BB from BB+, keeping a negative outlook**, citing significant political and economic challenges. This was the second downgrade in less than six months, after the rating agency dropped the country's long-term debt to junk.
- Brazil (February 24): **Moody's downgrades Brazil's issuer and bond ratings to Ba2 from Baa3 with a negative outlook**, a two-notch cut to junk status, becoming the third agency to drop the sovereign from the ranks of investment grade. The agency said that the country's debt levels are likely to rise and a challenging political landscape will delay economic reforms.
- Costa Rica (February 25): **S&P's downgrades Costa Rica's long-term foreign and local currency sovereign credit ratings to BB- from BB with a negative outlook**, saying continued fiscal deterioration has resulted in a growing debt burden and rising interest payments.
- Suriname (February 26): **Fitch downgrades Suriname's rating to B+ from BB- with a negative outlook**, citing weakening external finances driven by a shock to commodity export prices.
- Venezuela (February 29): S&P affirms Venezuela's CCC rating with a negative outlook (*no change*).

March

- Venezuela (March 4): **Moody's affirms Venezuela's Caa3 issuer and government bond ratings and changes the outlook to negative from stable**, arguing that "rising uncertainty around political or economic events could increase the loss severity for bondholders in the event of a default, for which the agency is assigning a high probability of occurrence."
- Trinidad & Tobago (March 4): **Moody's places Trinidad and Tobago's Baa2 rating on review for downgrade.**
- Mexico (March 31): **Moody's changes Mexico's outlook to negative from stable; affirms A3 rating.** The drivers of the worsening outlook were: challenging fiscal consolidation efforts on the back of subdued growth and continued external headwinds, and contingent liabilities in the form of possible government support to Pemex, which could further undermine the fiscal consolidation process.

April

- Barbados (April 1): **Moody's downgrades Barbados's government bond rating and issuer rating to Caa1 from B3 and changes the outlook to stable from negative**, citing slow progress toward achieving fiscal consolidation consistent with a sustainable debt trajectory and low level of foreign exchange reserves and weak funding conditions.

Box 1– (cont.)

- Trinidad & Tobago (April 15): **Moody's downgrades Trinidad and Tobago's government bond rating to Baa3 from Baa2 with a negative outlook**, concluding review for downgrade. The agency cited the negative impact of low oil and gas prices and the likelihood that the policy response to the commodity shock will not be as timely and effective as required.
- Trinidad & Tobago (April 22): S**&P's downgraded Trinidad and Tobago's long-term foreign currency rating to A- from A with a negative outlook**, saying that the downgrade reflected the erosion of T&T's financial profile and S&P's revised downward macroeconomic projections for the next three years, particularly for economic growth, fiscal revenues, and external balances.

May
- Brazil (May 5): **Fitch downgrades Brazil's long-term foreign rating to BB from BB+ with a negative outlook**, citing a deeper-than-anticipated economic contraction, as well as continued political gridlock. After the downgrade Fitch's rating is in line with ratings from S&P and Moody's (BB/Ba2/BB).
- Suriname (May 20): **Moody's downgrades Suriname's rating to B1 from Ba3 with a stable outlook**, due to "substantial deterioration" of the country's credit profile over the past year in absolute terms and in comparison to its peers.

June
- Uruguay (June 6): **S&P's affirms Uruguay's BBB rating and revises its outlook to negative from stable**, citing risks that the economy could weaken further, which would weigh on Uruguay's revenue base and the government's planned fiscal adjustment.
- Bolivia (June 10): **Moody's changes outlook on Bolivia's Ba3 rating to negative from stable**, citing persistent fiscal and balance-of-payment pressures and the lack of fiscal measures to compensate for lower hydrocarbon revenues.
- Paraguay (June 15): **S&P's affirms Paraguay's BB rating and revises its outlook to stable from positive**, saying that still developing institutions continue to limit Paraguay's policymaking effectiveness and implementation capacity.
- Uruguay (June 22): **Moody's affirms Uruguay's Baa2 rating and revises the outlook to negative from stable**, citing macroeconomic weakness and downside risks stemming from larger-than-expected regional spillovers, as well as structural expenditure rigidities.

