Economic Commission for Latin America and the Caribbean

ECLAC OFFICE IN **WASHINGTON, D.C.**

Capital Flows to Latin America and the Caribbean

First Quarter 2020 in Times of COVID-19

Washington, D.C., 08 May 2020

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This document was prepared by Helvia Velloso, Economic Affairs Officer, under the supervision of Inés Bustillo, Director, ECLAC Washington Office.

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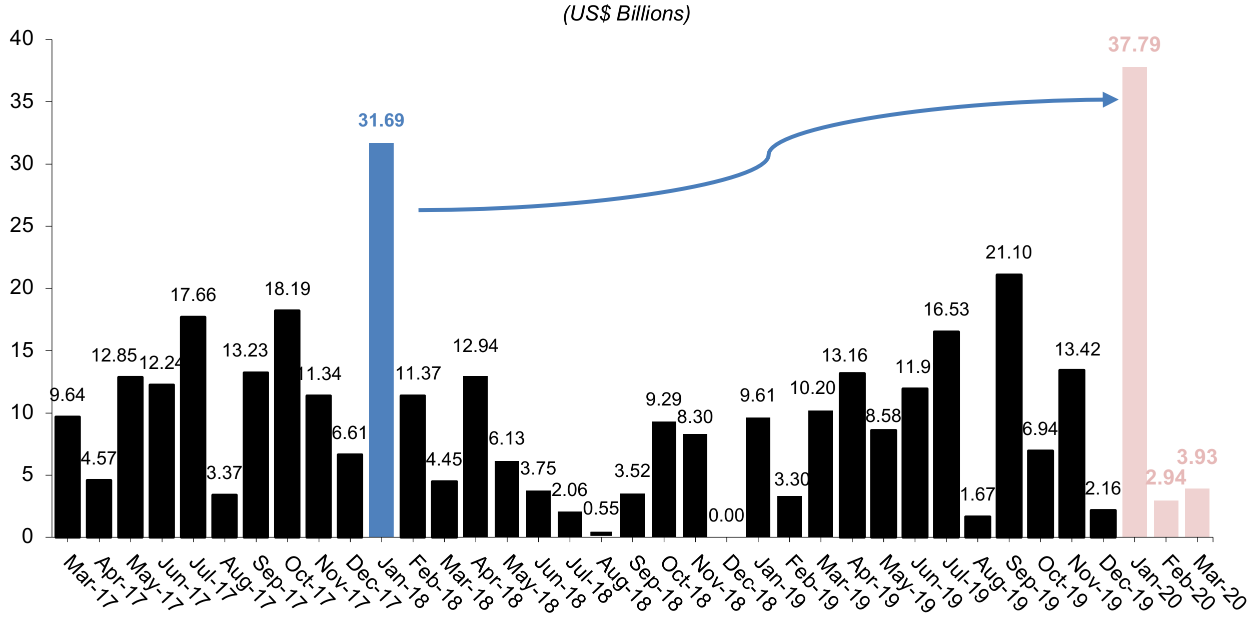
Highlights

- In the first quarter of 2020, the spread of the coronavirus, together with a precipitous decline in commodity prices, radically changed the financial landscape for Latin American and Caribbean (LAC) issuers. After a record breaking issuance of US$ 38 billion worth of bonds in January, bond issuance dried-up in February and March, bringing total quarterly issuance to US$ 45 billion.
- On March 26, however, Panama successfully placed a sovereign bond in cross-border markets to secure additional resources to combat the COVID-19 pandemic. It was followed in April by other four sovereigns from the region – Peru, Guatemala, Mexico and Paraguay – all tapping international debt markets with sizeable issuances for coronavirus funding. There was strong demand for the bonds. Together, these five sovereign issuances amounted to US$ 13 billion in new cross-border bonds.
- There were five international green bond issuances in the first quarter (all in January), two new and three re-openings, and a social bond placed by Ecuador, which became the first sovereign issuer to sell social bonds in the international market. In April, Guatemala issued US$ 500 million in social bonds to finance eligible social investments directly and indirectly related to COVID-19 prevention, containment and mitigation efforts.
- The shocks of the COVID-19 pandemic and plunge in commodity prices were amplified by greater risk aversion, with volatility reaching a historic peak in mid-March. LAC spreads widened 357 basis points in the first quarter as a result, and were at 703 basis points at the end of March, close to the peak reached in November 2008 during the global financial crisis (765 basis points). Equities and currencies in the region also weakened significantly amid the coronavirus outbreak. The MSCI Latin American index was down 46% by the end of March.
- There were nine more negative credit rating actions than positive in the region in the first quarter. In April alone, there were fourteen negative actions, eleven of them downgrades. All of the negative actions in April mentioned the impact of the coronavirus outbreak and of plummeting commodity prices. The commodity-exporters of the region, particularly oil-exporters, were the hardest hit by the downgrades.

Overview

Backed by favorable market conditions at the start of the year – a combination of ample liquidity, low global interest rates and a risk-on sentiment – Latin American and Caribbean (LAC) sovereign and corporate borrowers placed a record US$ 38 billion worth of bonds in January. The previous record had been in January 2018, when LAC issuers placed a total of US$ 32 billion in cross-border markets (chart 1).

CHART 1:
MONTHLY LAC DEBT ISSUANCE
(US$ Billions)



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

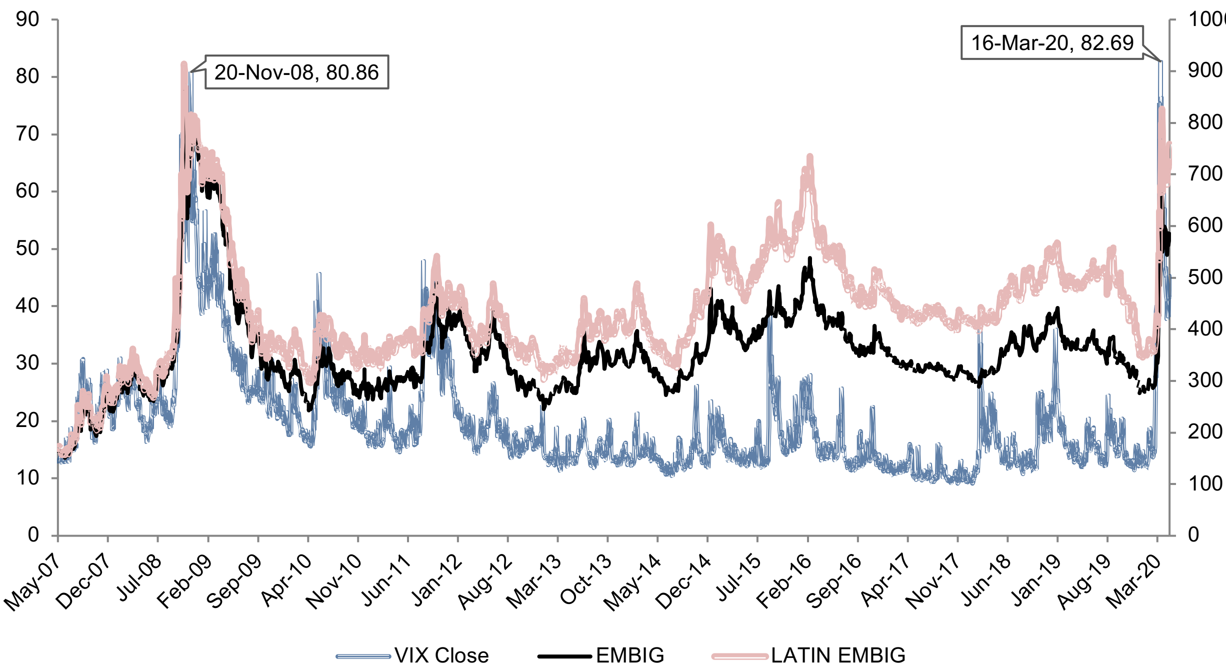
The spread of the coronavirus radically changed the landscape after that, while commodity prices – a major source of income for many countries – plummeted, and the issuance of new cross-border debt dried-up. The shocks of the COVID-19 pandemic and plunge in commodity prices were amplified by greater risk aversion, large capital outflows, a rise in the U.S. dollar and expectations of a deep global recession. Debt issuance declined to US$ 2.9 billion in February and to US$ 3.9 billion in March.

The amount issued in March was higher than in February because it included the surprising issuance of US$ 2.5 billion worth of sovereign bonds from Panama on March 26. The goal of the issuance was to secure additional resources to combat the COVID-19 pandemic. In April, other sovereigns from the region were able to successfully tap cross-border markets with big issuances, in an effort to raise resources for their effort to contain the pandemic. On April 16, Peru tapped international bond markets with a two-part debt offering of US$ 3 billion. Guatemala followed on April 21, selling US$ 1.2 billion worth of cross-border bonds. A total of US$ 500 million were social bonds to finance eligible social investments directly and indirectly related to COVID-19 prevention, containment and mitigation efforts. On April 22, Mexico returned to international bond markets with a US$ 6 billion three-part debt offering, also to support the country's efforts to contain the spread of the coronavirus. And on April 24, Paraguay sold US$ 1 billion worth of bonds for coronavirus funding. On April 30, the Central American Bank for Economic Integration (CABEI) sold US$ 750 million in five-year bonds to fund part of a US$ 1.96 billion emergency lending program to address the economic impact of the pandemic in Central America. All deals were received with strong demand.

Volatility increased in the first quarter of 2020, reaching a historic peak in mid-March. The CBOE Volatility Index (VIX), a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices, reached 82.69 on March 16, breaking the previous record reached in November 2008, during the global financial crisis (chart 2). The global economy is being hit by supply and demand shocks. Moreover, there is extreme uncertainty about the duration and intensity of the economic downturn and the eventual recovery, which contributes to increased volatility.

CHART 2:
CBOE VOLATILITY INDEX AND EMBIG SPREADS

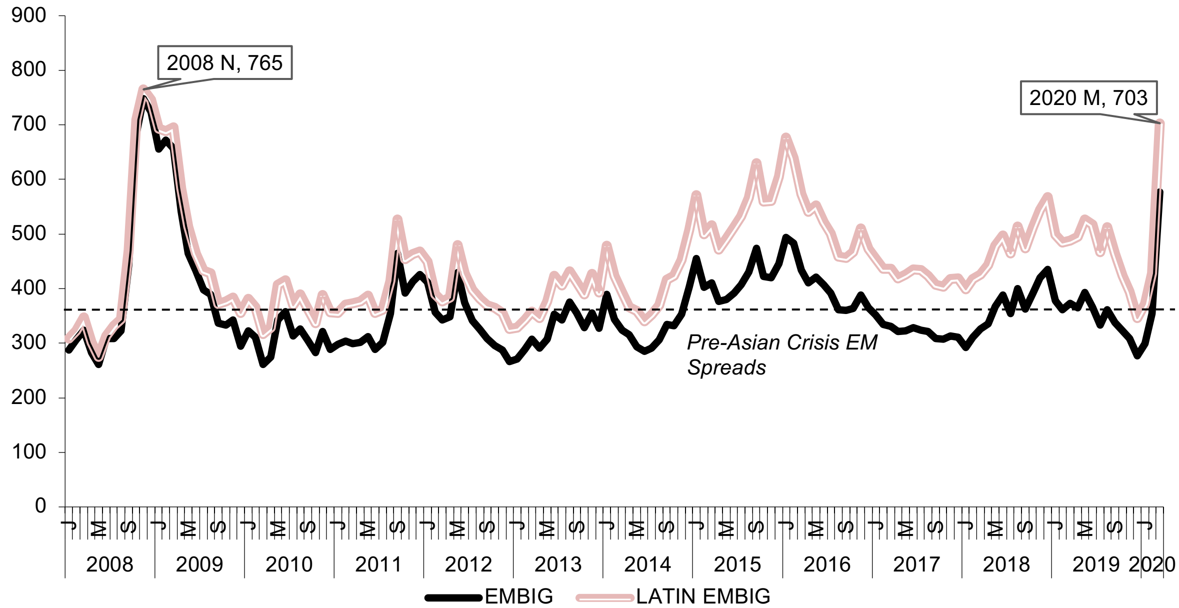
(Left axis: VIX close, Right axis: basis points)



Source: ECLAC Washington Office, based on data from the Chicago Board Options Exchange and JPMorgan.

LAC spreads widened 357 basis points in the first quarter of 2020, as the pandemic and the collapse in oil prices weighed on the economies of the region, with the biggest widening taking place in March (275 basis points). LAC spreads, which were at 703 basis points at the end of March, are now close to the peak reached in November 2008 during the global financial crisis (chart 3).

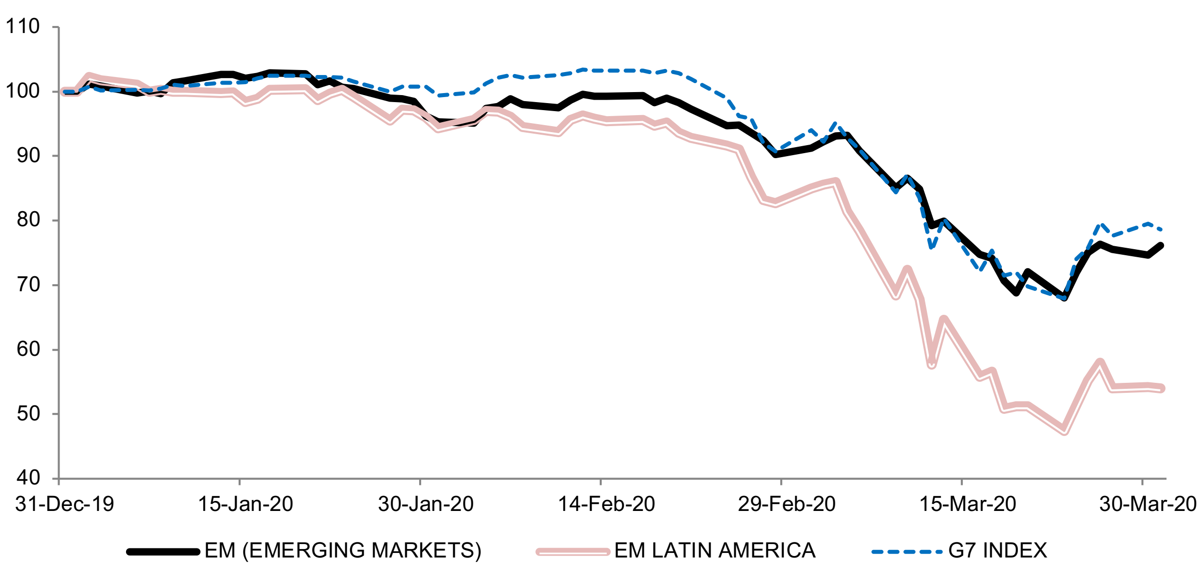
CHART 3:
EMBIG AND LATIN AMERICAN DAILY SPREADS
(Basis points)



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

The coronavirus outbreak has also affected Latin American currencies and equities, with most of the currencies depreciating and equities having sold off in the region. The MSCI Latin American index was down 46% by the end of March, while emerging markets were down 24% and G7 countries 21% (chart 4).

