Economic Commission for Latin America and the Caribbean

ECLAC WASHINGTON OFFICE

Capital Flows to Latin America and the Caribbean

Recent Developments

UNITED NATIONS

ECLAC

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Highlights

- Billions have flowed into bonds issued by emerging markets in 2017, with investors hungry for the higher yields on offer. Enthusiasm for emerging markets has been supported by low interest rates across de globe and sustained weakness in the U.S. dollar.

- Flows into emerging markets have been driven by a search for yields, as investors look for higher returns than have been offered by developed bond markets, but have also been encouraged by an improvement in emerging market fundamentals.

- With appetite for emerging market assets rising and economic conditions improving, the total amount of debt issued by LAC borrowers in the first half of 2017 reached US$ 74.3 billion, the third highest half-yearly amount ever issued in the region.[1]

- Sovereign and corporate borrowers seized their chance to issue new bonds in the second quarter. In June, state-owned oil company Petroperu made its debut in international bond markets with a US$ 2 billion two-tranche bond sale with 15 and 30-year maturities. In late June, Mexican lender Banorte came to international bond markets with an innovative tier one hybrid instrument in line with Basel III rules – an *AT1 callable perpetual bond* in two tranches – that offers higher yields as well as higher risk.

- In the sovereign side, Chile, Ecuador, Guatemala, Panama and Uruguay tapped international bond markets with benchmark-sized returns in the second quarter, but it was Argentina that attracted the most attention by becoming the first Latin American non-investment grade sovereign to issue a 100-year bond.[2]

[1] It was lower only than the US$ 84.3 billion issued in the first half of 2014 and the US$ 75.4 billion issued in the first semester of 2016.
[2] The Dominican Republic also tapped international bond markets in June with a smaller sized bond of US$ 500 million and a 5.95% coupon.

- The strong cross-border market performance was supported by a tightening in bond spreads. LAC bond spreads tightened 38 basis points in the first half of 2017, although most of the tightening took place in the first quarter. In the second quarter LAC bond spreads tightened just 1 basis point.

- However, despite a tightening in spreads, the credit quality in the region continued to deteriorate: there were sixteen sovereign downgrades from January to July, and six upgrades.

- The following are the main takeaways from activity in LAC international bond markets in the first half of 2017:

  Oil quasi-sovereign companies and sovereigns have led in size: almost 20% of the total LAC issuance in the first-half came from Brazil's Petrobras, Mexico's Pemex and Peru's Petroperu, with all issuances being above US$ 1 billion. On the sovereign side, fourteen sovereigns have come to the cross-border bond markets in the first half of the year, issuing 40% of the region's total issuance in the period. Bonds of US$ 1 billion or more accounted for 67% of the total sovereign deals.

  Twelve cross-border debut issuances took place from January to July: there were five debut issuances in the first quarter, four in the second quarter, including Peru's Petroperu, and three more in July. They accounted for 7% of the total issuance in the period and 63% of the debut issuances in the period took place in the energy sector. Except for Petroperu, all were high-yield issuances.

  In the first quarter there were four bond issuances with a green focus, but only one in the second: there were four issuances in the first quarter whose proceeds are going towards renewable energy projects, although only one was labeled a green bond. In May, Brazil's National Development Bank (BNDES) issued the only green bond of the second quarter: a US$ 1 billion 4.75% 2024 green-labeled bond, with proceeds to be used to finance wind and solar projects in Brazil.

  The three top issuers accounted for 64% of the first-half 2017 total: Argentina (26%), Brazil (22%) and Mexico (16%) were LAC top issuers (sovereign and corporate issuance combined).

  Activity has been dominated by high-yield issuers: high-yield issuers, including sovereign and corporate, accounted for 64% of the total issuance in the first half of 2017. High-yield corporate issuers accounted for 32% of the total.

  Currency diversity has continued: although dollar-denominated issuance accounted for almost 78% of the total, there were issuances in many currencies, including the Euro, Swiss Franc, Australian Dollar, Japanese Yen, Hong Kong Dollar, Norwegian Krone, and local currencies. Local currencies, which included the Chilean Peso, the Peruvian Sol, the Brazilian Real, and the Uruguayan Peso, accounted for 12% of the total amount issued in the period.

Overview

Latin American and Caribbean (LAC) countries sold debt at a strong pace in the first half of 2017, taking advantage of increased investor demand. The global environment is still one of loose monetary conditions, and a weakening U.S. dollar has contributed to push international capital flows into higher-yielding assets, including emerging markets.

The dollar has gone through one of its worst stretches in years, weighed down by limited inflation and uncertainty regarding U.S. economic policy and future interest rate raises. The Federal Reserve's major currencies dollar index has fallen by almost 8% since the beginning of the year. A falling dollar helps commodities, which are priced in the U.S. currency and become more affordable to foreign investors when the dollar declines. Economic fundamentals for countries heavily reliant on exports improved in the first half of the year as a result, helped by higher commodity prices and by an improving Chinese economy. In the case of Latin America and the Caribbean, its economic situation has improved, and the region is expected to turn a corner this year. ECLAC, in its latest Economic Survey of the region, forecasts it will grow 1.1% on average in 2017, after two consecutive years of contraction.[3]

A dollar in retreat means that more dollars are available in the global economy, ending up in higher yielding assets. Argentina's sale of a 100-year bond in June, with a coupon of 7.125%, stressed investors' interest in instruments that offer higher-yields. Joining only a handful of sovereign borrowers to sell century bonds, Argentina's move highlighted a broader enthusiasm for emerging market securities.

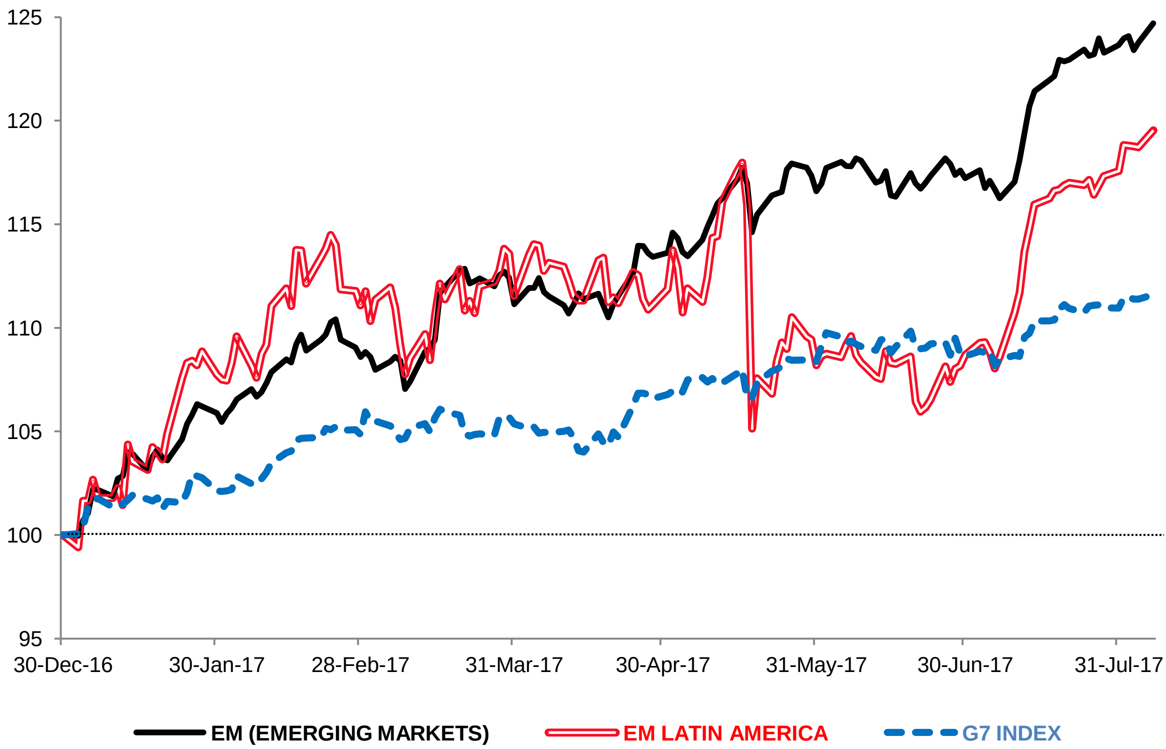
The widespread investor interest in emerging market debt led to favorable terms for several LAC issuers. Brazil's Petrobras took advantage of a rally in oil prices to borrow US$ 4 billion from bond investors in mid-May, reopening its five and ten-year bonds issued in January of 2017, and its 2044 bond issued in 2014. And Mexican lender Banorte came to the cross-border bond market in late June with a novel tier one hybrid instrument in line with Basel III rules – an *AT1 callable perpetual bond* – in a dual-

[3] See ECLAC's *Economic Survey of Latin America and the Caribbean 2017,* Briefing paper. http://www.cepal.org/en/publications/42002-economic-survey-latin-america-and-caribbean-2017-dynamics-current-economic-cycle

tranche totaling US$ 900 million that offers higher yields as well as higher risk. Yields of 6.875% for a five-year and 7.625% for a ten-year tranche persuaded investors to take the risk. [4]

As of the end of July, Latin American stocks were up 10% in local currency terms and almost 18% in dollar terms, according to the Morgan Stanley Capital International (MSCI) indices, reflecting local currency appreciation. However, regional shares have lagged behind the broader emerging market index, which was up 24% in dollar terms in the same period. A large portion of this underperformance is explained by the slump in Brazilian stocks in the context of the political challenges surrounding its government in mid-May (chart 1). [5]

CHART 1:
MSCI EQUITY PRICE INDEX: 2017 YTD



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

While Latin American equity prices showed a widening trend since the beginning of the year, LAC bond spreads showed a narrowing trend (chart 2). LAC bond spreads tightened 38 basis points in the first half of 2017, although most of the tightening took place in the first quarter. In the second quarter LAC bond spreads tightened just 1 basis point. Spreads widened sharply for Venezuela and mildly for Ecuador, but tightened for all the other countries in our sample (chart 3). By the end of the first half, LAC spreads were hovering around their lowest level since the end of 2014.

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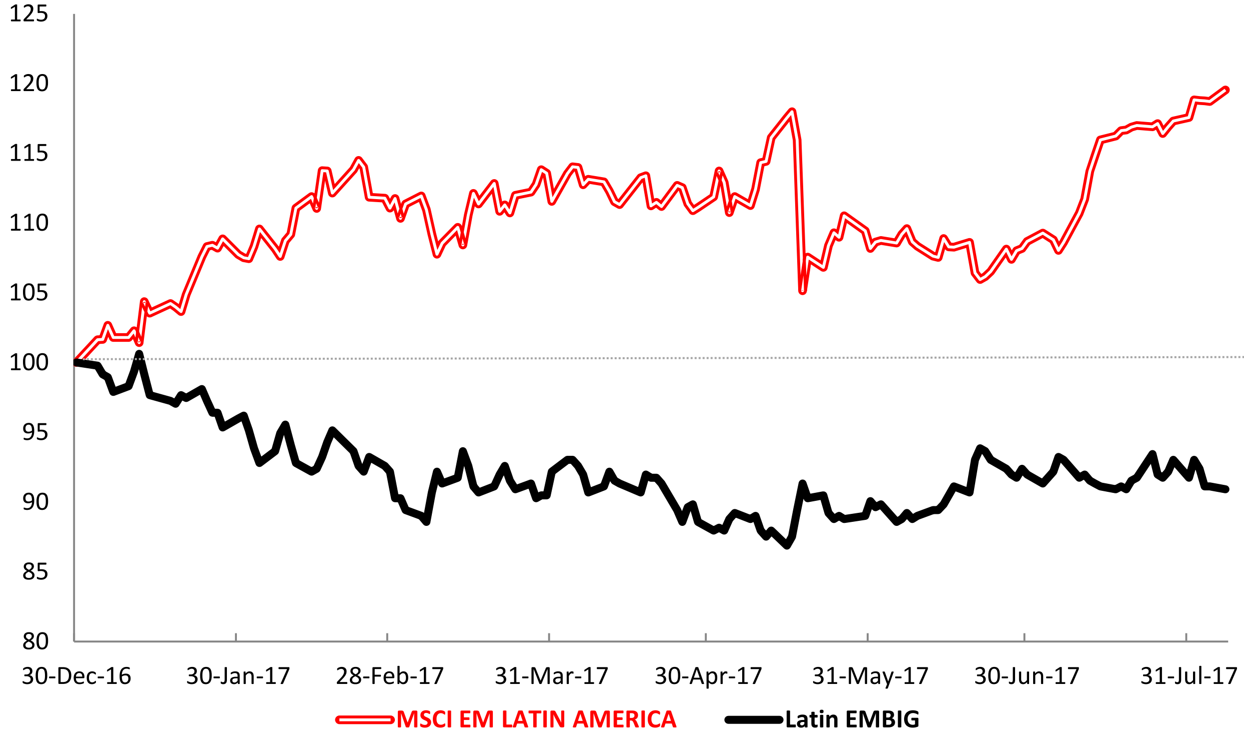
[4] In line with Basel III rules, the issuer of an AT1 bond has the option to call back the bonds or repay the principal after a specified period of time. The attraction for investors is higher yield than secured bonds issued by the same entity, although this comes with a two-fold risk. First, the issuing bank has the discretion to skip a coupon payment. Second, the issuing bank has to maintain a common equity tier one ratio of 5.5%, but if it fails to do so, the bonds can get written down (so the principal of Banorte's issuance could be written off if Mexican authorities deem the bank at risk of failing).

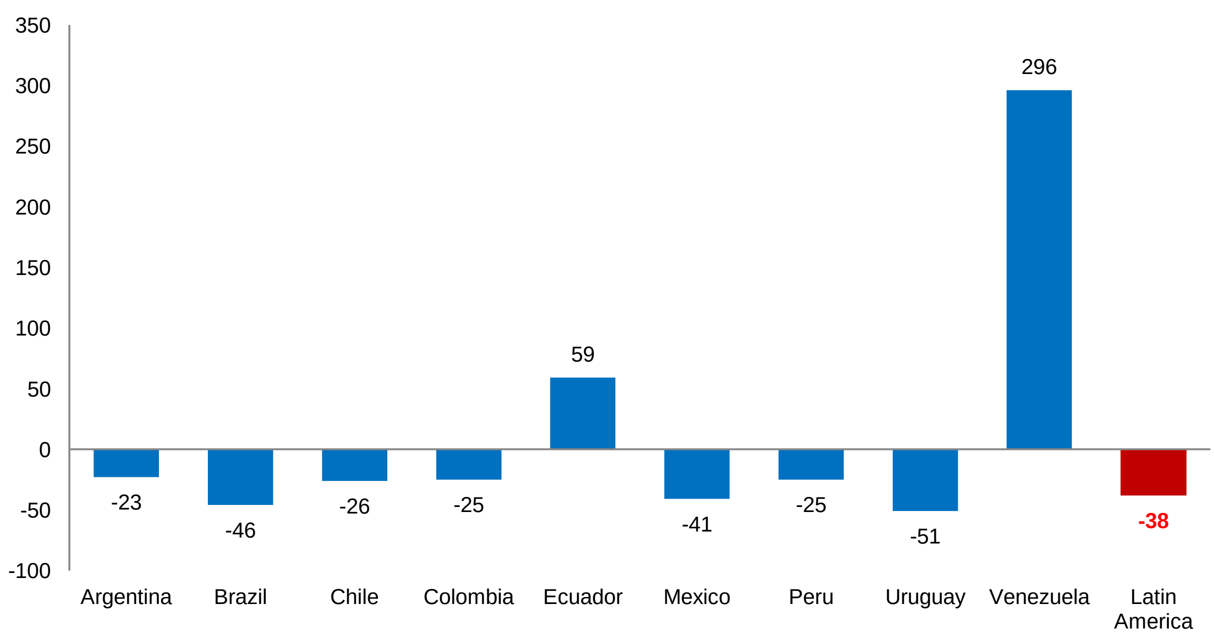
[5] While Latin American stocks gained almost 12% in the first quarter, they lost almost 3% in the second quarter.

CHART 2:
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.

