

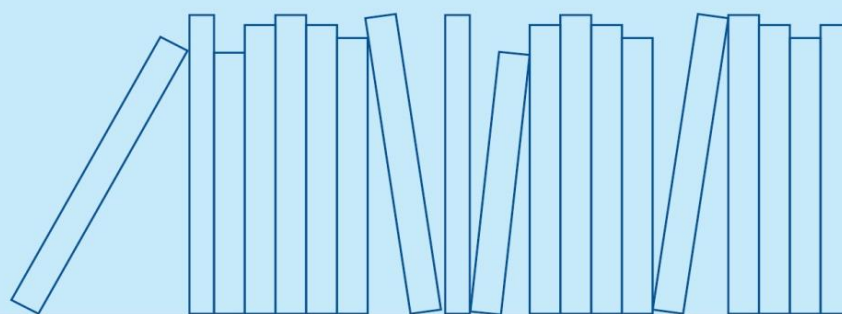
Economic Commission for Latin America and the Caribbean

ECLAC WASHINGTON OFFICE



Capital Flows to Latin America and the Caribbean

Recent developments



UNITED NATIONS

ECLAC

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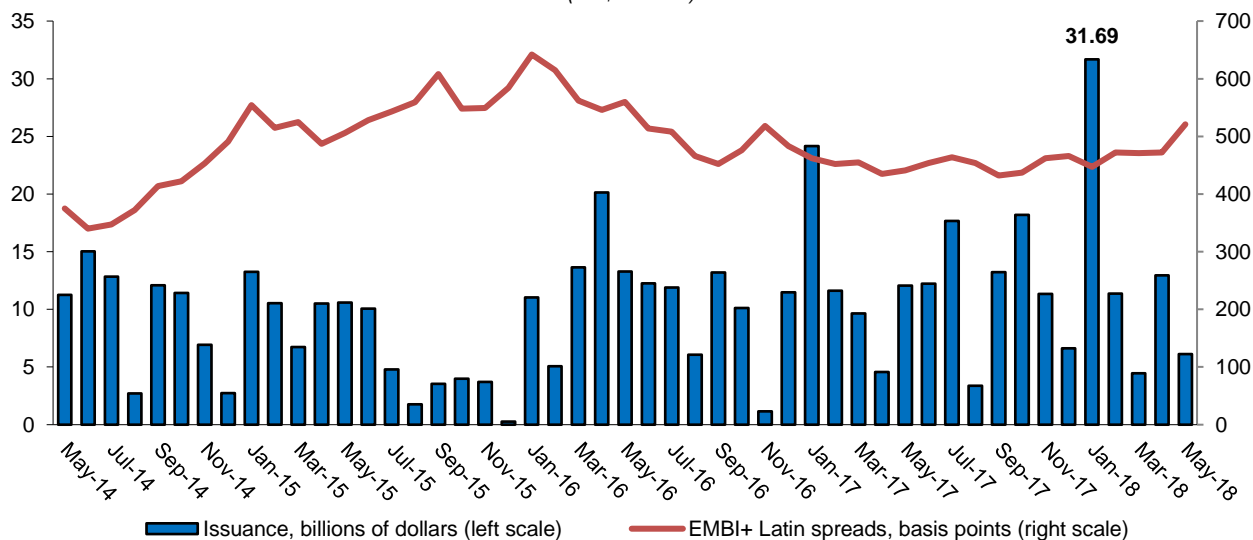
Highlights

- In January 2018, issuers from Latin America and the Caribbean (LAC) placed their highest ever monthly volume of debt in international markets: US\$ 32 billion. First quarter debt issuance in international markets, at US\$ 47.5 billion, also broke a record. From January to May 2018, total LAC international debt issuance amounted to US\$ 67 billion, 6% higher than in the same period last year.
- On the sovereign side, nine countries tapped international bond markets this year so far, with Argentina topping the list with 35% of the total sovereign issuance from January to May. In January, Argentina issued US\$ 9 billion across three sets of bonds.
- The 3 top issuers year-to-date, sovereign and corporate issuance combined, accounted for almost 70% of the total issuance in the period – they included Mexico (29%), Brazil (21%), and Argentina (18%). Corporate issuance represented 56% of the total.
- Despite a strong cross-border market performance in the beginning of the year, bond activity in the first five months of 2018 was affected by U.S. interest rate hikes, withdrawal of dollar liquidity, dollar strengthening, and instability in stock markets. The appreciation of the U.S. dollar in April and May, in particular, increased the pressure on LAC assets.
- An atmosphere of volatility clouded the market, and combined with increases in U.S. interest rates in March and June, contributed to a 7% decline in debut issuances from the region in the January-May 2018 period compared with the same period in 2017.
- There were no international bond issuances with a green focus in the first five months of the year, but there were green and social debt instruments issued in local currency markets.

Overview

Latin American and Caribbean (LAC) countries started 2018 with their strongest monthly issuance ever. New debt issuance in the region reached a record US\$ 32 billion in January (chart 1). Most of the January issuance was in U.S. dollars, in anticipation of the U.S. Federal Reserve’s interest rate hikes that took place in March and June. Sovereign issuance represented almost 70% of the January total, with all sovereign issuances above US\$ 1 billion. Argentina placed the biggest amount, issuing US\$ 9 billion across three sets of bonds, fulfilling part of the US\$ 30 billion it needs for 2018. Because of January’s strong showing, the first quarter total was also the highest quarterly issuance on record, reaching US\$ 47.5 billion. From January to May 2018, LAC issuance reached US\$ 67 billion, 6% higher than in the same period last year.

**CHART 1:
MONTHLY LAC ISSUANCE**
(US\$ Billions)



Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

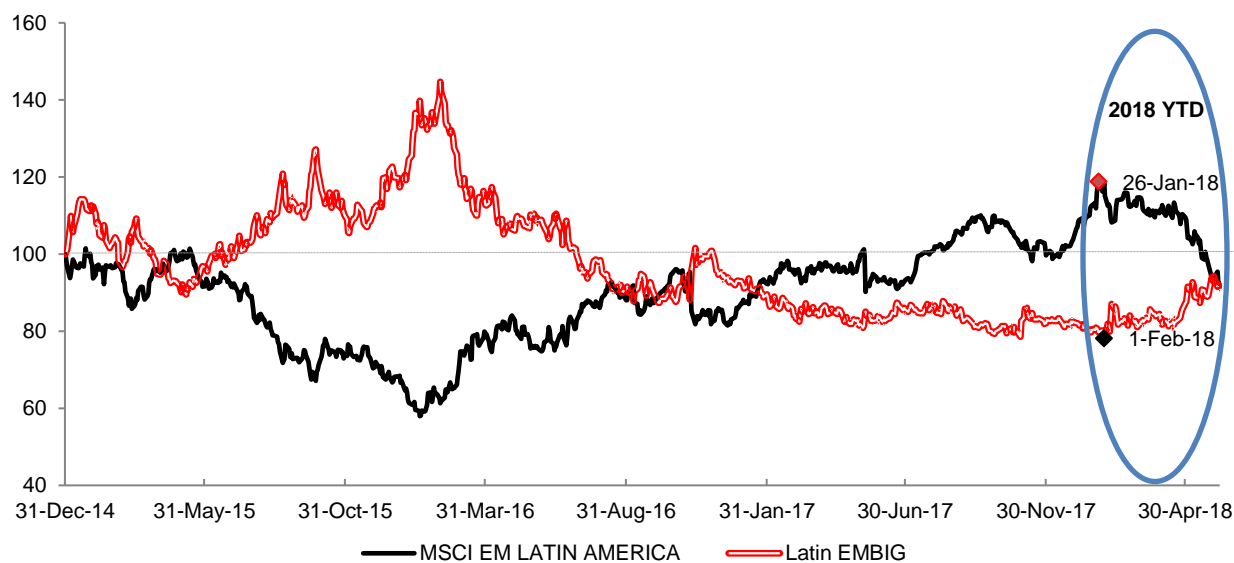
The strong start happened despite the volatility that has clouded the market since the beginning of the year, which together with interest rate hikes, has led to a sell-off in emerging market and LAC assets in the past few months. The causes for the sell-off in LAC assets combine domestic and external factors. Domestically, catalysts include a heavy electoral calendar and high deficits in many countries. Rising political risk has dominated the headlines in June, with risk appetite drifting away from the region. Besides presidential elections in many countries, a recent truck drivers' strike in Brazil against the removal of diesel subsidies and a general strike in Argentina underscore the extent of the political risks the region faces this year. Adding to the region's challenges, Moody's has said in a recent report that the continued economic decline in Venezuela threatens to stifle growth in Colombia and the rest of South America as a rising number of immigrants strains public finances.

Political risk abroad has also been a major drive of financial markets this year, from Italy's new government, to U.S. trade policy and world oil prices. Investors see risks on the rise, including rising trade tensions when optimism about the outlook for global economic growth is waning, and the move towards tighter monetary policy, as higher U.S. interest rates attract funds and weaken emergent market and LAC currencies against the U.S. dollar. According to Credit Suisse, the Mexican and Argentinean pesos depreciated by 13% and 28%, respectively, between the end of March and their peak in mid-June, while the Brazilian real depreciated by 16% through its early-June peak.

JPMorgan's emerging foreign exchange index, which covers a basket of currencies, has lost 10% in the past two months against the U.S. dollar. The U.S. dollar index climbed to its highest level since July of last year on June 19, with traders driving the currency higher because of the U.S. dollar 'haven' appeal and expectations that tariffs on imported goods could fuel inflation, as the U.S. economy is already at or very close to full capacity, and the realization that the fiscal stimulus is likely to have persistent effects on inflation. However, while a resurgent dollar triggered the initial weakness in emerging market assets in April, Bank of America Merrill Lynch's latest fund manager survey suggests that political risk has now seized the strong dollar as the most prominent concern for investors.

Both Latin American stocks and debt spreads were adversely impacted by the increase in volatility and risk perception in global markets. While LAC bond spreads showed a widening trend, Latin American equity prices showed a narrowing trend since the beginning of the year (chart 2).

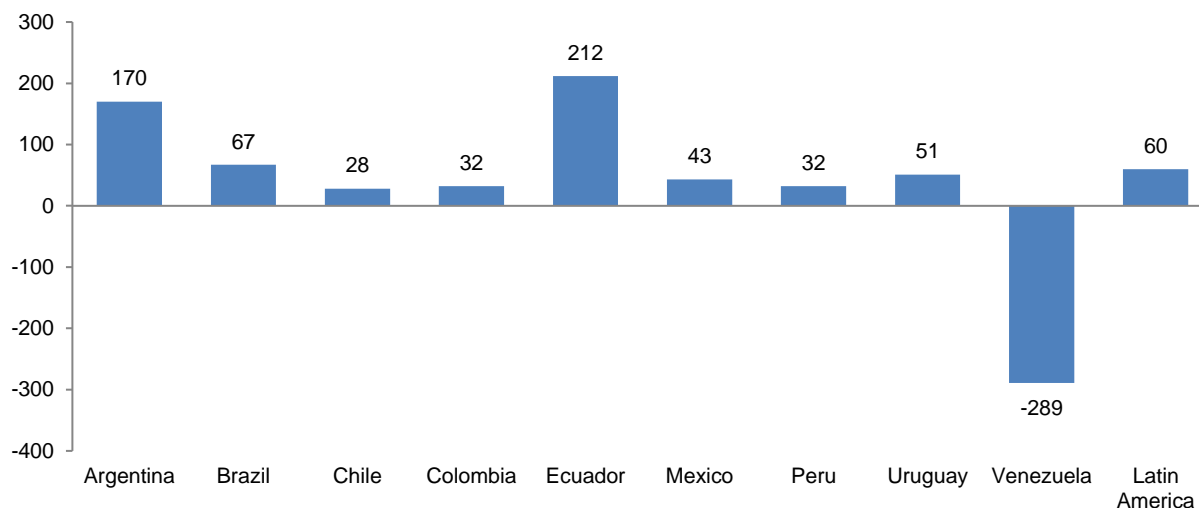
**CHART 2:
LATIN AMERICAN EQUITY PRICES VS BOND SPREADS**
(MSCI and EMBIG indices)



Source: ECLAC Washington Office, based on data from MSCI Equity Indices and JPMorgan.

Bond spreads for select Latin American countries, excluding Venezuela, have increased across the board since the beginning of the year (chart 3).

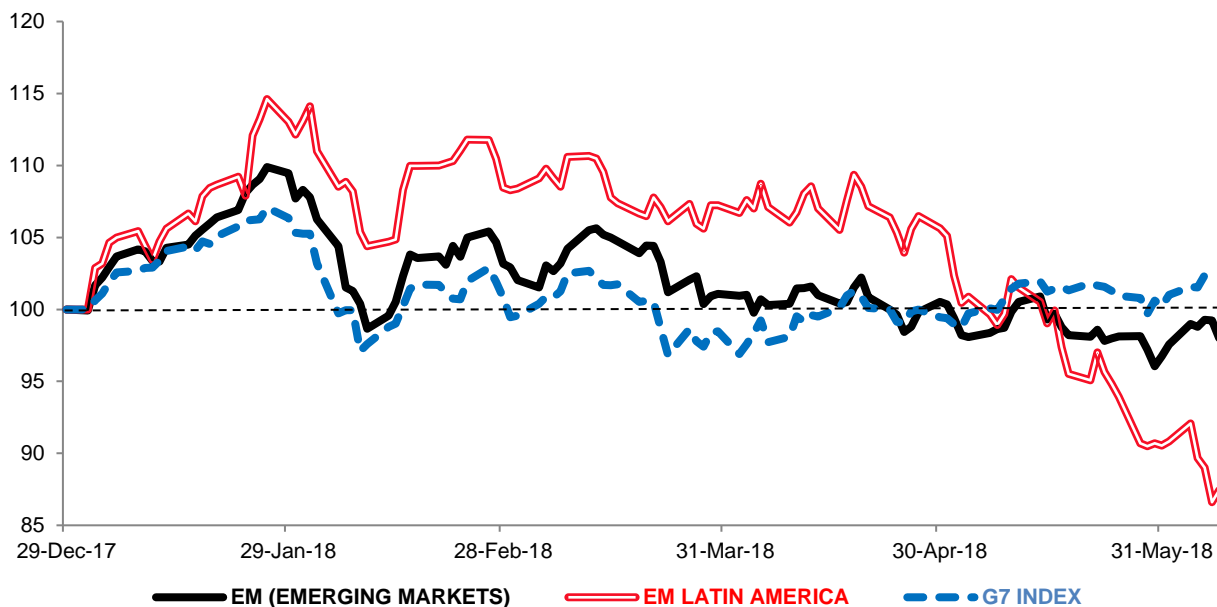
**CHART 3:
EMBIG SPREAD DIFFERENTIALS: 2018 YTD**
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