CHART 4:
MSCI EQUITY PRICE INDEX IN Q1 2020

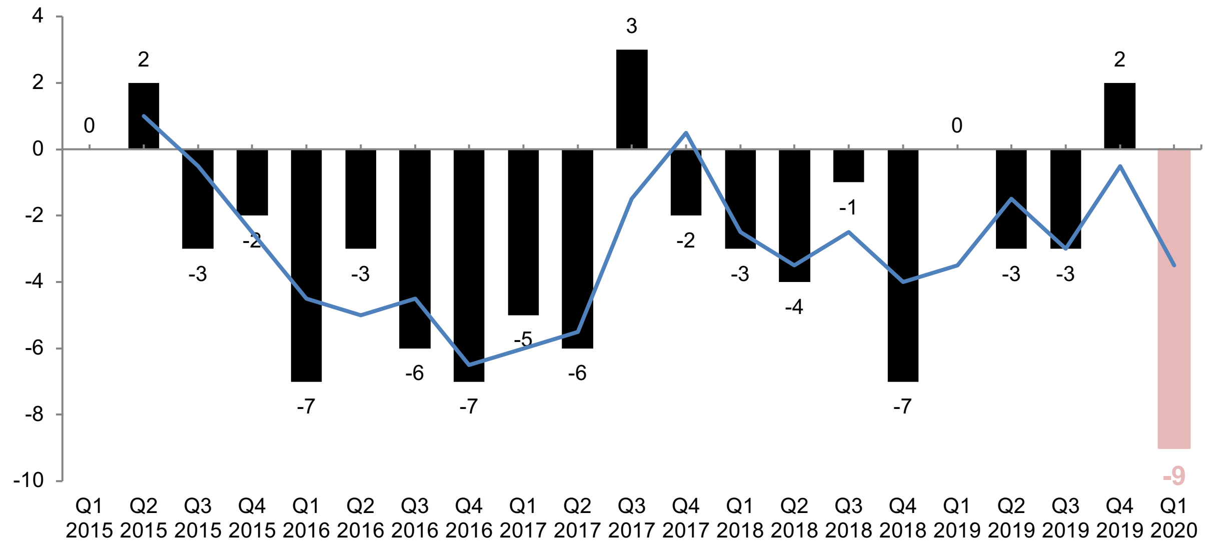


Source: ECLAC Washington Office based on MSCI Equity Indices, http://www.msci.com/products/indexes/performance.html, prices at the end of the month.

Latin American equities underperformed in part due to currency depreciation, as well as the impact of the pandemic and the oil shock on the region. Currencies in Brazil, Colombia and Mexico depreciated more tan 10% against the U.S. dollar in the first three weeks of March. The Chilean peso and Peruvian sol depreciated around 5% in the same period.

Finally, credit quality has deteriorated sharply since the beginning of the year. Negative credit rating actions (including downgrades and downward outlook revisions) have outnumbered positive actions in the region for seven years in a row, but the imbalance has worsened so far this year. There were nine more negative actions than positive in the region in the first quarter (chart 5).

CHART 5:
NET CREDIT RATING ACTIONS IN LAC
(Number of Actions)



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

In the first half of the month of April alone, there were twelve negative actions, nine of them downgrades. In total, there were fourteen negative actions and eleven downgrades in April on account of the impact of the coronavirus outbreak. The commodity-exporters of the region, particularly oil-exporters, were the hardest hit by the downgrades as they were impacted as well by the oil prices-shock, higher volatility and tighter financial conditions.

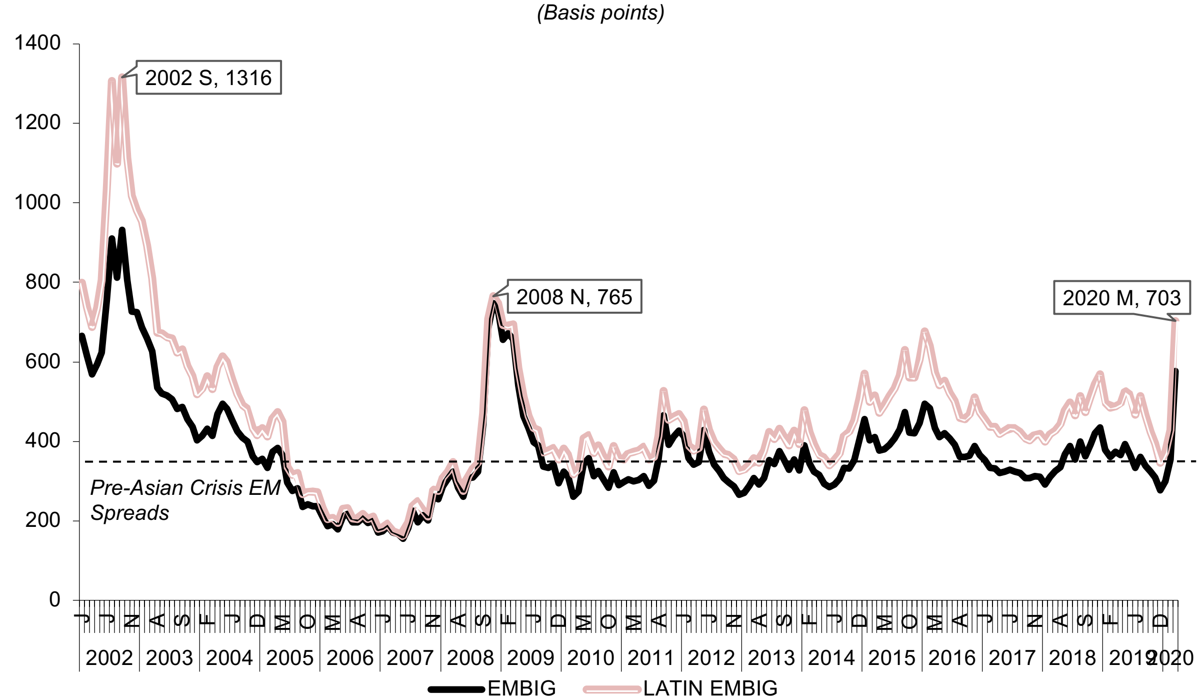
Downgrades have revived old criticisms that the credit rating agencies (CRAs) tend to aggravate financial troubles when financing is much needed to fight the corrosive effects of a crisis. Diminished credit quality in an environment of tight financial conditions and risk aversion is a concern for issuers. Countries in the region will require support as their debt vulnerabilities build up due to the socioeconomic effects of the pandemic. In some cases, debt restructuring will be needed to restore debt sustainability. Given the magnitude and the unprecedented nature of the current crisis, calls for a collaborative effort – with private creditors sharing part of the burden of alleviating debt distress, international organizations providing continued support to strengthen borrowers' debt management capacity, and CRAs refraining from downgrading countries that are restructuring their debts to manage the impact of the pandemic – have risen.[1]

[1] Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development's Communiqué, 14 April 2020. https://www.g24.org/wp-content/uploads/2020/04/G-24-Communique-Final-Spring-Meetings-2020.pdf

I. Bond markets and debt management

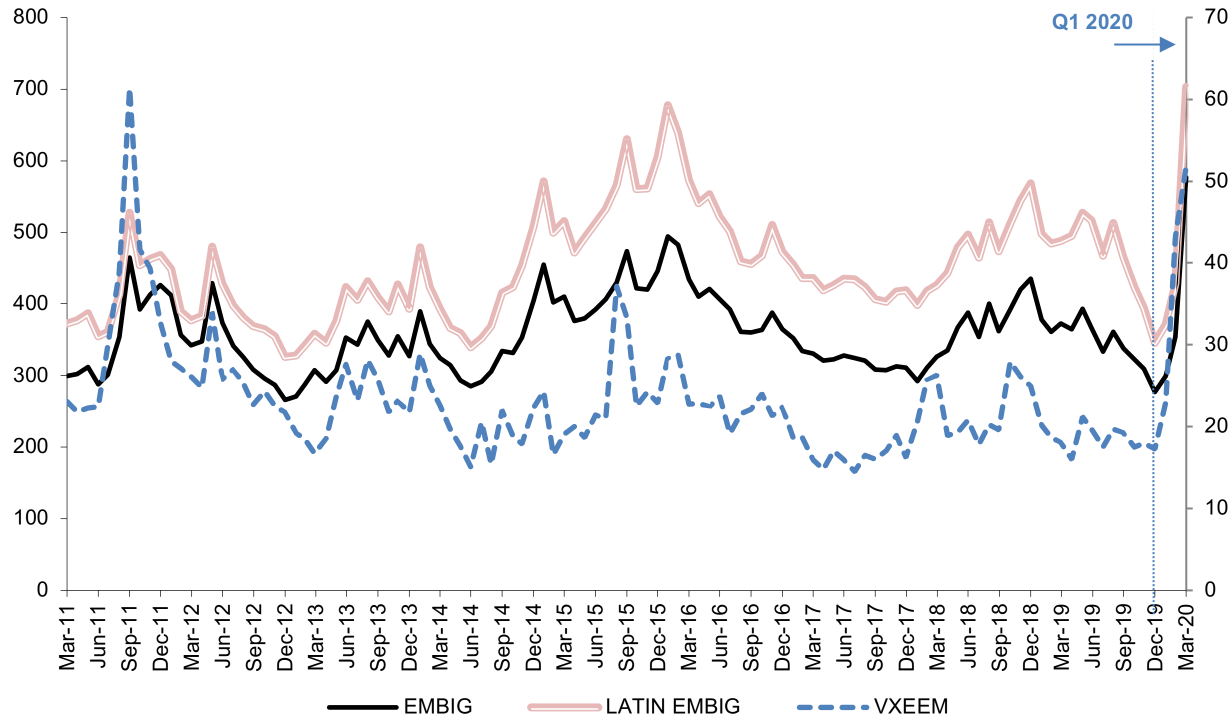
Bond spreads as measured by the J.P.Morgan Emerging Market Bond Index Global (EMBIG) widened 300 basis points in the first quarter of 2020. Its Latin component widened 357 basis points (chart 6), as the COVID-19 pandemic and the collapse in oil prices weighed on the economies of the LAC region, as well as on risk perception and volatility (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**
(Left axis: basis points; right axis: VXEEM close)



Source: ECLAC Washington Office, based on data from JPMorgan and Chicago Board Options Exchange.
Note: The VXEEM is the CBOE volatility index for emerging markets (conveyed by MSCI Emerging Markets Index fund option prices).

Regional sovereign credit outlook for Latin America and the Caribbean was already negative prior to the pandemic due to lower economic growth, higher debt and rising political risk. 2019 was the seventh year in a row where the balance of negative credit rating actions (including downgrades and downward outlook revisions) outnumbered positive actions. As of end of 2019, nine sovereigns were on negative outlook by one or more credit rating agencies (Argentina, Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Nicaragua, and Uruguay), and one was on a positive outlook (Brazil). The outlooks indicated that the balance of risks was towards more negative actions, and with the exception of Uruguay, all the sovereigns with a negative outlook at the end of 2019 were downgraded in the first four months of 2020. Recent negative rating actions, the credit rating agencies indicate, reflected underlying pressures that were already affecting sovereign credit profiles but made more severe by the pandemic.

Credit quality deteriorated sharply since the beginning of the year. In April alone, there were fourteen negative actions, eleven of them downgrades (table 1). All of the negative actions in April, so far, mentioned the impact of the coronavirus outbreak (appendix A, box 1).

The commodity-exporters of the region, particularly oil-exporters, were the hardest hit by the downgrades as they were impacted by oil prices-shock, volatility and tighter financial conditions, and by the economic and social impact of the COVID-19 pandemic. Argentina, Colombia, Ecuador, Guatemala, Mexico and Suriname were downgraded in April. From January to April, ten countries were downgraded: Argentina, Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Nicaragua, Suriname and Trinidad and Tobago, and a few were downgraded multiple times during this period.

Beyond sovereigns, Moody's reduced its outlook for Latin American asset managers from stable to negative in early April. Agencies have also acted negatively on LAC banking sector's ratings.

TABLE 1:
SOVEREIGN CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, 2020 YTD

Date	Country	Action	
2020 YTD	**3 positive and 25 negative actions**		
Q1 2020	**2 positive and 11 negative actions**		
16-Jan-20	Suriname	Fitch downgrades Suriname's rating to CCC from B	*Negative*
29-Jan-20	Jamaica	Fitch revises outlook on Jamaica's B+ rating to positive from stable	*Positive*
6-Feb-20	Panama	Fitch revises its outlook on Panama's BBB rating to negative from stable	*Negative*
11-Feb-20	Costa Rica	Moody's downgrades Costa Rica's rating to B2 from B1 with a stable outlook	*Negative*
15-Feb-20	Nicaragua	Moody's downgrades Nicaragua's rating to B3 from B2 with a stable outlook	*Negative*
10-Mar-20	Bolivia	Moody's downgrades Bolivia's rating to B1 from Ba3 with a negative outlook	*Negative*
12-Mar-20	El Salvador	Moody's changes outlook on E Salvador's B3 rating to positive from stable	*Positive*
19-Mar-20	Ecuador	Fitch downgrades Ecuador's rating to CCC from B	*Negative*
24-Mar-20	Ecuador	Fitch downgrades Ecuador's rating to CC from CCC	*Negative*
25-Mar-20	Ecuador	S&P downgrades Ecuador's rating to CCC- from B- and places it on negative watch	*Negative*
26-Mar-20	Colombia	S&P revises the outlook on Colombia's BBB rating to negative from stable	*Negative*
26-Mar-20	Mexico	S&P downgrades Mexico's rating to BBB from BBB+ with a negative outlook	*Negative*
26-Mar-20	T&T	S&P downgrades T&T's rating to BBB- from BBB with a stable outlook	*Negative*
Q2 2020	**1 positive and 14 negative actions** (as of end-April)		
1-Apr-20	Colombia	Fitch downgrades Colombia's rating to BBB- from BBB with a negative outlook	Negative
1-Apr-20	Suriname	S&P downgrades Suriname's rating to CCC+ from B with a negative outlook	Negative
3-Apr-20	Argentina	Moody's downgrades Argentina to Ca from Caa2 with a negative outlook	Negative
3-Apr-20	Ecuador	Moody's downgrades Ecuador's rating to Caa3 from Caa1 with a negative outlook	Negative
3-Apr-20	Guatemala	Fitch downgrades Guatemala's rating to BB- from BB with a stable outlook	Negative
6-Apr-20	Argentina	Fitch downgrades Argentina's rating to RD from CC	Negative
7-Apr-20	Argentina	Fitch upgrades Argentina's rating to CC from RD [Cancels out the downgrade to RD on April 6]	Positive
9-Apr-20	Bahamas	Moody's places The Bahamas' Baa3 ratings on review for downgrade	Negative
9-Apr-20	Ecuador	Fitch downgrades Ecuador's rating to C from CC	Negative
10-Apr-20	Jamaica	Fitch revises the outlook on Jamaica's B+ rating to stable from positive	Negative
13-Apr-20	Ecuador	S&P downgrades Ecuador's rating to SD from CCC-	Negative
14-Apr-20	Suriname	Moody's downgrades Suriname's Rating to B3 from B2 with a negative outlook	Negative
15-Apr-20	Mexico	Fitch downgrades Mexico's rating to BBB- from BBB with a stable outlook	Negative
17-Apr-20	Mexico	Moody's downgrades Mexico's rating to Baa1 from A3 with a negative outlook	Negative
27-Apr-20	Chile	S&P revises the outlook on Chile's A+ rating to negative from stable	Negative

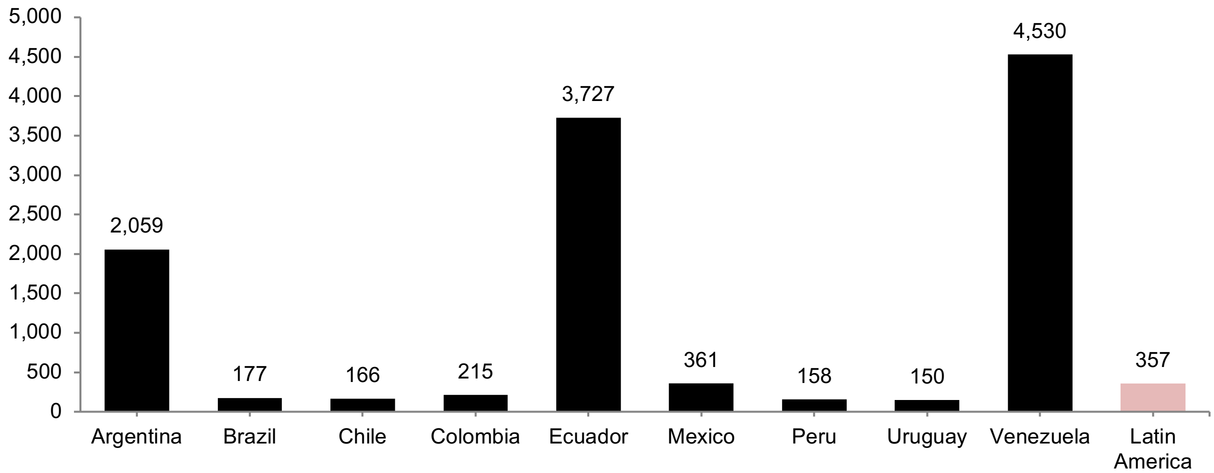
Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch.