July
- Bahamas (July 01): **Moody's places the Bahamas' Baa2 rating on review for downgrade**, looking to assess medium-term economic growth prospects and the likelihood that the government will stabilize its deteriorating debt metrics and restore fiscal strength.
- Bolivia (July 13): **Fitch downgrades Bolivia's long-term foreign currency issuer default rating (IDR) to BB- from BB, with a stable outlook**. The agency argued that the weaker gas price outlook and the government's policy response have resulted in large "twin deficits."
- Colombia (July 22): **Fitch affirms Colombia's long-term foreign currency rating at BBB and revises its outlook to negative from stable**, citing the large current account deficit, increasing debt levels, and the deterioration of fiscal metrics.

August
- El Salvador (August 11): **Moody's downgrades El Salvador's government ratings to B1 and places ratings on review for further downgrade,** citing the continued inability of the authorities to arrest the upward trend in government debt amid persistently high fiscal deficits and low economic growth.
- Bahamas (August 22): **Moody's downgrades the Bahamas' Baa2 rating to Baa3 with a stable outlook**, concluding review for downgrade. The agency said it expects the sovereign's economic performance over the next five years to remain subdued and constrained by structural rigidity. The stable outlook reflects the expectation that Bahamas' economic performance would strengthen between this year and 2018.
- Mexico (August 23): **S&P's lowers the outlook on Mexico's BBB+ rating to negative from stable**, citing "disappointing" economic growth and rising debt levels. According to the agency, the negative outlook reflects an at least one-in-three possibility of a downgrade over the next 24 months if either the government's debt or interest burden deteriorates beyond the agency's expectations.

Box 1– (conclusion)

- Ecuador (August 25): **Fitch lowers the outlook of Ecuador's B rating to negative from stable**, citing a deterioration in the country's growth and fiscal outlook since their last review in October 2015.

October

- El Salvador (October 6): **El Salvador's B+ rating is placed on CreditWatch Negative on heightened political polarization**.
- El Salvador (October 13): **S&P downgrades El Salvador to B from B+,** saying the deterioration of the country's "institutional and governance effectiveness" has weakened the government's liquidity position. The rating remains on CreditWatch with negative implications.

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

B. Latin American Spreads

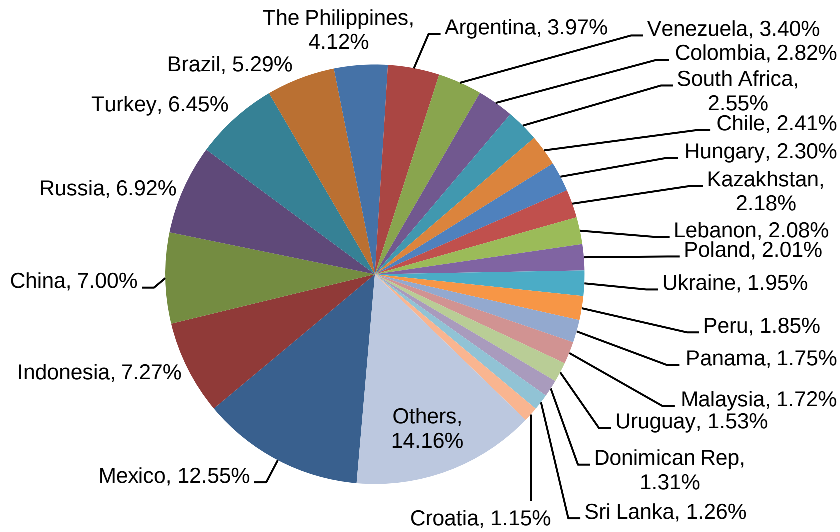
TABLE 2:
SOVEREIGN SPREADS ON JPMORGAN EMBI GLOBAL AND LATIN AMERICAN COMPOSITES
(Basis Points)