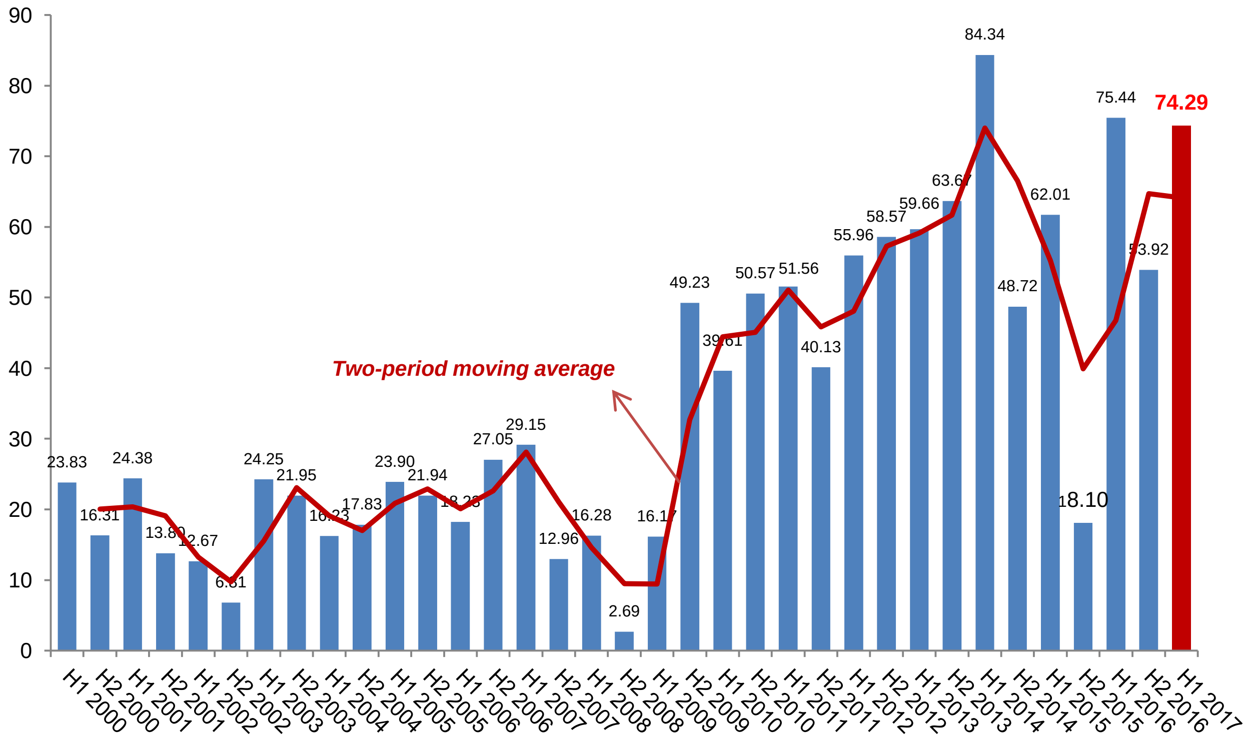
CHART 3:
EMBI GLOBAL SPREAD DIFFERENTIALS: H1 2017
(Basis points)



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

While debt spreads tightened, debt issuance increased. The total amount of debt issued by LAC borrowers in the first half of 2017 reached US$ 74.3 billion, the third highest half-yearly amount ever issued in the region (chart 4). Bond issuance in the first half of 2017 was 2% lower than in the first half of 2016, and 52% higher than in the second half. From January to July, the total amount of debt issued by LAC borrowers was US$ 92 billion, 5% higher than in the same period last year.

CHART 4:
HALF-YEARLY LAC ISSUANCE
(US$ Billions)



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

Corporate issuance accounted for 53% of the first-half total, while sovereign issuance accounted for 47%. Excluding sovereign borrowers, 60 corporate issuers from the region sold US$ 39.5 billion of cross-border bonds in the first half, and 37% of that volume (US$ 14.5 billion) came from state-owned oil producers Petrobras, Pemex and Petroperu.

Dollar-denominated issuance accounted for 77.5% of the total LAC issuance in the first half. From January to July, dollar-denominated issuance accounted for 82% of the total. The increase in dollar-denominated debt brings with it some risks. If the U.S. dollar rally resumes, it will make it more expensive to pay back that debt.

Despite a tightening in spreads and an increase in debt issuance, the credit quality in the region continued to deteriorate in 2017: there were sixteen sovereign downgrades from January to July, and six upgrades. According to Fitch, the region's credit quality deterioration in the first half of the year highlights "persistent challenges posed by sluggish growth, adverse debt dynamics and, in some cases, politics."[6]

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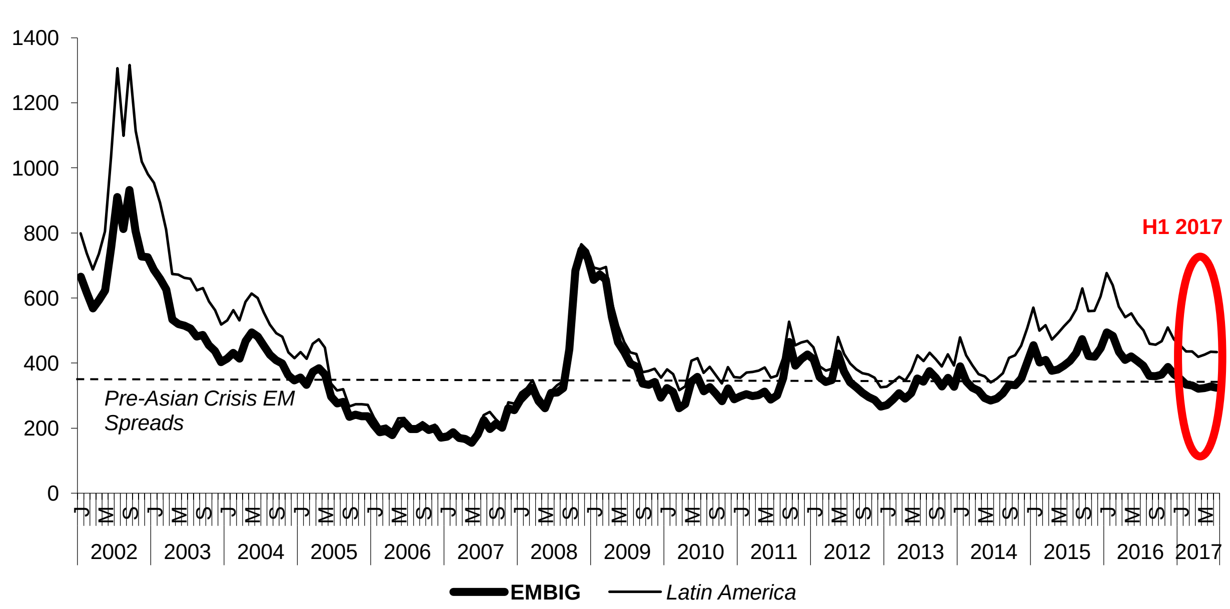
[6] Fitch: *Growth, Debt, Politics Drive LatAm Sovereign Rating Trend*, https://www.fitchratings.com/site/pr/1026366

I. Bond markets and debt management

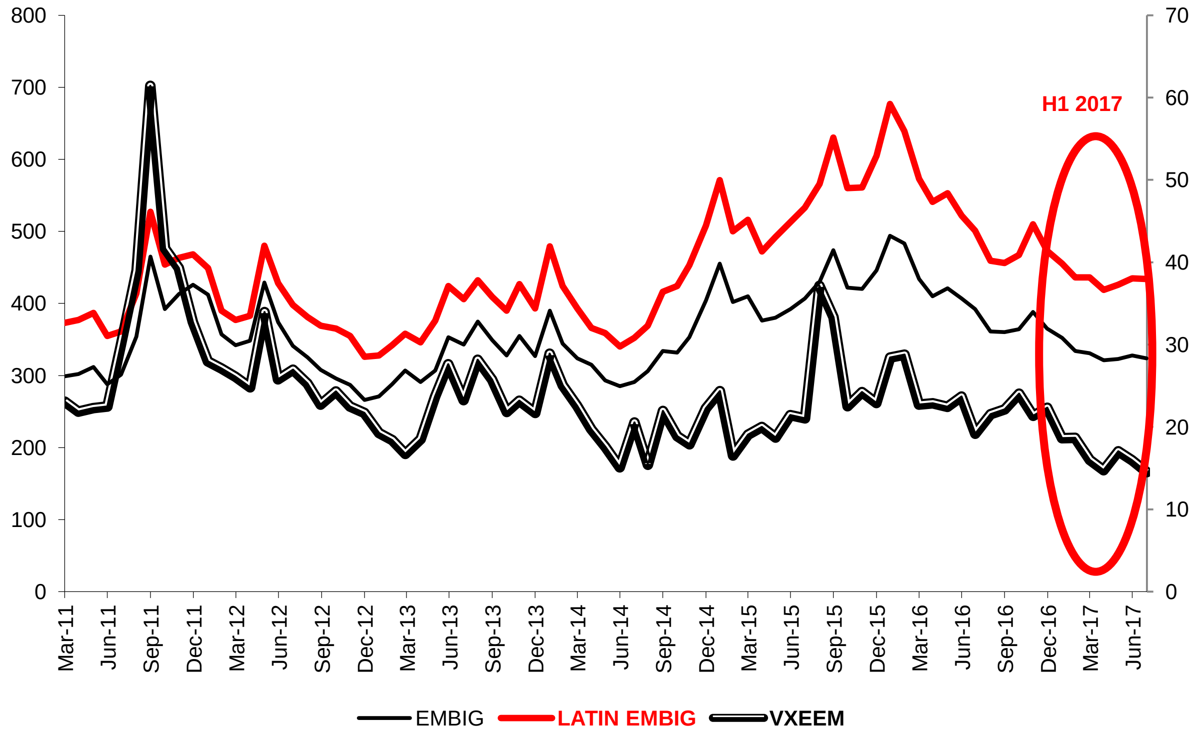
EMBI Global bond spreads tightened 37 basis points while its Latin component tightened 38 basis points in the first half of 2017, as a weakening U.S. dollar, higher commodity prices and an improving Chinese economy led to better economic prospects for emerging markets and the LAC region (charts 5 and 6).

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



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

CHART 6:
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

Note: The VXEEM is the CBOE volatility index for emerging markets (conveyed by MSCI Emerging Markets Index fund option prices).

Despite better economic prospects, sovereign credit quality has deteriorated since the beginning of the year: there were seven more negative actions than positive from January to July 2017. In the first seven months of 2017, there were fifteen positive sovereign credit rating actions in Latin America and the Caribbean and twenty-two negative (table 1).

Among the fifteen positive actions, six were upgrades and nine were outlook improvements. Among the twenty-two negative actions, sixteen were downgrades, four were outlook declines and two were placements under CreditWatch Negative. Fiscal constraints, as well as low growth, loomed large behind the negative actions taken since the beginning of the year.

Since our last report there have been nine positive actions and six negative actions. In May, there were two positive actions. S&P upgraded El Salvador to CC from Selective Default with a negative outlook, after the government caught up on missing pension debt payments. S&P also affirmed Uruguay's BBB rating and revised its outlook to stable from negative on more balanced economic risks. There were also two negative actions. S&P placed Brazil BB long-term ratings on CreditWatch negative on increased political uncertainty, and Moody's affirmed Brazil's Ba2 rating but changed the outlook to negative from stable due to a rise in uncertainty regarding reform momentum.

In June there was only one action: S&P downgraded Ecuador to B- from B with a stable outlook, citing higher fiscal and external vulnerabilities.

TABLE 1: SOVEREIGN CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, 2017 YTD

Date	Country	Action	
2017 YTD	**15 positive and 22 negative actions**		
Q1 2017	**4 positive and 9 negative actions**		
19-Jan-17	Costa Rica	Fitch downgrades Costa Rica to BB from BB+ with a stable outlook	*Negative*
26-Jan-17	Chile	S&P lowers the outlook on Chile's AA- sovereign debt rating to negative from stable	*Negative*
1-Feb-17	El Salvador	Fitch downgrades El Salvador's credit ratings to B from B+ with a negative outlook	*Negative*
9-Feb-17	Costa Rica	Moody's downgrades Costa Rica's rating to Ba2 from Ba1 with a negative outlook	*Negative*
21-Feb-17	Belize	S&P places Belize's CC long-term foreign currency rating on CreditWatch Negative	*Negative*
22-Feb-17	Suriname	Fitch downgrades Suriname to B- from B+ and maintains a negative outlook	*Negative*
3-Mar-17	Barbados	S&P downgrades Barbados to CCC+ from B- with a negative outlook	*Negative*
6-Mar-17	Argentina	Moody's changes the outlook on Argentina's B3 rating to positive from stable	*Positive*
9-Mar-17	Barbados	Moody's downgrades Barbados to Caa3 from Caa1 with a stable outlook	*Negative*
10-Mar-17	Colombia	Fitch revises the outlook on Colombia's BBB rating to stable from negative	*Positive*
15-Mar-17	Brazil	Moody's raises the outlook on Brazil's Ba2 rating to stable from negative	*Positive*
20-Mar-17	Belize	S&P downgrades Belize's rating to SD from CC	*Negative*
23-Mar-17	Belize	S&P upgrades Belize's rating to B- from SD with a stable outlook	*Positive*
Q2 2017	**4 positive and 10 negative actions**		
4-Apr-17	Argentina	S&P upgrades Argentina's long-term rating to B from B- with a stable outlook	*Positive*
10-Apr-17	El Salvador	Fitch downgrades El Salvador's rating to CCC from B	*Negative*
11-Apr-17	El Salvador	S&P downgrades El Salvador's rating to CCC- from B-. CreditWatch Negative	*Negative*
11-Apr-17	Belize	Moody's upgrades Belize's rating to B3 from Caa2 with a stable outlook	*Positive*
13-Apr-17	El Salvador	Moody's downgrades El Salvador's rating to Caa1 from B3, with a stable outlook	*Negative*
21-Apr-17	Trinidad & Tobago	S&P downgrades T & T long-term ratings to BBB+ from A- with a stable outlook	*Negative*
26-Apr-17	Suriname	S&P downgrades Suriname to B from B+ with a negative outlook	*Negative*
27-Apr-17	Trinidad & Tobago	Moody's downgrades T & T to Ba1 from Baa3 with a stable outlook	*Negative*
5-May-17	El Salvador	S&P upgrades El Salvador to CC from SD with a negative outlook	*Positive*
22-May-17	Brazil	S&P places Brazil BB long-term ratings on CreditWatch negative	*Negative*
26-May-17	Brazil	Moody's affirms Brazil's Ba2 rating and changes the outlook to negative from stable	*Negative*
30-May-17	Uruguay	S&P affirms Uruguay's BBB rating and revises its outlook to stable from negative	*Positive*
29-Jun-17	Ecuador	S&P downgrades Ecuador to B- from B with a stable outlook	*Negative*
Q3 2017	**7 positive and 3 negative actions**		
6-Jul-17	Bahamas	Moody's places the Bahamas Baa3 ratings on review for downgrade	*Negative*
11-Jul-17	Venezuela	S&P downgrades Venezuela long-term ratings to CCC- with a negative outlook	*Negative*
13-Jul-17	Chile	S&P downgrades Chile's rating to A+ from AA- with a stable outlook	*Negative*
13-Jul-17	Uruguay	Moody's changes outlook on Uruguay's Baa2 rating to stable from negative	*Positive*
18-Jul-17	Honduras	S&P upgrades Honduras long-term ratings BB- from B+ with a stable outlook	*Positive*
18-Jul-17	Mexico	S&P changes Mexico's rating outlook on its BBB+ rating to stable from negative	*Positive*
20-Jul-17	Dom. Republic	Moody's upgrades Dominican Republic's rating to Ba3 from B1 with a stable outlook	*Positive*
20-Jul-17	Nicaragua	Moody's changes outlook on Nicaragua's B2 rating to positive from stable	*Positive*
1-Aug-17	Bolivia	Moody's changes the outlook on Bolivia's Ba3 rating to stable from negative	*Positive*
3-Aug-17	Mexico	Fitch revises up Mexico's BBB+ rating outlook to stable from negative	*Positive*

Source: ECLAC on the basis of data from Moody's, Standard & Poor's, Fitch and JPMorgan, Emerging Markets Outlook and Strategy.

In July there were five positive actions. Moody's changed the outlook on Uruguay's Baa2 rating to stable from negative, citing the government's commitment to fiscal consolidation and an improving macroeconomic performance. S&P upgraded Honduras long-term ratings BB- from B+ with a stable outlook, on improved fiscal flexibility and limited debt increases. The agency also cited the government's commitment to strengthen public finances. S&P changed Mexico's rating outlook on its BBB+ rating to stable from negative, noting that it does not expect a deterioration in the country's debt level. Moody's upgraded Dominican Republic's issuer rating to Ba3 from B1 with a stable outlook, citing a positive growth outlook and reduced fiscal deficits. And Moody's changed the outlook on Nicaragua's B2 rating to positive from stable, citing continued fiscal stability and favorable economic prospects.

In July there were also three negative actions. Moody's placed the Bahamas Baa3 ratings on review for downgrade, citing a weaker fiscal position. S&P downgraded Venezuela long-term ratings to CCC- with a negative outlook, on worsening economic conditions and political tensions. The agency said the downgrade also reflected the increasing doubts surrounding Venezuela's ability to service its debt. S&P downgraded Chile long-term foreign currency rating to A+ from AA- with a stable outlook, on higher external vulnerabilities. The agency said the downgrade reflected the country's slow economic growth, which has affected its fiscal revenues, and has contributed to increase the debt burden.

In the beginning of August, there were two positive actions. On August 1, Moody's changed the outlook on Bolivia's issuer and bond rating to stable from negative and affirmed the ratings at Ba3, citing stabilizing fiscal and current account deficits. On August 3, Fitch revised up Mexico's sovereign ratings outlook to stable from negative and affirmed the ratings at BBB+. The agency cited downside risks to Mexico's growth outlook and an expected stabilization of the public debt burden.

At the end of July, Moody's was the only agency with sovereigns on positive outlook (Argentina, Cuba, Honduras and Nicaragua). Nine sovereigns were on negative outlook by one or more agencies (Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Suriname and Venezuela). The outlooks show that the balance of risks is towards more negative actions (appendix A, table 1).