At the end of April, ten sovereigns were on negative outlook by one or more agencies (Argentina, Bolivia, Colombia, Chile, Costa Rica, Ecuador, Mexico, Panama, Suriname, and Uruguay), and two were on a positive outlook (Brazil and El Salvador). The outlooks show that the balance of risks continues to be towards more negative actions (appendix A, table 1).

A. Sovereign Spreads

The EMBIG widened 300 basis points in the first quarter of 2020 – from 277 basis points at the end of December 2019 to 577 at the end of March 2020 – while its Latin component increased 357 basis points, from 346 to 703 basis points. Spreads widened for all Latin American countries in our sample (chart 8).

CHART 8:
EMBIG SPREAD DIFFERENTIALS IN Q1 2020
(Basis points)

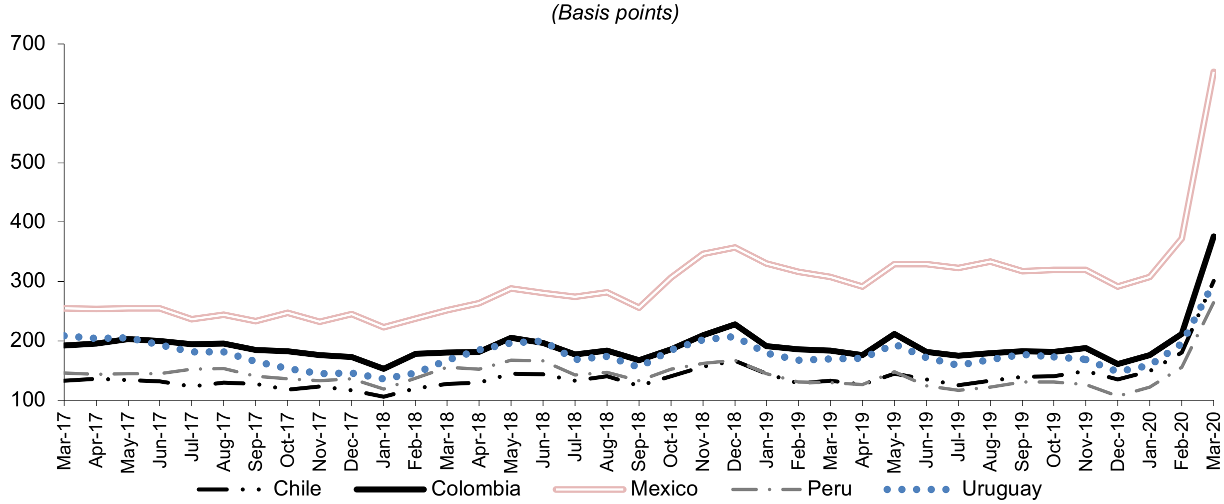


Source: ECLAC Washington Office, based on data from J.P.Morgan.

Bond spreads widened the most for Venezuela, Ecuador and Argentina. Venezuela' s spreads widened 4,530 basis points, as the global health emergency and the collapse in oil prices weighed on an economy that has been contracting sharply for six consecutive years. Ecuador's spreads widened 3,727 basis points, as lower oil prices, and the local efforts to contain the virus domestically, pressed the country's external, fiscal, monetary, and real sectors. Argentina's spreads increased 2,059 basis points in the quarter, as it entered this period of struggle with the effects of the pandemic in a position of vulnerability, following two consecutive years of economic contraction, with weak international reserves, no access to international financial markets, and in the process of renegotiating its debt.

Among investment grade countries, Mexico had the highest spreads – 653 basis points – at the end of March 2020, with Mexico seeing a downgrade in its credit rating by S&P in March, and by Moody's and Fitch in April. It was followed by Colombia with 376 basis points, Uruguay with 298 basis points and Chile with 301 basis points. Peru had the lowest spreads at 265 basis points (chart 9).

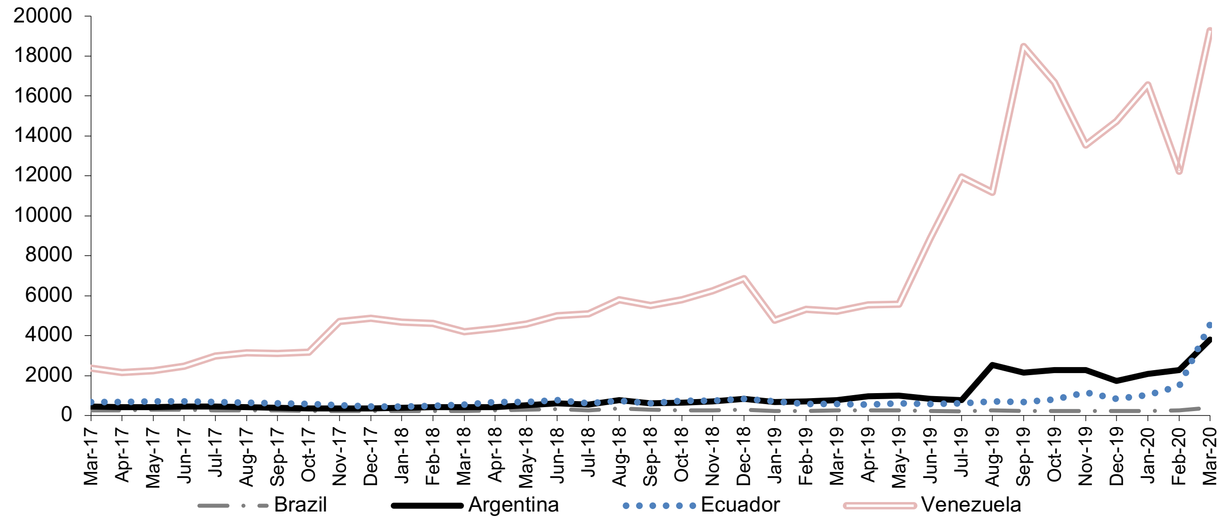
CHART 9:
EMBIG LATIN: INVESTMENT GRADE ISSUERS
(Basis points)



Source: ECLAC Washington Office, based on data from J.P.Morgan.

Among the non-investment grade countries, Venezuela had the highest spreads, while Brazil had the lowest (chart 10). At 19,270 basis points at the end of March 2020, Venezuela maintained the highest debt spreads of any country in the EMBIG. Spreads for Ecuador and Argentina were at 4,553 and 3,803 basis points, respectively, and Brazilian spreads were at 389 basis points, almost two times lower than Mexican spreads.

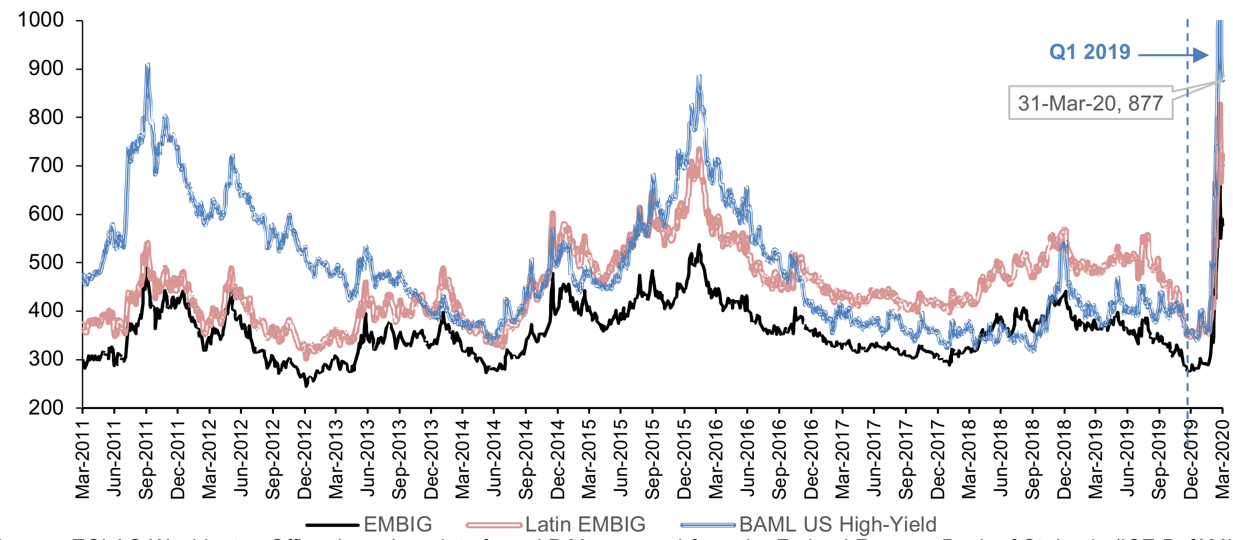
CHART 10:
EMBIG LATIN: NON-INVESTMENT GRADE ISSUERS
(Basis points)



Source: ECLAC Washington Office, based on data from J.P.Morgan.

Historically, LAC sovereign and corporate credit spreads have tracked U.S. high-yield corporate credit spreads for the most part, especially during 2014-2016, but LAC sovereign spreads decoupled negatively in the past three years. In the first quarter of 2020, however, the U.S. corporate credit spreads, as measured by the Bank of America/Merrill Lynch U.S. High Yield index, increased more than LAC spreads, ending the quarter at 877 basis points, as the high-yield corporate sector was sharply affected by the pandemic (chart 11).

CHART 11:
EMIBG AND EMBIG LATIN VS U.S. HIGH-YIELD SPREADS
(Basis points)

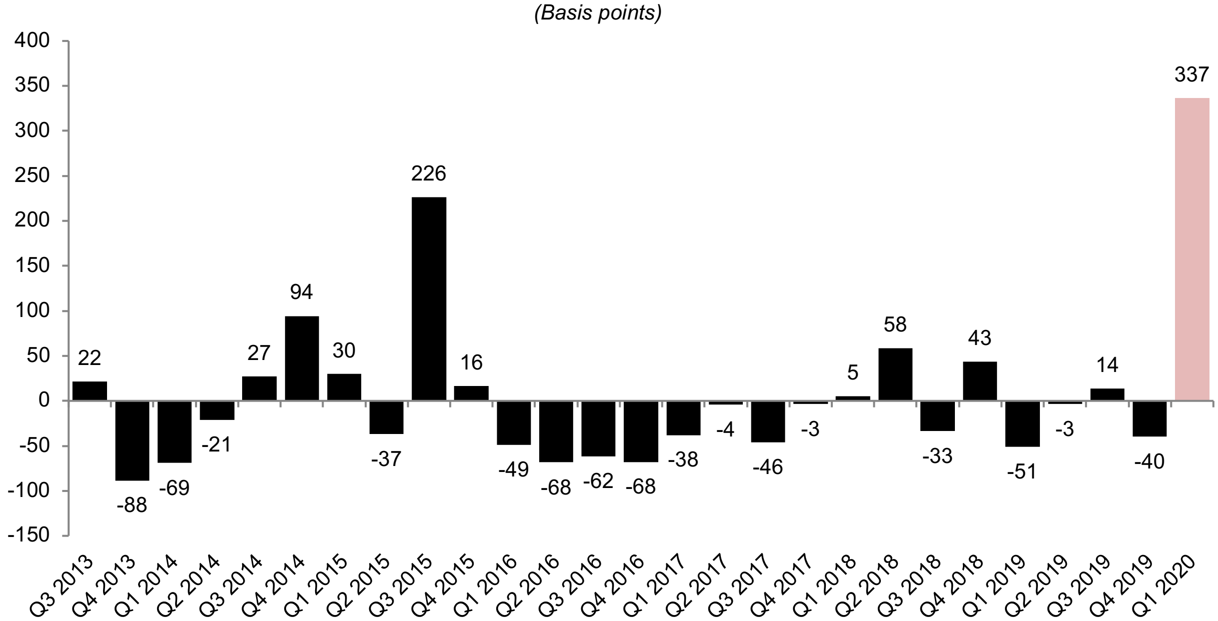


Source: ECLAC Washington Office, based on data from J.P.Morgan and from the Federal Reserve Bank of St. Louis (ICE BofAML US High Yield Master II Option-Adjusted Spread, Percent, Daily. Not Seasonally Adjusted

B. Corporate Spreads

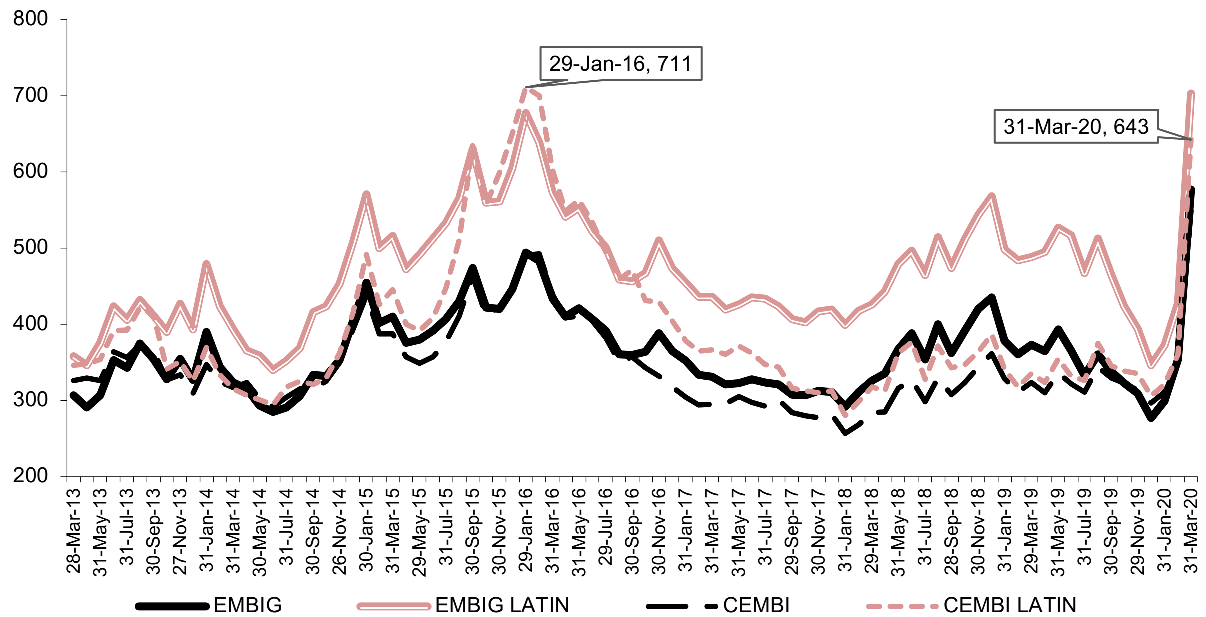
LAC corporate bond spreads widened 337 basis points in the first quarter of 2020 (chart 12), a little less than their sovereign counterparts, which widened 357 basis points. Latin CEMBI spreads were 60 basis points lower than their sovereign counterpart at the end of March 2020 (chart 13).