	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
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
26-Nov-14	353	687	243	157	175	550	195	167	198	1837	453
31-Dec-14	404	719	270	169	196	883	213	182	208	2457	508
30-Jan-15	455	742	331	200	229	887	252	208	218	3173	571
27-Feb-15	402	618	328	144	199	763	215	170	211	2736	500
31-Mar-15	410	629	331	158	222	865	228	181	214	2902	516
30-Apr-15	376	603	297	147	213	672	224	171	210	2200	472
29-May-15	380	601	297	150	220	735	225	174	207	2483	492
30-Jun-15	392	631	309	158	233	824	232	182	213	2879	513
31-Jul-15	407	615	325	179	250	980	244	196	227	2829	533
29-May-15	380	601	297	150	220	735	225	174	207	2483	492
30-Jun-15	392	631	309	158	233	824	232	182	213	2879	513
31-Jul-15	407	615	325	179	250	980	244	196	227	2829	533
31-Aug-15	430	584	363	205	277	1344	264	225	257	2922	566
30-Sep-15	474	591	491	244	318	1451	313	258	305	3129	630
31-Oct-15	422	489	139	210	283	1252	275	220	274	2692	560
30-Nov-15	420	487	450	235	286	1207	280	224	266	2605	561
31-Dec-15	446	438	548	253	317	1266	315	240	280	2807	605
29-Jan-16	494	502	540	274	378	1509	362	273	317	3560	677
29-Feb-16	483	465	530	250	368	1391	353	260	309	3255	639
31-Mar-16	434	444	426	213	295	1058	308	226	279	3108	573
29-Apr-16	410	544	401	183	278	941	286	198	268	2858	541
31-May-16	421	500	418	203	297	855	304	213	271	2933	553
30-Jun-16	407	495	366	202	257	913	293	200	270	2659	522
29-Jul-16	392	496	346	174	270	877	294	194	262	2510	501
31-Aug-16	361	455	315	174	232	863	258	162	229	2456	459
30-Sep-16	360	441	324	180	221	845	294	154	232	2053	456
31-Oct-16	364	452	316	177	237	743	293	155	230	2316	467

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

Note: EMBI Global composition (end-October 2016): **by country:** Mexico, Brazil, Argentina, Venezuela, Colombia and Chile account for 30.45% of the total weighting; **by region:** Latin: 41.20%; Non-Latin: 58.80%.

EMBI GLOBAL COMPOSITION (AS OF OCTOBER 2016)



Others:	**%**
Costa Rica	0.90%
Romania	0.87%
Ecuador	0.81%
Lithuania	0.76%
El Salvador	0.72%
Oman	0.65%
Serbia	0.63%
Jamaica	0.60%
India	0.56%
Ivory Coast	0.55%
Azerbaijan	0.54%
Pakistan	0.48%
Egypt	0.37%
Zambia	0.37%
Kenya	0.36%
Ghana	0.35%
Paraguay	0.33%
Trinidad and Tobago	0.33%
Morocco	0.32%
Mongolia	0.31%
Angola	0.29%
Guatemala	0.29%
Iraq	0.28%
Vietnam	0.24%
Gabon	0.24%
Slovakia	0.22%
Nigeria	0.19%
Namibia	0.17%
Honduras	0.15%
Bolivia	0.15%