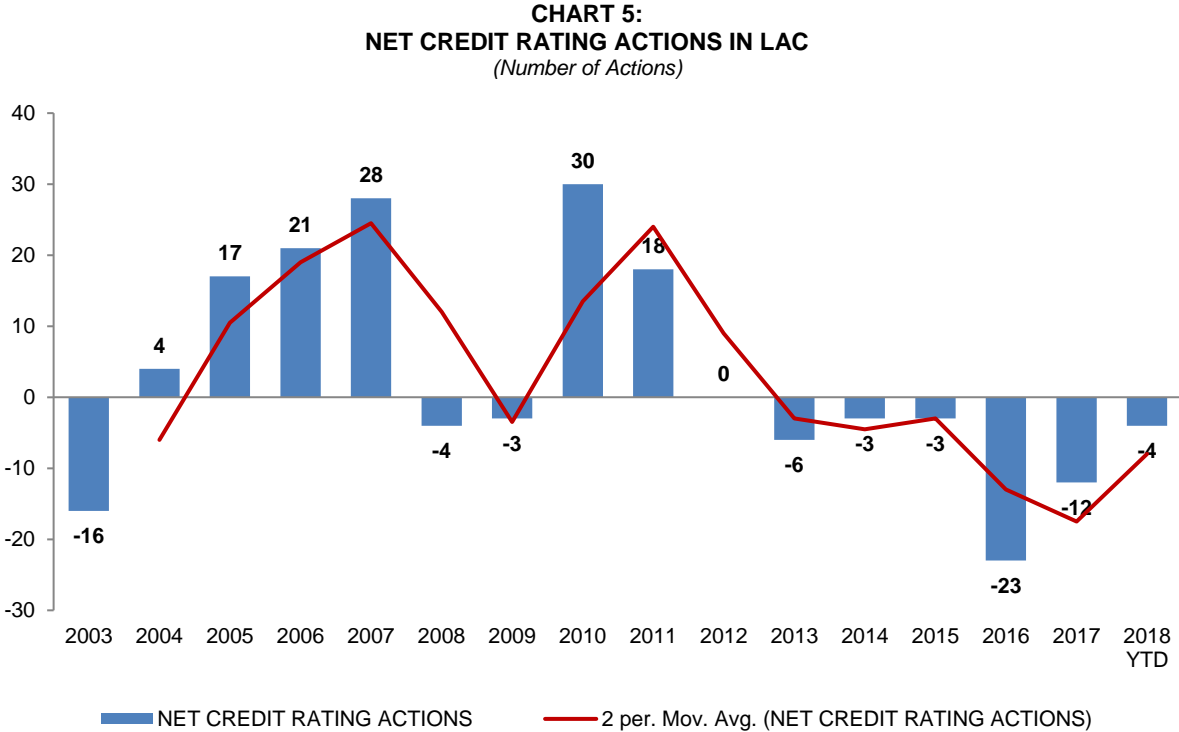
Latin American equities have lagged the returns seen in other emerging market regions and developed markets. Latin American stocks lost 9.5% from January to May 2018, according to the MSCI Latin American Index, while emerging markets lost 3.3% and G7 countries gained 0.2%, respectively (chart 4). A large portion of this underperformance took place in April and May, due to a decline in most Latin American currencies against the U.S. dollar, a trend that has continued in June.

**CHART 4:
MSCI EQUITY PRICE INDEX: JANUARY-NOVEMBER 2017**



Source: ECLAC Washington Office based on MSCI Equity Indices, <http://www.msci.com/products/indexes/performance.html>, prices at the end of the month.

Finally, credit quality in the region has continued to deteriorate in 2018 so far. Negative credit rating actions (including downgrades and downward outlook revisions) have outnumbered positive actions in the region for five years in a row. From 1 January to 6 June 2018, there were four more negative actions than positive in the region (chart 5).

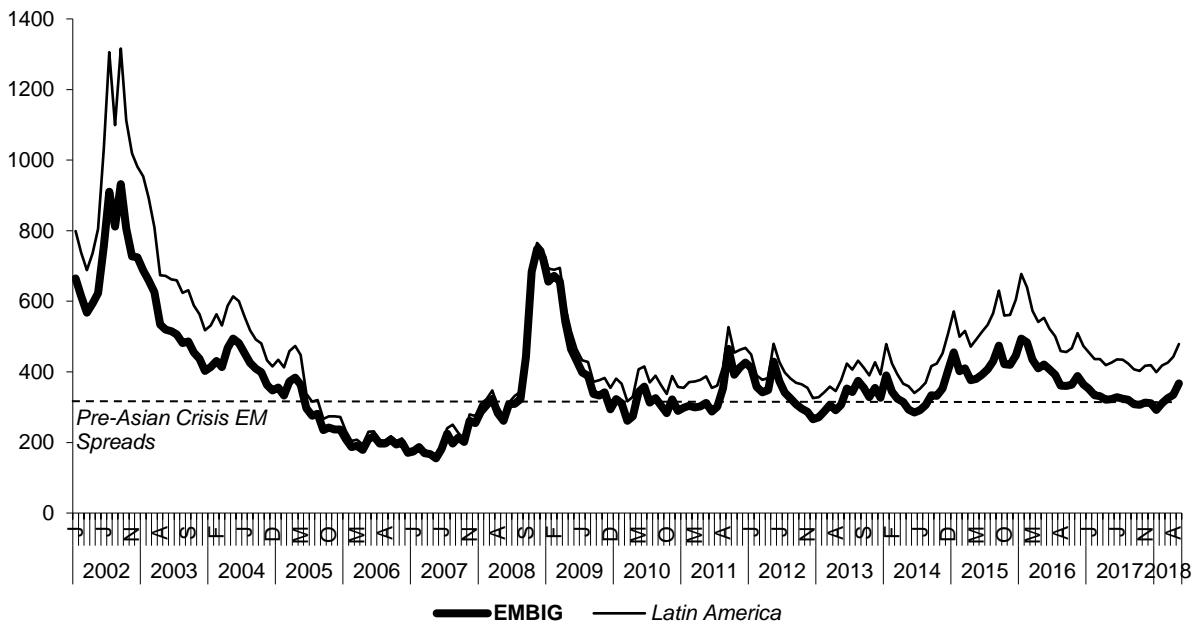


Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch.

I. Bond markets and debt management

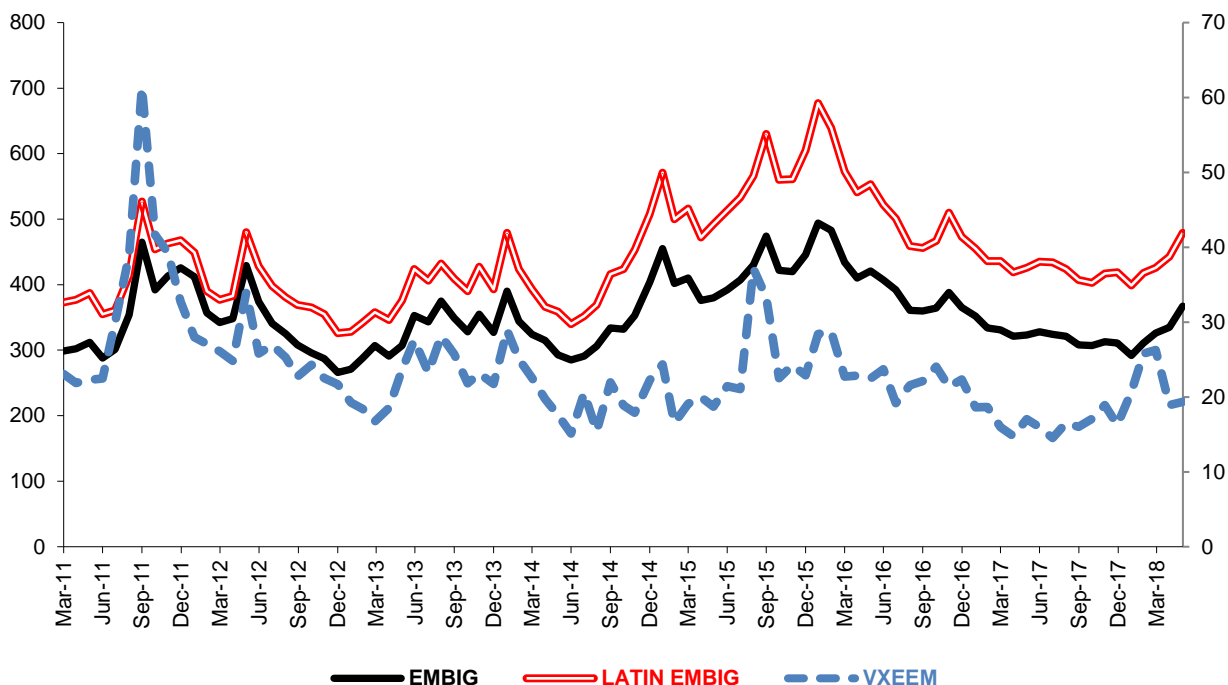
EMBI Global bond spreads widened 56 basis points while its Latin component widened 60 basis points from January to May 2018, as higher U.S. interest rates, dollar liquidity withdrawal and a strengthening U.S. dollar adversely affected emerging market dollar debt (chart 6). An atmosphere of volatility clouded the market in the beginning of the year, and bond spreads have increased since then (chart 7).

**CHART 6:
EMBIG AND LATIN AMERICAN MONTHLY SPREADS**
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan, "Emerging Markets Bond Index Monitor".

CHART 7:
CBOE VOLATILITY INDEX AND EMBIG
(Basis points, left and VXEEM close, right)



Source: ECLAC Washington Office, based on data from JPMorgan 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).

Sovereign credit quality has deteriorated since the beginning of the year: there were four more negative actions than positive from 1 January to 6 June 2018. There were six positive sovereign credit rating actions in Latin America and the Caribbean and ten negative (table 1).

Among the six positive actions, only one was an upgrade and five were outlook improvements. In February, Moody's upgraded El Salvador's ratings to B3 from Caa1, with a stable outlook, citing significantly reduced government liquidity risks and diminished political risk.

Among the ten negative actions, six were downgrades and four were outlook declines. Fiscal constraints and rising debt levels, as well as higher budget deficits, loomed large behind the negative actions taken since the beginning of the year.

Four countries – Brazil, Suriname, Venezuela, Bolivia and Barbados – were downgraded between January and early June. In January, S&P downgraded Brazil's BB long-term sovereign currency debt rating to BB- with a stable outlook, citing "slower-than-expected progress" in implementing legislation to correct structural fiscal slippage and rising debt levels. In February, Fitch downgraded Brazil's BB long-term foreign currency rating to BB- with a stable outlook, citing persistent and large fiscal deficits, a high and growing government debt burden and the failure to legislate reforms. Also in February, Moody's downgraded Suriname's B1 long-term rating to B2 with a negative outlook, citing erosion of fiscal metrics. In March, Moody's downgraded Venezuela's rating to C from Caa3 with a stable outlook, citing the continuing erosion of payment capacity and U.S. sanctions, which pose limits on the sovereign's ability to restructure its debt. And in May, S&P downgraded Bolivia's foreign currency rating to BB- from BB with a stable outlook, citing weakened external position by sustained large current account deficits.

It seems that the downward trend is set to continue in the months ahead, as external conditions become more difficult. On June 6, S&P downgraded Barbados' long-term foreign currency rating to Selective Default (SD) from CCC+ and placed it on CreditWatch with negative implications, following a missed coupon payment.

At the end of May, seven sovereigns were on negative outlook by one or more agencies (Bahamas, Chile, Colombia, Costa Rica, Ecuador, Suriname and Trinidad and Tobago), and five were on a positive outlook (El Salvador, Jamaica, Nicaragua, Panama and Paraguay). The outlooks show that the balance of risks is towards more negative actions (appendix A, table 1).

TABLE 1: SOVEREIGN CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, 2018 YTD

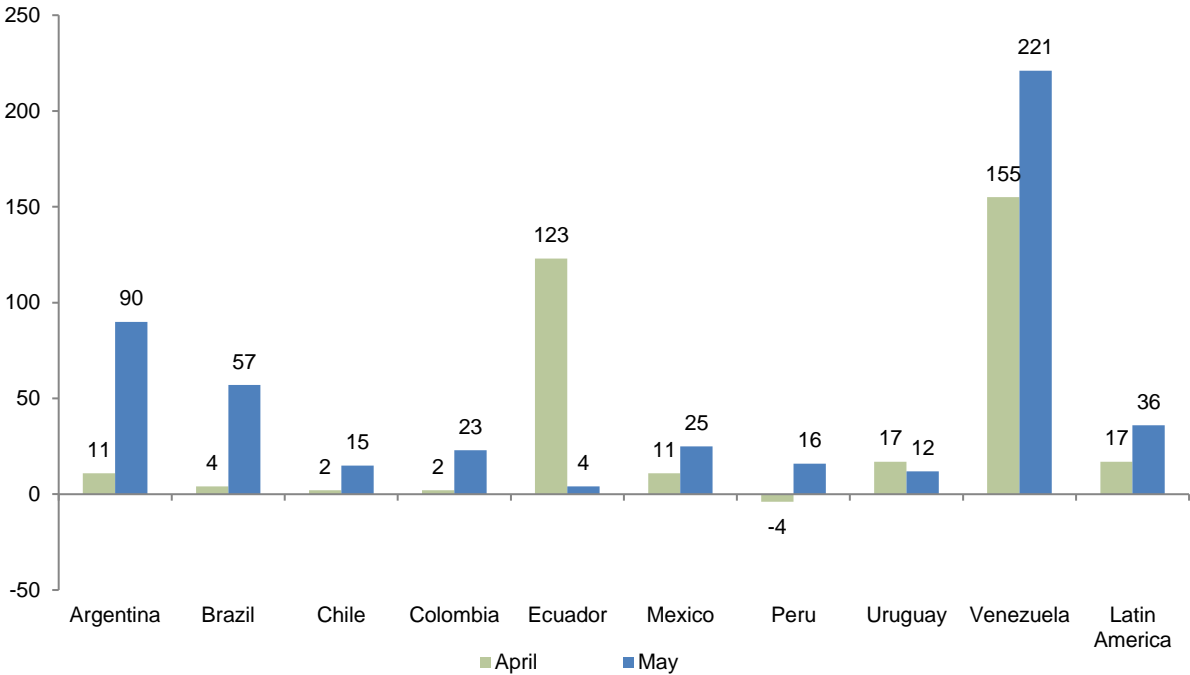
Date	Country	Action	
2018 YTD 6 positive and 10 negative actions			
Q1 2018 3 positive and 6 negative actions			
11-Jan-18	Brazil	S&P downgrades Brazil's BB rating to BB- with a stable outlook	<i>Negative</i>
18-Jan-18	Costa Rica	Fitch revises the outlook on Costa Rica's BB rating to negative	<i>Negative</i>
31-Jan-18	Jamaica	Fitch revises the outlook on Jamaica's B rating to positive from stable	<i>Positive</i>
20-Feb-18	Suriname	Moody's downgrades Suriname's rating to B2 from B1 with a negative outlook	<i>Negative</i>
21-Feb-18	Suriname	Fitch revises the outlook on Suriname's B- rating to stable from negative	<i>Positive</i>
22-Feb-18	Colombia	Moody's revises the outlook on Colombia's Baa2 rating to negative	<i>Negative</i>
23-Feb-18	El Salvador	Moody's upgrades El Salvador's rating to B3 from Caa1 with a stable outlook	<i>Positive</i>
23-Feb-18	Brazil	Fitch downgrades Brazil's BB rating to BB- with a stable outlook	<i>Negative</i>
9-Mar-18	Venezuela	Moody's downgrades Venezuela's rating to C from Caa3, with a stable outlook	<i>Negative</i>
Q2 2018 3 positive and 4 negative actions			
2-Apr-18	Suriname	S&P revises the outlook on Suriname's B rating to stable from negative	<i>Positive</i>
9-Apr-18	Brazil	Moody's revises the outlook on Brazil's Ba2 rating to stable from negative	<i>Positive</i>
11-Apr-18	Mexico	Moody's revises the outlook on Mexico's A3 rating to stable from negative	<i>Positive</i>
27-Apr-18	T&T	S&P revises the outlook on Trinidad and Tobago's BBB+ rating to negative	<i>Negative</i>
4-May-18	Argentina	Fitch revises the outlook on Argentina's B rating to stable from positive	<i>Negative</i>
23-May-18	Bolivia	S&P downgrades Bolivia's foreign currency rating to BB- from BB with a stable outlook	<i>Negative</i>
6-Jun-18	Barbados	S&P downgrades Barbados' rating to SD from CCC+ and placed it on CreditWatch (-)	<i>Negative</i>

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch.