A. Sovereign Spreads

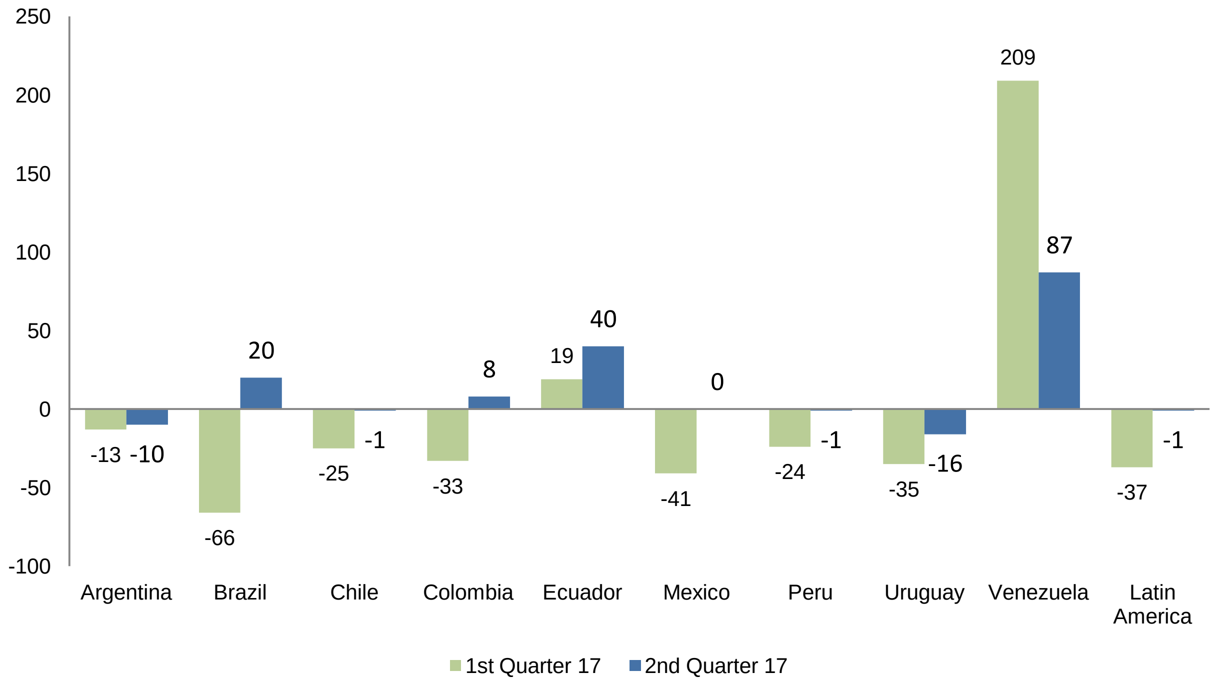
The JPMorgan's EMBIG narrowed 37 basis points in the first half of 2017 – from 365 basis points at the end of December 2016 to 328 basis points at the end of June 2017 – while its Latin component narrowed 38 basis points, from 473 to 435 basis points. Most of the tightening took place in the first quarter. In the second quarter, spreads widened for Brazil, Colombia, Ecuador and Venezuela (chart 7). On a monthly basis, spreads tightened in April, but there was some widening in May and June (chart 8).

The recent evolution of the EMBIG spreads shows Venezuelan spreads widening sharply relative to the rest of Latin American countries in the EMBIG (chart 9).

Among investment grade countries, Mexico had the highest spreads – 237 basis points – at the end of July, followed by Colombia with 194 basis points, Uruguay with 182 basis points and Peru with 152 basis points. Chile had the lowest spreads at 123 basis points (chart 10).

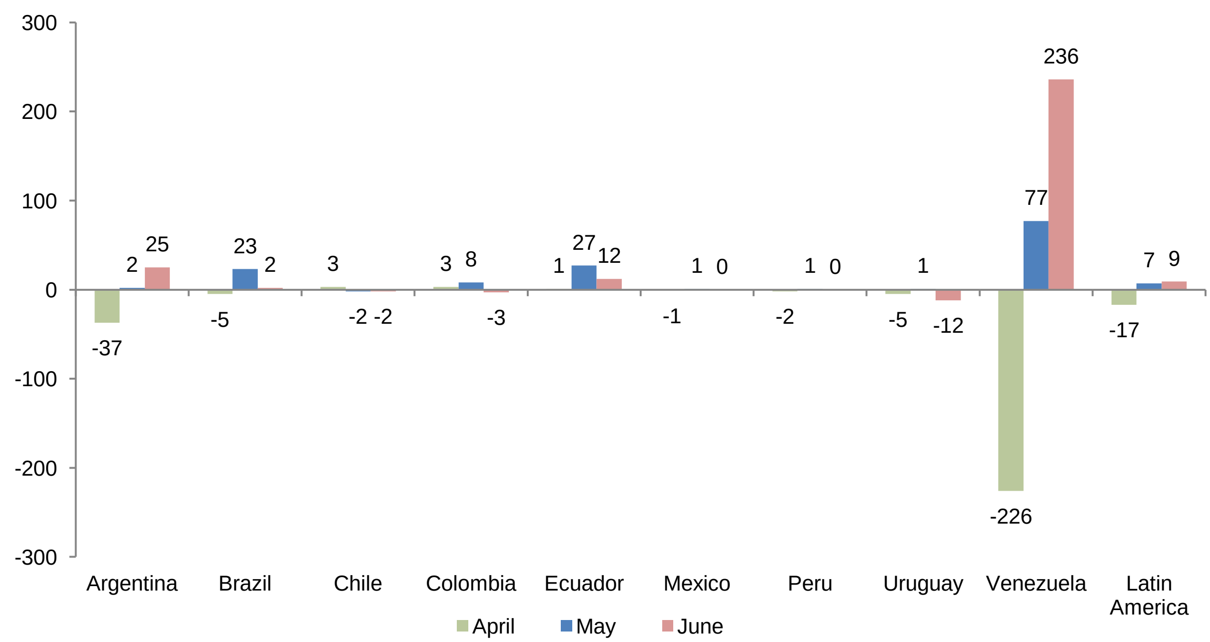
Among the non-investment grade countries, Venezuela had the highest spreads, while Brazil had the lowest (chart 11). At 2,977 basis points at the end of July, Venezuela maintains the highest debt spreads of any country in the EMBIG. Fears that the country may be forced to miss a debt payment are increasing. Spreads for Ecuador and Argentina were at 673 and 448 basis points, respectively, at the end of July. Brazilian spreads have declined from a peak reached in February of 2016, but widened slightly in May as a result of the political situation that engulfed the government then. At the end of July, Brazilian spreads were at 263 basis points, back to their level before the loss of investment grade status (chart 12).

CHART 7:
EMBIG QUARTERLY SPREAD DIFFERENTIALS
(Basis points)



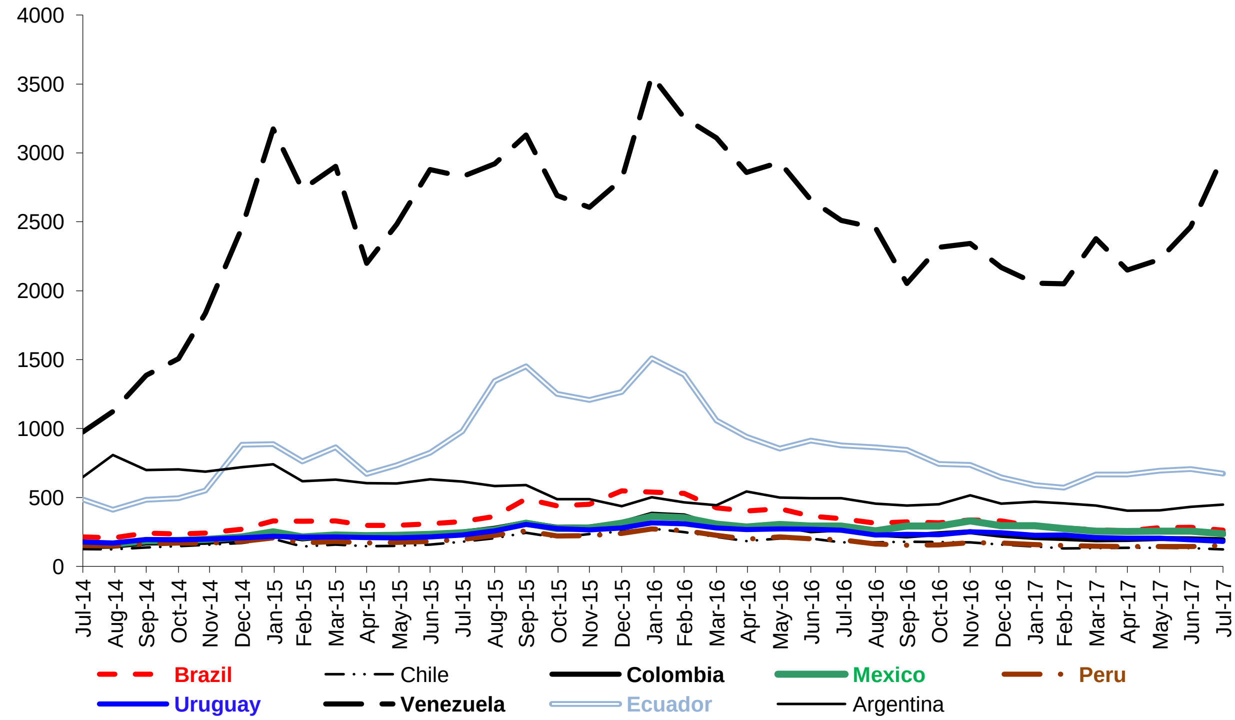
Source: ECLAC, on the basis of data from JPMorgan.

CHART 8:
EMBIG MONTHLY SPREAD DIFFERENTIALS: Q2 2017
(Basis points)



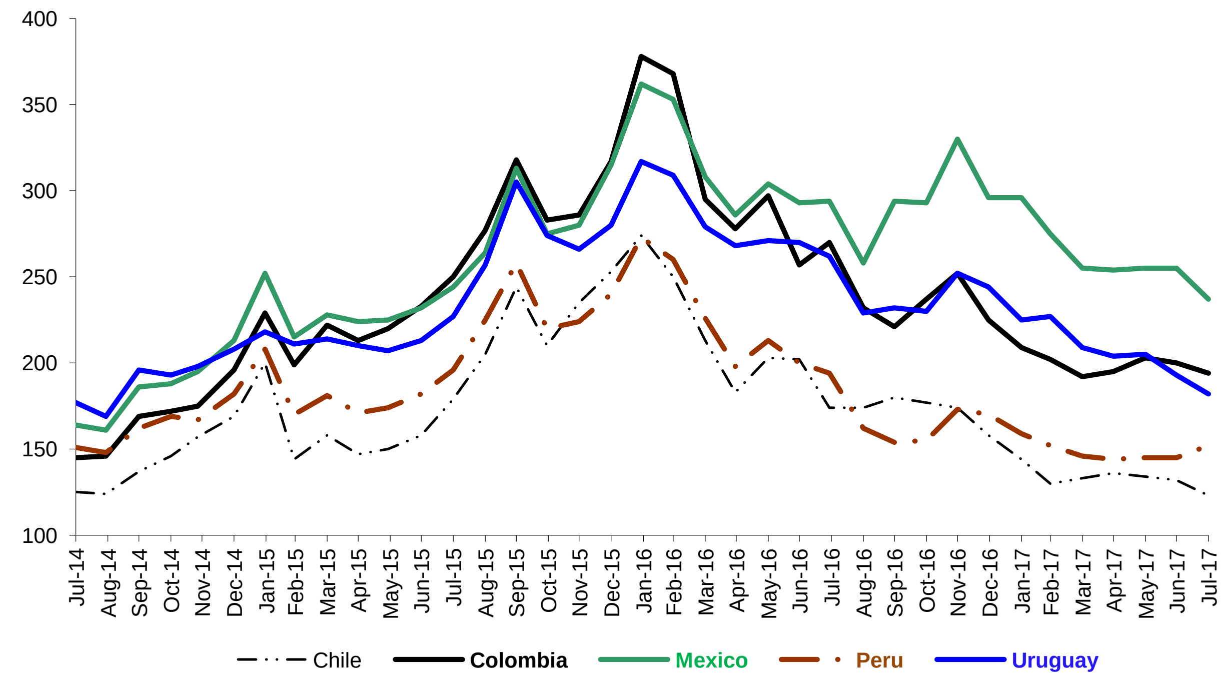
Source: ECLAC, on the basis of data from JPMorgan.

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



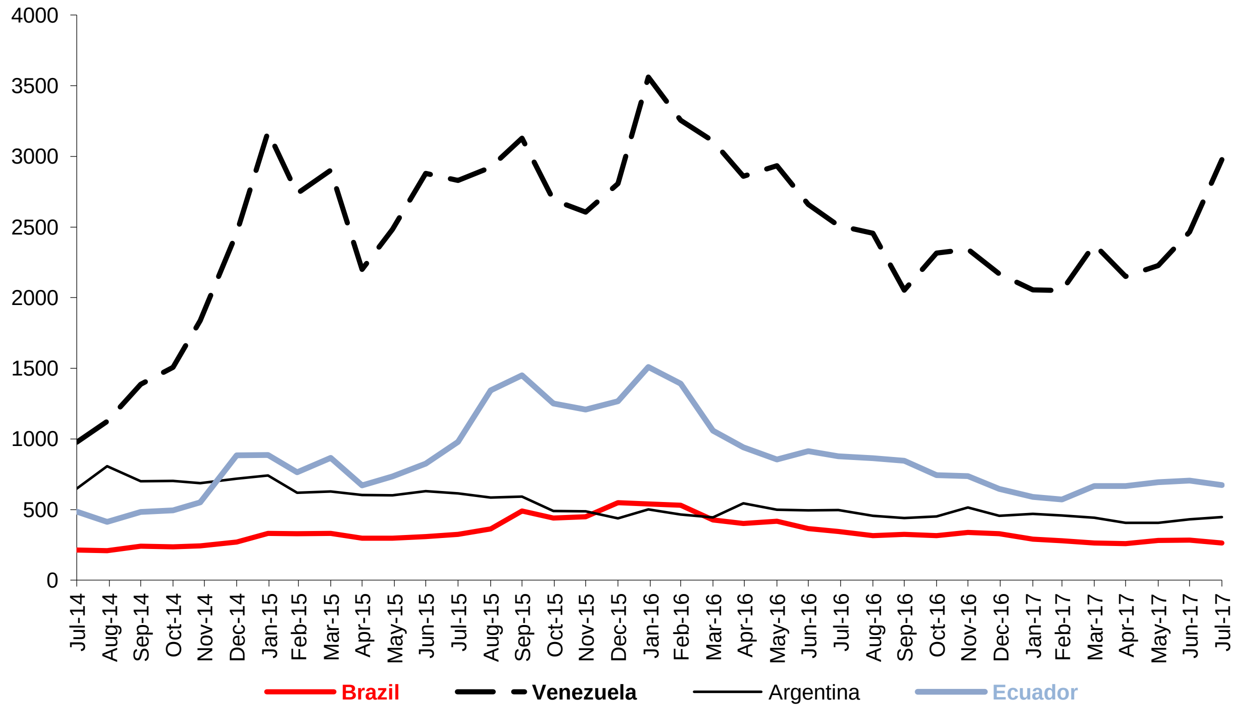
Source: ECLAC, on the basis of data from JPMorgan.

CHART 10:
EMBIG LATIN: INVESTMENT GRADE ISSUERS
(Basis points)



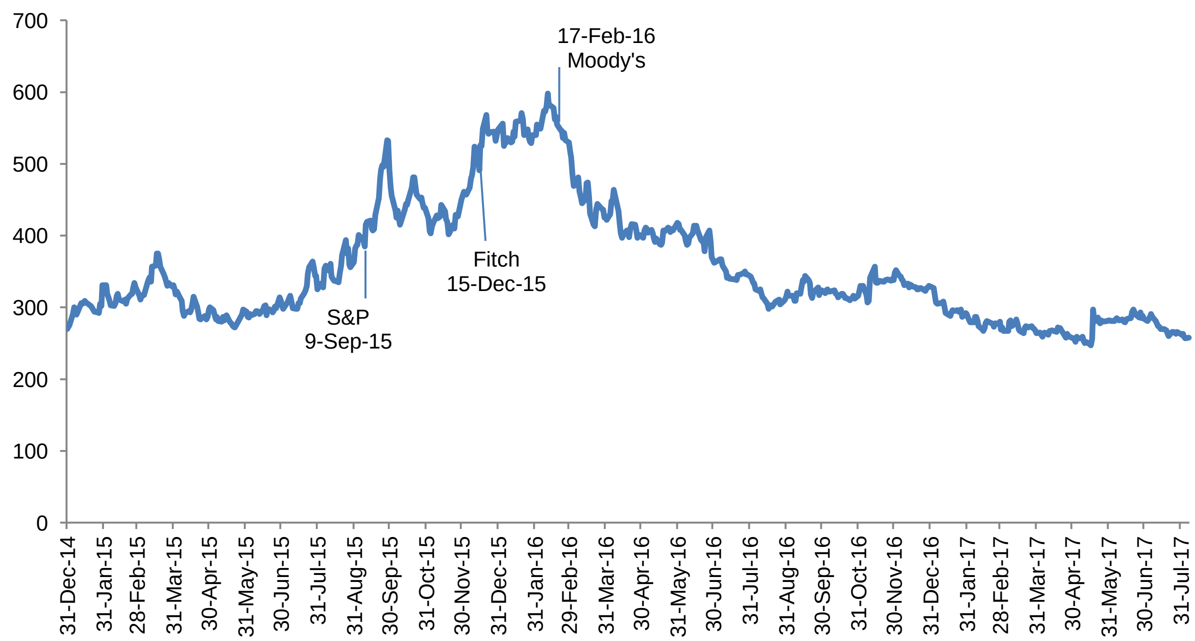
Source: ECLAC, on the basis of data from JPMorgan.