CHART 12:
CORPORATE EMBI SPREADS: LATIN COMPONENT
(Basis points)



Source: ECLAC Washington Office, based on data from J.P.Morgan.

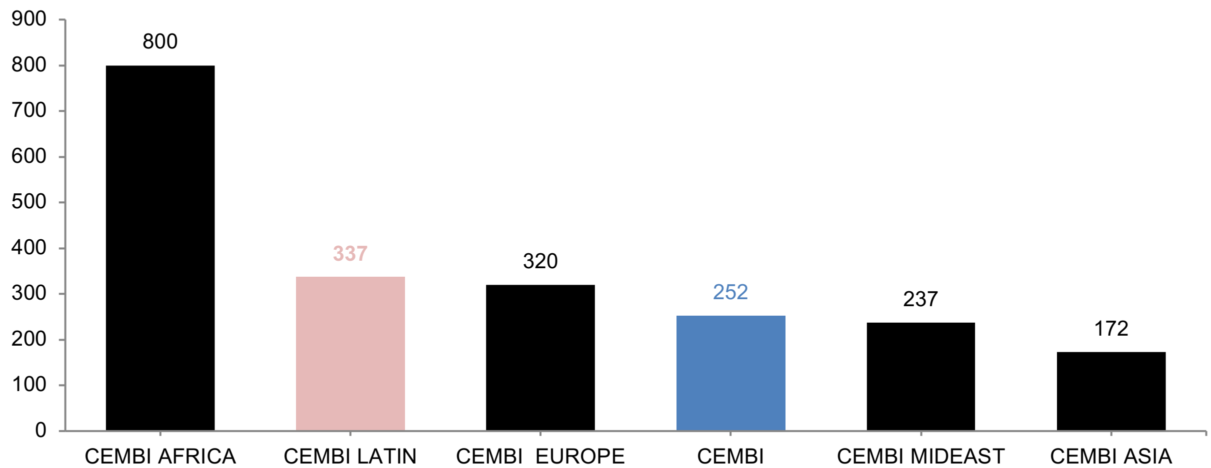
CHART 13:
JPMORGAN EMBIG SPREADS, CORPORATE AND SOVEREIGN
(Basis points)



Source: ECLAC Washington Office, based on data from J.P.Morgan.

At 643 basis points at the end of March, Latin corporate spreads are approaching the peak of 711 basis points reached in January 2016, when the Latin corporate sector saw a jump in credit spreads as the depreciation of most local currencies against the U.S. dollar made servicing the dollar denominated debt more expensive. Then, as now, not only most local currencies were depreciating against the U.S. dollar, but commodity prices were also in decline. In the first quarter of 2020, CEMBI spreads widened 252 basis points, less than the Latin component. African corporate credit spreads widened the most (chart 14).

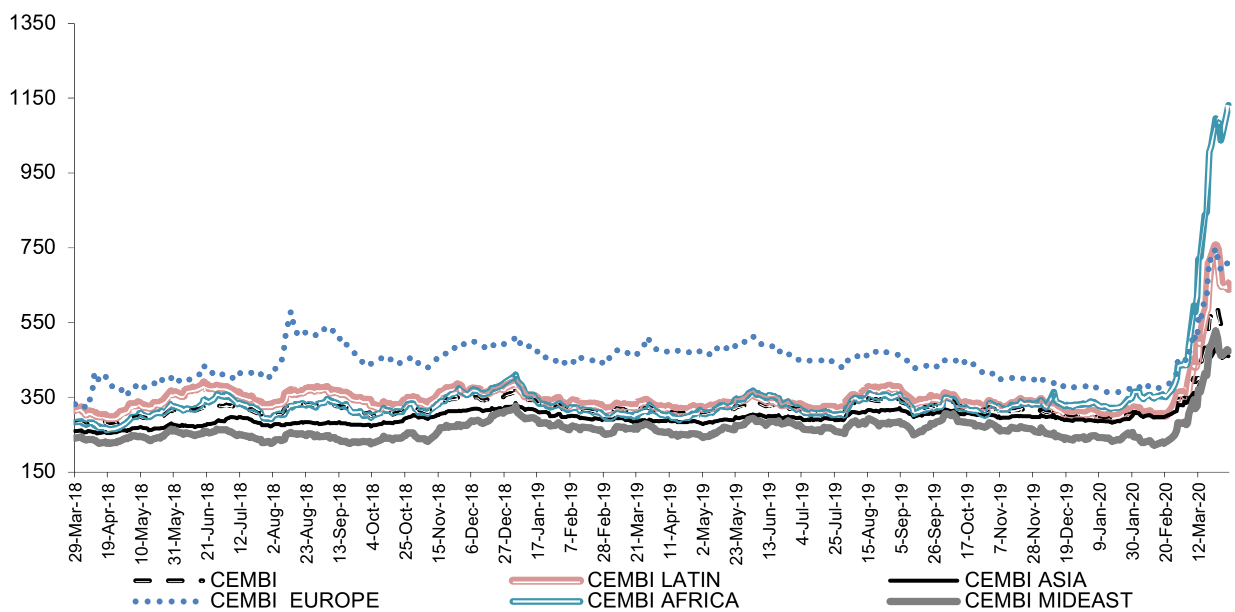
CHART 14:
CEMBI SPREAD DIFFERENTIALS BY REGION IN Q1 2020
(Basis points)



Source: ECLAC Washington Office, based on data from J.P.Morgan CEMBI.

Latin American corporate credit spreads are still wider than Asia's and Middle East's corporate spreads, after a period of low growth, but are lower than Africa's and Emerging Europe's spreads (chart 15).

CHART 15:
CEMBI SPREADS BY REGION
(Basis points)

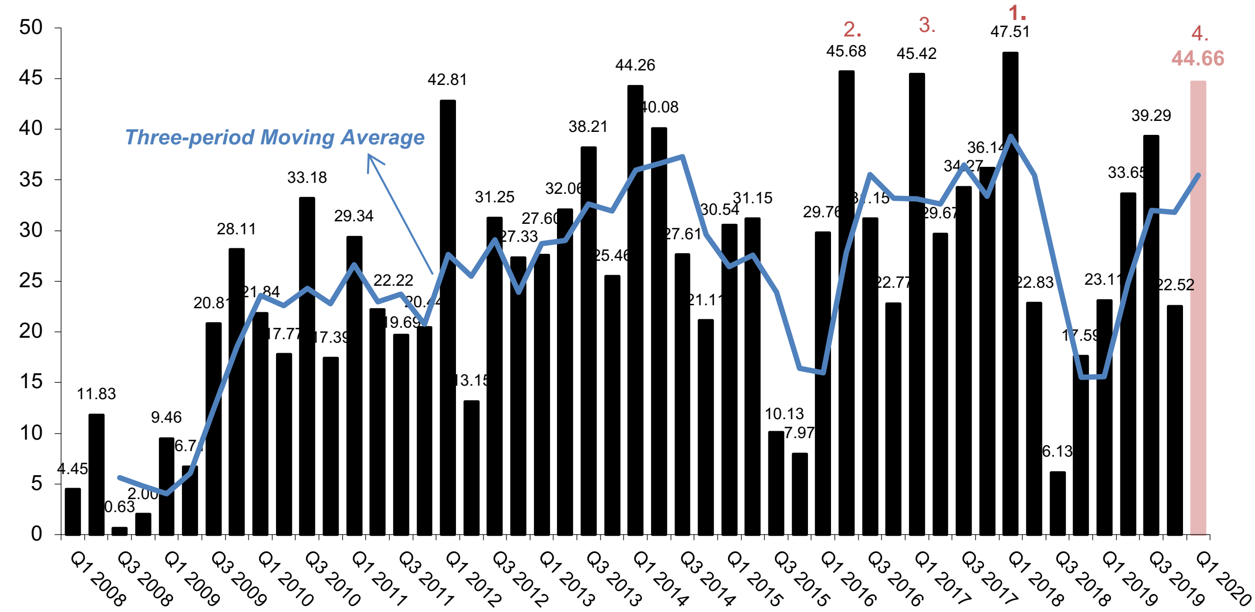


Source: ECLAC Washington Office, based on data from J.P.Morgan CEMBI.

C. New Debt Issuance

Total LAC debt issuance reached US$ 45 billion in the first quarter of 2020, the fourth highest quarterly issuance for the region (chart 16). It was an uneven quarter, starting with historically record-breaking issuance in January, followed by very low issuance in February and March, as the impact of the pandemic and oil prices-shock was felt.

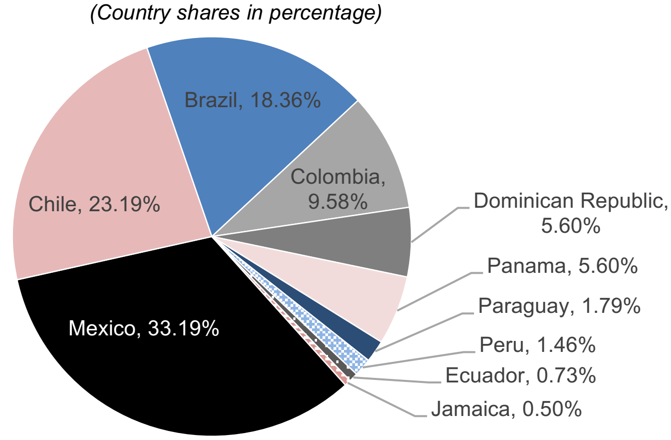
CHART 16:
QUARTERLY LAC DEBT ISSUANCE
(US$ Billions)



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

Mexico had the largest share of bond issuances in the first quarter of 2020 – sovereign and corporate combined – followed by Chile and Brazil. Mexico, Chile and Brazil issued (sovereign and corporate combined) US$ 15 billion, US$ 10 billion, and US$ 8 billion, respectively. Issuances from the three countries accounted for 74% of the total LAC issuance in the period (chart 17).

CHART 17:
LAC DEBT ISSUANCE IN Q1 2020: COUNTRY BREAKDOWN
(Country shares in percentage)



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

Some of the largest issuances in the period have come from sovereigns and quasi-sovereigns. Sovereigns and quasi-sovereigns accounted for 59% of the total amount issued in the first quarter. Investment-grade issuers – sovereign and corporate combined – dominated LAC issuance in the period, with a 68% share, while 32% of the total was issued by high-yield issuers.

Issuance in the first quarter of 2020 was driven by the corporate sector, which accounted for 64% of the total issuance. Dollar-denominated issuance from the region increased to 89% of the total from a share of 83% in 2019.

1. Sovereign Issuance

Seven sovereigns – Chile, Colombia, Dominican Republic, Ecuador, Mexico, Panama, and Paraguay – tapped international debt markets in in the first quarter of 2020 (appendix C, table 3). The top two sovereign issuers were Mexico and Chile, and together they represented 52% of the total sovereign issuance in the period (table 2).

TABLE 2:
LAC SOVEREIGN DEBT ISSUANCE IN THE CROSS-BORDER MARKET, Q1 2020

Sovereign Issuer	Total Issuance (US$ Millions)	%of the total sovereign Issuance	Number of Deals
Mexico	4,496	28%	4
Chile	3,827	24%	4
Dominican Republic	2,500	16%	2
Panama	2,500	16%	1
Colombia	1,843	12%	2
Paraguay	450	3%	1
Ecuador	327	2%	1
Total	**15, 943**	**100.00%**	**15**

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

Mexico had the top share of total sovereign issuance in the region in terms of amount, US$ 4.5 billion (28%), and the bigger number of deals (four). It was the first sovereign to issue debt in international markets in 2020, issuing a new 10-year US$ 1.75 billion bond with a 3.25% coupon on January 6, and reopening its 2050 4.5% bond first issued in July 2019 to add US$ 800 billion. It came back on January 13 with another two-part issuance, this time in euros, totaling US$ 2 billion. It issued a new 10-year € 1.25 billion bond at a record-low coupon in euros (1.115%), and reopened its 2039 2.875% bond originally issued in April 2019 to add € 500 million. Mexico was followed by Paraguay, which on January 15 reopened its 2050 5.4% bond originally issued in February 2019 to add US$ 450 million. The government said it would use the proceeds to build up to 5,800 homes in rural areas, fund highway improvement projects and would also use some of the money to pay off debt with international organizations.

On January 16, Ecuador became the first sovereign issuer to sell a social bond in the international market, US$ 327 million in zero coupon notes with a 15-year maturity, to raise money for a housing program. On January 21, Chile followed with a two-part green deal in euros, including a new 20-year € 1.27 billion 1.25% green bond, and the reopening of its 2031 0.83% bond, to add € 694 million. Chile came back to the cross-border market with another two-part green deal, this time in U.S. dollars, issuing a new US$ 750 million 2032 2.55% green bond and reopening its 2050 3.5% green bond, originally issued in June 2019, to add US$ 900 million. Colombia and the Dominican Republic also tapped cross-border markets with two-part deals, totaling US$ 1.8 billion and US$ 2.5 billion, respectively. Colombia issued a new 10-year bond and reopened its 2049 5.2% bond originally issued in 2019, while the Dominican Republic issued two new bonds, a US$ 1.5 billion 2060 5.875% bond and a US$ 1 billion 2030 4.5% bond.

Finally, on March 26, Panama placed a US$ 2.5 billion 2056 4.5% bond in cross-border markets. The proceeds will allow the government to divert funds from the federal budget to combat the coronavirus.

In April, other sovereigns from the region were able to successfully tap cross-border markets with big issuances, in an effort to raise resources for their effort to contain the pandemic (table 3).