A. Sovereign Spreads

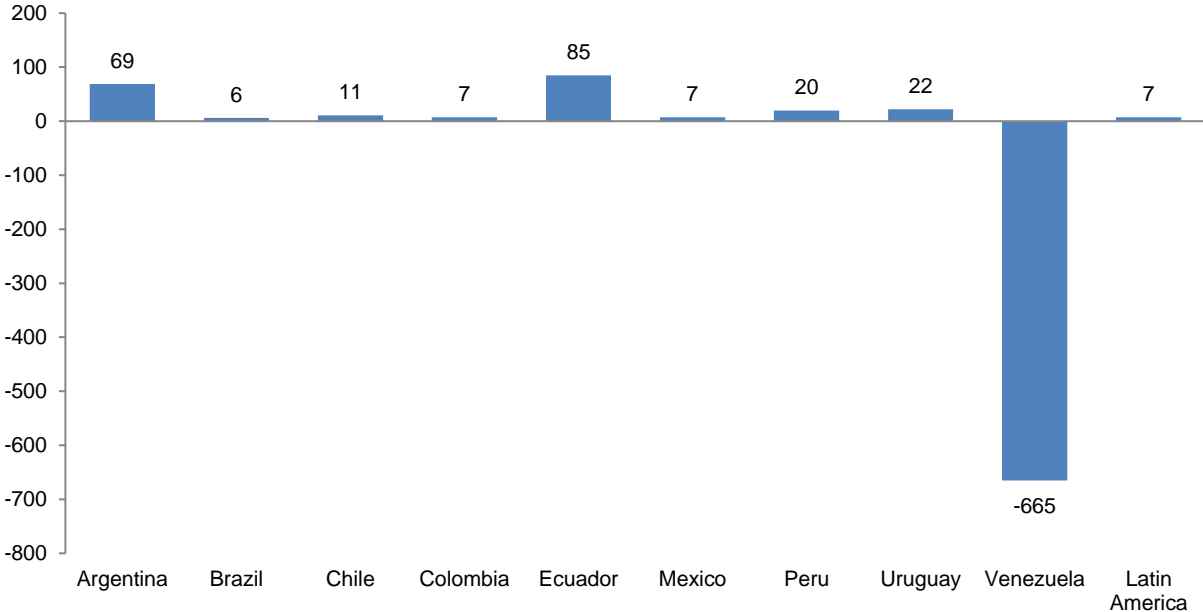
The JPMorgan's EMBIG widened 56 basis points since the beginning of the year – from 311 basis points at the end of December 2017 to 367 basis points at the end of May 2018 – while its Latin component widened 60 basis points, from 419 to 479 basis points. Spreads widened for all countries in our sample, except for Venezuela (chart 3, p.11). Most of the tightening took place in April and May (chart 8). In the first quarter, EMBIG spreads and its Latin component widened only 15 and 7 basis points, respectively, although this was in part because Venezuela's spreads tightened 665 basis points following a widening of 2,686 basis points in 2017 (chart 9).

CHART 8:
EMBIG MONTHLY SPREAD DIFFERENTIALS: APRIL AND MAY 2018
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

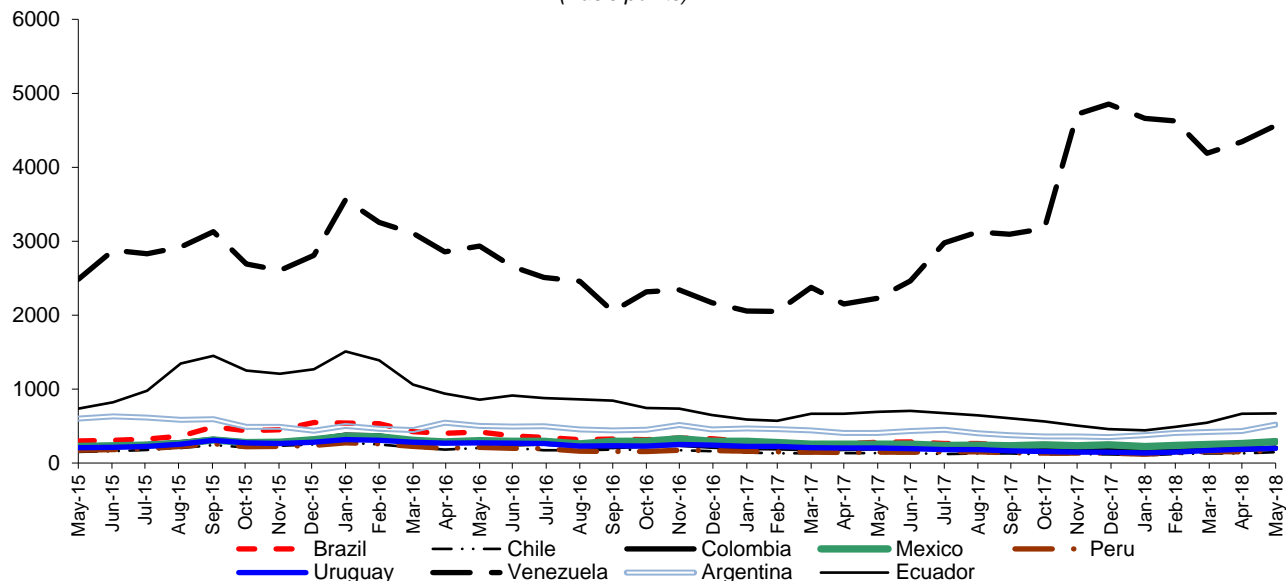
CHART 9:
EMBIG QUARTERLY SPREAD DIFFERENTIALS: Q1 2018
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

The recent evolution of the EMBIG spreads shows Venezuelan spreads widening sharply relative to the rest of Latin American countries in the EMBIG (chart 10).

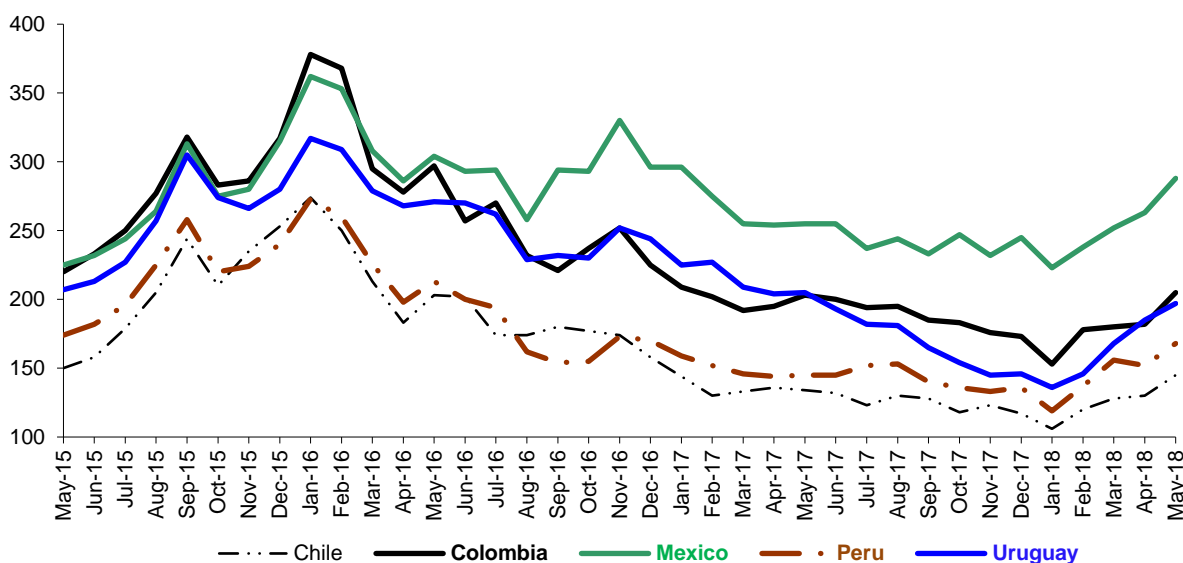
CHART 10:
EMBIG LATIN: COUNTRY SPREADS
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

Among investment grade countries, Mexico had the highest spreads – 232 basis points – at the end of May 2018, followed by Colombia with 205 basis points, Uruguay with 197 basis points and Peru with 168 basis points. Chile had the lowest spreads at 145 basis points (chart 11).

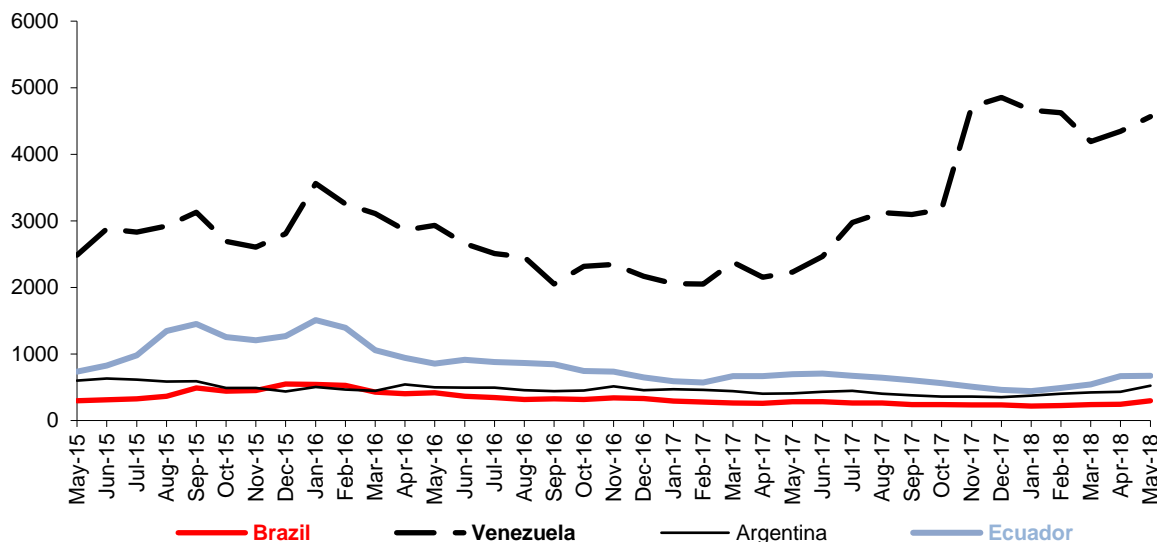
CHART 11:
EMBIG LATIN: INVESTMENT GRADE ISSUERS
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

Among the non-investment grade countries, Venezuela had the highest spreads, while Brazil had the lowest (chart 12). At 4,565 basis points at the end of May 2018, Venezuela maintains the highest debt spreads of any country in the EMBIG. Spreads for Ecuador and Argentina were at 671 and 521 basis points, respectively, and Brazilian spreads were at 299 basis points (chart 12).

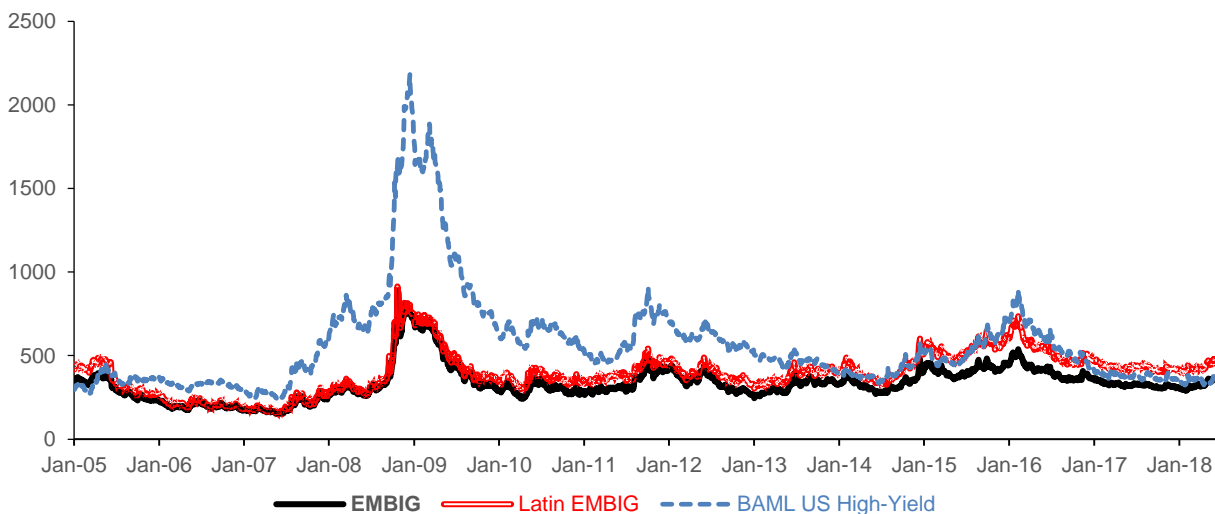
CHART 12:
EMBIG LATIN: NON-INVESTMENT GRADE ISSUERS
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

For the first time since 2005, emerging market bond spreads to U.S. Treasuries are as wide as spreads for U.S. high-yield bonds, with Latin American spreads wider (chart 13). While U.S. high yield bond issuers are rated below investment grade (BB or below), at least a third of bonds in the JPMorgan EMBI Global index are rated BBB, according to JPMorgan.

CHART 13:
EMBIG AND EMBIG LATIN VS U.S. HIGH-YIELD SPREADS
(Basis points)

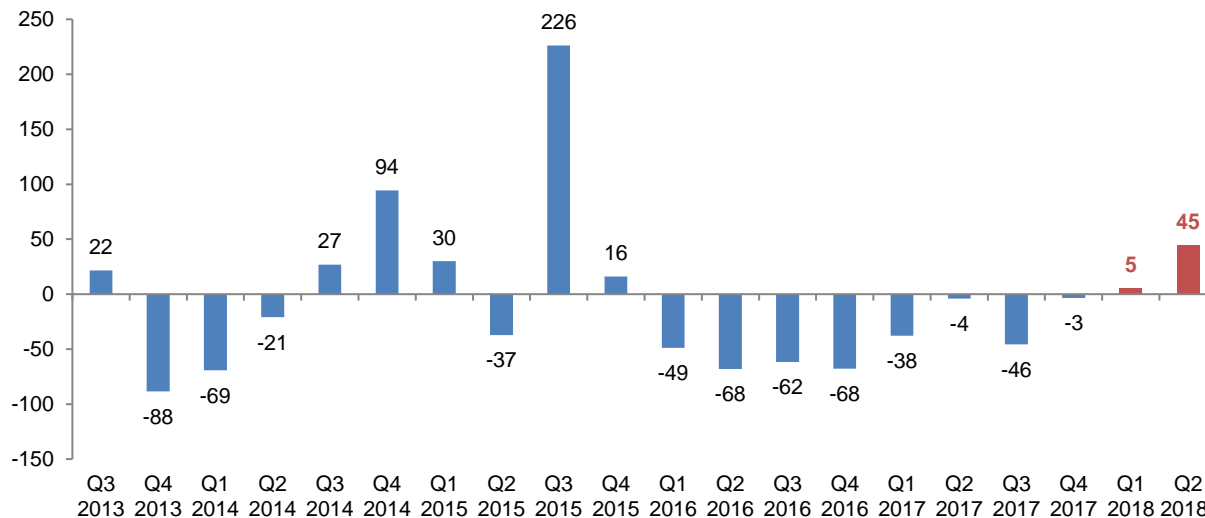


Source: ECLAC Washington Office, based on data from JPMorgan and from the Federal Reserve Bank of St. Louis (ICE BofAML US High Yield Master II Option-Adjusted Spread, Percent, Daily, Not Seasonally Adjusted).