CHART 11:
EMBIG LATIN: NON-INVESTMENT GRADE ISSUERS
(Basis points)



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

CHART 12:
BRAZILIAN BOND SPREADS REACT TO DOWNGRADES TO JUNK STATUS
(Basis points)

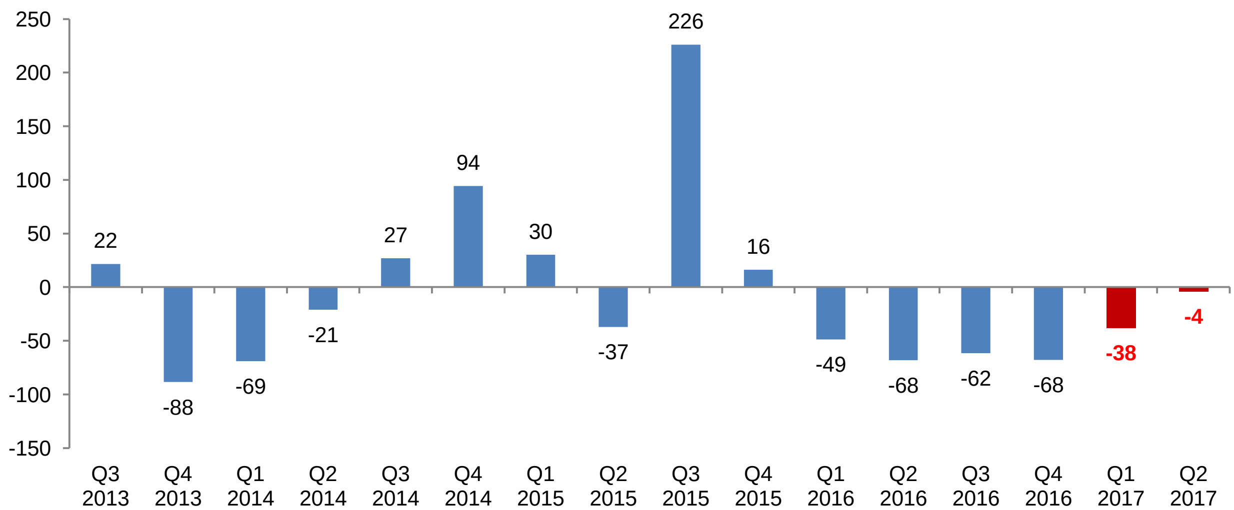


Source: ECLAC, on the basis of data from JPMorgan, Standard & Poor’s, Moody’s and Fitch.

B. Corporate Spreads

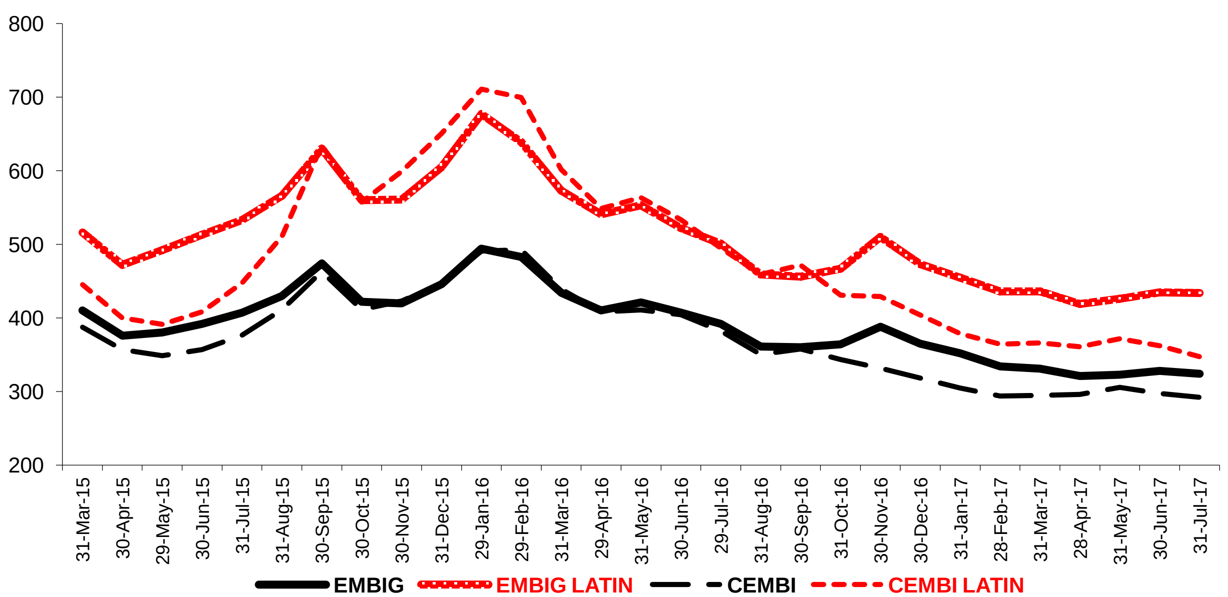
Latin American and Caribbean corporate bond spreads tightened slightly more (42 basis points) than their sovereign counterparts (38 basis points) in the first half of 2017. As with their sovereign counterparts, most of the tightening took place in the first quarter (chart 13). Latin CEMBI spreads were 73 basis points lower than their sovereign counterpart at the end of June (chart 14).

CHART 13:
CORPORATE EMBI SPREADS: LATIN COMPONENT
(Basis points)



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

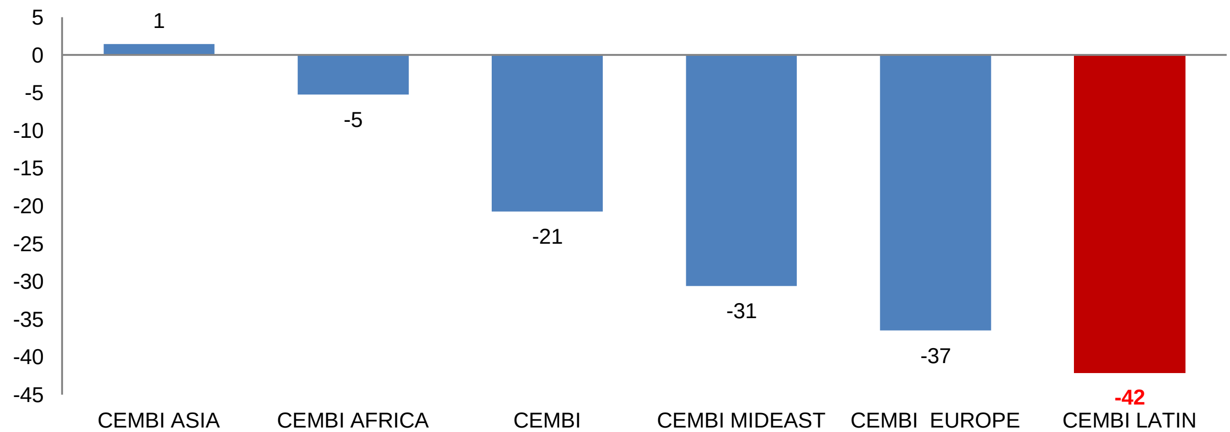
CHART 14:
JPMORGAN EMBIG SPREADS, CORPORATE AND SOVEREIGN
(Basis points)



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.

In the first half of the year CEMBI spreads tightened 21 basis points, less than the Latin component. Given the region's relatively high exposure to commodity exports and large corporations with very high levels of foreign currency borrowing, as the U.S. dollar weakened and commodity prices stabilized, Latin American corporate credit spreads tightened more than corporate spreads for other emerging market regions (charts 15).

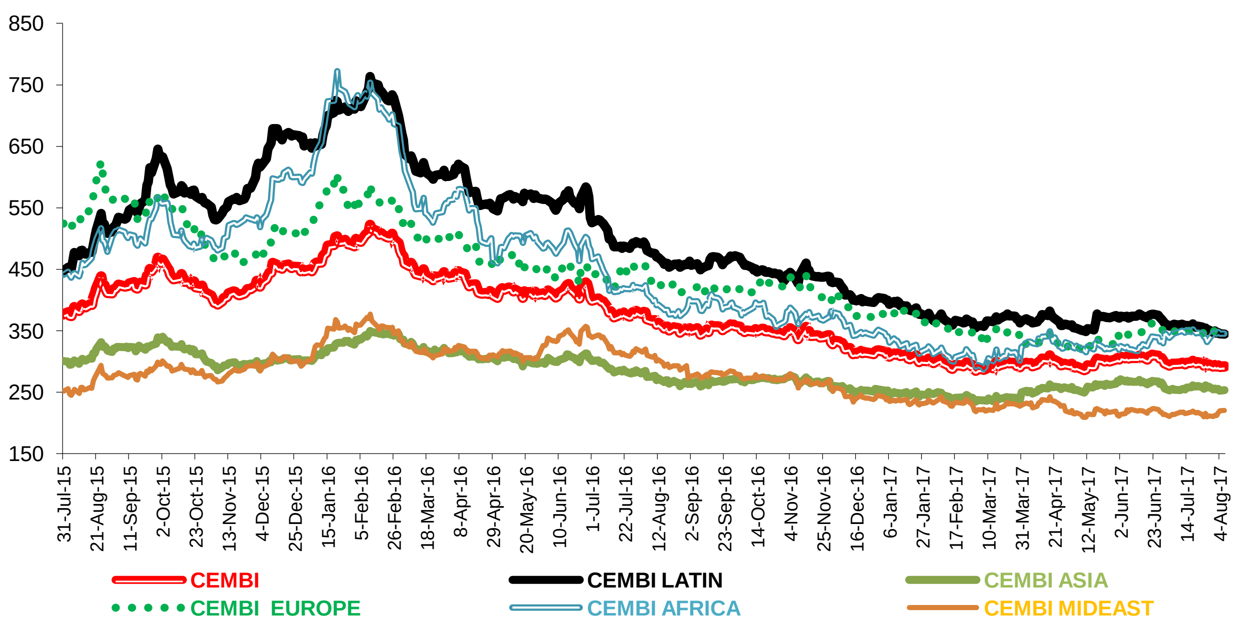
CHART 15:
CEMBI QUARTERLY SPREAD DIFFERENTIALS: H1 2017
(Basis points)



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

However, following a two-year period of low growth and weak economic fundamentals, Latin American corporate credit spreads are still wider than other emerging region's corporate spreads (chart 16).

CHART 16:
CEMBI SPREADS BY REGION
(Basis points)

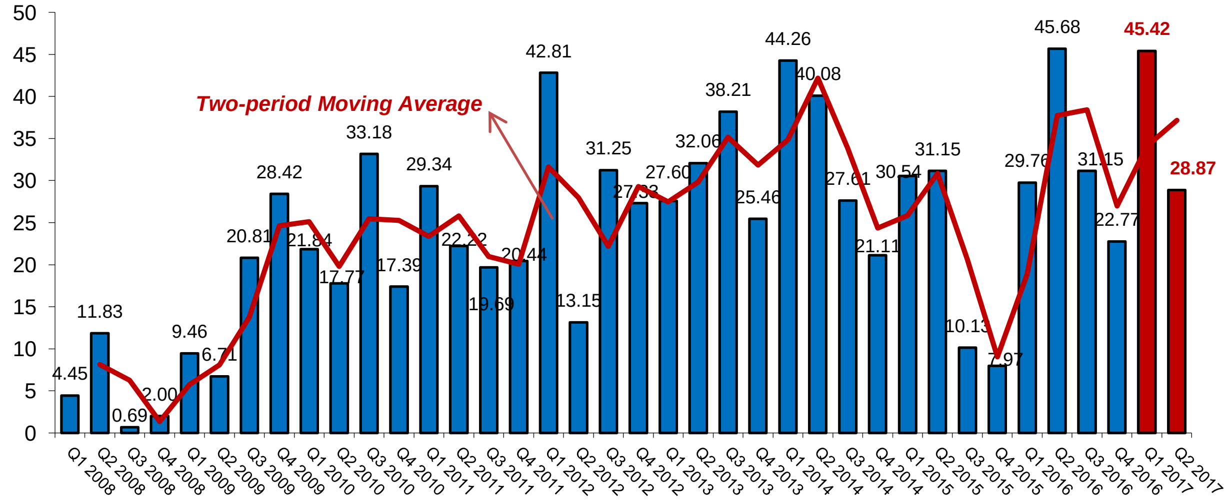


Source: ECLAC, on the basis of data from JPMorgan CEMBI and Merrill Lynch U.S. High-Yield Master II Index (H0A0).

C. New Debt Issuance

Total LAC debt issuance reached US$ 74.29 billion in the first half of 2017. It was 52% higher than in the second half of 2016, but 2% lower than in the first half of 2016. Total issuance in the second quarter of 2017 was US$ 28.87 billion. It was 37% lower than the total amount issued in the second quarter of 2016 (US$ 45.68 billion), which was the highest quarterly issuance ever for the region (chart 17).[7]

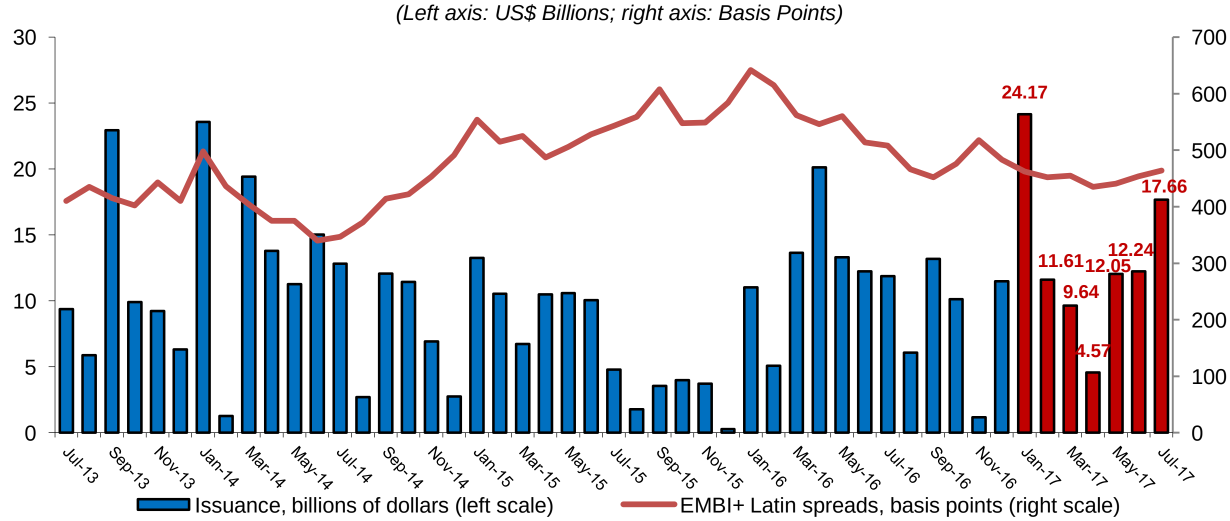
CHART 17:
QUARTERLYLY LAC ISSUANCE
(Left axis: US$ Billions; right axis: Basis Points)



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

Latin American and Caribbean debt issuers started the first half of 2017 with a bang. January issuance was the highest monthly issuance ever for the region (chart 18).

CHART 18:
MONTHLY LAC ISSUANCE
(Left axis: US$ Billions; right axis: Basis Points)

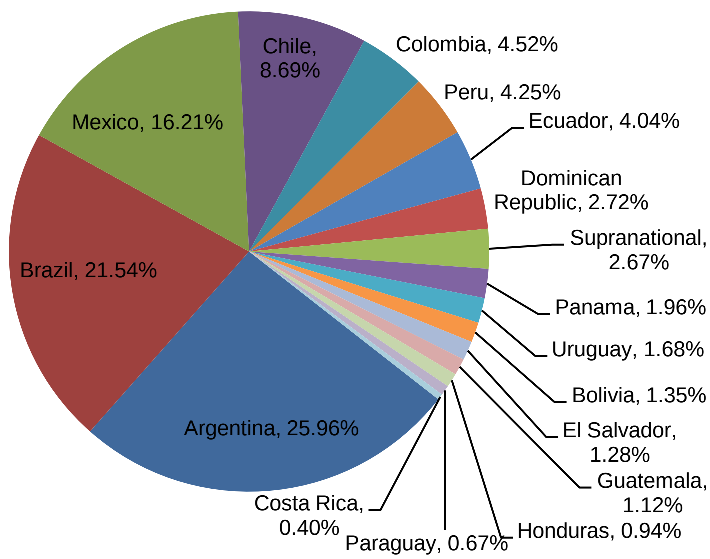


Source: ECLAC, on the basis of data from LatinFinance, JPMorgan and Bank of America-Merrill Lynch.

[7] The second quarter of 2016 marked the return of Argentina to international bond markets after a 15-year hiatus.

Argentina had the largest share of bond issuances in the first half of 2017 – sovereign and corporate combined – followed by Brazil and Mexico. Argentina, Brazil and Mexico issued (sovereign and corporate combined) US$ 19 billion, US$ 16 billion, and US$ 12 billion, respectively. Issuances from the three countries accounted for 64% of the total LAC issuance in the first half of 2017 (chart 19).

CHART 19:
LAC DEBT ISSUANCE IN H1 2017: COUNTRY BREAKDOWN
(Country shares in percentage)



Source: ECLAC on the basis of data from LatinFinance.

Some of the largest issuances in the first half have come from sovereigns and quasi-sovereigns. Sovereigns, quasi-sovereigns and supranational entities, including regional development banks, accounted for 67% of the total amount issued in the first semester. State-owned oil producers Petrobras, Pemex and Petroperu accounted for about 20% of the total.

High-yield issuers – sovereign and corporate combined – dominated LAC issuance in the first half of 2017, with a 64% share, while only 36% of the total was issued by investment grade issuers. This is a result of the dominance of Argentine and Brazilian borrowers during the period, as most (including the sovereigns) were rated at below investment grade rates.

i. Sovereign Issuance

Fourteen sovereigns – Ecuador, Honduras, Colombia, Dominican Republic, Chile, Argentina, El Salvador, Brazil, Bolivia, Mexico, Paraguay, Panama, Guatemala and Uruguay – tapped international debt markets in the first half of 2017 (appendix C, tables 3 and 4). In the second quarter, seven sovereigns – Panama, Ecuador, Guatemala, Uruguay, Chile, Dominican Republic and Argentina – came to the international bond markets.