TABLE 3:
LAC SOVEREIGN DEBT ISSUANCE IN THE CROSS-BORDER MARKET, APRIL 2020

Sovereign Issuer	Total Issuance (US$ Millions)	%of the total sovereign Issuance	Number of Deals
Mexico	6,000	53.6%	3
Peru	3,000	26.8%	2
Guatemala	1,200	10.7%	2
Paraguay	1,000	8.9%	1
Total	**11, 200**	**100.00%**	**8**

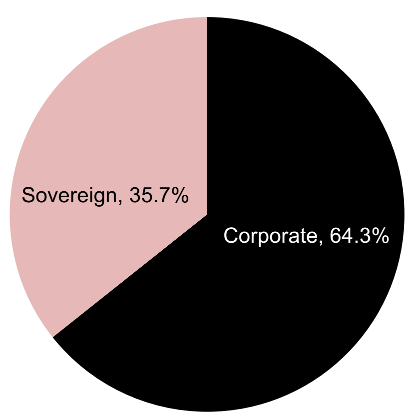
Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Peru, using its strong credit rating and track record of fiscal discipline, tapped international bond markets with a two-part debt offering of US$ 3 billion on April 16. It included a US$ 1 billion 2026 2.392% bond and a US$ 2 billion 2031 2.783% bond, whose proceeds will be used to fund emergency measures in response to the COVID-19 pandemic. Those were record-low yields. Guatemala followed on April 21, selling US$ 1.2 billion worth of cross-border bonds. A total of US$ 500 million were social bonds maturing in 2032 and with a 5.375% coupon, to finance eligible social investments directly and indirectly related to COVID-19 prevention, containment and mitigation efforts. The other issuance was a reopening of Guatemala's 2050 6.125% bond originally issued in May 2019, to add US$ 700 million. On April 22, Mexico returned to international bond markets with a US$ 6 billion three-part debt offering, also to support the country's efforts to contain the spread of the coronavirus. It included notes due in 5, 12, and 31 years: a US$ 1 billion 2025 3.9% bond, a US$ 2.5 billion 4.75% 2032 bond, and a US$ 2.5 billion 2051 5% bond. And on April 24, Paraguay sold US$ 1 billion worth of 2031 4.95% bonds for coronavirus funding (appendix C, table 4).

2. Corporate Issuance

The corporate sector (including corporations, banks, and quasi-sovereigns issuers) accounted for 64.3% of total LAC issuance in the first quarter of 2020 (chart 18).

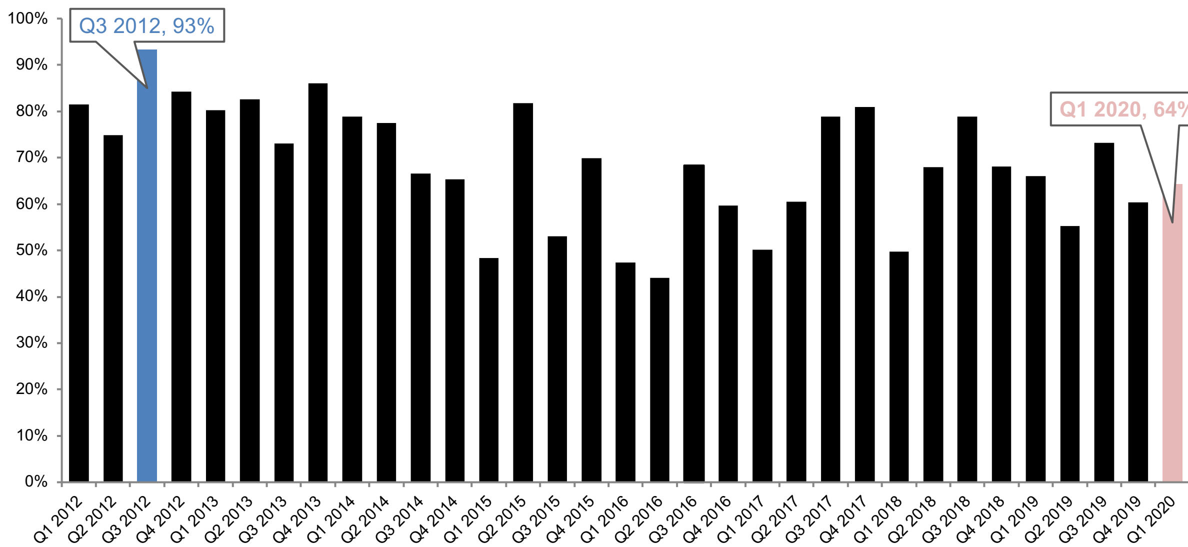
CHART 18:
LAC CORPORATE AND SOVEREIGN ISSUANCE IN Q1 2020
(Percentage)



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

On a quarterly basis, the share of corporate issuance peaked in the third quarter of 2012 (at 93%). In the first quarter of 2020, it increased to 64% from 60% in the fourth quarter of 2019 (chart 19).

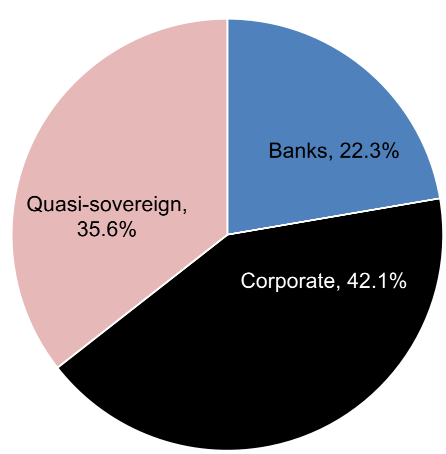
CHART 19:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE AS A SHARE OF THE TOTAL
(Percentage)



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

Quasi-sovereign issuers accounted for 36% of total LAC corporate issuance in international markets in the first quarter, an increase from the 31% share in 2019. There were no supranational issuances in the period.[2] Corporations and banks accounted for the other 64% (charts 20 and 21). Excluding sovereign borrowers, 37 corporate issuers (including banks, and private and quasi-sovereign companies) from the region sold US$ 29 billion of cross-border bonds in the first quarter.

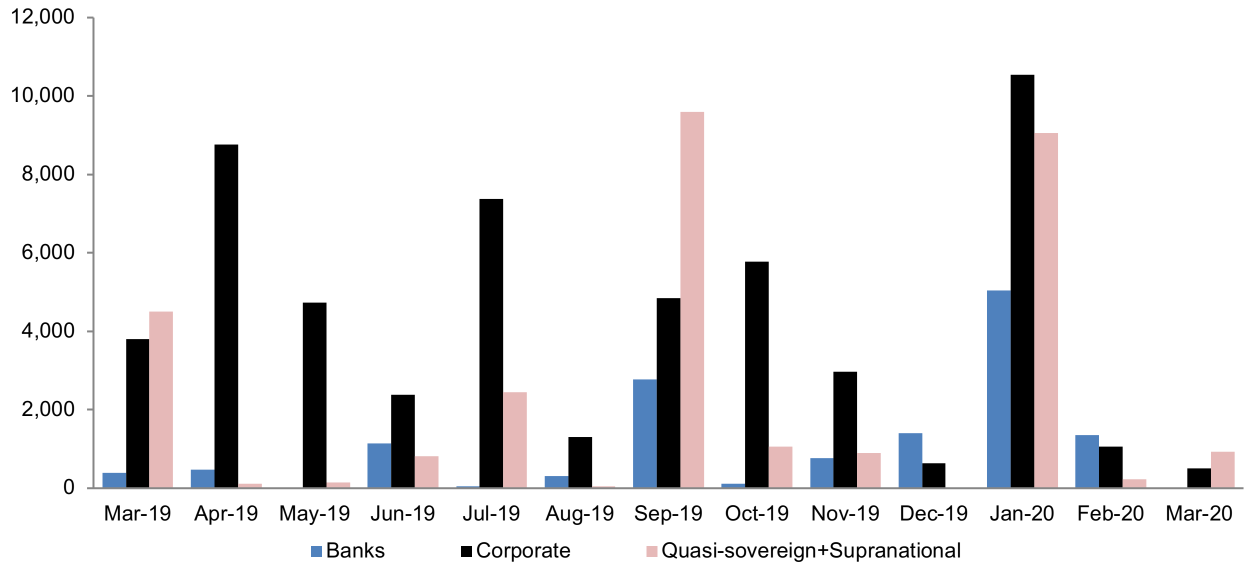
CHART 20:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE IN Q1 2020
(Percentage)



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

[2] In April, there was one supranational issuance, the Central American Bank for Economic Integration's US$ 750 million five-year bond to fund part of a US$ 1.96 billion emergency lending program to address the economic impact of the pandemic in Central America.

CHART 21:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE
(US$ Millions)

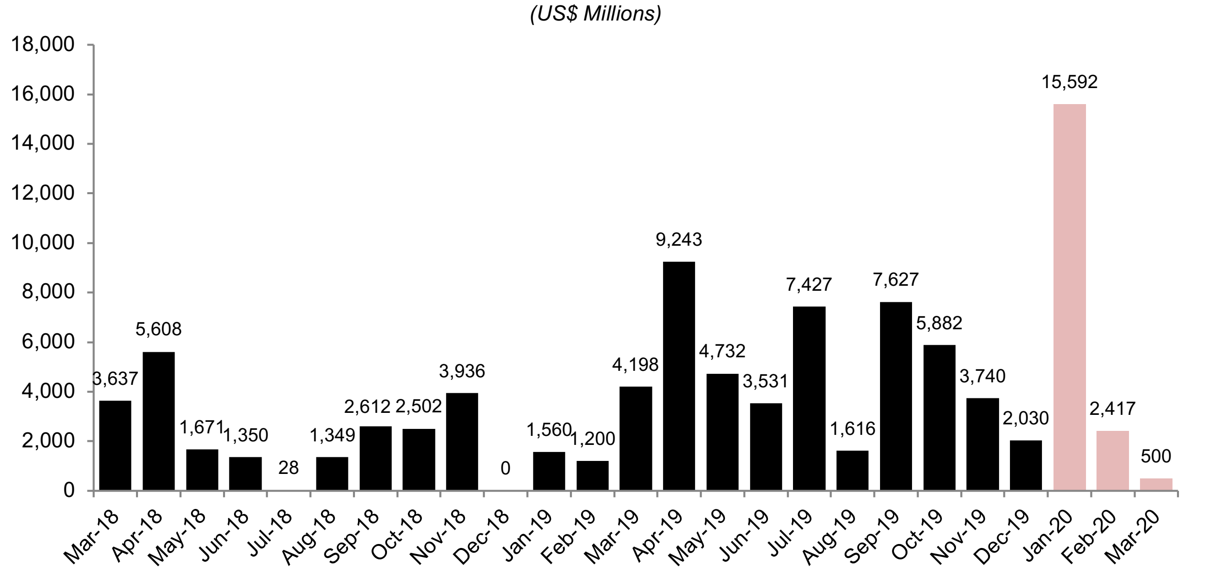


Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

One of the main highlights of the region's quasi-sovereign issuance in the first quarter of 2020 was the US$ 5 billion issuance by Mexico's Pemex on January 21 (appendix C, table 3). Chile's Codelco issued US$ 2 billion in bonds on January 7, and Brazil's Eletrobras issued US$ 1.25 billion on January 20. Together they accounted for 81% of total quasi-sovereign issuance, 29% of total corporate issuance and 18% of the total (sovereign and corporate combined) LAC volume in the first quarter.

Issuances from the private corporate sector in the first quarter of 2020, not including quasi-sovereigns, reached US$ 18.5 billion. The highest monthly activity of the quarter was in January (US$ 15.6 billion), and the lowest in March (chart 22).

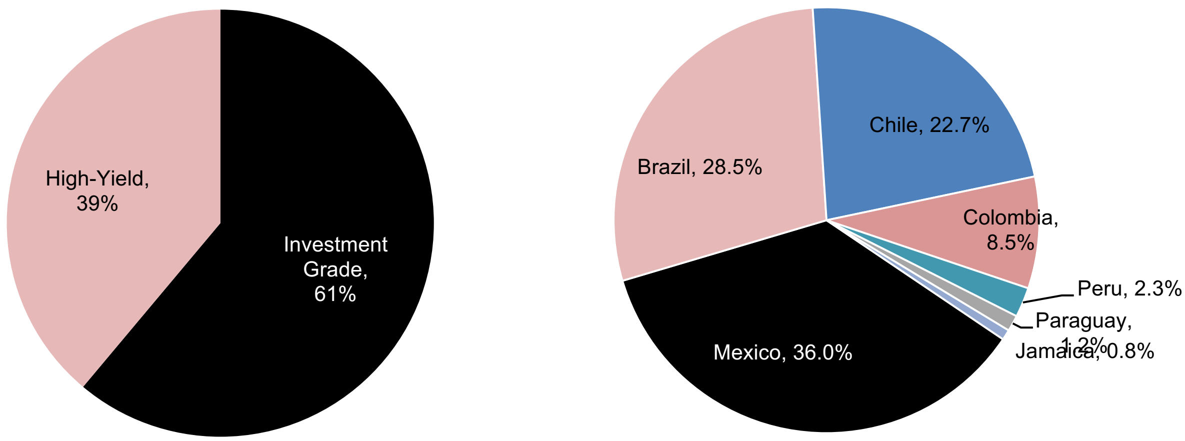
CHART 22:
LAC MONTHLY PRIVATE CORPORATE SECTOR BOND ISSUANCE
(US$ Millions)



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

Investment grade companies had a 61% share of total corporate issuance in the first quarter, while the share of corporate high-yield issuance was 39%. Mexican, Brazilian and Chilean companies accounted for 87% of total corporate issuance in the period (chart 23).

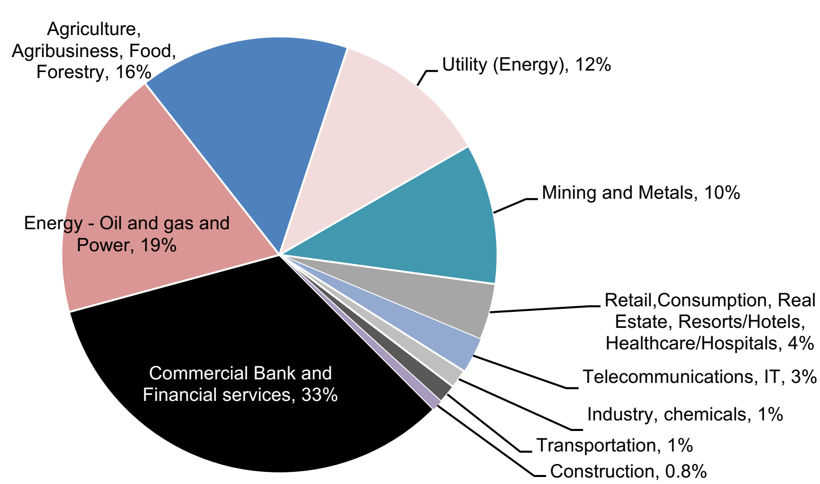
CHART 23:
BREAKDOWN OF LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY RATING AND COUNTRY Q1 2020
(Percentage of total)



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

From a sectoral perspective, 33% of corporate debt issuance (including corporate, banks, and quasi-sovereigns) in the first quarter came from the financial sector, which includes commercial banks as well as financial services companies. The energy sector, including oil and gas, and power, followed with a 19% share of the total. The agricultural sector, including agribusiness, food and beverages, and forestry, accounted for the third largest share, 16% (chart 24).