B. Corporate Spreads

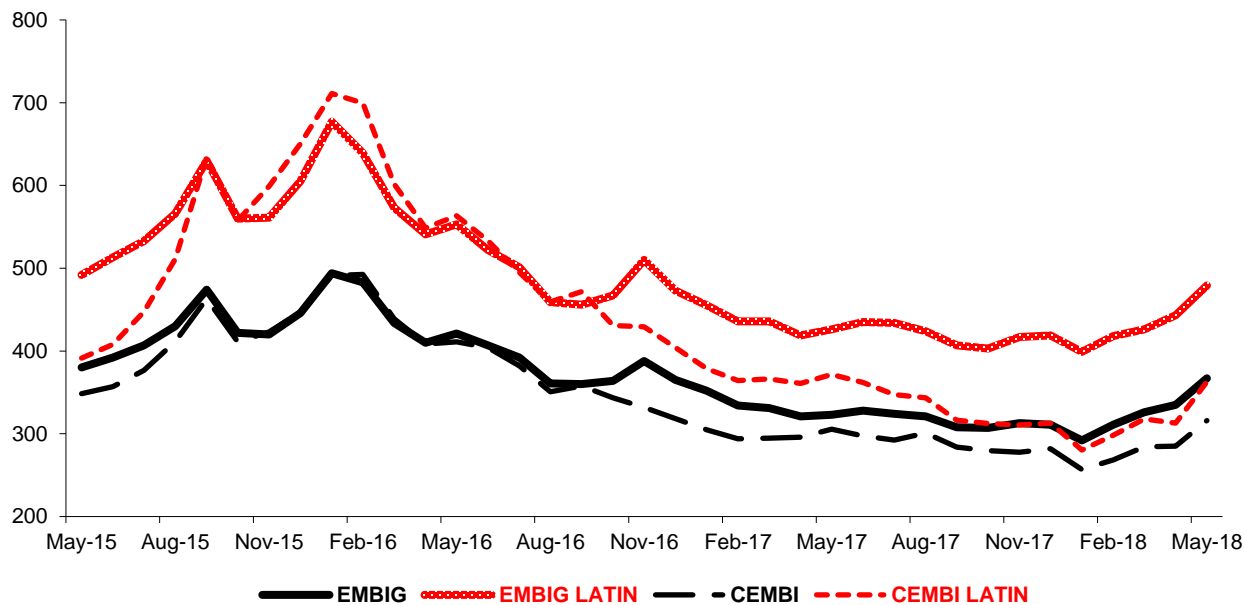
Latin American and Caribbean corporate bond spreads tightened slightly less (50 basis points) than their sovereign counterparts (60 basis points) from January to May 2018. As with their sovereign counterparts, most of the tightening took place in April and May (chart 14). Latin CEMBI spreads were 116 basis points lower than their sovereign counterpart at the end of May (chart 15).

CHART 14:
CORPORATE EMBI SPREADS: LATIN COMPONENT
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan. Note: information on Q2 2018 spreads is for April and May only.

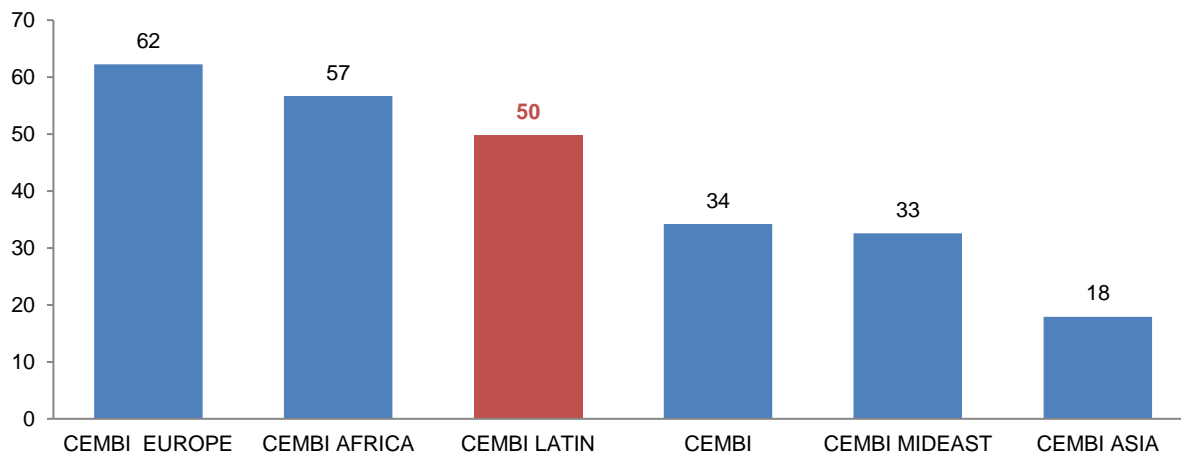
CHART 15:
JPMORGAN EMBIG SPREADS, CORPORATE AND SOVEREIGN
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

From January to May 2018 CEMBI spreads widened 34 basis points, less than the Latin component. As the U.S. dollar strengthened, and the Euro weakened, European corporate credit spreads widened the most, followed by African and Latin American corporate credit spreads (chart 16).

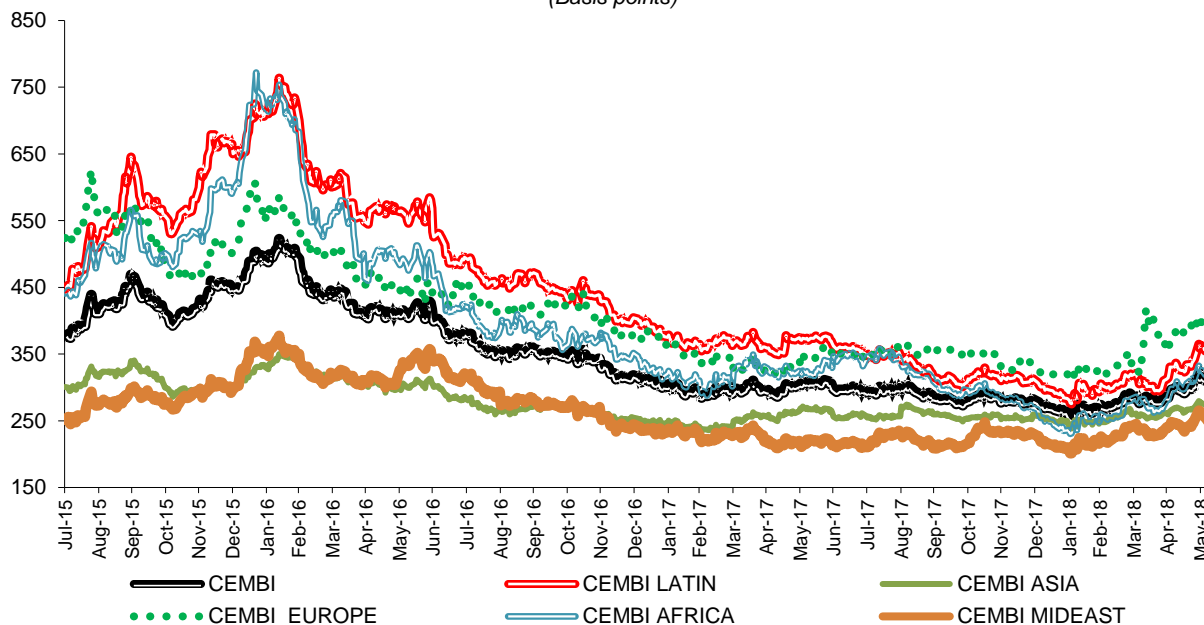
CHART 16:
CEMBI QUARTERLY SPREAD DIFFERENTIALS: JANUARY-MAY 2018
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan CEMBI.

Following a two-year period of low growth and weak economic fundamentals, Latin American corporate credit spreads are still wider than most emerging regions’ corporate spreads, except for Emerging Europe (chart 17). Given the region’s relatively large corporations with very high levels of foreign currency borrowing, the appreciation of the U.S. dollar and a withdrawal of dollar liquidity have had a significant impact on the CEMBI Latin component.

CHART 17:
CEMBI SPREADS BY REGION
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan CEMBI.

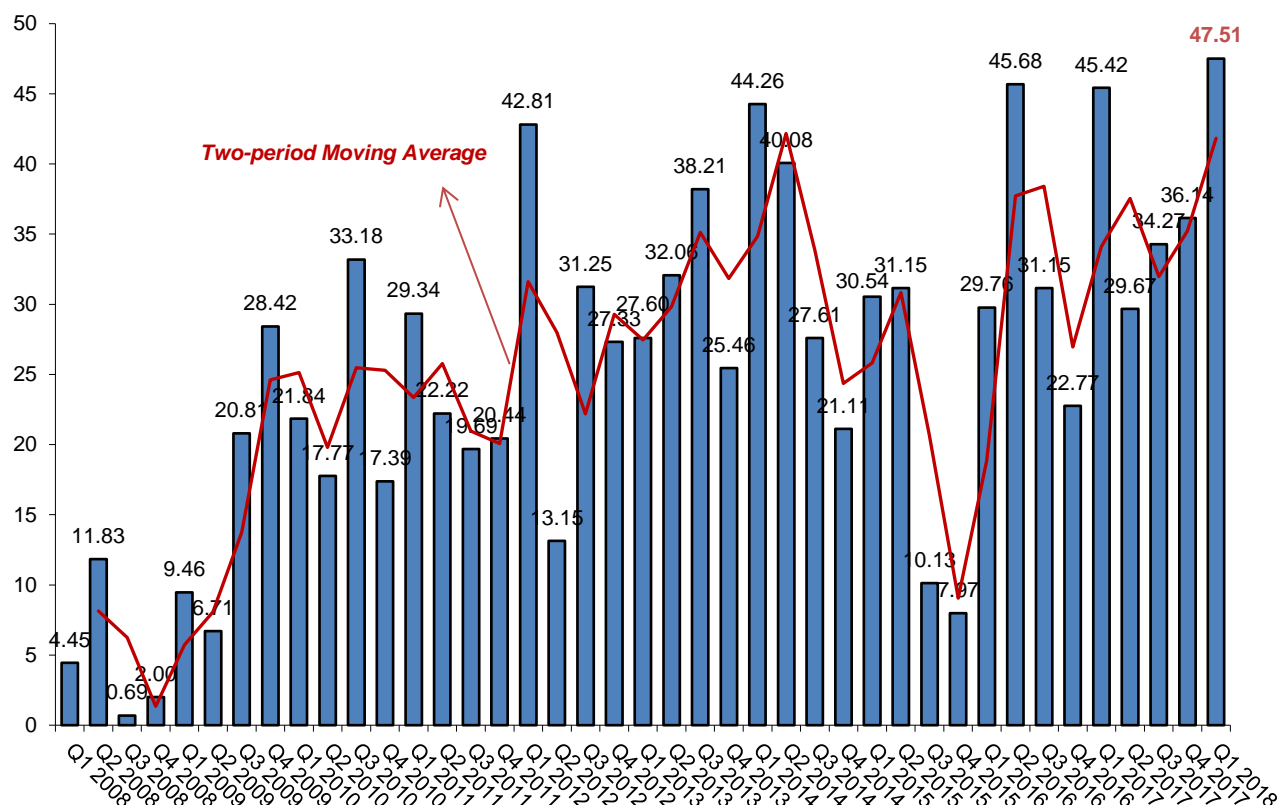
C. New Debt Issuance

Total LAC debt issuance reached US\$ 66.6 billion at the end of May 2018. Issuance in the first five months of 2018 were 6% higher than in the same period a year before. On a quarterly basis, issuance in the first quarter was the highest on record. Total issuance in the first quarter of 2018 was US\$ 47.5 billion, 4% higher than the previous peak reached in the second quarter of 2016 (chart 18).

Mexico had the largest share of bond issuances from January to May 2018 – sovereign and corporate combined – followed by Brazil and Argentina. Mexico, Brazil and Argentina issued (sovereign and corporate combined) US\$ 20 billion, US\$ 14 billion, and US\$ 12 billion, respectively. Issuances from the three countries accounted for 70% of the total LAC issuance in the period (chart 19).

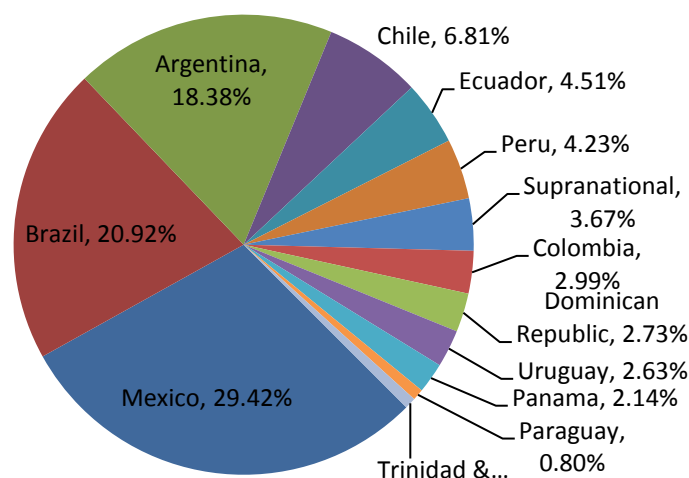
Some of the largest issuances in the period have come from sovereigns and quasi-sovereigns. Sovereigns, quasi-sovereigns and supranational entities, including regional development banks, accounted for almost 70% of the total amount issued from January to May 2018. State-owned oil producers Pemex and Petrobras accounted for 15% of the total amount issued in the period, sovereign and corporate combined, with Pemex alone accounting for 12%.

CHART 18:
QUARTERLY LAC ISSUANCE
(US\$ Billions)



Source: ECLAC Washington Office, based on data from LatinFinance, Dealogic, JPMorgan and Bank of America-Merrill Lynch.

CHART 19:
LAC DEBT ISSUANCE IN JANUARY-MAY 2018: COUNTRY BREAKDOWN
(Country shares in percentage)



Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

High-yield issuers – sovereign and corporate combined – dominated LAC issuance in the period, with a 53% share, while 47% 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

Nine sovereigns – Argentina, Brazil, Chile, Dominican Republic, Ecuador, Mexico, Panama, Paraguay, and Uruguay – tapped international debt markets from January to May of 2018 (appendix C, tables 3 and 4). The top three sovereign issuers were Argentina, Mexico and Chile (table 2). Argentina had the top share of total sovereign issuance in the region in terms of amount, but Mexico had the bigger number of deals (seven) in the cross-border market this year.

TABLE 2:
LAC SOVEREIGN DEBT ISSUANCE IN THE CROSS-BORDER MARKET, JANUARY-MAY 2018

Sovereign Issuer	Total Issuance (US\$ Million)	%Of the total sovereign Issuance	Number of Deals
Argentina	10,487	35.46%	4
Mexico	6,261	21.17%	7
Chile	3,025	10.23%	2
Ecuador	3,000	10.14%	1
Dominican Republic	1,818	6.15%	2
Uruguay	1,750	5.92%	1
Brazil	1,500	5.07%	1
Panama	1,200	4.06%	1
Paraguay	530	1.79%	1
Total	29,571	100.00%	20

Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

Mexico opened the LAC bond market in January with a dual-tranche offering (a fresh 2028 debt and a retap) to fund a liability management exercise. Mexico rounded out its 2018 funding requirements in January, completing its financing needs for the year before the presidential elections in July. Also in January, Argentina completed its first transaction of 2018, printing US\$ 9 billion across three sets of bonds, fulfilling part of the US\$ 30 billion it needs for 2018. In April, Mexico printed a four-tranche JPY 135 billion (US\$ 1.25 billion) bond. According to LatinFinance, this is the largest Samurai new issuance since French lender Credit Agricole sold more than JPY 200 billion in bonds in June 2017. As U.S. interest rates rise and QE exits in Europe, Japan may prove beneficial for dollar-based investment grade entities, now that the swap rate back to dollars has contracted from negative territory.