Georgia	0.14%
Senegal	0.14%
Armenia	0.13%
Tunisia	0.12%
Ethiopia	0.12%
Cameroon	0.11%
Belarus	0.11%
Latvia	0.09%
Jordan	0.07%
Mozambique	0.06%
Belize	0.04%
Total	**14.16%**

C. New LAC Debt Issuance

TABLE 3:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FIRST QUARTER OF 2016

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
		Jan-16				
Supranational	CAF Development Bank of Latin America	TRY 192	82	10.730%	2020	
Supranational	CAF Development Bank of Latin America	ZAR 590	51	9.000%	2020	
Chile	Republic of Chile	EUR 1200	1,300	1.750%	2026	
Chile	Republic of Chile	USD 1350	1,350	3.125%	2026	
Mexico	United Mexican States	USD 2250	2,250	4.125%	2026	
Dominican Republic	Dominican Republic	USD 1000	1,000	6.875%	2026	
Mexico	Pemex	USD 750	750	5.500%	2019	
Mexico	Pemex	USD 1250	1,250	6.375%	2021	
Mexico	Pemex	USD 3000	3,000	6.875%	2026	
			11,033			
		Feb-16				
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 200	196	0.371%	2022	
Supranational	CAF Development Bank of Latin America	CHF 150	148	0.150%	2022	
Supranational	CAF Development Bank of Latin America	JPY 4500	38	0.450%	2026	
Colombia	Pacifico 3 (Fideicomiso P.A. Pacifico Tres)	USD 260	260	8.250%	2035	
Mexico	United Mexican States	EUR 1500	1,679	1.875%	2022	
Mexico	United Mexican States	EUR 1000	1,120	3.375%	2035	
Supranational	CAF Development Bank of Latin America	CHF 125	127	0.304%	2024	
Supranational	CAF Development Bank of Latin America	CHF 125	127	0.510%	2026	
Supranational	CAF Development Bank of Latin America	EUR 250	278	1.000%	2020	(r)
Peru	Republic of Peru	EUR 1000	1,110	3.750%	2030	
			5,083			
		Mar-16				
Mexico	America Movil	EUR 850	936	1.500%	2024	
Mexico	America Movil	EUR 650	716	2.125%	2028	
Mexico	Pemex	EUR 1350	1,488	3.750%	2019	
Mexico	Pemex	EUR 900	992	5.125%	2023	
Argentina	Province of Buenos Aires	USD 1250	1,250	9.125%	2024	
Mexico	Cemex SAB	USD 1000	1,000	7.750%	2026	
Panama	Republic of Panama	USD 1000	1,000	3.875%	2028	
Brazil	Republic of Brazil	USD 1500	1,500	6.000%	2026	
Mexico	Femsa	EUR 1000	1,110	1.750%	2023	
Colombia	Republic of Colombia	EUR 1350	1,500	3.875%	2026	
Argentina	YPF	USD 1000	1,000	8.500%	2021	
Argentina	IRSA Propiedades Comerciales	USD 360	360	8.750%	2023	NC4
Paraguay	Republic of Paraguay	USD 600	600	5.000%	2026	
Supranational	CAF Development Bank of Latin America	AUD 150	113	4.000%	2021	
			13,648			
		Q1 2016 Total	**29,764**			