There was no sovereign issuance in *April*, but in *May* three sovereigns tapped international bond markets. Panama came to the cross-border markets with a US$ 1.2 billion two-part sale linked to a tender offer purchasing its 5.2% 2020 notes. It included a US$ 150 million retap of its 2028 3.875% bond and an issuance of a 30-year new bond totaling US$ 1.05 billion with a 4.5% coupon. Ecuador, hit by high fiscal deficits and low economic growth as a result of low oil prices, has sought new financing opportunities. The sovereign came to international markets for the second time this year (the first time was in January) with a US$ 2 billion sale that included a 5-year bond (a US$ 1 billion 2023 8.75% bond) and a 10-year bond (US$ 1 billion 2027 9.625% bond). Guatemala also tapped international markets in May with a US$ 500 million 4.375% 2027 bond. Fitch rated the new trade BB and said proceeds would pay interest and principal on outstanding debt, finance social programs and capex requirements.

In *June*, Uruguay issued a five-year Global Peso Bond (a peso-denominated paper via rule 144A/RegS), totaling US$ 1.25 billion and paying a 9.875% coupon, with part of the proceeds to be used to fund a buyback. This was the first time in five years that a sovereign emerging market had issued a local currency bond not indexed to inflation in a foreign jurisdiction. Chile came to international bond markets with a reopening and a new issuance. The sovereign reopened its 2030 1.875% Euro-denominated bond, originally issued in May 2015, to add US$ 785 million. It also issued a new US$ 1.243 billion 3.86% 2047 bond, with proceeds to be used for a buyback operation. Dominican Republic also tapped the markets with a reopening of its 2027 5.95% bond originally issued in January, to add US$ 500 million.

However, it was Argentina that caught most attention when it became the first Latin American non-investment grade sovereign to issue a century bond. The 7.125% US$ 2.5 billion 2117 instrument issued in June drew a lot of interest from investors and raised many questions, given that Argentina has been in default on at least some of its debts for all but six years of the past two decades. Investors say that if Argentina fulfils its promises to reduce its deficit and meets its fiscal targets, there is a good chance that its bond prices will rally significantly over the next couple of years. Given the century bond was sold at a yield of almost 8%, an investor could recoup their initial investment in around 12 years, they argue. Moreover, most analysts believe that Argentina’s debt-to-GDP ratio is still very sustainable, provided that the government keeps to its fiscal consolidation targets and the economy grows. Joining only a handful of sovereign borrowers to sell century bonds, Argentina’s move highlighted a broader enthusiasm for emerging market securities. The bond compares to Mexico's century bond and Petrobras 2115 bond.

At the end of June, Argentina’s Province of Cordoba issued a US$ USD 450 million 7.125% 2027 bond, its second cross-border trade this year.

ii. Corporate Issuance

In the first half of 2017, the corporate sector (including corporations, banks, quasi-sovereigns and supranationals) accounted for 53% of total LAC issuance (chart 20). The share of corporate issuance reached a peak in 2012 (chart 21).

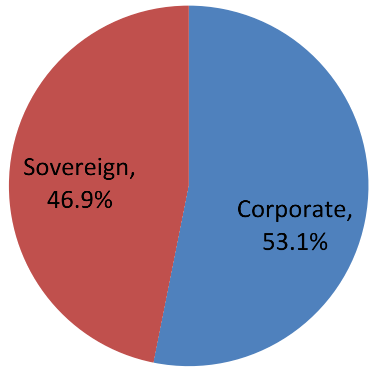
Quasi-sovereign and supranational issuers accounted for 50% of total LAC corporate issuance in international markets in the first half, a decrease from the 61% share in 2016. Corporations and banks accounted for the other half (charts 22 and 23).

Excluding sovereign borrowers, 60 corporate issuers (including quasi-sovereign and supranational companies) from the region sold US$ 39.5 billion of cross-border bonds in the first half, and 37% of that volume (US$ 14.5 billion) came from state-owned oil producers Petrobras, Pemex and Petroperu.

In the second quarter of 2017, six quasi-sovereigns – Brazil’s BNDES and Petrobras; Argentina’s YPF; Chile’s BancoEstado; Peru’s Petroleos del Peru (Petroperu); and Mexico’s Comisión Federal de Electricidad (CFE) – tapped the cross-border markets, issuing a total of US$ 8 billion (appendix C, table 4).[8]

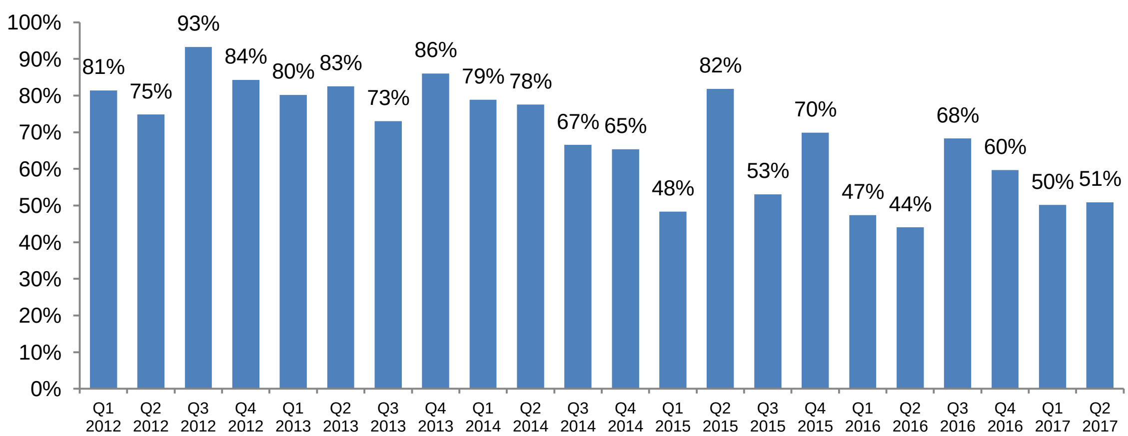
[8] In the first quarter, six quasi-sovereigns – Brazil’s Petrobras; Chile’s Metro de Santiago (Empresa de Transporte de Pasajeros Metro S.A.) and BancoEstado; Peru’s Fondo Mivivienda; Mexico’s Pemex and Nafin – and three supranational issuers – CAF Development Bank of Latin America, the Central American Bank for Economic Integration (CABEI) and the Central America Bottling Corporation (CBC) – tapped the cross-border markets, issuing a total of US$ 11.8 billion.

CHART 20:
LAC CORPORATE AND SOVEREIGN ISSUANCE IN H1 2017
(Percentage)



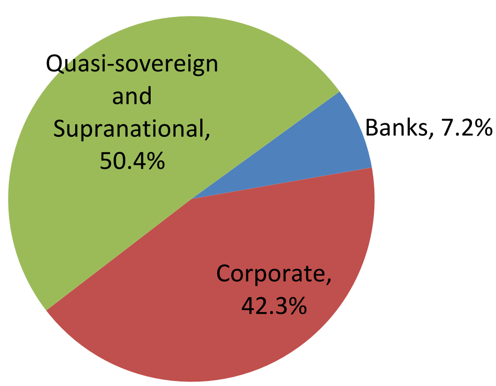
Source: ECLAC on the basis of data from LatinFinance.

CHART 21:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE AS A SHARE OF THE TOTAL
(Percentage)



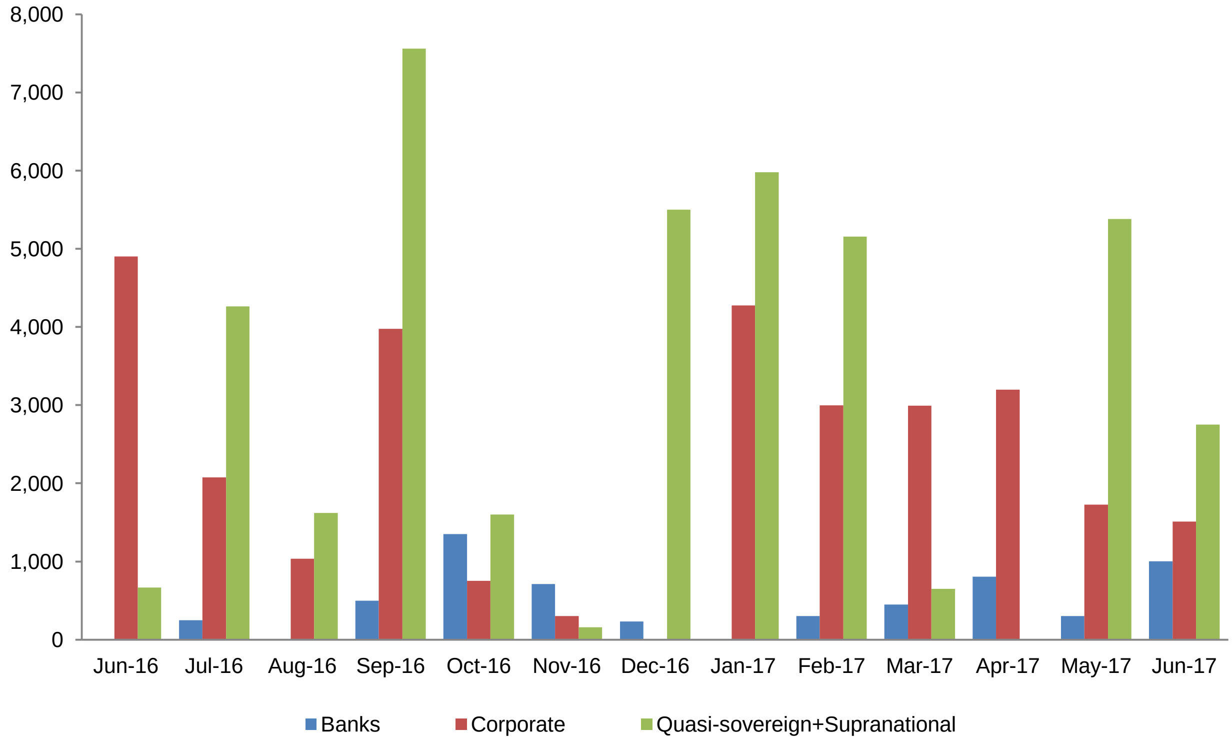
Source: ECLAC on the basis of data from LatinFinance.

CHART 22:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE IN H1 2017
(Percentage)



Source: ECLAC on the basis of data from LatinFinance.

CHART 23:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE: JUNE 2016 TO JUNE 2017
(US$ million)



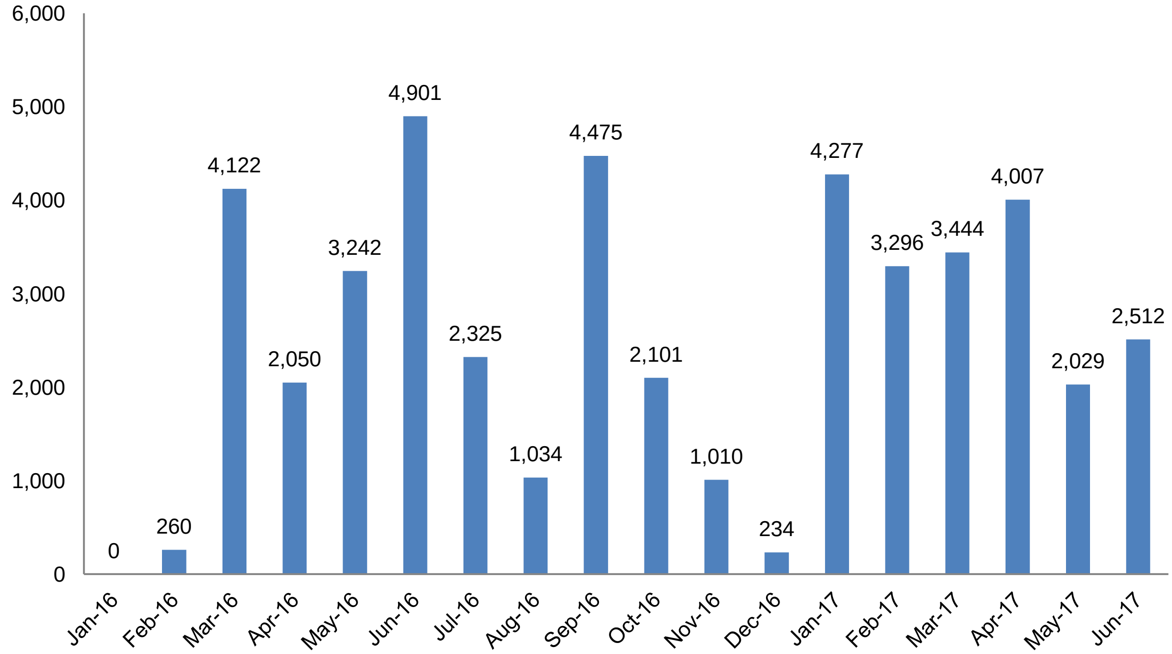
Source: ECLAC on the basis of data from LatinFinance.

In *April* there was no quasi-sovereign issuance, but in *May*, four quasi-sovereign companies tapped international bond markets. Brazil's National Development Bank (BNDES) issued a US$ 1 billion 4.75% 2024 green-labeled bond, with proceeds to be used to finance wind and solar projects in Brazil. This transaction ended a three-year hiatus for BNDES in the cross-border market. In the energy sector, Argentina's YPF and Brazil's Petrobras tapped the cross-border market. YPF issued a US$ 300 million-equivalent 16.5% 2022 fixed-rate global peso bond. By betting on fixed-rate paper, investors hope that Argentina's decreasing inflation continues southbound, mitigating exposure to a typically volatile Badlar rate. And Petrobras took advantage of a rally in oil prices to borrow US$ 4 billion from bond investors in mid-May, reopening its 6.125% 2022 bond, originally issued in January, to add US$ 1 billion, its 7.375% 2027 bond, also originally issued in January, to add US$ 2 billion, and its 7.25% 2044 bond originally issued in 2014 to add US$ 1 billion.

In June, Peru's Petroleos del Peru (Petroperu) debuted in the cross-border bond market issuing a US$ 1 billion 4.75% 2032 bond and a US$ 1 billion 5.625% 2047. The company will use proceeds to finance improvements to its Talara refinery. Mexico's Comisión Federal de Electricidad (CFE) issued a US$ 750 million 5.15% Formosa bond due 2047, which was listed in the Taipei Exchange. CFE is the first Mexican issuer to access Taiwan's Formosa bond market. The proceeds from this offering will be used to finance electric infrastructure projects in Mexico.

Issuances from the **private corporate sector** in the first half of 2017, not including quasi-sovereigns and supranationals, reached US$ 19.6 billion. It was 34% higher than in the first half of 2016 and 75% higher than in the second half of 2016. There was more activity in January and April, but activity continued throughout the semester (chart 24).

CHART 24:
LAC MONTHLY PRIVATE CORPORATE SECTOR BOND ISSUANCE IN 2016 AND H1 2017
(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.

Twelve cross-border debut issuances took place from January to July 2017 amounting to US$ 6.3 billion. They accounted for 12% of the total corporate issuance and 7% of the total issuance in the period. 63% of the debut issuances in the period took place in the energy sector. Except for Petroperu, all were high-yield issuances.

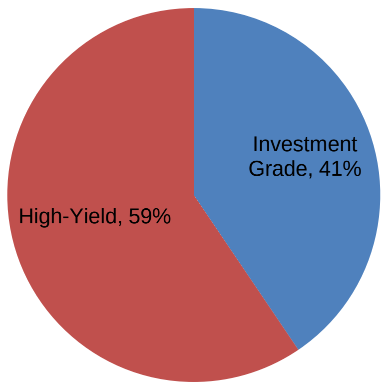
TABLE 2:
CORPORATE DEBUT ISSUANCES IN LATIN AMERICA AND THE CARIBBEAN, 2017 YTD

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon(%)	Maturity	Issue Date
Argentina	Genneia	USD 350	350	8.750%	2022 NC3	12-Jan-17
Argentina	Pampa Energía	USD 750	750	7.500%	2027 NC5	17-Jan-17
Colombia	Tecnoglass	USDS 210	210	8.200%	2022	23-Jan-17
Brazil	Rumo	USD 750	750	7.375%	2024 NC4	2-Feb-17
El Salvador	Grupo Unicomer	USD 350	350	7.875%	2024	21-Mar-17
Mexico	Grupo Kaltex SA de CV	USD 320	320	8.875%	2022	6-Apr-17
Peru	Orazul Energy	USD 550	550	5.625%	2027 NC5	25-Apr-17
Guatemala	Energuate Trust	USD 330	330	5.875%	2027 NC5	27-Apr-17
Peru	Petroleos del Peru (Petroperu)	USD 1000	1,000	4.750%	2032	12-Jun-17
Peru	Petroleos del Peru (Petroperu)	USD 1000	1,000	5.625%	2047	12-Jun-17
Brazil	JSL	USD 325	325	7.750%	2024	19-Jul-17
Colombia	Credivalores	USD 250	250	9.750%	2022	20-Jul-17
Honduras	Inversiones Atlantida SA	USD 150	150	8.250%	2022 NC3	21-Jul-17
			6,335			

Source: ECLAC on the basis of data from LatinFinance.

High-yield companies had a bigger share (59%) of total corporate issuance in the first half of 2017, as Argentina and Brazilian corporate issuers – the majority with a non-investment grade – accounted for almost half of the total. The share of investment-grade issuance was 41% (chart 25).