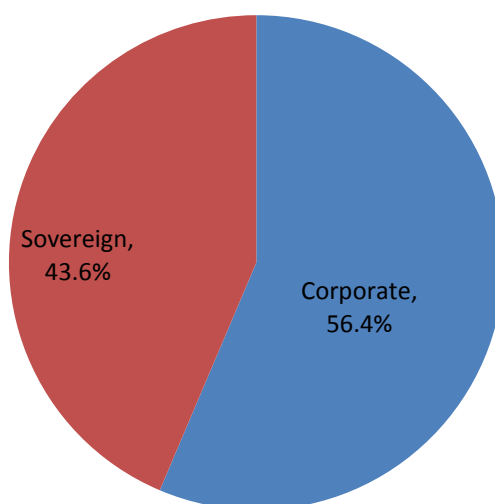
ii. Corporate Issuance

From January to May 2018, the corporate sector (including corporations, banks, quasi-sovereigns and supranationals) accounted for 56% of total LAC issuance (chart 20), a decline from the corporate share of 62% in 2017. On a quarterly basis, the share of corporate issuance reached a peak in the third quarter of 2012 (chart 21).

Quasi-sovereign and supranational issuers accounted for 41% of total LAC corporate issuance in international markets in the January-May 2018 period, a decline from the 48% share in 2017 and the 61% share in 2016. Corporations and banks accounted for the other 59% (charts 22 and 23).

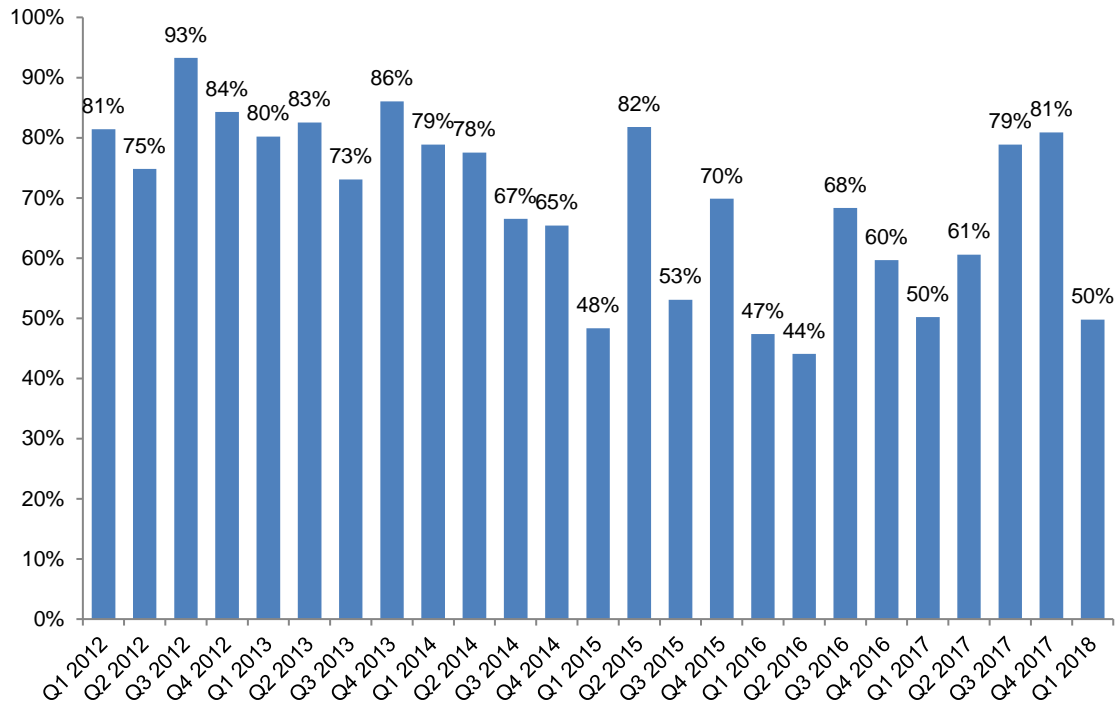
Excluding sovereign borrowers, 53 corporate issuers (including quasi-sovereign and supranational companies) from the region sold US\$ 37 billion of cross-border bonds from January to May 2018, and 22% of that volume (US\$ 8.1 billion) came from Mexico's state-owned oil producer Pemex.

CHART 20:
LAC CORPORATE AND SOVEREIGN ISSUANCE: JANUARY-MAY 2018
(Percentage)



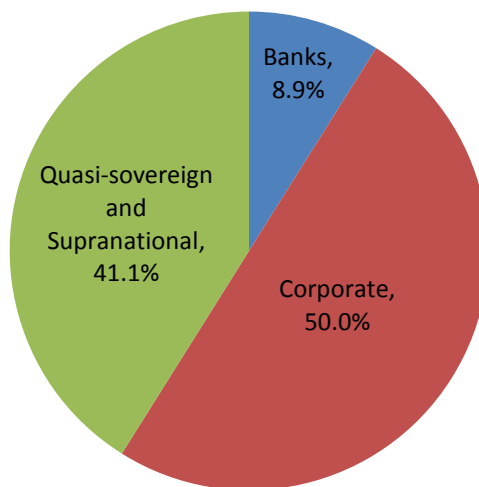
Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

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



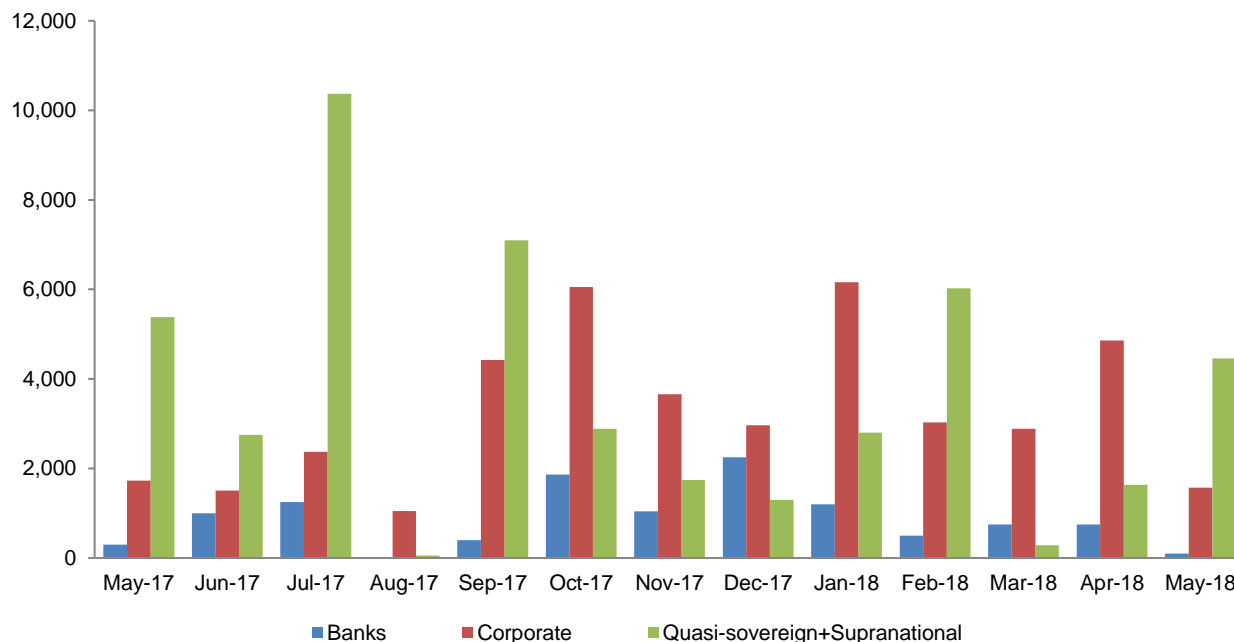
Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

CHART 22:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE: JANUARY-MAY 2018
(Percentage)



Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

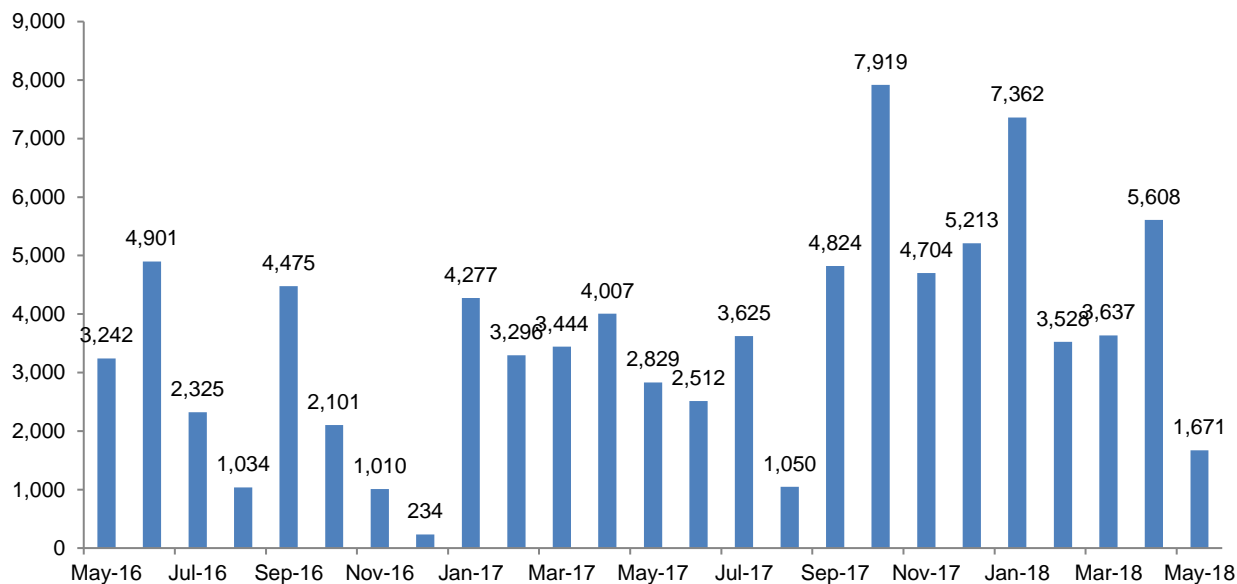
CHART 23:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE: MAY 2017 TO MAY 2018
(US\$ million)



Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

Issuances from the private corporate sector from January to May of 2018, not including quasi-sovereigns and supranationals, reached US\$ 22 billion. There was more activity in January, and monthly activity was lower in May (chart 24).

CHART 24:
LAC MONTHLY PRIVATE CORPORATE SECTOR BOND ISSUANCE
(US\$ Millions)



Source: ECLAC Washington Office based on data from LatinFinance and Dealogic. Note: issuance from the private corporate sector only (including companies and banks); quasi-sovereigns and supranationals are not included in the chart.

Six cross-border debut issuances took place from January to May 2018 amounting to almost US\$ 4 billion (table 3). They accounted for 10% of the total corporate issuance and 5.5% of the total issuance in the period, but were 7% lower than in the same period in 2017.

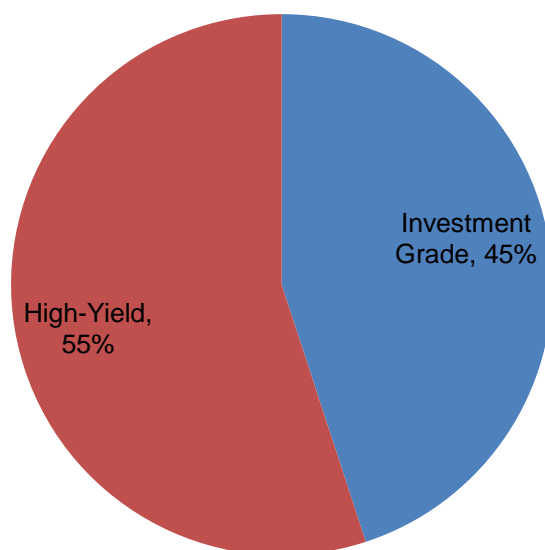
**TABLE 3:
CORPORATE DEBUT ISSUANCES IN LATIN AMERICA AND THE CARIBBEAN, 2017 YTD**

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity	Issue Date
Brazil	Rede D'Or São Luiz SA	USD 500	500	4.950%	2028	11-Jan-18
Brazil	Hidroviás do Brasil (HBSA)	USD 600	600	5.950%	2025 NC4	17-Jan-18
Brazil	Natura Cosméticos SA	USD 750	750	5.375%	2023 NC3	25-Jan-18
Colombia	BevCo LLC	EUR 800	996	1.750%	2023	02-Feb-18
Brazil	Unigel	USD 200	200	10.500%	2024	15-May-18
Peru	Hunt Oil Co of Peru LLC Sucursal del Peru	USD 600	600	6.375%	2028	24-May-18
		3,646				

Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

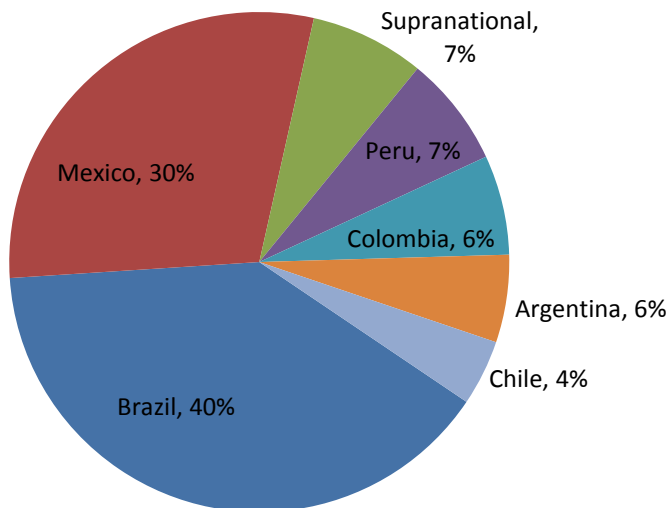
Investment grade companies had a smaller share (45%) of total corporate issuance from January to May 2018. The share of high-yield issuance was 55% (chart 25). This is explained by the dominance of Brazilian companies, which accounted for 40% of total corporate issuance in the period (chart 26).

**CHART 25:
BREAKDOWN OF LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY RATING, 2018 YTD**
(Percentage of total)



Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.
Note: corporate issuance includes corporates, banks, quasi-sovereigns and supranationals.