Source: LatinFinance (Bonds Database).

Notes:

(r): retap.
NC4: only callable after 4 years.

TABLE 4:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
SECOND QUARTER OF 2016

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
			Apr-16			
Supranational	Central American Bank for Economic Integration (CABEI)	USD 135	135	L+150	2021	
Supranational	Central American Bank for Economic Integration (CABEI)	USD 25	25	4.400%	2036	
Supranational	Central American Bank for Economic Integration (CABEI)	USD 25	25	4.550%	2046	NC5
Supranational	CAF Development Bank of Latin America	EUR 70	80	1.700%	2031	
Supranational	Central American Bank for Economic Integration (CABEI)	NOK 500	61	2.090%	2028	
Supranational	Central American Bank for Economic Integration (CABEI)	NOK 500	61	3.040%	2031	
Argentina	Republic of Argentina	USD 2750	2,750	6.250%	2019	
Argentina	Republic of Argentina	USD 4500	4,500	6.875%	2021	
Argentina	Republic of Argentina	USD 6500	6,500	7.500%	2036	
Argentina	Republic of Argentina	USD 2750	2,750	7.625%	2046	
Costa Rica	Banco Nacional de Costa Rica (BNCR)	USD 500	500	5.875%	2021	(g)
Supranational	Inter-American Investment Corporation	USD 500	500	3-month L+30	2019	
Mexico	Sigma Alimentos	USD 1000	1,000	4.125%	2026	
Colombia	Gruposura Finance (Grupo de Inversiones Suramericana)	USD 550	550	5.500%	2026	
Guatemala	Republic of Guatemala	USD 700	700	4.500%	2026	
			20,136			
			May-16			
Supranational	CAF Development Bank of Latin America	USD 1250	1,250	2.000%	2019	
Dom Republic	AES Dominicana (AES Andres and Dominican Power Partners)	USD 270	270	7.950%	2026	NC5
Dom Republic	AES Dominicana (Empresa Generadora de Electricidad Itabo)	USD 100	100	7.950%	2026	NC5
Argentina	Province of Neuquen	USD 235	235	8.625%	2028	
Colombia	Banco de Bogota SA	USD 600	600	6.250%	2026	
Argentina	Province of Mendoza	USD 500	500	8.375%	2024	
Panama	Aeropuerto Internacional de Tocumen (AITSA)	USD 575	575	5.625%	2036	
Mexico	Grupo Posadas	USD 50	50	7.875%	2022	(r)
Brazil	Petrobras	USD 5000	5,000	8.375%	2021	
Brazil	Petrobras	USD 1750	1,750	8.750%	2026	
Argentina	Province of Chubut	USD 50	50	8.875%	2023	
Brazil	U.S.J. Açúcar e Álcool SA	USD 197	197	9.875%	2021	
Argentina	Banco Hipotecario	USD 150	150	9.750%	2020	(r)
Peru	Kalpa Generación	USD 350	350	4.875%	2026	
Mexico	Pemex	CHF 225	227	1.500%	2018	
Mexico	Pemex	CHF 150	152	2.375%	2021	
Argentina	City of Buenos Aires	USD 890	890	7.500%	2027	
Brazil	Marfrig Alimentos	USD 750	750	8.000%	2023	
Peru	Camposol	USD 200	200	10.500%	2021	NC2
			13,296			
			Jun-16			
Supranational	Banco Latinoamericano de Comercio Exterior, S.A. (Bladex)*	JPY 8000	73	0.460%	2019	
Argentina	Province of Cordoba	USD 725	725	7.125%	2021	
Brazil	Vale Overseas Ltd.	USD 1250	1,250	5.875%	2021	
Argentina	Buenos Aires Province	USD 500	500	5.750%	2019	
Argentina	Buenos Aires Province	USD 500	500	7.875%	2027	
Argentina	Cablevision	USD 500	500	6.500%	2019	
Mexico	Cemex	EUR 400	454	4.625%	2024	
Colombia	Ecopetrol	USD 500	500	5.875%	2023	(r)
Mexico	Fibra Uno	USD 200	200	5.250%	2026	(r)
Mexico	Fibra Uno	USD 300	300	6.950%	2044	(r)
Mexico	United Mexican States	JPY 45900	431	0.400%	2019	
Mexico	United Mexican States	JPY 50900	477	0.700%	2021	
Mexico	United Mexican States	JPY 16300	153	1.090%	2026	
Mexico	United Mexican States	JPY 21900	206	2.400%	2036	
Brazil	Cosan	USD 500	500	7.000%	2027	NC5
Brazil	Eldorado	USD 350	350	8.625%	2021	
Chile	BancoEstado	JPY 10000	94	0.480%	2026	
Mexico	KKR	USD 531	531	6.625%	2031	
Argentina	Edesa (Empresa Distribuidora de Electricidad de Salta SA)	USD 65	65	11.500%	2021	
Suriname	Republic of Suriname	USD 86	86		2018	
Dom Republic	Dominican Republic	USD 500	500	6.875%	2026	(r)
Brazil	Marfrig Alimentos	USD 250	250	8.000%	2023	(r)
Argentina	Arcor	USD 350	350	6.000%	2023	NC4
Argentina	Province of Salta	USD 350	350	9.125%	2024	
Argentina	Republic of Argentina	USD 1000	1,000	6.625%	2028	
Argentina	Republic of Argentina	USD 1750	1,750	7.125%	2036	
Colombia	Fideicomiso P.A. Costera	USD 150.8	151	6.750%	2034	
			12,244			
		Q2 2016 Total	**45,676**			
		H1 2016	**75,440**			