CHART 25:
BREAKDOWN OF LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY RATING, H1 2017
(Percentage of total)



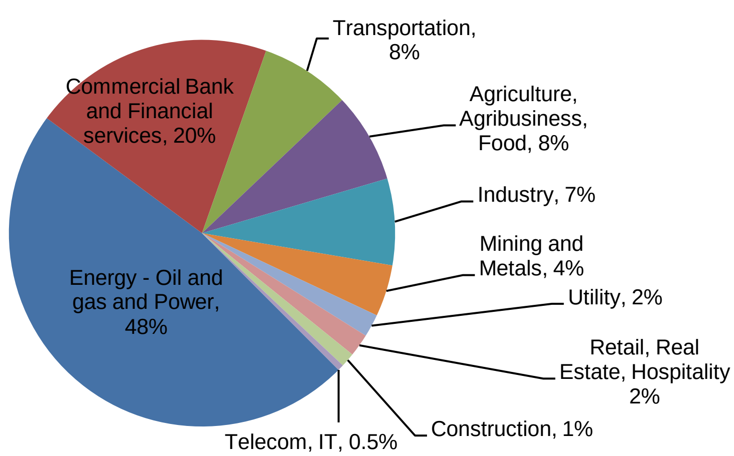
Source: ECLAC, on the basis of data from LatinFinance.

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

From a sectoral perspective, 48% of LAC corporate debt issuance (including corporate, banks, quasi-sovereigns and supranationals) in the first half of 2017 came from one sector: energy (chart 26). That was because of state-owned oil producers Petrobras, Pemex, YPF and Petroperu, which accounted for almost 40% of the total corporate issuance in the first half.

The financial sector, including banks as well as financial services companies, was the second most relevant sector in terms of aggregate volume (20% of total corporate issuance), followed by transportation and food and beverages, which accounted for 8% each.

CHART 26:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY SECTORS, H1 2017
(Percentage of total)



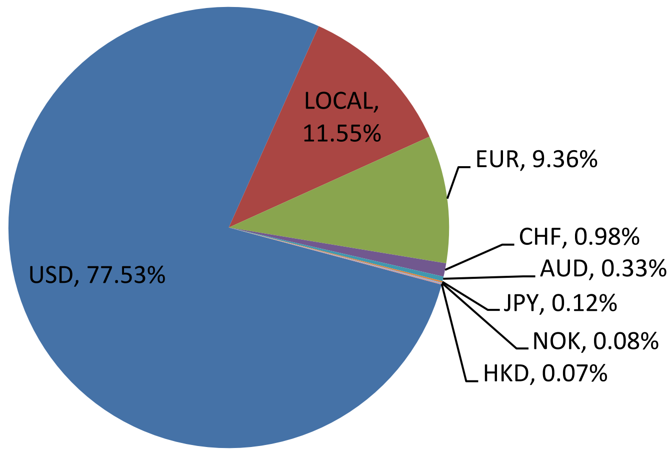
Source: ECLAC, on the basis of data from LatinFinance.

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 half of 2017 was denominated in U.S. dollars (77.5%). There was also issuance in local currencies, including Brazilian Reais, Argentine, Chilean and Uruguayan pesos, and Peruvian Soles (11.6%); Euros (9.4%); Swiss Francs (0.98%); Australian Dollars (0.33%); Japanese Yens (0.12%); Norwegian Kroner (0.08%); and Hong Kong Dollars (0.07%).

CHART 27:
CURRENCY BREAKDOWN, H1 2017



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

iv. Green Bonds

There were two green-labeled bonds issued in Latin America and the Caribbean in the first half of 2017, both from Brazilian issuers.

In January, Brazil's pulp and paper unit Fibria Overseas Finance returned to the cross-border fixed income space with a green US$ 700 million 5.5% 10-year bond. Under strict green bond principles, Fibria must allocate the proceeds for specific environmentally-friendly purposes, and in this case funds will go towards the conservation of eucalyptus-producing tree plantations, among other projects.

In May, Brazil's National Development Bank (BNDES) issued a US$ 1 billion 4.75% 2024 green-labeled bond, with proceeds to be used to finance wind and solar projects in Brazil. It was the first time that a Brazilian bank had issued a green bond in the international market. The bond has features similar to conventional ones; however, the funds obtained will go towards financing environmentally sustainable projects, certified by a company specialized in the environmental area. The funds are to be aimed at new or already existing wind or solar generation projects in the portfolio of the Bank. Between 2003 and 2016, in the wind power sector alone, BNDES approved 87 credit operations totaling R$ 28.5 billion in credit, increasing the installed capacity by about 10.7 GW. The release of this bond, which was listed on the Luxembourg Green Exchange, adds to the other BNDES's initiatives to promote the dissemination of best practices of social and environmental management. The Bank also hopes to encourage the access of other Brazilian issuers to the market of green bonds.

Although not labeled as green bonds, there were other bonds with a green focus issued in the first half of 2017 (see table 3). Argentina's Genneia's bond debut in January is one of them, with part of the proceeds to be used for investments in wind projects. In the same vein, the proceeds of the bond issued in February by Argentina's La Rioja Province will be set aside for renewable energy investments, although the province's trade did not come attached with a green bond structure. More specifically, the proceeds of the bond will support an increase in the province's wind power generation capacity through the expansion of Arauco wind farm to 300 mega watts. Similarly, Chile's Inversiones CMPC, a pulp and paper company, issued a 10-year bond in March whose proceeds will be invested in green projects. Bonds with a green focus accounted for 3.7% of the region's total issuance in the first half of 2017.

TABLE 3:
LAC CROSS-BORDER BOND ISSUANCE WITH A GREEN FOCUS: H1 2017
(Millions of dollars)

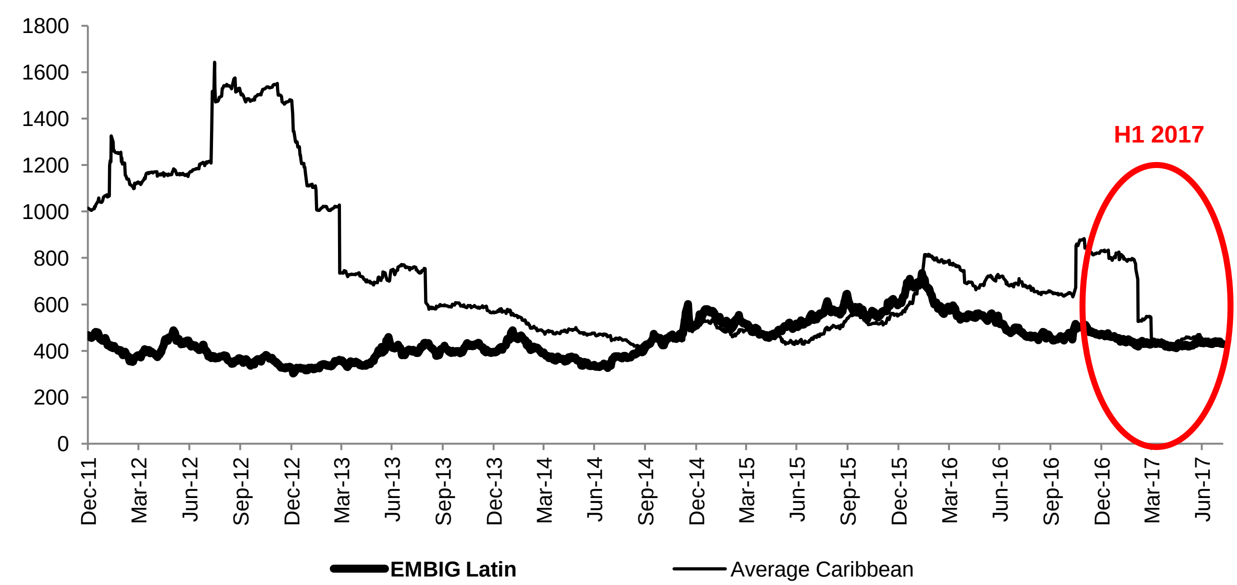
Country	Issuer	Amount (million)	US$ million	Coupon	Maturity	Issue Date
Brazil	Fibria Overseas Finance Ltd	USD 700	700	5.500%	2027 (g)	11-Jan-17
Argentina	Genneia	USD 350	350	8.750%	2022 NC3	12-Jan-17
Argentina	La Rioja Province	USD 200	200	9.750%	2025	17-Feb-17
Chile	Inversiones CMPC[1]	USD 500	500	4.375%	2027	31-Mar-17
Brazil	BNDES	USD 1000	1000	4.750%	2024	2-May-17
			2,750			

Source: ECLAC Washington Office, on the basis of data from LatinFinance.
[1] Compañía Manufacturera de Papeles y Cartones

II. Bond markets and credit management in the Caribbean[9]

In the first half of 2017, there was a retreat in the spread gap between the Caribbean countries and the EMBIG Latin component, which from late 2010 to late 2012 had widened almost 1,000 basis points as a result of the high number of defaults in the Caribbean region (chart 28).

CHART 28:
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.

[9] 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.

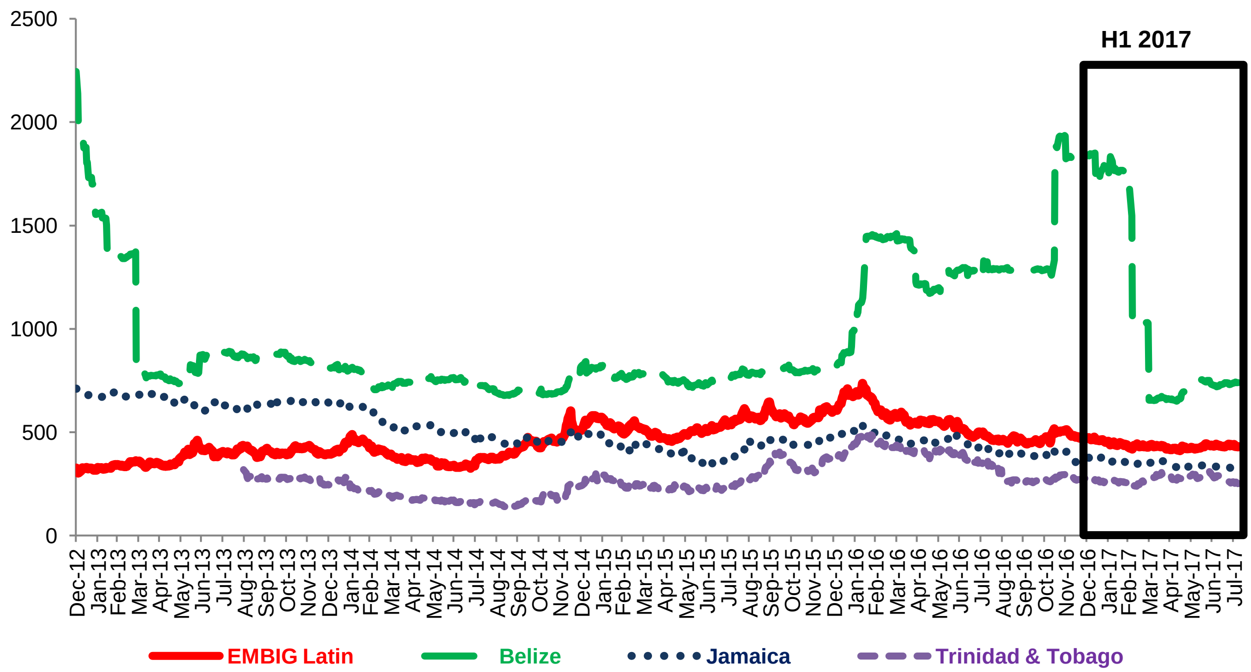
In 2014 the spread gap had finally closed, as successful bond restructurings lowered spreads for the Caribbean region, and in 2015 the gap was actually reversed, with Caribbean spreads lower than the EMBIG Latin component by 50 basis points at the end of the year. In 2016, however, the gap reappeared.

Most of the tightening in Caribbean spreads took place in the first quarter, as spreads for Belize tightened 1,182 basis points. The tightening resulted from the agreement reached in mid-March between the government and 87% of its 2038 super bond's holders to restructure the bond's payments.[10] Caribbean spreads ended the first quarter lower than the EMBIG Latin component by 13 basis points. While Latin American sovereign spreads tightened 37 basis points in the first quarter, according to the JPMorgan EMBIG Latin component, spreads for the Caribbean region tightened 409 basis points.

In the second quarter, however, Caribbean spreads widened 31 basis points, while the EMBIG Latin component narrowed by 1 basis point. The widening in the second quarter was driven by Belize and Trinidad and Tobago's spreads, which widened 75 and 30 basis points, respectively. Jamaican spreads tightened 13 basis points in the second quarter.

Despite a slight widening in the second quarter, the tightening of Caribbean spreads in the first half came to 378 basis points, compared to a tightening of 38 basis points for the EMBIG Latin component. Belize's spreads tightened 1,107 basis points in the first half of 2017, to 730 basis points at the end of June from 1,837 basis points at the end of December 2016 (chart 29). Jamaica's spreads tightened 39 basis points, to 336 basis points at the end of June from 375 basis points at the end of December 2016. Trinidad and Tobago's spreads – which were added to the JPMorgan EMBIG index on 30 August 2013 – actually widened 11 basis points in the first half, to 294 basis points at the end of June from 283 basis points at the end of December 2016.

CHART 29:
CARIBBEAN COUNTRIES, H1 2017 EMBIG SPREADS
(Basis points)



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

[10] The deal extended the maturity of the US$ 530 million bond by 4 years, to 2038, increased the coupon to 5% and changed the amortization schedule. Belize also committed to taking IMF assistance if it misses primary surplus targets in the coming years.

Credit Rating Actions

There were two positive and nine negative credit rating actions in the Caribbean in the first seven months of 2017 (table 4).

TABLE 4:
SOVEREIGN CREDIT RATING ACTIONS IN THE CARIBBEAN, 2017 YTD

Date	Country	Action	
2017 YTD	**2 positive and 9 negative actions**		
Q1 2017	**1 positive and 5 negative actions**		
21-Feb-17	Belize	S&P places Belize’s CC rating on CreditWatch Negative	*Negative*
22-Feb-17	Suriname	Fitch downgrades Suriname to B- from B+ and maintains a negative outlook	*Negative*
3-Mar-17	Barbados	S&P downgrades Barbados to CCC+ from B- with a negative outlook	*Negative*
9-Mar-17	Barbados	Moody’s downgrades Barbados to Caa3 from Caa1 with a stable outlook	*Negative*
20-Mar-17	Belize	S&P downgrades Belize’s rating to SD from CC	*Negative*
23-Mar-17	Belize	S&P upgrades Belize’s rating to B- from SD with a stable outlook	*Positive*
Q2 2017	**1 positive and 3 negative actions**		
11-Apr-17	Belize	Moody’s upgrades Belize’s rating to B3 from Caa2 with a stable outlook	*Positive*
21-Apr-17	Trinidad & Tobago	S&P downgrades T & T rating to BBB+ from A- with a stable outlook	*Negative*
26-Apr-17	Suriname	S&P downgrades Suriname to B from B+ with a negative outlook	*Negative*
27-Apr-17	Trinidad & Tobago	Moody’s downgrades T & T to Ba1 from Baa3 with a stable outlook	*Negative*
Q3 2017	**0 positive and 1 negative actions**		
6-Jul-17	Bahamas	Moody’s places the Bahamas Baa3 ratings on review for downgrade	*Negative*

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

The positive actions were all related to Belize, after the sovereign restructured its 2038 super bonds in March, its third debt restructuring in the last 10 years. Before that Belize had been downgraded by S&P and Moody’s following a missed coupon payment and the announced debt exchange.

Negative actions were taken on Suriname, Barbados, Trinidad & Tobago and the Bahamas’ credit ratings. In February, Fitch downgraded Suriname to B- from B+ and maintained a negative outlook, citing macroeconomic instability and rising government debt. In April, Suriname was downgraded by S&P to B form B+ with a negative outlook, on worsening economic strength and debt burden.

Barbados was downgraded by S&P and Moody’s in March, to CCC- and Caa3, respectively. The agencies cited limited financing alternatives and low international reserves, warning that the sovereign faces increasing chances of a default.

In April, S&P downgraded Trinidad and Tobago to BBB+ form A-, citing higher debt burden, and Moody’s took the sovereign’s investment grade away, downgrading its rating to Ba1 from Baa3. Moody’s said the sovereign’s policy response to offset the impact of low energy prices on government revenues was insufficient, also adding that the government’s large deficits had led to increased debt ratios.

In July, Moody’s placed the Bahamas Baa3 ratings on review for downgrade, citing a weaker fiscal position.