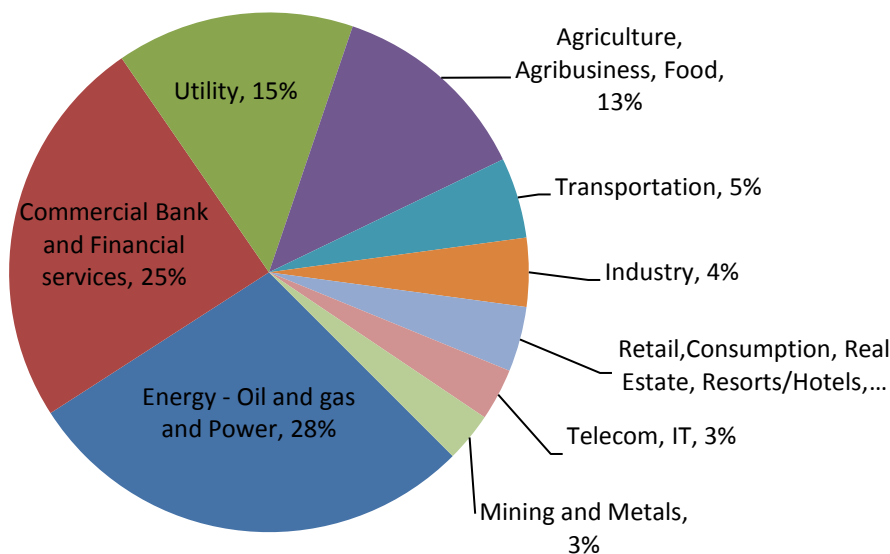
CHART 26:
BREAKDOWN OF LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY COUNTRY, 2018 YTD
(Country shares in percentage)



Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.
 Note: corporate issuance includes corporates, banks, quasi-sovereigns and supranationals.

From a sectoral perspective, 28% of LAC corporate debt issuance (including corporate, banks, quasi-sovereigns and supranationals) from January to May 2018 came from one sector: energy (chart 27). That was because of state-owned oil producers Pemex and Petrobras, which accounted for 27% of the total corporate issuance in the period. Pemex alone accounted for 22% of the total amount issued by the LAC corporate sector 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 (25% of total corporate issuance), followed by utility (15%) and agriculture, food and beverages (13%).

CHART 27:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY SECTORS, 2018 YTD
(Percentage of total)



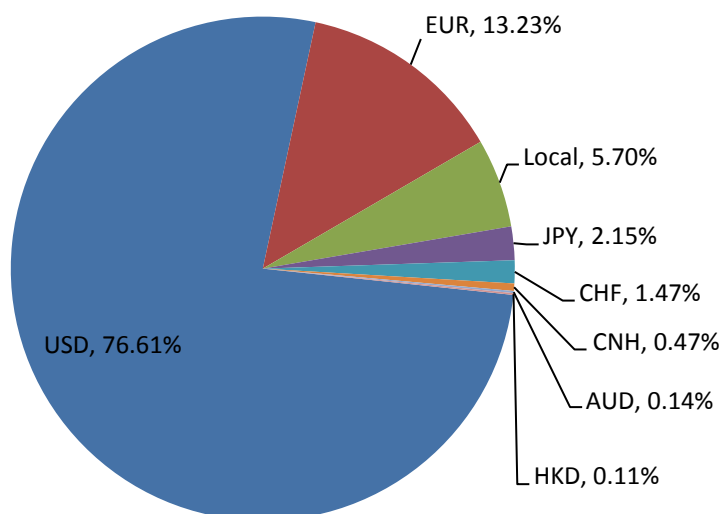
Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.
 Note: corporate issuance includes corporates, banks, quasi-sovereigns and supranationals.

iii. Currency Composition

Most of the international debt issuance in the region from January to May 2018 was denominated in U.S. dollars (76.61%). This could pose challenges for some issuers if U.S. interest rates rise faster than expected or the dollar continues its ascent. There was also issuance in Euros (13.23%); in local currencies, including Dominican Republic, Mexican, Argentine and Colombian Pesos, as well as Peruvian Soles and Brazilian Reais (5.70%); Japanese Yens (2.15%); Swiss Francs (1.47%); Chinese Yuan (0.47%), Australian Dollars (0.14%); and Hong Kong Dollars (0.11%).

Argentina's Province of Buenos Aires accounted for the biggest issuance in local currency, issuing in April a 2025 global-local bond totaling US\$ 1.5 billion. It was followed by Brazil's Celse - Centrais Elétricas de Sergipe (Swiss Insured Brazil Power Finance SARL) issuance of a 2032 bond in local currency amounting to almost US\$ 1 billion. The third largest issuance in local currency was by Dominican Republic, which issued a 2023 bond in local pesos, amounting to US\$ 818 million. The Dominican Republic's local currency issuance was a debut under the Euroclear format.

**CHART 28:
CURRENCY BREAKDOWN, 2018 YTD**



Source: ECLAC Washington Office, based on data from LatinFinance and Dealogic.

iv. Green Bonds

There were no LAC issuances with a green focus from January to May 2018. However, Colombia's state-owned export development bank Banco de Comercio Exterior de Colombia S.A. (Bancóldex) and CAF-Development Bank of Latin America both issued sustainable securities in Colombia's local market in May. Colombian Bancóldex sold a three-part social bond valued at COP 400 billion (US\$ 140 million-equivalent) and CAF sold COP 150 billion (US\$ 52 million) in 10-year green bonds, allocating proceeds for environmental and social impact projects in Ecuador, Panama and Peru.

In 2017, the region's green issuance represented 2.4% of the total issuance in the period. The majority (five of them) was issued in the first half. In the second half there were one green bond issued and two retaps (table 4). Only three countries from the region issued green bonds in 2017. Brazil had the biggest share of green issuance in the period (68%), followed by Argentina (18%) and Chile (14%). Regarding the sectoral distribution, 48% of the total green issuance in the period was in the financial services sector, followed by pulp and paper

(34%), and energy (10%). There was one sub-sovereign green issuance in the period, from Argentina's La Rioja Province, which came to international debt markets in February 2017 and reopened the issue in December.

TABLE 4:
LAC CROSS-BORDER BOND ISSUANCE WITH A GREEN FOCUS: 2017 YTD
(Millions of dollars)

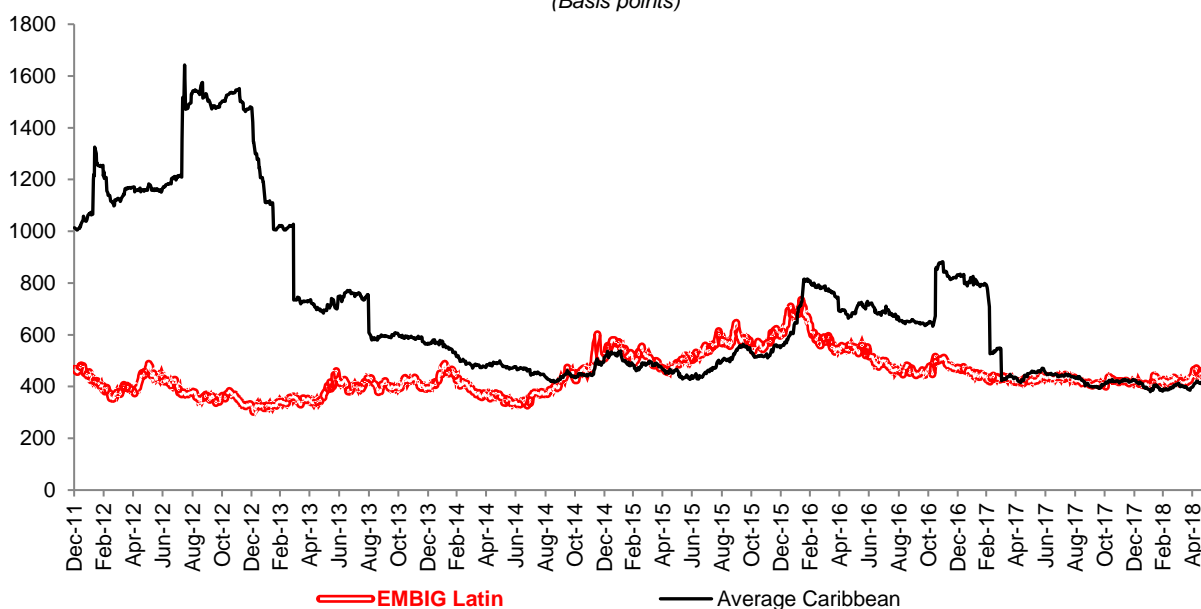
Country	Issuer	Amount (million)	US\$ million	Coupon	Maturity	Issue Date
Brazil	Fibria Overseas Finance Ltd	USD 700	700	5.500%	2027	11-Jan-17
Argentina	Genneia	USD 350	350	8.750%	2022 NC3	12-Jan-17
Argentina	La Rioja Province	USD 200	200	9.750%	2025	17-Feb-17
Chile	Inversiones CMPC ¹	USD 500	500	4.375%	2027	31-Mar-17
Brazil	BNDES	USD 1000	1000	4.750%	2024	2-May-17
Brazil	Suzano Papel e Celulose	USD 200	200	5.750%	2026 (r)	5-Sep-17
Brazil	Klabin	USD 500	500	4.875%	2027	12-Sep-17
Argentina	Province of La Rioja	USD 100	100	9.750%	2025 (r)	06-Dec-17
		3,550				

Source: ECLAC Washington Office, based on data from LatinFinance. ¹ Compañía Manufacturera de Papeles y Cartones.

II. Bond markets and credit management in the Caribbean¹

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 because of the high number of defaults in the Caribbean region was negative from January to May 2018 (chart 29).

CHART 29:
EMBIG SPREADS, CARIBBEAN VERSUS LAC
(Basis points)

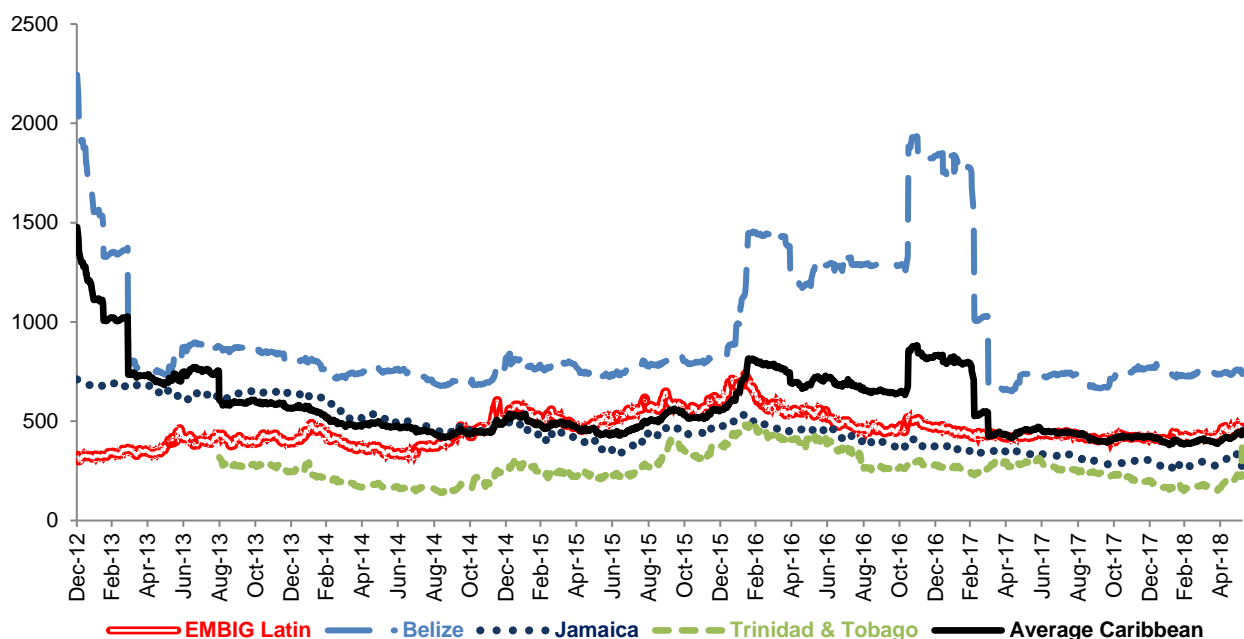


Source: ECLAC Washington Office, based on data from JPMorgan. The Caribbean average includes Belize and Jamaica, and since 30 August 2013, it also includes Trinidad & Tobago.

¹ 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.

Caribbean spreads widened only 14 basis points in the January-May 2018 period, compared to 60 basis points for the EMBIG Latin component, and at the end of May were 39 basis points lower than the EMBIG Latin spreads. Both Jamaica's and Trinidad & Tobago's spreads have been lower than the Latin American average (chart 30). The widening in Caribbean spreads from January to May 2018 was driven by Jamaica and Trinidad and Tobago, whose spreads widened 30 and 25 basis points in the period, respectively. Spreads for Belize tightened 14 basis points in the first five months of 2018, continuing the trend started in 2017, when spreads tightened 1,066 basis points for the year because of the agreement reached in mid-March 2017 between the government and 87% of its 2038 super bond's holders to restructure the bond's payments.²

CHART 30:
CARIBBEAN COUNTRIES, 2018 YTD EMBIG SPREADS
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

Credit Rating Actions

There were three positive and three negative credit rating actions in the Caribbean from January to May of 2018 (table 5).

The positive actions were related to Jamaica and Suriname. In January, Fitch revised the outlook on Jamaica's B rating to positive from stable, citing much reduced refinancing risks and fiscal financing needs. In February, Fitch revised the outlook on Suriname's B- rating to stable from negative, citing the improving macroeconomic trend and more positive outlook for public finances. In April, S&P revises the outlook on Suriname's B rating to stable from negative, citing the end of economic contraction.

Negative actions were taken on Suriname, Trinidad and Tobago, and Barbados. In February, Moody's downgraded Suriname's B1 long-term rating to B2 with a negative outlook, citing erosion of fiscal metrics.

² 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.

After the downgrade, Moody's rating for Suriname was at par with S&P's (B), while Fitch's (B-) was one notch lower. The negative outlook reflected the agency's view that without additional measures to strengthen the fiscal position, the pace of fiscal consolidation may not be sufficient to prevent increased liquidity pressures. In April, S&P revised the outlook on Trinidad and Tobago's BBB+ rating to negative on macroeconomic risks and external imbalances. In June, S&P downgraded Barbados' long-term foreign currency rating to Selective Default (SD) from CCC+ and placed it on CreditWatch with negative implications, following a missed coupon payment. S&P's CreditWatch (-) reflects the agency's opinion that there is a greater than one-in-two chance that Barbados could default again within the next three months.

Barbados has issued three international bonds worth US\$ 600 million – all of which had coupon payments due in June. Their prices declined from about 90 cents on the dollar to under 50 cents as investors digested the news of the payment moratorium. Fiscal discipline started eroding after the global financial crisis, when the economy was hard-hit by a decline in tourism. Barbados' prime minister, who revealed the discovery of previous undisclosed financial liabilities that increased the country's overall debt from 137% to more than 175% of GDP, has called the International Monetary Fund and has announced an “emergency plan” to restructure its public debt.

Barbados is the latest Caribbean country to stumble into financial distress. Since 2010, St. Kitts and Nevis, Antigua and Barbuda, Belize, Grenada and Jamaica – twice – have had to default on and restructure their debts.

**TABLE 5:
SOVEREIGN CREDIT RATING ACTIONS IN THE CARIBBEAN, 2018 YTD**

Date	Country	Action	
2018 YTD	3 positive and 3 negative actions		
Q1 2018	2 positive and 1 negative actions		
31-Jan-18	Jamaica	Fitch revises the outlook on Jamaica's B rating to positive from stable	Positive
20-Feb-18	Suriname	Moody's downgrades Suriname's rating to B2 from B1 with a negative outlook	Negative
21-Feb-18	Suriname	Fitch revises the outlook on Suriname's B- rating to stable from negative	Positive
Q2 2018	1 positive and 2 negative actions		
2-Apr-18	Suriname	S&P revises the outlook on Suriname's B rating to stable from negative	Positive
27-Apr-18	T&T	S&P revises the outlook on Trinidad and Tobago's BBB+ rating to negative	Negative
6-Jun-18	Barbados	S&P downgrades Barbados' rating to SD from CCC+ and placed it on CreditWatch (-)	Negative

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch.