Source: LatinFinance (Bonds Database).

Notes:

(r): retap; (g): green.
NC4: only callable after 4 years.
NC5: only callable after 5 years.

TABLE 5:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
THIRD QUARTER OF 2016

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
		Jul-16				
Brazil	Petrobras	USD 1750	1,750	8.375%	2021	(r)
Brazil	Petrobras	USD 1250	1,250	8.750%	2026	(r)
Brazil	Suzano Papel e Celulose (Bahia Sul Holdings)	USD 500	500	5.750%	2026	(g)
Chile	Transelec	USD 350	350	3.875%	2029	
Brazil	Cosan	USD 150	150	7.000%	2027	NC5 (r)
Uruguay	Oriental Republic of Uruguay	USD 400	400	4.375%	2027	(r)
Uruguay	Oriental Republic of Uruguay	USD 747	747	5.100%	2050	(r)
Mexico	Credito Real	USD 625	625	7.250%	2023	NC4
Argentina	Petrobras Argentina	USD 500	500	7.375%	2023	NC4
Argentina	Compania Latinoamericana de Infraestructura y Servicios (Clisa)	USD 200	200	9.750%	2023	NC4
Argentina	Banco Galicia	USD 250	250	8.250%	2026	
Mexico	Pemex	JPY 80000	763	0.540%	2026	
Argentina	Province of Chubut	USD 650	650	7.750%	2026	
Argentina	Albanesi [1]	USD 250	250	9.625%	2023	NC4
Brazil	Republic of Brazil	USD 1500	1,500	5.625%	2047	
Ecuador	Republic of Ecuador	USD 1000	1,000	10.750%	2022	
Trinidad & Tobago	Republic of Trinidad & Tobago	USD 1000	1,000	4.500%	2026	
			11,885			
		Aug-16				
Supranational	Central American Bank for Economic Integration (CABEI)	ZAR 1032	74	8.400%	2020	(g)
Chile	Empresa Nacional del Petroleo (Enap)	USD 700	700	3.750%	2026	
Brazil	Vale Overseas Ltd.	USD 1000	1,000	6.250%	2026	
Mexico	Banco Nacional de Comercio Exterior (Bancomext)	USD 700	700	3.800%	2026	NC5
Mexico	United Mexican States	USD 2000	2,000	4.350%	2047	
Mexico	United Mexican States	USD 760	760	4.125%	2026	(r)
Brazil	General Shopping Investments Ltd	USD 34.42	34	10.000%	2026	
Argentina	Province of Chaco	USD 250	250	9.373%	2024	
Chile	BancoEstado	JPY 15000	147	0.480%	2026	(r)
Jamaica	Republic of Jamaica	USD 364	364	8.000%	2039	(r)
Argentina	Province of Salta	USD 50	50	9.125%	2024	(r)
			6,079			
		Sep-16				
Supranational	Central American Bank for Economic Integration (CABEI)	CNH 700	105	3.950%	2019	
Supranational	Central American Bank for Economic Integration (CABEI)	CNH 1000	150	4.200%	2021	
Brazil	Minerva Foods	USD 1000	1,000	6.750%	2026	NC5
Mexico	Pemex	USD 2000	2,000	4.750%	2023	
Mexico	Pemex	USD 2000	2,000	6.750%	2047	
Argentina	YPF (Yacimientos Petroliferos Fiscales S.A.)	CHF 300	308	3.750%	2019	
Supranational	CAF Development Bank of Latin America	USD 1000	1,000	2.125%	2021	
Brazil	BRF Brazil Foods	USD 500	500	4.350%	2026	
Mexico	Mexico City Airport Trust	USD 1000	1,000	4.250%	2026	(g)
Mexico	Mexico City Airport Trust	USD 1000	1,000	5.500%	2046	(g)
Argentina	City of Cordoba	USD 150	150	7.875%	2024	
Mexico	Unifin Financiera	USD 400	400	7.250%	2023	NC4
Ecuador	Republic of Ecuador	USD 1000	1,000	10.750%	2022	(r)
Brazil	Votorantim Cimentos [2]	USD 500	500	6.000%	2027	
Panama	AES Panama	USD 75	75	6.000%	2022	(r)
Mexico	Banco Mercantil del Norte- Banorte	USD 500	500	5.750%	2031	NC10
Mexico	Liverpool (El Puerto de Liverpool S.A.B. de C.V.)	USD 750	750	3.875%	2026	
Brazil	Ultrapar International S.A.	USD 750	750	5.250%	2026	
			13,188			
Source: LatinFinance (Bonds Database).		**Q3 2016 Total**	**31,152**			
Notes:		**2016 YTD**	**106,592**			

(r): retap. (g): green
NC4: only callable after 4 years.
NC5: only callable after 5 years.
NC10: only callable after 10 years.
[1] Co-issuers: Generacion Mediterranea, Generacion Frias and Central Termica Roca.
[2] Through Canadian subsidiary St. Mary's Cement Inc.

TABLE 6:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FOURTH QUARTER OF 2016

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
		Oct-16				
Argentina	Republic of Argentina	EUR 1250	1,400	3.875%	2022	
Argentina	Republic of Argentina	EUR 1250	1,400	5.000%	2027	
Mexico	Comisión Federal de Electricidad (CFE)	USD 1000	1,000	4.750%	2027	
Panama	Global Bank	USD 550	550	4.500%	2021	
Argentina	Buenos Aires Province	USD 250	250	5.750%	2019	(r)
Argentina	Buenos Aires Province	USD 500	500	7.875%	2027	(r)
Chile	Tanner Services	CHF 150	151	2.125%	2019	
Suriname	Republic of Suriname	USD 550	550	6.250%	2026	
Chile	Enersis Americas	USD 600	600	4.000%	2026	
Peru	Banco de Credito del Peru (BCP)	USD 300	300	2.250%	2019	
Mexico	United Mexican States	EUR 1200	1,307	1.375%	2025	
Mexico	United Mexican States	EUR 700	763	3.375%	2031	(r)
Argentina	Province of Santa Fe	USD 250	250	6.900%	2027	
Trinidad & Tobago	Trinidad Generation Unlimited (TGU)	USD 600	600	5.250%	2027	
Colombia	Banco de Bogota SA	USD 500	500	6.250%	2026	(r)
			10,121			

Source: LatinFinance (Bonds Database).

Notes:		**2016 YTD**	**116,713**

(r): retap.

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