CHART 24:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY SECTORS, Q1 2020
(Percentage of total)

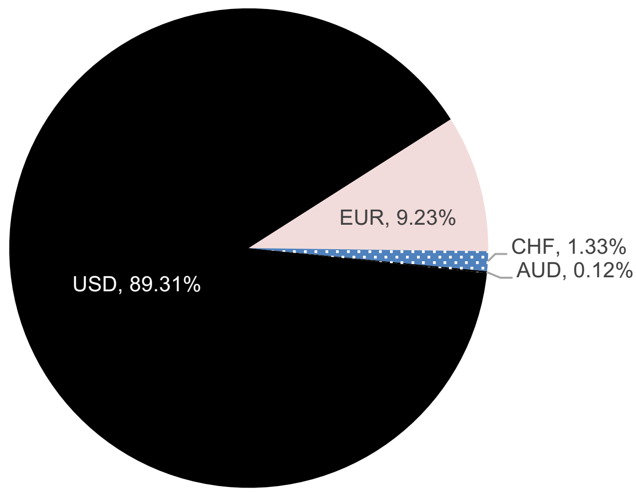


Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.
Note: corporate issuance includes corporates, banks, and quasi-sovereigns.

3. Currency Composition

Most of the international debt issuance in the region in first quarter of 2020 (89.3%) was denominated in U.S. dollars (chart 25). There was also issuance in Euros (9.2%); Swiss Francs (1.3%); and Australian dollars (0.1%). There were no issuances in local currencies.

CHART 25:
CURRENCY BREAKDOWN, Q1 2020



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

4. Green Bonds

There were five international green bond issuances in the first quarter of 2020 totaling US$ 4.35 billion and representing almost 10% of the total LAC cross-border bond issuance in the period. They included two new green bonds and three re-openings, and a social bond placed by Ecuador, which became the first sovereign issuer to sell social bonds in the international market. It is worth noting that the definition of green bonds has been widening to include a broader range of socially conscious debt labels, such as sustainability and social bonds. Green, social and sustainability bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and/or social projects.

On January 15, Brazil's Klabin, a paper producer, reopened its 2049 7% US$ 500 million green bond originally issued in March 2019 (appendix C, table 3). This was the only green corporate issuance in the quarter, in contrast to previous years, when most green bond issuances were from corporate issuers. The first sovereign from the region to issue a green bond was Chile, in June 2019.

On January 16, Ecuador became the first sovereign issuer to sell a social bond in the international market, US$ 327 million in zero coupon notes with a 15-year maturity, to raise money for a housing program. The bond was backed by the IDB with a US$ 300 million guarantee.

On January 21, Chile followed with a two-part green deal in euros, including a new 20-year € 1.27 million 1.25% green bond, and the reopening of its 2031 0.83% bond, to add € 694 million. The money from the two-part deal will be used to fund clean transport projects, which include building Line 8 and expanding Line 4 of the Santiago Metro along with plans by the state-owned railroad company Empresa de los Ferrocarriles del Estado (EFE) to build a commuter rail line between Santiago and Melipilla. Chile came back to the cross-border market with another two-part green deal on the next day, this time in U.S. dollars, issuing a new US$ 750 million 2032 2.55% green bond and reopening its 2050 3.5% green bond, originally issued in June 2019, to add US$ 900 million.

In April, Guatemala issued US$ 500 million in social bonds to finance eligible social investments directly and indirectly related to COVID-19 prevention, containment and mitigation efforts, bringing the region's total amount of green, social and sustainability bonds issued this year to US$ 4.85 billion (table 4), which represents 8% of the total LAC cross-border bond issuance in the first four months of the year. This is a significant increase from last year's share of 4.6% and from the 3% average annual share in the 2015-2019 period. Sovereign issuance represented 96% of the total green bond issuance from January to April 2020.

Looking ahead, LAC sovereign issuers are expected to encourage growth in the green bond market. Colombia, Costa Rica, the Dominican Republic, Mexico and Peru have all announced their intentions to sell green bonds in the near future, asset management firm Amundi and the International Finance corporation (IFC) said in their second edition of the "*Emerging Market Green Bonds Report*" recently released. In Brazil, the report indicates, corporate issuers are selling green bonds in the local market, a trend that is expected to continue given the depth of the local investor base. Meanwhile, Mexico and Argentina, are working on guidelines on green finance in their respective markets.

TABLE 4:
LAC GREEN AND SUSTAINABILITY BOND ISSUANCE IN INTERNATIONAL MARKETS: 2020 YTD

Country	Issuer	Amount (million)	Amount in US$ (million)	Coupon(%)	Maturity	*Issue Date*
Brazil	Klabin Austria GmbH	USD 200	200	7.000%	2049 (r)	15-Jan-20
Ecuador	Republic of Ecuador Social Bond SARL	USD 327	327	0.000%	2035	16-Jan-20
Chile	Republic of Chile	EUR 694	769	0.830%	2031 (r)	21-Jan-20
Chile	Republic of Chile	EUR 1269	1,407	1.250%	2040	21-Jan-20
Chile	Republic of Chile	USD 750	750	2.550%	2032	22-Jan-20
Chile	Republic of Chile	USD 900	900	3.500%	2050 (r)	22-Jan-20
Guatemala	Republic of Guatemala Social Bond	USD 500	500	5.375%	2032	21-Apr-20
		TOTAL	**4,854**			

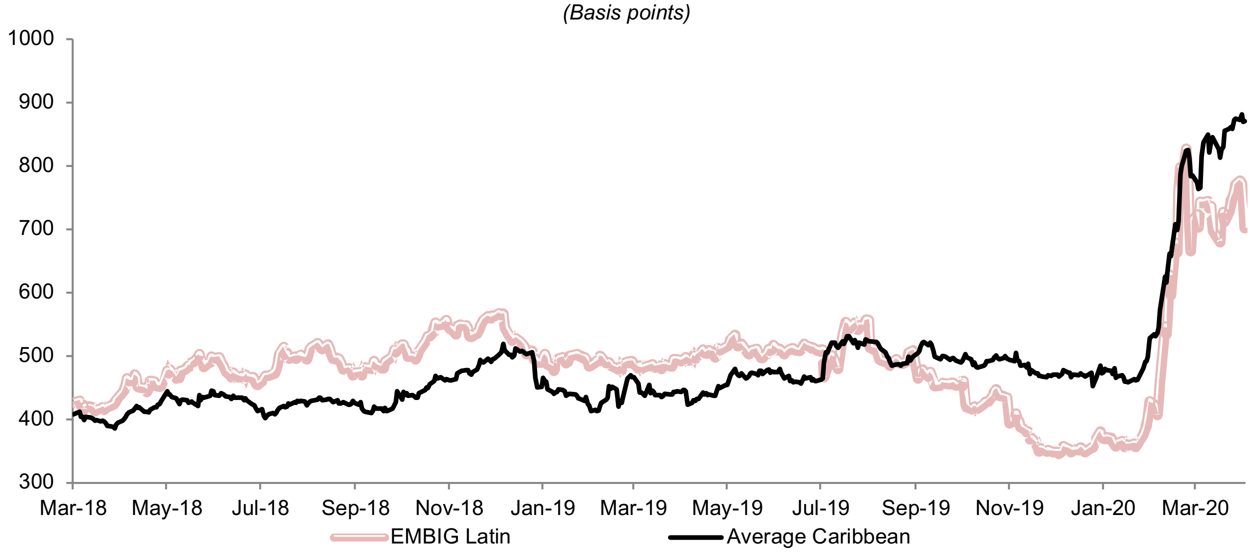
Source: ECLAC Office in Washington D.C., based on several sources, including Dealogic Database, Climate Bonds Initiative and Latin Finance.

Environmental, Social and Governance (ESG) funds aim to better capture and compensate sustainability risks. Their performance during this pandemic has been closely monitored and may have long-term repercussions after COVID-19. Lower exposure to fossil fuels and high emitting industries like airlines and cruises has provided some market insulation for ESG funds, while they may be less exposed to reputational risks that arise from poor governance and stakeholder management. A Morningstar study compared the first-quarter returns of 206 U.S. sustainable equity open-end and exchange-traded funds against their respective peer groupings based on investment style, market cap, and region. Findings showed that in the first quarter of 2020, 44% of sustainable equity funds ranked in the top quartile of returns, while 70% ranked in the top half and only 11% ranked in the bottom quartile. This represents significant overperformance of sustainable funds when compared to their peer groupings.

II. Bond markets and credit management in the Caribbean[3]

As the COVID-19 pandemic continues to spread across the globe, the Caribbean economies are being hit hard by the collapse of the tourism sector, which accounts for 50 to 90% of GDP and employment in some countries, and by the steep drop in commodity prices, which affects commodity exporters such as Guyana, Suriname, and Trinidad and Tobago. In the first quarter, Caribbean spreads on average spiked more than spreads for the LAC region as a whole. At the end of March, they were 61 basis points higher than the EMBIG Latin component, and by the end of April the gap had increased to 168 basis points (chart 26).

CHART 26:
EMBIG SPREADS, CARIBBEAN VERSUS LAC
(Basis points)

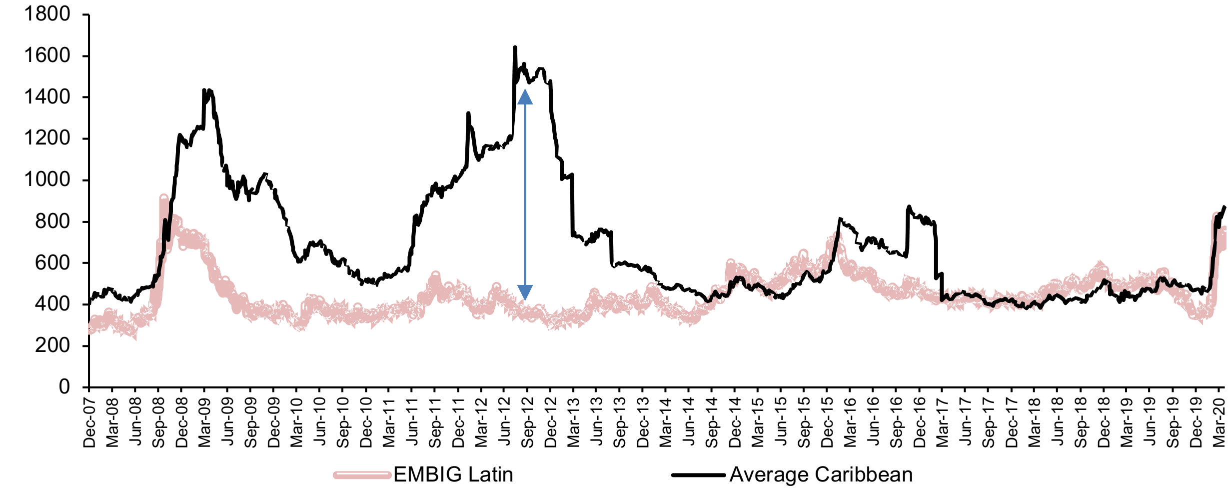


Source: ECLAC Washington Office, based on data from JPMorgan. The Caribbean average includes Belize, Jamaica, and Trinidad and Tobago.

[3] 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.

During the global financial crisis, this gap ballooned in the immediate aftermath of the global financial crisis of 2008, and again from late 2010 to 2012, reaching a peak of 1,220 basis points in September 2012. A number of Caribbean countries had to restructure bond payments, leading to one of the periods with the highest number of defaults on loan agreements in the Caribbean region. Since May 2017, however, this gap had been muted (chart 27).

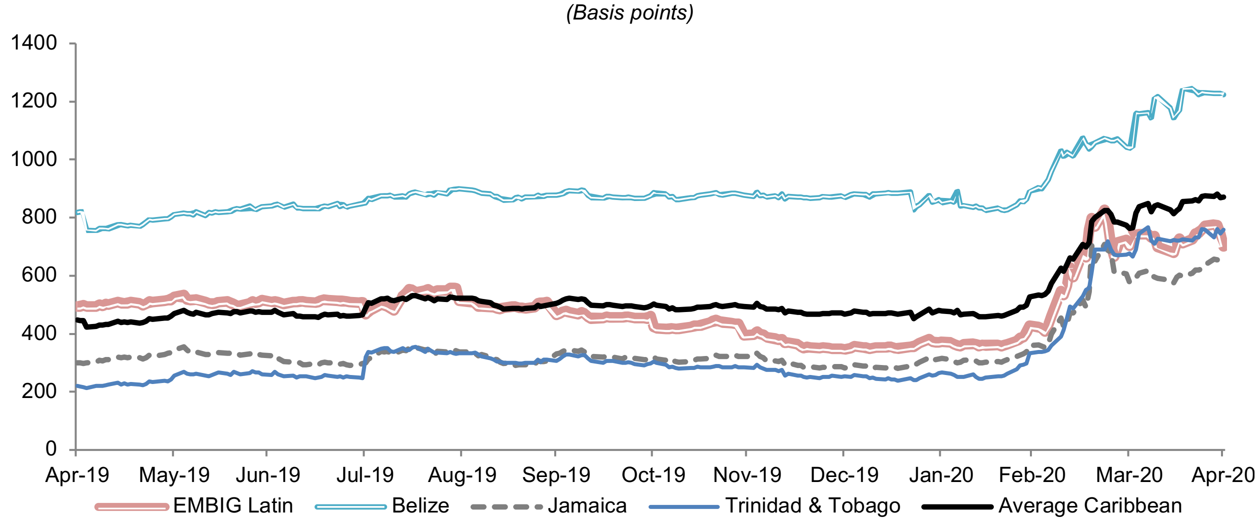
CHART 27:
EMBIG SPREADS, CARIBBEAN VERSUS LAC: 2007-2020 YTD
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan. The Caribbean average includes Belize, Jamaica, and Trinidad and Tobago.

Caribbean average spreads widened 296 basis point in the first quarter of 2020. Spreads for Belize and Jamaica widened 170 and 295 basis points in the first quarter, respectively, within the widening range for countries in the wider region. Trinidad and Tobago's spreads widened 423 basis points, however, more than the EMBIG Latin, reflecting the impact of the oil prices-shock. In April, while the EMBIG Latin actually narrowed by 1 basis point, the Caribbean average widened 106 basis points, contributing to the increase in the spread gap. At the end of April, Jamaica's spreads were lower than the Latin American average, but Trinidad and Tobago's and Belize's spreads were above it (chart 28).

CHART 28:
CARIBBEAN COUNTRIES: EMBIG SPREADS, APR 2019-APR 2020
(Basis points)



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

Credit Rating Actions

The behavior of Caribbean spreads reflected developments in sovereign credit quality. There were one positive and five negative credit rating actions in the Caribbean in the first four months of 2020 (table 5).