Debt issuance

In May, Trinidad and Tobago's Consolidated Energy Finance S.A. (CEL) issued a US\$ 400 million 6.875% 2026 new bond and reopened its 2022 bond issued a year earlier to add US\$ 125 million. Proceeds of both bonds will be used to redeem the existing US\$ 1.05 billion 6.750% Fixed Rate Notes due on 15 October 2019 (issued in October 2014). The company accompanied the bond and retap with a five-year US\$ 225 million revolving credit facility and a seven-year US\$ 600 million B loan facility. Proceeds from the B loan will refinance existing debt attributed to CEL's Trinidadian subsidiary Methanol Holding Trinidad Ltd.

III. Portfolio equity flows

Money has flowed out of mutual and exchange-traded funds that invest in emerging-markets debt and equity in the past two months, according to Bank of America Merrill Lynch. The outflow of money has led to declines in assets that rewarded investors with rich yields and big upside moves in recent years. Latin American equities lagged equities in other emerging market and developed countries since the beginning of the year, as Latin American currencies have declined against the U.S. dollar in this period. According to the MSCI Latin American Index, Latin American stocks lost 9.5% from January to May 2018 (table 6, chart 29), while the broader emerging market index was down 3.3% in dollar terms in the same period.

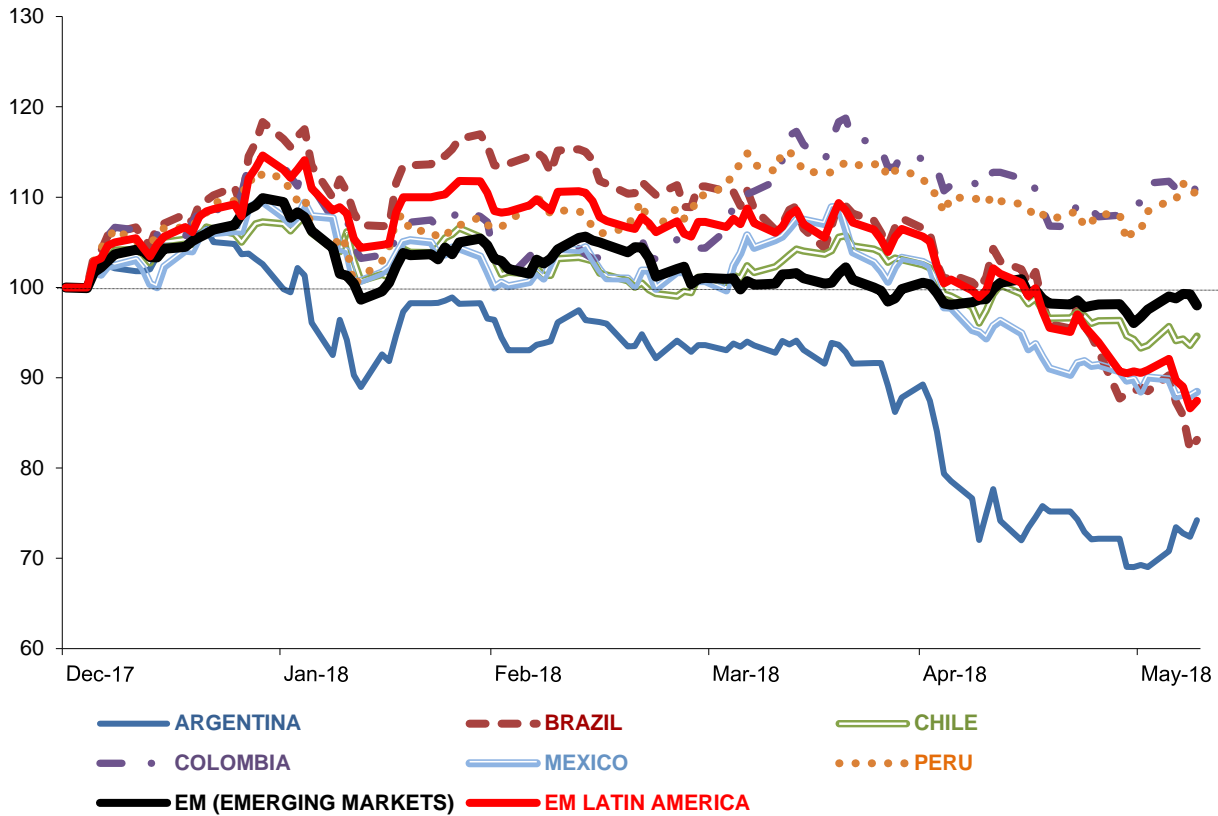
**TABLE 6:
MSCI EQUITY INDICES, 2018 YTD**

	Price Index in USD			Variation	
	Dec 29, 2017	Mar 30, 2018	May 31, 2018	Q1 2018	2018 YTD
<i>Emerging markets</i>	1,158.454	1,170.875	1,120.710	1.07%	-3.26%
<i>Latin America</i>	2,828.146	3,032.910	2,560.532	7.24%	-9.46%
<i>Argentina</i>	4,253.465	3,982.243	2,945.480	-6.38%	-30.75%
<i>Brazil</i>	2,022.889	2,249.320	1,799.263	11.19%	-11.05%
<i>Chile</i>	2,022.426	2,045.040	1,886.780	1.12%	-6.71%
<i>Colombia</i>	638.240	666.087	697.702	4.36%	9.32%
<i>Mexico</i>	5,333.581	5,370.598	4,719.817	0.69%	-11.51%
<i>Peru</i>	1,666.579	1,836.617	1,773.597	10.20%	6.42%

Source: ECLAC Washington Office, based on data from MSCI Equity Indices, <http://www.msci.com/equity/index2.html>

Within the region, Argentina's MSCI index had the biggest loss in the period (-30.75%), followed by Mexico (-11.51%), Brazil (-11.05%), and Chile (-6.71%). Colombia registered the biggest gain (9.32%), followed by Peru (6.42%).

**CHART 31:
MSCI EQUITY PRICE INDEX, JANUARY-NOVEMBER 2017**



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

On 20 June 2018, MSCI returned Argentina to emerging market status nearly a decade after demoting the country to frontier market (in 2009). Argentine stocks surged in response to the upgrade. The change followed two years of reforms and is expected to bring billions in investment to the country's stocks. Inclusion into a major benchmark can have a big impact on markets. JPMorgan estimates that there is about US\$ 384 billion of money that passively tracks MSCI's emerging market indices, and another US\$ 1.1 trillion that is benchmarked against them.

IV. Prospects

Political uncertainty has been a major driver of financial markets this year, and this is true in the LAC region as well. Growing political uncertainty, combined with an appreciating U.S. dollar and rising U.S. interest rates, has hurt the region's bonds, weakened its equities, and undercut currencies, and will likely continue to be a concern for LAC financial assets in coming months.

U.S. monetary tightening and divergent global monetary policy³ also have the potential to increase market volatility in the second half of the year. The U.S. Federal Reserve is expected to continue to raise interest rates this year, which would increase pressure on LAC assets and test the ability of some issuers to repay dollar-denominated debt. Higher U.S. interest rates dim the allure of LAC assets, where investors often take on greater risk in exchange for higher yields and returns. Withdrawal of dollar liquidity, especially through the U.S. Federal Reserve balance sheet unwinding – which is absorbing U.S. dollars, currently at a pace of US\$ 20 billion a month – and the ensuing strengthening of the U.S. dollar, are among the main concerns for LAC financial assets in the second half of 2018.

Trade policy is expected to add to the pressure on LAC assets. A fresh round of U.S. tariffs is due to be implemented on July 6, which combined with retaliation measures from U.S. trade partners will likely lead to additional volatility in debt, equity and commodity markets.

The benign external backdrop that has supported large capital flows to the LAC region and a positive risk momentum may be finally turning. Uncertainty over where the U.S. is headed with its future trade policies and the outcomes of upcoming presidential elections in Latin America have forced the buy-side to exercise caution over where to allocate their money in recent months. Market analysts suggest that less-frequent names may be better-placed holding off on any new issues because of the likelihood of having to pay a heavy new issue premium. Some LAC issuers that cannot gain the favorable market conditions seen earlier this year may thus turn to other sources of funding.

³ The gap in policy rates between the U.S. and euro-zone is expected to continue to widen over the next year. The Fed is likely to continue to raise rates in coming months while the ECB leaves rates unchanged until late next year.

Appendix

A. Credit Rating

**TABLE 1:
CREDIT RATINGS IN LATIN AMERICA AND THE CARIBBEAN, 2018 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	B2		B+		B		Upgrade, O/L stable	29-Nov-17	Affirmed, O/L stable	4-Jun-18	O/L changed to stable from (+)	4-May-18
Bahamas	Baa3	(-)	BB+				O/L changed to (-)	25-Sep-17	Dow ngrade, O/L stable	20-Dec-16		
Barbados	Caa3		SD		NR		Dow ngrade, O/L stable	9-Mar-17	Dow ngrade, Creditwatch (-)	6-Jun-18		
Belize	B3		B-		NR		Upgrade, O/L stable	11-Apr-17	Upgrade, O/L stable	23-Mar-17		
Bolivia	Ba3		BB-		BB-		O/L changed to stable from (-)	1-Aug-17	Dow ngrade, O/L stable	23-May-18	Dow ngrade, O/L stable	13-Jul-16
Brazil	Ba2		BB-		BB-		O/L changed to stable from (-)	9-Apr-18	Dow ngrade, O/L stable	11-Jan-18	Dow ngrade, O/L stable	23-Feb-18
Chile	Aa3	(-)	A+		A		O/L changed to (-)	24-Aug-17	Dow ngrade, O/L stable	13-Jul-17	Affirmed, O/L stable	23-Feb-18
Colombia	Baa2	(-)	BBB-		BBB		O/L changed to (-)	22-Feb-18	Affirmed, O/L stable	13-Mar-18	Affirmed, O/L stable	9-May-18
Costa Rica*	Ba2	(-)	BB-	(-)	BB	(-)	Dow ngrade, O/L (-)	9-Feb-17	Dow ngrade, O/L (-)	25-Feb-16	O/L changed to (-)	18-Jan-18
Cuba	Caa2		NR		NR		O/L changed to stable from (+)	8-Nov-17				
Dominican Republic	Ba3		BB-		BB-		Upgrade, O/L stable	21-Jul-17	Upgrade, O/L stable	20-May-15	Upgrade, O/L stable	18-Nov-16
Ecuador	B3		B-		B	(-)	Affirmed, O/L stable	23-Nov-16	Dow ngrade, O/L stable	29-Jun-17	Affirmed, O/L (-)	24-Aug-17
El Salvador	B3		CCC+	(+)	B-		Upgrade, O/L stable	23-Feb-18	O/L changed to (+)	14-Dec-17	Upgrade, O/L stable	6-Oct-17
Grenada			SD						Dow ngrade	12-Mar-13		
Guatemala	Ba1		BB-		BB		Affirmed, O/L stable	11-Jun-18	Dow ngrade, O/L stable	18-Oct-17	Affirmed, O/L stable	17-Apr-18
Honduras	B1		BB-		NR		Upgrade, O/L stable	22-Sep-17	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	O/L changed to (+)	31-Jan-18
Mexico	A3		BBB+		BBB+		O/L changed to stable from (-)	11-Apr-18	O/L changed to stable from (-)	18-Jul-17	Affirmed, O/L stable	16-Mar-18
Nicaragua	B2	(+)	B+		B+		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		O/L changed to (+)	29-Sep-17	Affirmed, O/L stable	1-Aug-13	Affirmed, O/L stable	16-Feb-18
Paraguay	Ba1		BB		BB	(+)	Affirmed, O/L stable	21-Jun-16	O/L changed to stable from (+)	15-Jun-16	O/L changed to (+)	14-Dec-17
Peru	A3		BBB+		BBB+		Affirmed, O/L stable	24-Aug-17	Affirmed, O/L stable	10-Aug-16	Affirmed, O/L stable	21-Mar-18
St Vincent and the Grenadines	B3						Affirmed, O/L stable	30-Apr-18				
Suriname	B2	(-)	B		B-		Dow ngrade, O/L (-)	20-Feb-18	O/L changed to stable from (-)	2-Apr-18	O/L changed to stable	21-Feb-18
Trinidad & Tobago	Ba1		BBB+	(-)	NR		Dow ngrade, O/L stable	27-Apr-17	O/L changed to (-)	27-Apr-18		
Uruguay*	Baa2		BBB		BBB-		O/L changed to stable from (-)	13-Jul-17	O/L changed to stable	30-May-17	Affirmed, O/L stable	5-Apr-18
Venezuela	C		SD		RD		Dow ngrade, O/L stable	9-Mar-18	Dow ngrade	13-Nov-17	Dow ngrade	14-Nov-17

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch. Changes for 2018 YTD are in red.

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

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

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

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

BOX 1
CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, 2018 YTD

There have been 6 positive and 10 negative actions in Latin America and the Caribbean in 2018 YTD.

Positive Actions: 6 (Bold)

January

- **Jamaica (January 31): Fitch revises the outlook on Jamaica’s B rating to positive from stable**, citing much reduced refinancing risks and fiscal financing needs.

February

- Panama (February 16): Fitch affirms Panama at BBB with a stable outlook (*no change*).
- **Suriname (February 21): Fitch revises the outlook on Suriname’s B- rating to stable from negative**, citing the improving macroeconomic trend and more positive outlook for public finances.
- **El Salvador (February 23): Moody’s upgrades El Salvador’s ratings to B3 from Caa1, with a stable outlook**, citing significantly reduced government liquidity risks and diminished political risk.
- Chile (February 23): Fitch affirms Chile at A with a stable outlook (*no change*).

March

- Colombia (March 13): S&P affirms Colombia’s BBB- foreign currency rating after Congressional elections, with a stable outlook (*no change*).
- Mexico (March 16): Fitch affirms Mexico at BBB+ with a stable outlook (*no change*).
- Peru (March 21): Fitch affirms Peru at BBB+ with a stable outlook (*no change*).

April

- **Suriname (April 02): S&P revises the outlook on Suriname’s B rating to stable from negative**, citing end of economic contraction.
- Uruguay (April 05): Fitch affirms Uruguay at BBB- with a stable outlook (*no change*).
- **Brazil (April 09): Moody’s revises the outlook on Brazil’s Ba2 rating to stable from negative**, citing receding downside risks to growth and receding uncertainty regarding the reform momentum.
- **Mexico (April 11): Moody’s revises the outlook on Mexico’s A3 rating to stable from negative**, citing receding downside risks from NAFTA negotiations, and credit strengths that offset weak governance indicators compared to similarly rated peers.
- Guatemala (April 17): Fitch affirms Guatemala at BB with a stable outlook (*no change*).
- St Vincent and the Grenadines (April 30): Moody’s affirms St Vincent and the Grenadine’s B3 rating with a stable outlook (*no change*).

May

- Argentina (May 04): Fitch affirms Argentina at B with a stable outlook (*no change*).

June

- Guatemala (June 11): Moody’s affirms Guatemala’s Ba1 rating with a stable outlook (*no change*).
- Argentina (June 4): S&P affirms Argentina’s long-term rating at B+ with a stable outlook (*no change*).

Negative Actions: 10 (Bold)

January

- **Brazil (January 11): S&P downgrades Brazil’s BB long-term sovereign currency debt rating to BB- with a stable outlook**, citing "slower-than-expected progress" in implementing legislation to correct structural fiscal slippage and rising debt levels.
- **Costa Rica (January 18): Fitch revises the outlook on Costa Rica’s BB rating to negative**, citing diminished flexibility to finance rising budget deficits and public debt burden, as well as persistent institutional gridlock.