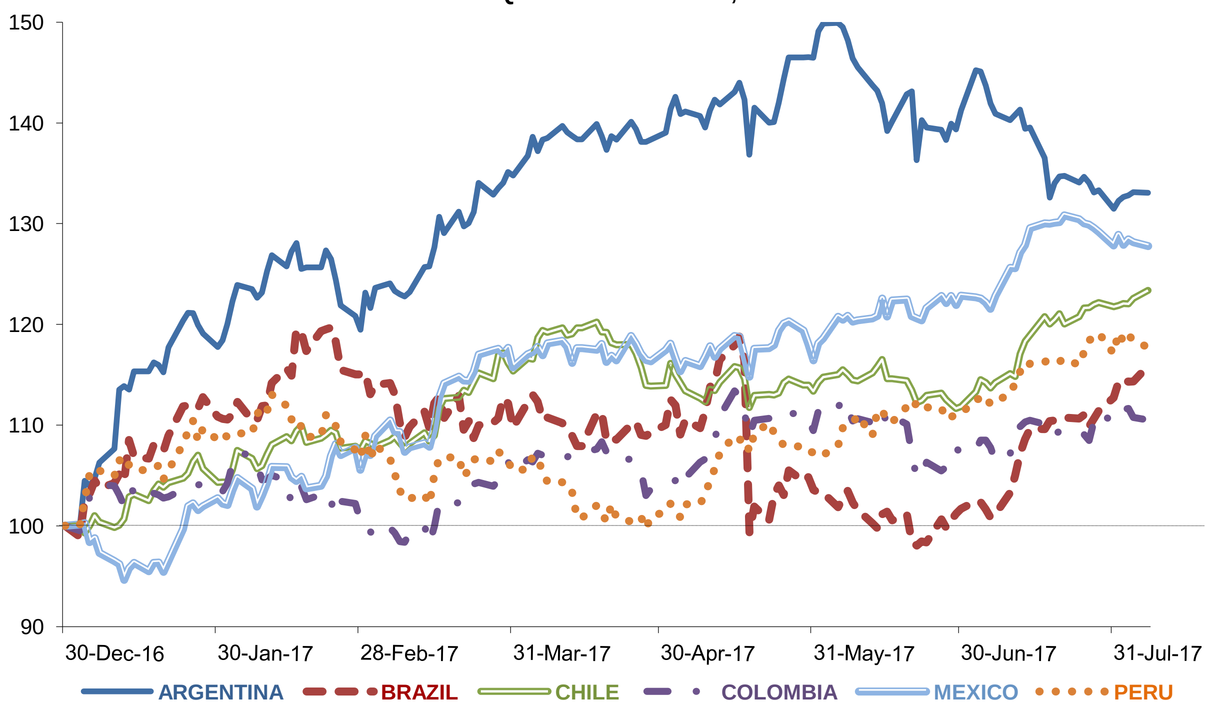
Debt issuance

There was no issuance from the Caribbean region in the first half of 2017.

III. Portfolio equity flows

Latin American equities rallied in the first half of 2017, supported by firmer oil prices and better economic prospects, as well as by a weakening dollar. Equities were also supported by the still low interest rates held by major central banks, and by signs of sustained improvement in the global economy.

CHART 30:
MSCI EQUITY PRICE INDEX, H1 2017



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.

Latin American stocks gained almost 9% in the first half of 2017 (chart 30, table 5), according to the MSCI Latin American Index. Latin American shares have lagged behind the broader emerging market index, however, which was up 17% in dollar terms in the same period. A large portion of this underperformance, as mentioned earlier, is explained by the slump in Brazilian stocks in the context of the political challenges surrounding its government in mid-May. Brazilian stocks lost 7% in the second quarter as a result, after gaining almost 10% in the first quarter. However, after this initial reaction to the uncertainty brought about by the political news from Brazil, financial markets have remained calm and Brazilian stocks have been recovering since they reached a bottom in late June, gaining 11% in July.

Within the region, Argentina's MSCI index had the sharpest gain in the first half (41.25%), followed by Mexico (22.86%), Chile (11.84%), Peru (11.11%), Colombia (7.11%), and Brazil (1.70%).

TABLE 5:
MSCI EQUITY INDICES, H1 2017

	Price Index in USD			Variation		
	Dec 30, 2016	Mar 31, 2017	Jun 30, 2017	Q1 2017	Q2 2017	H12017
Emerging markets	862.275	958.369	1,010.800	11.14%	5.47%	17.22%
Latin America	2,340.648	2,611.103	2,544.131	11.55%	-2.56%	8.69%
Argentina	2,469.085	3,328.184	3,487.665	34.79%	4.79%	41.25%
Brazil	1,671.820	1,834.817	1,700.183	9.75%	-7.34%	1.70%
Chile	1,447.021	1,669.464	1,618.388	15.37%	-3.06%	11.84%
Colombia	560.756	590.415	600.640	5.29%	1.73%	7.11%
Mexico	4,696.829	5,435.586	5,770.653	15.73%	6.16%	22.86%
Peru	1,248.497	1,316.704	1,387.239	5.46%	5.36%	11.11%

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

There was some expectation that MSCI, which compiles stock market indices, would decide in June to readmit Argentina into its widely-followed emerging-market index, upgrading it from the lower tier of "frontier markets." However, MSCI did not deliver the upgrade, saying it would keep Argentina on its 2018 annual review list for possible inclusion in its Emerging Markets Equities Indices. It acknowledged that the Argentine equity market "meets most of the accessibility criteria for Emerging Markets," but cited concerns that recent improvements to that end should be in place for a longer period of time before they could be considered "irreversible."

IV. Prospects

The strength of capital flows to the Latin America and Caribbean region in the first half of 2017 was driven by global investors fleeing the lukewarm returns offered by developed bond markets and sustained weakness in the U.S. dollar. It was also encouraged by an improvement in the region's economic situation. Debt sales by issuers from Latin America and the Caribbean boomed as a result, reflecting strong investor appetite for higher-yielding bonds.

The improvement in the region's economic outlook was an important factor in attracting investors, with Brazil beginning to emerge from a deep recession and Argentina's economic conditions improving. Bonds from the region offer more yield than government bonds in advanced economies, in which rates continue to be historically low. Most of the LAC issuance during the first semester was denominated in U.S. dollar and that could pose challenges for some issuers if U.S. interest rates rise faster than expected or the dollar resumes its ascent.

Further monetary tightening from the Fed may unsettle emerging markets used to abundant dollars. The implications of fewer dollars, particularly for emerging markets, are starting to be pondered as Fed officials begin discussing shrinking the central bank's US$ 4.5 trillion balance sheet. Once the Fed slows its purchases of Treasuries and other securities, the dollars effectively given out around the world through those deals will start to disappear, and this could be very hard on emerging markets.

Investors have once again started to doubt whether the Federal Reserve will lift rates again this year, however. In the federal-funds futures market, where traders wager on the Federal Reserve's rate policy, there was roughly a 47% chance (as of mid-August) of at least one more rate increase by year-end, down from more than 60% in early July. With U.S policy increasingly difficult to predict, investors have a growing sense of unease.

One of the most immediate risks is the need to increase the U.S. federal borrowing limit or debt ceiling. U.S. Treasury Secretary Steven Mnuchin has said the federal borrowing limit, or debt ceiling, needs to be raised by September 29 or the U.S. government will risk running out of money to pay its bills. The debt ceiling showdown will coincide with the end of the U.S. fiscal year on September 30, and the prospect of a government shutdown if Congress fails to authorize new spending for 2018. That could make the debt limit more difficult to address, if lawmakers get entangled in a discussion over spending. In a worst case scenario, this could lead to market turmoil and increased volatility.

The risk of a stand-off has implications for monetary policy, as well as markets. Although the Fed signaled in its latest meeting that it could start paring back its purchases of securities including government debt as soon as its September 19-20 meeting, investors say the Fed might choose to wait before starting to curtail purchases of government bonds if the Treasury is grappling with serious bond market turbulence. Regarding the impact on the Latin America and Caribbean region, sovereign and corporate issuers could be adversely affected by an increase in market turmoil and volatility.

Another risk for the region's financial markets looking forward is the health of the Chinese economy. During the first half of 2017 the Chinese economic stabilized and growth rebounded. Nonetheless, tighter credit in China, analysts warn, could again raise the specter of a slowdown in growth. Given China's importance as an engine of global growth and demand, the ripple effects of such slowdown would be felt across the globe. Countries that depend on exporting hard commodities to China, as well as those that have important trading relationships with it, would be the worst-hit. The rest of the world would feel the impact through increased turbulence in financial markets and declines in consumer and business confidence.

Those risks, plus tight liquidity and a crowded market could lead to a market correction. Adding domestic policy challenges, this correction could ignite more than a short disruption in Latin American bond markets. However, despite the risks, most investors seem to believe that the benign conditions for emerging markets and Latin American bond markets are likely to persist in the near-tem.

Appendix

A. Credit Rating

TABLE 1:
CREDIT RATINGS IN LATIN AMERICA AND THE CARIBBEAN, 2017 YTD

	Moody's		S&P		Fitch		Recent Moody's Action		Recent S&P Action		Recent Fitch Action	
	Rating	View	Rating	View	Rating	View	Action	Date	Action	Date	Action	Date
Argentina	B3	(+)	B		B		Affirmed, O/L changed to (+)	6-Mar-17	Upgrade, O/L stable	4-Apr-17	Affirmed, O/L stable	13-Oct-16
Bahamas	Baa3		BB+				On review for downgrade	6-Jul-17	Downgrade, O/L stable	20-Dec-16		
Barbados	Caa3		CCC+	(-)	NR		Downgrade, O/L stable	9-Mar-17	Downgrade, O/L (-)	3-Mar-17		
Belize	B3		B-		NR		Upgrade, O/L stable	11-Apr-17	Upgrade, O/L stable	23-Mar-17		
Bolivia	Ba3		BB		BB-		Affirmed, O/L changed to stable from (-)	1-Aug-17	Upgrade, O/L stable	15-May-14	Downgrade, O/L stable	13-Jul-16
Brazil	Ba2	(-)	BB	-	BB	(-)	Affirmed, O/L changed to (-)	26-May-17	On CreditWatch (-)	22-May-17	Downgrade, O/L (-)	5-May-16
Chile	Aa3		A+		A+	(-)	Affirmed, O/L stable	11-Jul-16	Downgrade, O/L stable	13-Jul-17	Affirmed, O/L changed to (-)	13-Dec-16
Colombia	Baa2		BBB	(-)	BBB		Affirmed, O/L stable	26-May-16	Affirmed, O/L (-)	18-Jan-17	Affirmed, O/L changed to stable	10-Mar-17
Costa Rica*	Ba2	(-)	BB-	(-)	BB		Downgrade, O/L (-)	9-Feb-17	Downgrade, O/L (-)	25-Feb-16	Downgrade, O/L stable	19-Jan-17
Cuba	Caa2	(+)	NR		NR		Affirmed, O/L changed to (+)	10-Dec-15				
Dominican Republic	Ba3		BB-		B+		Upgrade, O/L stable	21-Jul-17	Upgrade, O/L stable	20-May-15	Upgrade, O/L stable	21-Nov-14
Ecuador	B3		B-		B	(-)	Affirmed, O/L stable	23-Nov-16	Downgrade, O/L stable	29-Jun-17	Affirmed, O/L changed to (-)	25-Aug-16
El Salvador	B3	(-)	CC	-	CCC		Downgrade, O/L (-)	7-Nov-16	Upgrade, O/L (-)	5-May-17	Downgrade	10-Apr-17
Grenada			SD						Downgrade	12-Mar-13		
Guatemala	Ba1		BB		BB		O/L changed to stable from (-), Affirmed	30-Jun-16	Affirmed, O/L stable	11-Oct-13	Downgrade, O/L stable	20-Jun-14
Honduras	B2	(+)	BB-		NR		Upgrade, O/L (+)	24-May-16	Upgrade, O/L stable	18-Jul-17		
Jamaica	B3		B		B		Upgrade, O/L stable	21-Nov-16	Upgrade, O/L stable	3-Jun-15	Upgrade, O/L stable	11-Feb-16
Mexico	A3	(-)	BBB+		BBB+		Affirmed, O/L (-)	28-Apr-17	Affirmed, O/L changed to stable from (-)	18-Jul-17	Affirmed, O/L changed to stable from (-)	3-Aug-17
Nicaragua	B2	(+)	B+		B+		Affirmed, O/L changed to (+) from stable	20-Jul-17	Assigned 'B+' First-Time Rating; O/L Stable	16-Feb-16	Assigned 'B+' 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	Affirmed, O/L revised 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	29-Sep-16
St Vincent and the Grenadines	B3						O/l changed to stable from (-)	19-May-16				
Suriname	B1		B	(-)	B-	(-)	Downgrade, O/L stable	20-May-16	Downgrade, O/L (-)	26-Apr-17	Downgrade, O/L (-)	22-Feb-17
Trinidad & Tobago	Ba1		BBB+		NR		Downgrade, O/L stable	27-Apr-17	Downgrade, O/L stable	21-Apr-17		
Uruguay*	Baa2		BBB		BBB-		Affirmed, O/L changed to stable from (-)	13-Jul-17	Affirmed, O/L changed to stable	30-May-17	Affirmed, O/L stable	7-Apr-17
Venezuela	Caa3	(-)	CCC-	(-)	CCC		Affirmed, O/L changed to (-)	4-Mar-16	Downgrade, O/L (-)	11-Jul-17	Affirmed	29-Jun-17

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

Changes for Q1 2017 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, 2017 YTD

There have been 15 positive and 22 negative actions in Latin America and the Caribbean in 2017 YTD.

Positive Actions: 15 (Bold)

March

- **Argentina (March 6): Moody's changes the outlook on Argentina's B3 rating to positive from stable**, citing improved policy stance and expectations of faster economic growth.
- **Colombia (March 10): Fitch revises the outlook on Colombia's BBB rating to stable from negative,** citing the sharp reduction in the current account deficit, diminished uncertainties due to passage of tax reform measures in December 2016, and the expectation that inflation converges towards the central bank's target.
- **Brazil (March 15): Moody's raises the outlook on Brazil's Ba2 rating to stable from negative,** arguing that the downside risks reflected in the negative outlook are abating and macroeconomic conditions stabilizing.
- **Belize (March 23): S&P upgrades Belize's long-term foreign currency rating to B- from SD with a stable outlook,** following completion of debt restructuring, its third debt restructuring in the last 10 years.

April

- Uruguay (April 7): Fitch affirms Uruguay's BBB- rating with a stable outlook *(no change).*
- **Argentina (April 4): S&P upgrades Argentina's long-term rating to B from B- with a stable outlook**, on improvement in economic policy.
- **Belize (April 11): Moody's upgrades Belize's rating to B3 from Caa2 with a stable outlook**, after the sovereign restructured its 2038 super bonds in March.

May

- **El Salvador (May 5): S&P upgrades El Salvador to CC from SD with a negative outlook**, after the government caught up on missing pension debt payments.
- **Uruguay (May 30): S&P affirms Uruguay's BBB rating and revises its outlook to stable from negative** on more balanced economic risks.

July

- **Uruguay (July 13): Moody's changes outlook on Uruguay's Baa2 rating to stable from negative**, citing the government's commitment to fiscal consolidation and an improving macroeconomic performance.
- **Honduras (July 18): S&P upgrades Honduras long-term ratings BB- from B+ with a stable outlook**, on improved fiscal flexibility and limited debt increases. The agency cited the government's commitment to strengthen public finances.
- **Mexico (July 20): S&P changes Mexico's rating outlook on its BBB+ rating to stable from negative,** noting that it does not expect a deterioration in the country's debt level.
- **Dominican Republic (July 20): Moody's upgrades Dominican Republic's issuer rating to Ba3 from B1 with a stable outlook**, citing a positive growth outlook and reduce fiscal deficits.
- **Nicaragua (July 20): Moody's changes outlook on Nicaragua's B2 rating to positive from stable**, citing continued fiscal stability and favorable economic prospects.

August

- **Bolivia (August 01): Moody's changes the outlook on Bolivia's Ba3 issuer and bond rating to stable from negative and affirms the ratings at Ba3**, citing stabilizing fiscal and current account deficits.
- **Mexico (August 03): Fitch revises up Mexico's sovereign ratings outlook to stable from negative and affirms the ratings at BBB+.** The agency cited downside risks to Mexico's growth outlook and an expected stabilization of the public debt burden.

Negative Actions: 22 (Bold)

January

- Colombia (January 18): S&P affirms Colombia's BBB long-term sovereign currency debt rating with a negative outlook *(no change).*

Box 1– (cont.)

- **Costa Rica (January 19): Fitch downgrades Costa Rica to BB from BB+ with a stable outlook,** citing a large fiscal deficit and "institutional gridlock" that has stalled potential reforms.
- **Chile (January 26): S&P lowers the outlook on Chile's AA- sovereign debt rating to negative from stable**, because of the risk that prolonged low economic growth could translate into larger fiscal deficits.

February

- **El Salvador (February 1): Fitch downgrades El Salvador's credit ratings to B from B+ with a negative outlook,** citing hindered progress on fiscal measures due to political polarization and limited financing options.
- **Costa Rica (February 9): Moody's downgrades Costa Rica's government bond rating to Ba2 from Ba1, and maintains the negative outlook,** citing the continued weakening of Costa Rica's fiscal profile.
- **Belize (February 21): S&P places Belize's CC long-term foreign currency rating on CreditWatch Negative** following missed coupon payment.
- **Suriname (February 22): Fitch downgrades Suriname to B- from B+ and maintains a negative outlook,** citing macroeconomic instability and rising government debt.
- Venezuela (February 28): S&P affirms Venezuela's CCC long-term sovereign rating and negative outlook (*no change*).

March

- **Barbados (March 3): S&P downgrades Barbados to CCC+ from B- with a negative outlook,** citing limited financing alternatives and low international reserves.
- **Barbados (March 9): Moody's downgrades Barbados to Caa3 (nine levels below investment grade) from Caa1 with a stable outlook**, warning the Caribbean island faces increasing chances of a default.
- **Belize (March 20): S&P downgrades Belize's rating to SD from CC** following announced debt exchange, because it considered the changes made by the sovereign to its 2038 super bonds as a default.