TABLE 5:
SOVEREIGN CREDIT RATING ACTIONS IN THE CARIBBEAN, 2020 YTD

Date	Country	Action	
2020 YTD	**1 positive and 5 negative actions**		
Q1 2020	**1 positive and 2 negative actions**		
16-Jan-20	Suriname	Fitch downgrades Suriname's rating to CCC from B	*Negative*
29-Jan-20	Jamaica	Fitch revises outlook on Jamaica's B+ rating to positive from stable	*Positive*
26-Mar-20	Trinidad &Tobago	S&P downgrades T&T's rating to BBB- from BBB with a stable outlook	*Negative*
Q2 2020	**0 positive and 3 negative actions**		
1-Apr-20	Suriname	S&P downgrades Suriname's rating to CCC+ from B with a negative outlook	*Negative*
10-Apr-20	Jamaica	Fitch revises the outlook on Jamaica's B+ rating to stable from positive	*Negative*
14-Apr-20	Suriname	Moody's downgrades Suriname's Rating to B3 from B2 with a negative outlook	*Negative*

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

In the first quarter there was only one positive action, which was related to Jamaica. On January 29, Fitch revised the outlook on Jamaica's B+ rating to positive from stable saying that Jamaica would continue to make progress in reducing government debt, supported by large primary budget surpluses.

There were two negative actions in the first quarter, one at the beginning and the other at the end of the quarter. Both were downgrades related to commodity-exporters. On January 16, Fitch downgraded Suriname's rating to CCC from B- citing a sharp increase in government debt, reduced financing flexibility and declining external liquidity, which increased risks to the government's capacity to service its foreign-currency liabilities, and the large government deficit coupled with the widening current account deficit, which increased risks of macro instability. The rating agency said it does not assign an outlook to ratings in line with CCC. On March 26, Standard & Poor's downgraded Trinidad and Tobago's rating to BBB- from BBB with a stable outlook, expecting lower oil and gas prices over the next several years to weaken government revenues and lead to larger increases in net general government debt.

In April, there were three negative actions, two of them downgrades. S&P downgraded Suriname's rating to CCC+ from B with a negative outlook, gauging the country's debt as exposed to substantive risks. On April 9, Moody's placed the Bahamas' Baa3 ratings on review for downgrade, citing significant risks to its economic and fiscal metrics as a result of the coronavirus outbreak. And on April 14, Moody's downgraded Suriname's rating to B3 from B2 with a negative outlook, citing the significant deterioration in fiscal metrics as larger-than-expected fiscal deficits in 2018 and 2019 led to a sustained rise in government debt to 75% of GDP at the end of 2019. The downgrade also reflects heightened liquidity and external risks.

Debt issuance

There was only one debt issuance from the Caribbean region in the first four months of 2020. On February 7, Transjamaican Highway Limited (TJH) issued a project bond. This is a toll road concession owned by the Jamaican government. On March 3, Jamaica's National Road Operating and Construction Company (NROCC) sold 80% of the TJH for JMD 14.1 billion (US$ 100 million) through an initial public offering (IPO) on the local stock exchange. TJH's only previous bond sale took place in 2001.

III. Portfolio equity flows

According to the MSCI Latin American Index, Latin American stocks lost 46% in the first quarter of 2020 (table 6), while the broader emerging market index was down 24% in dollar terms in the same period. The loss of the MSCI G7 index (21%) was less than half of the loss in Latin American stocks. LAC equities underperformed in part due to currency depreciation, as well as the impact of the pandemic and the oil shock on the region.

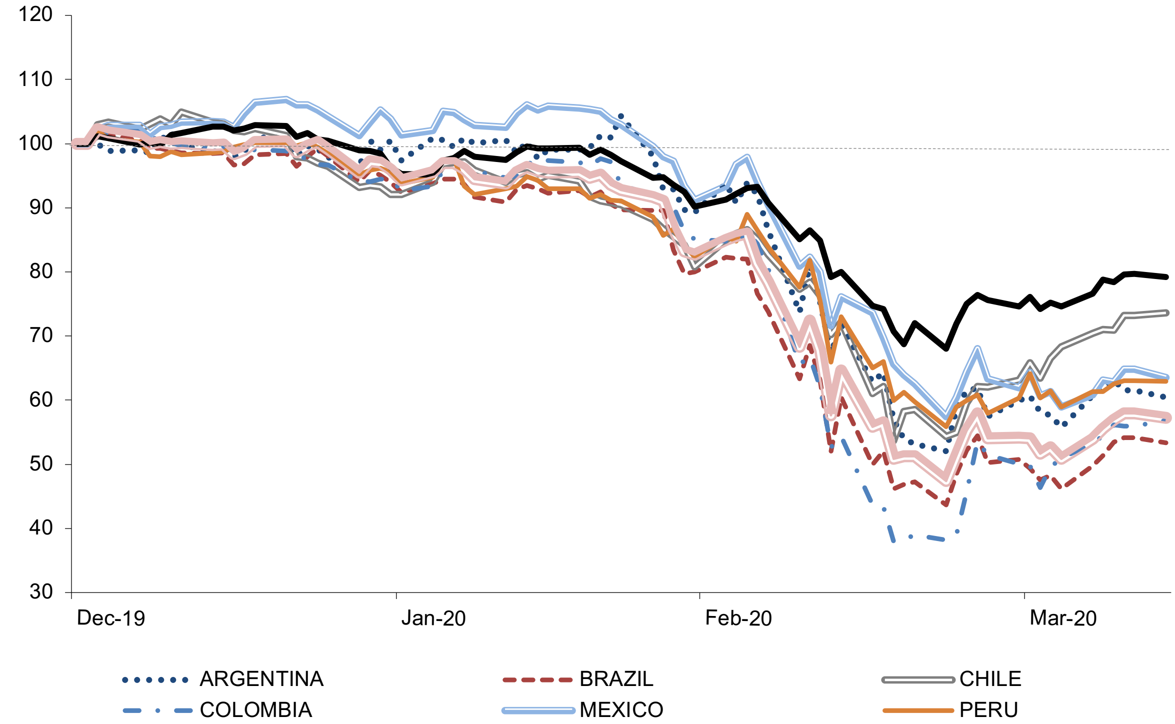
TABLE 6:
MSCI EQUITY INDICES, Q1 2020

	Price Index in USD		Variation
	Dec 31, 2019	Mar 31, 2020	Q1 2020
Emerging markets	1,114.660	848.577	-23.87%
Latin America	**2,917.725**	**1,576.600**	**-45.96%**
Argentina	1,589.058	964.245	-39.32%
Brazil	2,373.010	1,172.104	-50.61%
Chile	1,300.101	856.268	-34.14%
Colombia	691.777	344.152	-50.25%
Mexico	4,758.127	3,062.286	-35.64%
Peru	1,680.083	1,077.046	-35.89%

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

In Brazil and Colombia, cumulative losses were over 50% at the end of March. Losses exceeded 34% in Argentinean, Chilean, Mexican and Peruvian equities. In April there was a partial recovery attenuating the total losses (chart 29). However, investors in U.S.-based Latin American-focused equity mutual funds and exchange traded funds were net sellers in the week ended April 29, extending a streak of outflows to eight consecutive periods, according to the latest data available from mutual fund tracking company Lipper, a division of Refinitiv.

CHART 29:
MSCI EQUITY PRICE INDEX, 2020 YTD



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.

The lower demand for the region's financial assets when financing is much needed to fight the worse socio-economic effects of the COVID-19 and the significant depreciation of local currencies, which increase the debt burden in U.S. dollars, are issues of concern for sovereign and corporate borrowers in the region, as well as policymakers.

IV. Prospects

The COVID-19 pandemic is expected to have a profound impact on emerging markets and developing countries. The tightening of global liquidity, as funding costs surge, and a shortage of U.S. dollars, are placing significant pressure on certain emerging market and LAC currencies. Some of the region's issuers, with relatively high near-term foreign currency liabilities will have larger rollover costs and funding risks, which will likely keep downside pressure on their currencies.

In April, four sovereigns from the region – Peru, Guatemala, Mexico and Paraguay – were able to successfully tap international debt markets with sizeable issuances for coronavirus funding. They were received with strong demand. They followed Panama, which on March 26 had successfully placed a sovereign bond in cross-border markets to secure additional resources to combat the COVID-19 pandemic. Together, these five sovereign issuances amounted to US$ 13 billion in new cross-border bonds having the potential to contribute to set forth a sustainable path for the future.[4]

In the current context, when countries around the world have been enormously impacted by the COVID-19 pandemic, the green, social and sustainability bond market may present a unique opportunity to help with economic recovery in the fight against the coronavirus. For example, green bonds can help fund sustainable infrastructure, and social bonds could be a way to raise funds to help fortify health systems around the world, or, as was the case with Guatemala's social bond issued in April, to finance eligible social investments related to the pandemic's prevention, containment and mitigation.

[4] This trend may continue in the near-term. On May 5, Chile raised US$ 2 billion in a two-part bond sale in U.S. dollars and euros to secure resources to fight the pandemic, tapping into improving market conditions for emergency funding. Uruguay is reportedly considering selling bonds in international markets to fund coronavirus relief, if the conditions are right. On May 7, CAF Development Bank of Latin America sold US$ 800 million worth of three-year bonds to finance part of a US$ 2.5 billion emergency credit line that it approved in March as part of its COVID-19 response, which eight member countries have accessed so far.

Appendix

A. Credit Rating

TABLE 1:
CREDIT RATINGS IN LATIN AMERICA AND THE CARIBBEAN, 2020 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	Ca	(-)	CC	(-)	CC		Downgrade, O/L (-)	3-Apr-20	Upgrade, O/L (-)	30-Dec-19	Downgrade to RD on Apr 6, then Upgrade to CC	7-Apr-20
Bahamas	Baa3	-	BB+				Review (-)	9-Apr-20	Affirmed, O/L stable	14-Dec-18		
Barbados	Caa1		B-		NR		Upgrade, O/L stable	2-Jul-19	Upgrade, O/L stable	11-Dec-19		
Belize	B3		B-		NR		Affirmed, O/L stable	5-Mar-19	Affirmed, O/L stable	9-Aug-19		
Bolivia	B1		BB-	(-)	B+		Downgrade, O/L (-)	10-Mar-20	O/L changed to (-) from stable	16-Dec-19	Downgrade, O/L (-)	21-Nov-19
Brazil	Ba2		BB-	(+)	BB-		O/L changed to stable from (-)	9-Apr-18	O/L changed to (+) from stable	11-Dec-19	Affirmed, O/L stable	14-Nov-19
Chile	A1		A+	(-)	A		Downgrade, O/L stable	26-Jul-18	O/L changed to (-)	27-Apr-20	Affirmed, O/L stable	30-Aug-19
Colombia	Baa2		BBB-	(-)	BBB-	(-)	O/L changed to stable from (-)	23-May-19	O/L changed to (-)	26-Mar-20	Downgrade, O/L (-)	1-Apr-20
Costa Rica	B2		B+	(-)	B+	(-)	Downgrade, O/L stable	11-Feb-20	Affirmed, O/L (-)	27-Dec-19	Affirmed, O/L (-)	30-Oct-19
Cuba	Caa2		NR		NR		Affirmed, O/L stable	13-Sep-19				
Dom. Rep.	Ba3		BB-		BB-		Affirmed, O/L stable	27-Feb-19	Affirmed, O/L stable	5-Apr-19	Affirmed, O/L stable	26-Jun-19
Ecuador	Caa3	(-)	SD		C		Downgrade, O/L (-)	3-Apr-20	Downgrade	13-Apr-20	Downgrade	9-Apr-20
El Salvador	B3	(+)	B-		B-		O/L changed to (+)	12-Mar-20	Affirmed, O/L stable	2-Dec-19	Affirmed, O/L stable	11-Jun-19
Guatemala	Ba1		BB-		BB-		Affirmed, O/L stable	11-Jun-18	Affirmed, O/L stable	3-Dec-19	Downgrade, O/L stable	3-Apr-20
Honduras	B1		BB-		NR		Affirmed, O/L stable	12-Jun-19	Affirmed, O/L stable	25-Jul-19		
Jamaica	B2		B+		B+		Upgrade, O/L stable	11-Dec-19	Upgrade, O/L stable	27-Sep-19	O/L changed to stable from (+)	10-Apr-20
Mexico	Baa1	(-)	BBB	(-)	BBB-		Downgrade, O/L (-)	17-Apr-20	Downgrade, O/L (-)	26-Mar-20	Downgrade, O/L stable	15-Apr-20
Nicaragua	B3		B-		B-		Downgrade, O/L stable	15-Feb-20	O/L changed to stable from (-)	8-Nov-19	O/L changed to stable from (-)	22-Nov-19
Panama	Baa1		BBB+		BBB	(-)	Upgrade, O/L stable	8-Mar-19	Upgrade, O/L stable	29-Apr-19	O/L changed to (-)	6-Feb-20
Paraguay	Ba1		BB		BB+		Affirmed, O/L stable	21-Jun-18	Affirmed, O/L stable	12-Jun-19	Affirmed, O/L stable	6-Dec-19
Peru	A3		BBB+		BBB+		Affirmed, O/L stable	25-Jun-19	Affirmed, O/L stable	19-Feb-19	Affirmed, O/L stable	25-Sep-19
St Vincent	B3						Affirmed, O/L stable	30-Apr-18				
Suriname	B3		CCC+	(-)	CCC		Downgrade, O/L (-)	14-Apr-20	Downgrade, O/L (-)	1-Apr-20	Downgrade	16-Jan-20
T & T	Ba1		BBB-		NR		Affirmed, O/L stable	26-Jun-19	Downgrade, O/L stable	26-Mar-20		
Uruguay	Baa2		BBB		BBB-	(-)	Affirmed, O/L stable	6-Aug-19	Affirmed, O/L stable	7-May-19	Affirmed, O/L (-)	27-Jun-19
Venezuela	C		SD	NM	RD		Downgrade, O/L stable	9-Mar-18	Affirmed	22-Feb-19	Affirmed and withdrawn	27-Jun-19

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch. Changes for 2020 YTD are in pink.
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.

BOX 1: CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN – 2020 YTD

There have been 3 positive and 25 negative actions in Latin America and the Caribbean in 2020 YTD (as of April 30).

Positive Actions: 3 (Bold)

January

- Jamaica (January 29): **Fitch revises outlook on Jamaica's B+ rating to positive from stable** saying that Jamaica will continue to make progress in reducing government debt, supported by large primary budget surpluses.

February

- St. Vincent and the Grenadines (February 28): Moody's affirms St. Vincent and the Grenadines' B3 rating with a stable outlook (*no change*).

March

- El Salvador (March 12): **Moody's changes outlook on E Salvador's B3 rating to positive from stable,** citing reduced liquidity risks and improved business conditions.

April

- Argentina (April 7): **Fitch upgrades Argentina's rating to CC from RD**, following the unilateral re-profiling via executive decree of locally issued foreign currency debt instruments, which Fitch deems to constitute the execution and completion of a distressed debt exchange (DDE). [Cancels out the downgrade to RD on April 6]

Negative Actions: 25 (Bold)

January

- Suriname (January 16): **Fitch downgrades Suriname's rating to CCC from B-,** citing a sharp increase in government debt, reduced financing flexibility and declining external liquidity, which increase risks to the government's capacity to service its foreign-currency (FC) liabilities. It added that the large government deficit coupled with the widening current account deficit, in advance of May 2020 parliamentary elections, are inconsistent with the stabilized exchange rate, increasing risk of macro instability. The rating agency said it does not assign an outlook to ratings in line with CCC.