Box 1– (conclusion)*February*

- **Suriname (February 20): Moody’s downgrades Suriname’s B1 long-term rating to B2 with a negative outlook**, citing erosion of fiscal metrics. The negative outlook reflects the agency’s view that without additional measures to strengthen the fiscal position, the pace of fiscal consolidation may not be sufficient to prevent increased liquidity pressures.
- **Colombia (February 22): Moody’s revises the outlook on Colombia’s Ba2 long-term rating to negative from stable**, citing expectation of a slower pace of fiscal consolidation and weakening fiscal metrics, and political risk post presidential elections.
- **Brazil (February 23): Fitch downgrades Brazil’s BB long-term foreign currency rating to BB- with a stable outlook**, citing persistent and large fiscal deficits, a high and growing government debt burden and the failure to legislate reforms.

March

- **Venezuela (March 09): Moody’s downgrades Venezuela’s rating to C from Caa3 with a stable outlook**, citing the continuing erosion of payment capacity and U.S. sanctions, which pose limits on the sovereign’s ability to restructure its debt.

April

- **Trinidad and Tobago (April 27): S&P revises the outlook on Trinidad and Tobago’s BBB+ rating to negative** on macroeconomic risks and external imbalances.

May

- **Argentina (May 04): Fitch revises outlook on Argentina’s B rating to stable from positive**, citing macroeconomic policy frictions and political headwinds, as well as market volatility.
- **Bolivia (May 23): S&P downgrades Bolivia’s foreign currency rating to BB- from BB with a stable outlook**, citing weakened external position by sustained large current account deficits.

June

- **Barbados (June 6): S&P downgrades Barbados’ long-term foreign currency rating to Selective Default (SD) from CCC+ and placed it on CreditWatch with negative implications**, following a missed coupon payment. S&P’s CreditWatch (-) reflects the agency’s opinion that there is a greater than one-in-two chance that Barbados could default again within the next three months.

Source: ECLAC Washington Office based on data from Moody’s, Standard & Poor’s, Fitch and various market sources.

B. Latin American Spreads

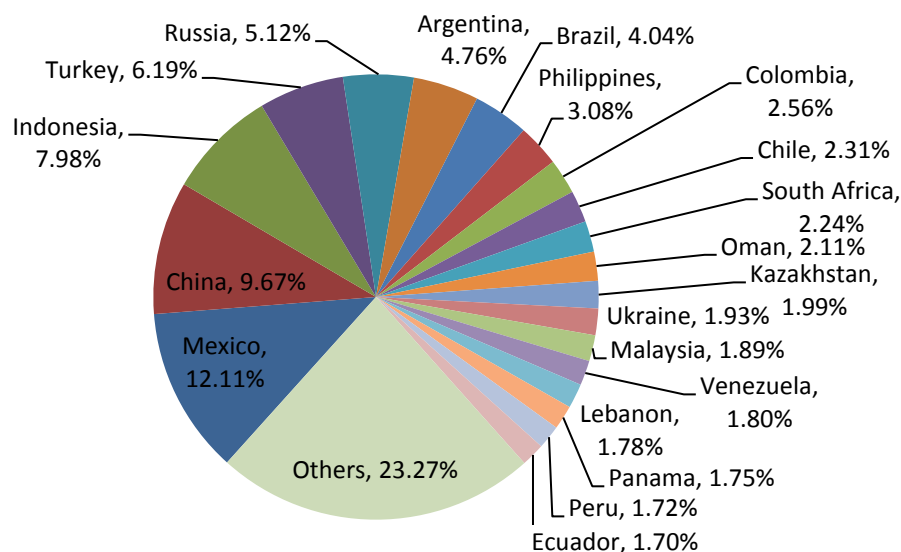
TABLE 2:
SOVEREIGN SPREADS ON JPMORGAN EMBI GLOBAL AND LATIN AMERICAN COMPOSITES
(Basis Points)

	EMBI Global	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Uruguay	Venezuela	Latin America
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
31-Aug-17	321	402	265	130	195	643	244	153	181	3125	424
29-Sep-17	308	377	240	128	185	606	233	140	165	3094	407
31-Oct-17	307	361	237	118	183	563	247	136	154	3171	403
30-Nov-17	313	357	234	123	176	507	232	133	145	4717	417
29-Dec-17	311	351	232	117	173	459	245	136	146	4854	419
31-Jan-18	292	375	217	106	153	442	223	119	136	4660	399
28-Feb-18	311	405	226	120	178	490	238	137	146	4625	418
29-Mar-18	326	420	238	128	180	544	252	156	168	4189	426
30-Apr-18	335	431	242	130	182	667	263	152	185	4344	443
31-May-18	367	521	299	145	205	671	288	168	197	4565	479

Source: ECLAC Washington Office with data from “Emerging Markets Bond Index Monitors”; JPMorgan.

EMBI Global composition by country (end-May 2018): Mexico, Argentina and Brazil account for 20.91% of the total weighting.
 EMBI Global composition by region: Latin: 39.09%; Non-Latin: 60.91%.

EMBI GLOBAL COMPOSITION (AS OF MAY 2018)



Others:	%
Egypt	1.62%
Hungary	1.60%
Poland	1.52%
Uruguay	1.45%
Dominican Rep	1.42%
Sri Lanka	1.20%
Croatia	0.96%
Nigeria	0.91%
Romania	0.70%
Azerbaijan	0.69%
El Salvador	0.69%
Pakistan	0.67%
Costa Rica	0.64%
Jamaica	0.62%
Lithuania	0.59%
India	0.57%
Angola	0.54%
Ivory Coast	0.50%
Kenya	0.46%
Serbia	0.42%
Iraq	0.41%
Mongolia	0.40%
Paraguay	0.39%
Trinidad & Tobago	0.34%
Jordan	0.33%
Zambia	0.31%
Guatemala	0.29%
Senegal	0.27%
Morocco	0.26%
Gabon	0.24%
Ghana	0.24%
Belarus	0.24%
Bolivia	0.22%
Honduras	0.20%
Vietnam	0.20%
Slovakia	0.18%
Namibia	0.14%
Georgia	0.12%
Armenia	0.12%
Ethiopia	0.11%
Tunisia	0.10%
Cameroon	0.09%
Latvia	0.08%
Mozambique	0.07%
Suriname	0.06%
Tajikistan	0.05%
Belize	0.04%
Total	23.27%

C. New LAC Debt Issuance

**TABLE 3:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FIRST QUARTER OF 2018**

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Jan-18					
Mexico	United Mexican States	USD 2555	2,555	3.750%	2028
Mexico	United Mexican States	USD 645	645	4.600%	2048 (r)
Chile	Banco del Estado de Chile (BancoEstado)	USD 500	500	2.668%	2021
Argentina	Republic of Argentina	USD 1750	1,750	4.625%	2023
Argentina	Republic of Argentina	USD 4250	4,250	5.875%	2028
Argentina	Republic of Argentina	USD 3000	3,000	6.875%	2048
Brazil	JSL Europe LLC	USD 300	300	7.750%	2024 NC3
Mexico	United Mexican States	EUR 1500	1,799	1.750%	2028
Brazil	Rumo Luxembourg SARL	USD 500	500	5.785%	2025 NC4
Peru	Banco Internacional del Peru - INTERBANK	USD 200	200	3.375%	2023
Chile	Eletrans SA	USD 180	180	4.060%	2037
Brazil	Rede D'Or São Luiz SA	USD 500	500	4.950%	2028
Mexico	Nemak SAB de CV	USD 500	500	4.750%	2025 NC3
Mexico	BBVA Bancomer SA	USD 1000	1,000	5.125%	2033 NC10
Brazil	Marfrig Alimentos (MARB BondCo plc)	USD 1000	1,000	6.875%	2025
Supranational	CAF Development Bank of Latin America	AUD 75	59	4.500%	2027 (r)
Brazil	Hidroviás do Brasil (HBSA)	USD 600	600	5.950%	2025 NC4
Brazil	Republic of Brazil	USD 1500	1,500	5.625%	2047 (r)
Ecuador	Republic of Ecuador	USD 3000	3,000	7.875%	2028
Chile	BancoEstado (Banco del Estado de Chile)	AUD 40	32	3.900%	2029
Argentina	Genneia SA	USD 150	150	8.750%	2022 (r)
Mexico	Unifin Financiera	USD 250	250	8.875%	2025 Perp
Argentina	Aguas y Saneamientos Argentinos (AYSA)	USD 500	500	6.625%	2023 NC3
Brazil	Natura Cosmetics SA	USD 750	750	5.375%	2023 NC3
Chile	Republic of Chile	EUR 830	1,025	1.440%	2029
Brazil	Petrobras	USD 2000	2,000	5.750%	2029
Argentina	Rio Energy SA	USD 600	600	6.875%	2025
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 200	213	0.314%	2024
Chile	Republic of Chile	USD 2000	2,000	3.240%	2028
Brazil	Gol Finance	USD 150	150	7.000%	2025 (r)
Mexico	Credito Real	CHF 170	182	2.875%	2022
			31,690		
Feb-18					
Brazil	Banco Safra SA	USD 500	500	4.125%	2023
Brazil	JBS SA	USD 900	900	6.750%	2028
Mexico	Petroleos Mexicanos - PEMEX	USD 2500	2,500	5.350%	2028
Mexico	Petroleos Mexicanos - PEMEX	USD 1500	1,500	6.350%	2048
Colombia	BevCo LLC	EUR 800	996	1.750%	2023
Supranational	Central American Bank for Economic Integration (CABEI)	JPY 5600	51	0.426%	2023
Supranational	CAF Development Bank of Latin America	EUR 1000	1,243	1.125%	2025
Colombia	Credivalores - Crediservicios SAS	USD 75	75	9.750%	2022 (r)
Dominican Republic	Dominican Republic	DOP 40000	818	8.900%	2023
Dominican Republic	Dominican Republic	USD 1000	1,000	6.500%	2048
Brazil	CSN Resources SA	USD 350	350	7.625%	2023 NC3
Mexico	Unifin Financiera	USD 300	300	7.375%	2026 NC4
Colombia	Gran Tierra Energy (GTE)	USD 300	300	6.250%	2025
Mexico	Comision Federal de Electricidad - CFE	USD 727	727	5.000%	2048
Peru	GenRent	USD 106.5	107	5.875%	2037
Brazil	Banco Safra SA	USD 500	500	4.125%	2023
			11,367		
Mar-18					
Supranational	CAF Development Bank of Latin America	MXN 3000	159	8.500%	2028
Paraguay	Republic of Paraguay	USD 530	530	5.600%	2048
Supranational	CAF Development Bank of Latin America	IDR 1034100	75	6.500%	2023
Brazil	Itau Unibanco Holding SA	USD 750	750	6.500%	2023 Perp
Peru	Peru LNG SRL	USD 940	940	5.375%	2030
Mexico	Sigma Alimentos	USD 500	500	4.875%	2028
Peru	InRetail Shopping Malls - Patrimonio en Fideicomiso DS 093-2002 -EF	PEN 313.5	97	6.563%	2028
Peru	InRetail Shopping Malls - Patrimonio en Fideicomiso DS 093-2002 -EF	USD 350	350	5.750%	2028
Brazil*	Vrio Finco 1 LLC	USD 650	650	6.250%	2023 NC3
Brazil*	Vrio Finco 1 LLC	USD 350	350	6.875%	2028 NC5
Supranational	CAF Development Bank of Latin America	USD 50	50	3-mth L+30	2027
Supranational	CAF Development Bank of Latin America	MXN 3000	159	8.500%	2028
			4,452		

Source: ECLAC Washington Office, based on data from LatinFinance (Bonds Database) and Dealogic.

Notes:

Q1 2018 Total 47,509

(r): retap; (g): green; NC3, NC4, NC5, NC10: only callable after 3, 4, 5 and 10 years, respectively. Perp: perpetual

TABLE 4:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
SECOND QUARTER OF 2018

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Apr-18					
Brazil	Celse - Centrais Eléctricas de Sergipe (ARL)	BRL 3201.5	958	9.850%	2032
Argentina	Province of Buenos Aires	ARS 30000	1,487	3m Badlar +375	2025
Panama	Republic of Panama	USD 1200	1,200	4.500%	2050
Uruguay	Republic of Uruguay	USD 1750	1,750	4.975%	2055
Mexico	Grupo Bimbo	USD 500	500	5.950%	2023
Brazil	Banco do Brasil SA	USD 750	750	4.875%	2023
Brazil	RioPrevidencia - Rio Oil Finance Trust	USD 600	600	8.200%	2028
Mexico	United Mexican States	JPY 57200	535	0.600%	2023
Mexico	United Mexican States	JPY 24100	225	0.850%	2025
Mexico	United Mexican States	JPY 38700	362	1.050%	2028
Mexico	United Mexican States	JPY 15000	140	2.000%	2038
Mexico	Cometa Energia SA de CV	USD 860	860	6.375%	2035
Supranational	CAF Development Bank of Latin America	CHF 115	118	0.300%	2025
Peru	InRetail Pharma SA	PEN 385.8	120	6.438%	2025
Peru	InRetail Pharma SA	USD 400	400	5.375%	2023
Colombia	Gillex Holding SARL	USD 300	300	8.500%	2023
Brazil	Light Servicos de Eletricidade SA	USD 600	600	7.250%	2023
Argentina	Transportadora de Gas del Sur SA - TGS	USD 500	500	6.750%	2025
Mexico	KIO Networks (Sixsigma Networks Mexico SA De CV)	USD 300	300	7.500%	2025
Colombia	Canacol Energy Ltd	USD 320	320	7.250%	2025
Supranational	Central American Bank for Economic Integration (CABEI)	CNY 2000	316	4.850%	2023
Chile	Corporación Nacional del Cobre de Chile SA - CODELCO	USD 600	600	4.850%	2048
			12,941		
May-18					
Mexico	Petroleos Mexicanos - PEMEX	CHF 365	366	1.750%	2023
Panama	Aeropuerto Internacional de Tocumen SA (AITSA)	USD 225	225	6.000%	2048
Trinidad and Tobago	Consolidated Energy Finance SA	USD 400	400	6.500%	2026
Trinidad and Tobago	Consolidated Energy Finance SA	USD 125	125	3m Libor +375	2022
Supranational	CAF Development Bank of Latin America	COP 450000	158	6.770%	2028
Brazil	Unigel	USD 200	200	10.500%	2024
Mexico	Petroleos Mexicanos - PEMEX	EUR 600	713	2.500%	2022
Mexico	Petroleos Mexicanos - PEMEX	EUR 650	773	3m Euribor +240	2023
Mexico	Petroleos Mexicanos - PEMEX	EUR 650	773	3.625%	2025
Mexico	Petroleos Mexicanos - PEMEX	EUR 1250	1,486	4.750%	2029
Chile	Banco del Estado de Chile (BancoEstado)	JPY 13000	118	0.580%	2028
Chile	Banco del Estado de Chile (BancoEstado)	HKD 600	76	3.600%	2033
Mexico	Banco Mercantil del Norte	CHF 100	100	0.875%	2021
Peru	Hunt Oil Co of Peru LLC Sucursal del Peru	USD 600	600	6.375%	2028
Brazil	TAF Linhas Aéreas	USD 21	21	5.000%	2022
			6,134		

Source: ECLAC Washington Office, based on data from LatinFinance (Bonds Database) and Dealogic

Notes:

(r): retap.

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

*Up to May 2018

Q2 2018 Total
(to date) * **19,074**
2018 YTD **66,583**



Economic Commission for Latin America and the Caribbean (ECLAC)
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