April

- **El Salvador (April 10): Fitch downgrades El Salvador's rating to CCC from B**, saying that political polarization increased risks of default.
- **El Salvador (April 11): S&P lowers its long-term foreign-currency sovereign credit ratings on El Salvador to CCC- from B-. The ratings are on CreditWatch with negative implications.** The agency cautioned that the sovereign could hit selective default if the political volatility persists.
- **El Salvador (April 13): Moody's downgrades El Salvador's rating to Caa1 from B3 and changes outlook to stable from negative**, saying that the previous week's missed payments on pension-related bonds signaled a higher risk that the political impasse in the Legislative Assembly could lead to missed payments on government debt obligations.
- **El Salvador (April 20): S&P downgrades El Salvador's sovereign credit rating to "selective default" from CCC-**, after the government missed payments related to its pension debts.
- **Trinidad & Tobago (April 21)**: **S&P downgrades Trinidad and Tobago long-term ratings to BBB+ from A- with a stable outlook**, citing higher debt burden.
- **Suriname (April 26): S&P downgrades Suriname to B from B+ with a negative outlook**, on worsening economic strength and debt burden.
- **Trinidad & Tobago (April 27): Moody's downgrades Trinidad & Tobago to Ba1 from Baa3 and changed the outlook to stable from negative.** The agency said the sovereign's policy response to offset the impact of low energy prices on government revenues was insufficient, also adding that the government's large deficits had led to increased debt ratios.
- Mexico (April 28): Moody's affirms Mexico's A3 issuer rating; negative outlook *(no change).*

May

- **Brazil (May 22): S&P places Brazil BB long-term ratings on CreditWatch negative** on increased political uncertainty.
- **Brazil (May 26): Moody's affirms Brazil's Ba2 rating and changes the outlook to negative from stable** due to a rise in uncertainty regarding reform momentum.

Box 1– (conclusion)

June

- **Ecuador (June 29): S&P downgrades Ecuador to B- from B with a stable outlook**, citing higher fiscal and external vulnerabilities.

July

- **Bahamas (July 07): Moody's places the Bahamas Baa3 ratings on review for downgrade**, citing a weaker fiscal position.
- **Venezuela (July 11): S&P downgrades Venezuela long-term ratings to CCC- with a negative outlook**, on worsening economic conditions and political tensions. The agency said the downgrade reflected the worsening economic conditions and the doubts surrounding Venezuela's ability to service its debt.
- **Chile (July 13): S&P downgrades Chile long-term foreign currency rating to A+ from AA- with a stable outlook,** on higher external vulnerabilities. The agency said the downgrade reflected the country's slow economic growth, which has affected its fiscal revenues and contributed to increase the debt burden.

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

B. Latin American Spreads

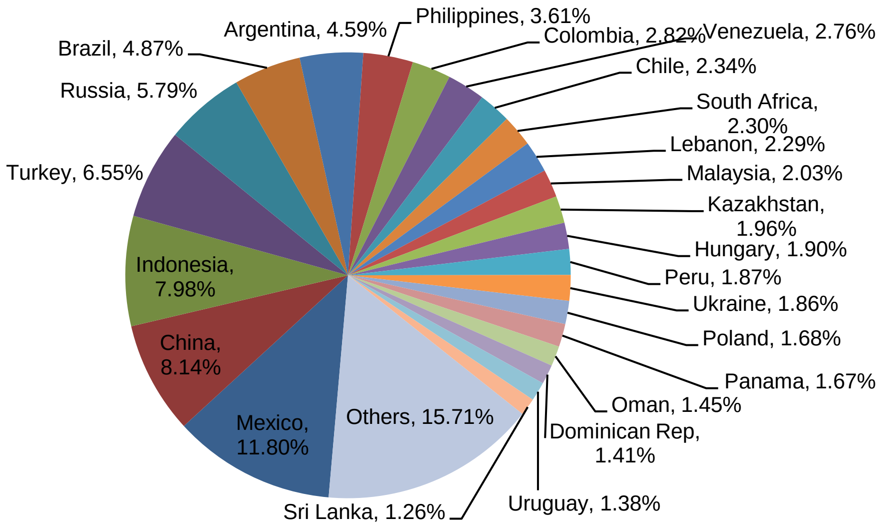
TABLE 2:
SOVEREIGN SPREADS ON JPMORGAN EMBI GLOBAL AND LATIN AMERICAN COMPOSITES
(Basis Points)

	EMBI Global	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Uruguay	Venezuela	Latin America
31-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
30-Nov-16	388	515	338	174	252	736	330	173	252	2343	510
30-Dec-16	365	455	330	158	225	647	296	170	244	2168	473
31-Jan-17	352	469	291	144	209	590	296	159	225	2056	455
28-Feb-17	334	458	280	130	202	572	275	152	227	2050	436
31-Mar-17	331	442	264	133	192	666	255	146	209	2377	436
30-Apr-17	321	405	259	136	195	667	254	144	204	2151	419
31-May-17	323	407	282	134	203	694	255	145	205	2228	426
30-Jun-17	328	432	284	132	200	706	255	145	193	2464	435
31-Jul-17	324	448	263	123	194	673	237	152	182	2977	434

Source: “Emerging Markets Bond Index Monitors”; JPMorgan.

Note: EMBI Global composition (end-July 2017): **by country:** Mexico, Brazil, Argentina, Venezuela, Colombia and Chile account for 29.18% of the total weighting; **by region:** Latin: 40.16%; Non-Latin: 59.84%.

EMBI GLOBAL COMPOSITION (AS OF JULY 2017)



Others:	%
Ecuador	1.10%
Croatia	1.03%
Romania	0.76%
Costa Rica	0.76%
El Salvador	0.66%
Lithuania	0.64%
Azerbaijan	0.61%
Serbia	0.57%
Pakistan	0.56%
Jamaica	0.55%
Ivory Coast	0.53%
India	0.50%
Zambia	0.36%
Paraguay	0.36%
Trinidad & Tobago	0.36%
Ghana	0.34%
Kenya	0.32%
Mongolia	0.32%
Nigeria	0.32%
Guatemala	0.31%
Iraq	0.28%
Morocco	0.28%
Senegal	0.26%
Angola	0.25%
Bolivia	0.24%
Jordan	0.23%
Gabon	0.23%
Honduras	0.22%
Vietnam	0.21%
Slovakia	0.19%
Belarus	0.17%
Namibia	0.15%
Georgia	0.13%
Armenia	0.13%
Ethiopia	0.12%
Tunisia	0.11%
Cameroon	0.10%
Latvia	0.08%
Suriname	0.07%
Mozambique	0.06%
Belize	0.04%
Total	**15.71%**

C. New LAC Debt Issuance

TABLE 3:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FIRST QUARTER OF 2017

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
			Jan-17			
Brazil	Petrobras	USD 2000	2,000	6.125%	2022	
Brazil	Petrobras	USD 2000	2,000	7.375%	2027	
Ecuador	Republic of Ecuador	USD 1000	1,000	9.650%	2026	(r)
Brazil	Fibria Overseas Finance Ltd	USD 700	700	5.500%	2027	(g)
Honduras	Republic of Honduras	USD 700	700	6.250%	2027	
Dominican Republic	Aeropuertos Dominicanos Siglo XXI (Aerodom)	USD 317	317	6.750%	2029	
Brazil	Raizen Fuels Finance S.A.	USD 500	500	5.300%	2027	
Argentina	Genneia	USD 350	350	8.750%	2022	NC3
Argentina	Pampa Energía	USD 750	750	7.500%	2027	NC5
Colombia	Republic of Colombia	USD 1000	1,000	3.875%	2027	
Colombia	Republic of Colombia	USD 1500	1,500	5.000%	2045	(r)
Dominican Republic	Dominican Republic	USD 1200	1,200	5.950%	2027	
Chile	Metro de Santiago (Empresa de Transporte de Pasajeros Metro SA)	USD 500	500	5.000%	2047	
Supranational	CAF Development Bank of Latin America	EUR 750	798	0.500%	2022	
Chile	Republic of Chile	CLP 1000000	1,510	4.500%	2021	
Argentina	Republic of Argentina	USD 3250	3,250	5.625%	2022	
Argentina	Republic of Argentina	USD 3750	3,750	6.875%	2027	
Colombia	Tecnoglass	USDS 210	210	8.200%	2022	
Supranational	Central American Bank for Economic Integration (CABEI)	HKD 400	51	3.270%	2024	
Supranational	Central American Bank for Economic Integration (CABEI)	NOK 500	60	2.990%	2029	
Guatemala	Central America Bottling Corporation (CBC)	USD 500	500	5.750%	2027	NC5
Brazil	Embraer	USD 750	750	5.400%	2027	
Supranational	CAF Development Bank of Latin America	BRL 220	70	8.100%	2020	
Argentina	AES Argentina Generación	USD 300	300	7.750%	2023	NC4
Argentina	Aeropuertos Argentina 2000 (AA2000)	USD 400	400	6.875%	2027	
			24.165			
			Feb-17			
Argentina	Entre Rios Province	USD 350	350	8.750%	2025	
Mexico	Sigma Alimentos	EUR 600	646	MS+225	2024	
Brazil	Rumo	USD 750	750	7.375%	2024	NC4
Argentina	Banco Supervielle	ARS 4768	300	Badlar+450	2020	
Brazil	Vale Overseas Ltd.	USD 1000	1,000	6.250%	2026	(r)
Argentina	Compania Latinoamericana de Infraestructura y Servicios (Clisa)	USD 100	100	9.500%	2023	NC4(r)
Peru	Fondo Mivivienda	USD 150	150	3.500%	2023	(r)
Peru	Fondo Mivivienda	PEN 1500	455	7.000%	2024	
Argentina	Buenos Aires Province	USD 750	750	6.500%	2023	
Argentina	Buenos Aires Province	USD 750	750	7.875%	2027	(r)
Argentina	Stoneway Capital Corporation	USD 500	500	10.000%	2027	
Mexico	Pemex	EUR 1750	1,853	2.500%	2021	
Mexico	Pemex	EUR 1250	1,324	3.750%	2024	
Mexico	Pemex	EUR 1250	1,324	4.875%	2028	
Argentina	La Rioja Province	USD 200	200	9.750%	2025	
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 65	50	4.420%	2026	(r)
El Salvador	Republic of El Salvador	USD 601	601	8.625%	2029	
Argentina	Province of Cordoba	USD 510	510	7.450%	2024	
Argentina	Entre Rios Province	USD 350	350	8.750%	2025	
Mexico	Sigma Alimentos	EUR 600	646	MS+225	2024	
			11,613			
			Mar-17			
Brazil	Republic of Brazil	USD 1000	1,000	6.000%	2026	(r)
Brazil	Marfrig Alimentos	USD 750	750	7.000%	2024	NC3
Mexico	Nemak	EUR 500	529	3.250%	2024	NC4
Brazil	Suzano Papel e Celulose	USD 300	300	7.000%	2047	
Supranational	CAF Development Bank of Latin America	AUD 175	131	4.500%	2027	
Bolivia	Republic of Bolivia	USD 1000	1,000	4.500%	2028	
Argentina	Raghsa	USD 100	100	7.250%	2024	NC4
Chile	BancoEstado	CHF 100	100	0.575%	2027	
Mexico	United Mexican States	USD 2400	2,400	4.150%	2027	
Argentina	Province of Santa Fe	USD 250	250	7.000%	2023	
Panama	Global Bank	USD 150	150	4.500%	2021	(r)
Supranational	CAF Development Bank of Latin America	CHF 160	160	0.300%	2025	
El Salvador	Grupo Unicomer	USD 350	350	7.875%	2024	
Paraguay	Republic of Paraguay	USD 500	500	4.700%	2027	
Mexico	Nafin	JPY 10000	90	0.780%	2022	
Argentina	Republic of Argentina	CHF 400	403	3.375%	2020	
Brazil	Globo Comunicações	USD 200	200	5.125%	2027	
Supranational	Central American Bank for Economic Integration (CABEI)	USD 167	167	L+100	2022	
Colombia	Banco GNB Sudameris	USD 300	300	6.500%	2027	NC5
Chile	Inversiones CMPC (Compañía Manufacturera de Papeles y Cartones)	USD 500	500	4.375%	2027	
Argentina	Arcos Dorados	USD 265	265	5.875%	2027	
			9.645			

Source: LatinFinance (Bonds Database).

Notes: **Q1 2017 Total** **45.423**

(r): retap; (g): green..
NC3, NC4, NC5: only callable after 3, 4 and 5 years, respectively.

TABLE 4:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
SECOND QUARTER OF 2017

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
		Apr-17				
Chile	LATAM Airlines (LATAM Finance Ltda)	USD 700	700	6.875%	2024	
Mexico	Grupo Kaltex SA de CV	USD 320	320	8.875%	2022	
Argentina	Tierra del Fuego	USD 200	200	8.950%	2027	
Mexico	Banco Inbursa	USD 750	750	4.550%	2027	
Colombia	Sura Asset Management SA	USD 350	350	4.375%	2027	
Argentina	Tarjeta Naranja	USD 250	250	15.000%	2022	
Argentina	Province of Neuquen	USD 366	366	7.500%	2025	
Peru	Orazul Energy	USD 550	550	5.625%	2027	NC5
Guatemala	Energuate Trust	USD 330	330	5.875%	2027	NC5
Brazil	Votorantim Metais (VM Holding SA)	USD 700	700	5.375%	2027	NC5
Chile	Banco de Chile	EUR 53	57	1.700%	2032	
			4,573			
		May-17				
Brazil	BNDES	USD 1000	1,000	4.750%	2024	(g)
Argentina	Banco Macro	ARS 4621	300	17.500%	2022	
Chile	Celeo Redes	USD 379	379	5.200%	2047	
Argentina	YPF	ARS 4659	300	16.500%	2022	
Panama	Republic of Panama	USD 150	150	3.875%	2028	(r)
Panama	Republic of Panama	USD 1050	1,050	4.500%	2047	
Chile	Enjoy	USD 300	300	10.500%	2022	NC3
Chile	BancoEstado	AUD 110	81	4.180%	2027	
Argentina	Capex	USD 300	300	6.875%	2024	NC4
Mexico	Unifin Financiera	USD 450	450	7.000%	2025	NC4
Brazil	Petrobras	USD 1000	1,000	6.125%	2022	(r)
Brazil	Petrobras	USD 2000	2,000	7.375%	2027	(r)
Brazil	Petrobras	USD 1000	1,000	7.250%	2044	(r)
Argentina	Province of Buenos Aires	ARS 15180	944	24.5%/15.0%	2022	
Costa Rica	Autopista del Sol	USD 300	300	7.375%	2030	
Ecuador	Republic of Ecuador	USD 1000	1,000	8.750%	2023	
Ecuador	Republic of Ecuador	USD 1000	1,000	9.625%	2027	
Guatemala	Republic of Guatemala	USD 500	500	4.375%	2027	
			12,054			
		Jun-17				
Peru	Petróleos del Peru (Petroperu)	USD 1000	1,000	4.750%	2032	
Peru	Petróleos del Peru (Petroperu)	USD 1000	1,000	5.625%	2047	
Uruguay	Republic of Uruguay	UYU 31150	1,250	9.875%	2022	
Brazil	Minerva Foods	USD 350	350	6.625%	2026	(r)
Panama	Multibank	CHF 100	102	2.000%	2021	
Argentina	Arcor	USD 150	150	6.000%	2023	(r)
Chile	Republic of Chile	EUR 700	785	1.875%	2030	(r)
Chile	Republic of Chile	USD 1243	1,243	3.860%	2047	
Dom. Republic	Dominican Republic	USD 500	500	5.950%	2027	(r)
Argentina	Republic of Argentina	USD 2750	2,750	7.125%	2117	
Mexico	Grupo Cementos de Chihuahua (GCC)	USD 260	260	5.250%	2024	NC4
Chile	Nova Austral	USD 300	300	8.250%	2021	NC2
Mexico	Comisión Federal de Electricidad (CFE)	USD 750	750	5.150%	2047	
Mexico	Grupo Kuo	USD 450	450	5.750%	2027	NC5
Argentina	Province of Córdoba	USD 450	450	7.125%	2027	
Mexico	Banorte	USD 550	550	7.625%	2027	*
Mexico	Banorte	USD 350	350	6.875%	2022	*
			12,240			

Source: LatinFinance (Bonds Database).

Notes:	**Q2 2017 Total**	**28,867**
(r): retap; (g): green.	**H1 2017**	**74,290**

NC2, NC3, NC4, NC5: only callable after 2, 3, 4 and 5 years, respectively.

*These are AT1 bonds, which have no maturity date, but the issuing bank has the option to call back the bonds or repay the principal after a specified period of time. In the case of these two bonds, they will be called back after ten and five years.

TABLE 5:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
THIRD QUARTER OF 2017

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
		Jul-17				
Supranational	CAF Development Bank of Latin America	USD 1250	1,250	2.200%	2020	
Mexico	Pemex	USD 2500	2,500	6.500%	2027	(r)
Mexico	Pemex	USD 2500	2,500	6.750%	2047	(r)
Chile	Cencosud	USD 1000	1,000	4.375%	2027	
Mexico	Financiera Independencia (FinDep)	USD 250	250	8.000%	2024	NC4
Argentina	Buenos Aires Province	EUR 500	570	5.375%	2023	
Peru	Republic of Peru	PEN 10000	3,100	6.150%	2032	
Argentina	YPF	USD 750	750	6.950%	2027	
Brazil	JSL	USD 325	325	7.750%	2024	
Colombia	Credivalores	USD 250	250	9.750%	2022	
Honduras	Inversiones Atlantida SA	USD 150	150	8.250%	2022	NC3
Chile	Santander Chile	USD 100	100	L+80	2020	
Chile	Codelco (Corporación Nacional del Cobre de Chile)	USD 1500	1,500	3.625%	2027	
Chile	Codelco (Corporación Nacional del Cobre de Chile)	USD 1250	1,250	4.500%	2047	
Colombia	Banco de Bogotá SA	USD 600	600	4.375%	2027	
Brazil	Atento SA (through subsidiary Atento Luxco 1)	USD 400	400	6.125%	2022	NC2
Panama	Banco General	USD 550	550	4.125%	2027	
Panama	Metro de Panama (Sparc EM SPC Panama Metro Line 2)	USD 619	619	3.875%	2022	
			17,664			
Source: LatinFinance (Bonds Database).		**Q3 2017 Total**	**17,664**			
Notes:		**2017 YTD**	**91,954**			

(r): retap. (g): green
NC2, NC3, NC4: only callable after 2, 3, and years, respectively.

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