February

- Panama (February 6): **Fitch revises its outlook on Panama's BBB rating to negative from stable**, citing a marked deterioration in fiscal deficits and a significant increase of the government's debt burden
- Costa Rica (February 11): **Moody's downgrades Costa Rica's rating to B2 from B1 with a stable outlook**, citing high fiscal deficits and recurring funding challenges.
- Nicaragua (February 15): **Moody's downgrades Nicaragua's rating to B3 from B2 with a stable outlook**, citing weakening economic strength and risk of reduced access to official external credit creating funding challenges.
- Uruguay (February 20): Fitch affirms Uruguay at BBB- and keeps the negative outlook (*no change*).

March

- Bolivia (March 10): **Moody's downgrades Bolivia's rating to B1 from Ba3 with a negative outlook**, citing erosion of fiscal and foreign exchange reserve buffers in recent years, ongoing challenges in the hydrocarbon sector and policy uncertainty.
- Ecuador (March 19): **Fitch downgrades Ecuador's rating to CCC from B-,** citing heightened risks to debt repayment capacity given the decline in oil prices, loss of market access and developments hindering timely disbursements of fund from the IMF and other multilaterals.
- Ecuador (March 24): **Fitch downgrades Ecuador's rating to CC from CCC**, signaling its expectation that a default of some kind is probable following announcement by the authorities of their intent to renegotiate the terms of commercial debt liabilities while using the grace period on bond coupons due this week.
- Ecuador (March 25): **S&P downgrades Ecuador's rating to CCC- from B- and places it on negative watch**, saying that a default, distressed exchange , or redemption appears inevitable within the next six months.
- Colombia (March 26): **S&P revises the outlook on Colombia's BBB rating to negative from stable**, citing downside risks to fiscal end external metrics over the next 18 months and underlining the impact of COVID-19 in the global economy along with the fall in oil prices.

Box 1– (conclusion)

- Mexico (March 26): **S&P downgrades Mexico's rating to BBB from BBB+ with a negative outlook**, saying the effects from the COVID-19 outbreak and the oil price shock will undermine Mexico's already modest economic growth.
- Trinidad and Tobago (March 26): **S&P downgrades T&T's rating to BBB- from BBB with a stable outlook**, saying it expects lower oil and gas prices over the next several years will weaken Trinidad and Tobago's government revenues and lead to larger increases in net general government debt.

April

- Colombia (April 1): **Fitch downgrades Colombia's rating to BBB- from BBB with a negative outlook**, citing the likely weakening of key fiscal metrics in the wake of the economic downturn caused by a combination of shocks stemming from the sharp fall in the oil price and efforts to combat the coronavirus pandemic.
- Suriname (April 1): **S&P downgrades Suriname's rating to CCC+ from B with a negative outlook**, gauging the country's debt as exposed to substantive risks.
- Argentina (April 3): **Moody's downgrades Argentina to Ca from Caa2 with a negative outlook**, citing expectation that private creditors will likely incur substantial losses in the government restructuring process as the economic and financial shock stemming from the pandemic compounds the funding stress.
- Ecuador (April 3): **Moody's downgrades Ecuador's rating to Caa3 from Caa1 with a negative outlook**, citing very high probability of restructuring, distressed exchange or default on its market debt as a result of the economic and financial shock due to the coronavirus outbreak, which has led to extremely tight financing conditions.
- Guatemala (April 3): **Fitch downgrades Guatemala's rating to BB- from BB with a stable outlook**, pointing to diminishing fiscal flexibility due to the government's low tax collection amid continuous political gridlock preventing forceful fiscal measures, as well as a downward revision to growth prospects related to the global pandemic.
- Argentina (April 6): **Fitch downgrades Argentina's rating to RD from CC** following a decree from Argentina's government that postponed upcoming payments on locally issued foreign currency debt obligations. In accordance with Fitch Ratings' criteria, this development constituted a "distressed debt exchange" (DDE) and default on Argentina's sovereign obligations.
- Bahamas (April 9): **Moody's places The Bahamas' Baa3 ratings on review for downgrade**, citing significant risks to its economic and fiscal metrics as a result of the coronavirus outbreak.
- Ecuador (April 9): **Fitch downgrades Ecuador's rating to C from CC**, saying the C rating reflects Fitch's view that a sovereign default of some kind is imminent following the "consent solicitation" made by the Ecuadorian government to defer external bond payments while it pursues a comprehensive restructuring. A deferment in payments, if agreed to by bondholders, would constitute a distressed debt exchange (DDE) in Fitch's view.
- Jamaica (April 10): **Fitch revises the outlook on Jamaica's B+ rating to stable from positive**, citing the shock to Jamaica from the coronavirus pandemic, which is expected to lead to a sharp contraction in its main sources of foreign currency revenues: tourism, remittances and alumina exports.
- Ecuador (April 13): **S&P downgrades Ecuador's rating to SD from CCC-** on expectation of missed interest payment and distressed exchange.
- Suriname (April 14): **Moody's downgrades Suriname's Rating to B3 from B2 with a negative outlook**, citing the significant deterioration in fiscal metrics as larger-than-expected fiscal deficits in 2018 and 2019 have led to a sustained rise in government debt to 75% of GDP at the end of 2019. The downgrade also reflects heightened liquidity and external risks.
- Mexico (April 15): **Fitch downgrades Mexico's rating to BBB- from BBB with a stable outlook**, saying the coronavirus pandemic will likely spur a severe recession that an already fraught business environment will be unable to recover from quickly.
- Mexico (April 17): **Moody's downgrades Mexico's rating to Baa1 from A3 with a negative outlook**, saying medium-term economic growth prospects have materially weakened, and that the continued deterioration in Pemex's financial standing is eroding the sovereign's fiscal strength.
- Chile (April 27): **S&P revises the outlook on Chile's A+ rating to negative from stable**, citing risks to its economic growth prospects from both the measures it has taken to contain the COVID-19 pandemic as well as the legacy of recent public protests over economic inequality.

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

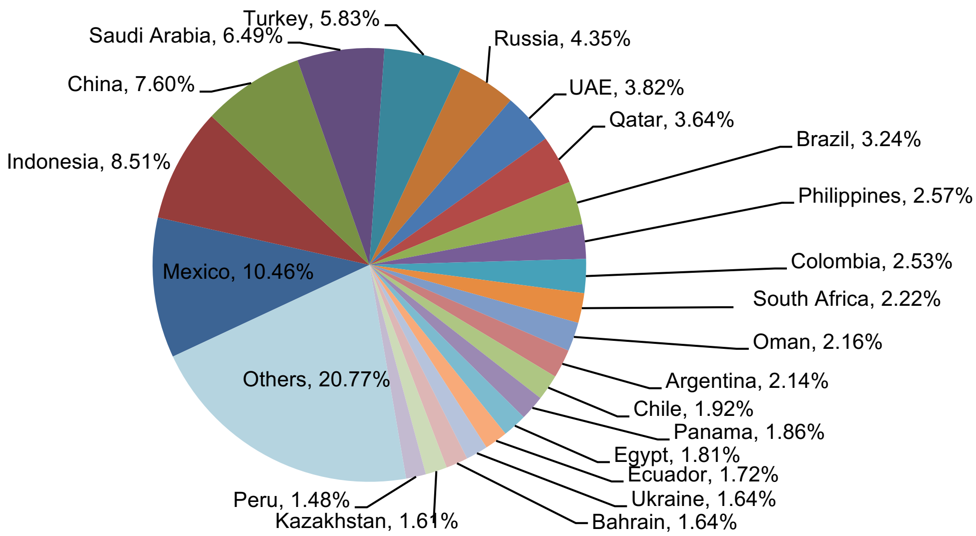
B. Latin American Spreads

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	Bolivia	Paraguay
31-Mar-16	434	444	426	213	295	1058	308	226	279	3108	573	211	335
29-Apr-16	410	544	401	183	278	941	286	198	268	2858	541	190	320
31-May-16	421	500	418	203	297	855	304	213	271	2933	553	152	318
30-Jun-16	407	495	366	202	257	913	293	200	270	2659	522	186	326
29-Jul-16	392	496	346	174	270	877	294	194	262	2510	501	155	299
31-Aug-16	361	455	315	174	232	863	258	162	229	2456	459	140	268
30-Sep-16	360	441	324	180	221	845	294	154	232	2053	456	142	276
31-Oct-16	364	452	316	177	237	743	293	155	230	2316	467	130	268
30-Nov-16	388	515	338	174	252	736	330	173	252	2343	510	82	298
30-Dec-16	365	455	330	158	225	647	296	170	244	2168	473	83	281
31-Jan-17	352	469	291	144	209	590	296	159	225	2056	455	75	274
28-Feb-17	334	458	280	130	202	572	275	152	227	2050	436	58	267
31-Mar-17	331	442	264	133	192	666	255	146	209	2377	436	102	241
30-Apr-17	321	405	259	136	195	667	254	144	204	2151	419	212	241
31-May-17	323	407	282	134	203	694	255	145	205	2228	426	221	236
30-Jun-17	328	432	284	132	200	706	255	145	193	2464	435	211	225
31-Jul-17	324	448	263	123	194	673	237	152	182	2977	434	217	213
31-Aug-17	321	402	265	130	195	643	244	153	181	3125	424	225	220
29-Sep-17	308	377	240	128	185	606	233	140	165	3094	407	217	211
31-Oct-17	307	361	237	118	183	563	247	136	154	3171	403	204	196
30-Nov-17	313	357	234	123	176	507	232	133	145	4717	417	202	194
29-Dec-17	311	351	232	117	173	459	245	136	146	4854	419	203	200
31-Jan-18	292	375	217	106	153	442	223	119	136	4660	399	160	177
28-Feb-18	311	405	226	120	178	490	238	137	146	4625	418	205	191
29-Mar-18	326	420	238	128	180	544	252	156	168	4189	426	209	218
30-Apr-18	335	431	242	130	182	667	263	152	185	4344	443	208	225
31-May-18	367	521	299	145	205	671	288	168	197	4565	479	250	241
29-Jun-18	388	608	326	144	197	761	281	166	200	5011	497	295	245
31-Jul-18	354	556	263	133	177	603	274	143	169	5086	465	244	198
31-Aug-18	400	771	337	141	184	725	282	147	174	5807	514	248	209
28-Sep-18	362	623	289	124	168	622	256	133	156	5499	474	202	214
31-Oct-18	392	652	256	140	186	722	307	152	185	5803	512	275	231
30-Nov-18	420	706	265	157	210	740	347	162	202	6255	544	342	254
31-Dec-18	435	817	273	166	228	826	357	168	207	6845	568	378	260
31-Jan-19	378	676	235	145	191	690	330	145	179	4770	498	309	225
28-Feb-19	361	697	230	129	186	589	316	131	167	5303	484	277	213
29-Mar-19	373	774	248	133	184	592	308	130	170	5224	488	280	222
30-Apr-19	365	950	245	127	176	560	292	126	171	5546	495	268	211
31-May-19	393	985	267	145	212	619	329	148	194	5578	527	282	245
28-Jun-19	366	835	232	135	181	580	329	124	172	8867	517	253	212
31-Jul-19	333	781	206	125	175	603	323	117	159	11945	467	232	202
30-Aug-19	361	2532	241	133	179	705	334	122	169	11179	513	291	233
30-Sep-19	338	2143	239	139	183	677	317	131	177	18473	465	291	237
31-Oct-19	323	2278	233	141	182	789	320	131	173	16671	424	321	229
29-Nov-19	309	2262	236	149	188	1146	320	126	169	13554	394	312	233
31-Dec-19	277	1744	212	135	161	826	292	107	148	14740	346	218	203
31-Jan-20	299	2068	224	149	176	1018	308	122	159	16553	372	296	231
28-Feb-20	354	2283	251	180	212	1466	372	156	196	12246	428	341	253
31-Mar-20	577	3803	389	301	376	4553	653	265	298	19270	703	645	429

Source: ECLAC, Washington Office, based on data from JPMorgan.
EMBI Global composition by country (end-March 2020): Mexico, Brazil and Colombia account for 16.29% of the total weighting.
EMBI Global composition by region: Latin: 30.51%; Non-Latin: 69.49%.

EMBI GLOBAL COMPOSITION (AS OF MARCH 2020)



Others	%
Dominican Rep	1.43%
Uruguay	1.38%
Sri Lanka	1.23%
Malaysia	1.18%
Hungary	1.01%
Poland	0.97%
Nigeria	0.96%
Angola	0.76%
Romania	0.67%
Lebanon	0.64%
Costa Rica	0.63%
El Salvador	0.62%
Ghana	0.61%
Azerbaijan	0.59%
Kenya	0.58%
Jamaica	0.52%
Croatia	0.51%
Pakistan	0.46%
India	0.43%
Kuwait	0.42%
Paraguay	0.39%
Guatemala	0.36%
Iraq	0.33%
Mongolia	0.32%
Ivory Coast	0.30%
Lithuania	0.28%
Jordan	0.28%
Trinidad & Tobago	0.26%
Senegal	0.24%
Belarus	0.24%
Morocco	0.22%
Gabon	0.20%
Zambia	0.19%
Bolivia	0.18%
Serbia	0.15%
Slovakia	0.14%
Honduras	0.12%
Namibia	0.11%
Uzbekistan	0.10%
Georgia	0.10%
Vietnam	0.10%
Armenia	0.09%
Ethiopia	0.09%
Tunisia	0.08%
Mozambique	0.07%
Cameroon	0.07%
Papua New Guinea	0.05%
Suriname	0.04%
Tajikistan	0.04%
Belize	0.03%

C. New LAC Debt Issuance

TABLE 3:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FIRST QUARTER OF 2020

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
Jan-20						
Mexico	United Mexican States	USD 1750	1,750	3.250%	2030	
Mexico	United Mexican States	USD 800	800	4.500%	2050	(r)
Chile	Banco del Estado de Chile	USD 750	750	2.704%	2025	
Chile	Banco Santander Chile	USD 750	750	2.700%	2025	
Chile	Corporación Nacional del Cobre de Chile SA - CODELCO	USD 1000	1,000	3.150%	2030	
Chile	Corporación Nacional del Cobre de Chile SA - CODELCO	USD 1000	1,000	3.700%	2050	(r)
Mexico	Coca-Cola FEMSA SAB de CV	USD 1250	1,250	2.750%	2030	
Chile	Inversiones CMPC SA	USD 500	500	3.850%	2030	
Colombia	Termocandelaria Power Ltd	USD 186	186	7.880%	2029	(r)
Mexico	United Mexican States	EUR 1250	1,390	1.115%	2030	
Mexico	United Mexican States	EUR 500	556	2.875%	2039	(r)
Mexico	FEMSA	USD 1500	1,500	3.500%	2050	
Chile	Banco del Estado de Chile	AUD 80	55	2.580%	2030	
Chile	Tanner Servicios Financieros SA	CHF 200	206	0.600%	2022	
Chile	GeoPark Ltd	USD 350	350	5.500%	2027	
Brazil	Rede D'Or Sao Luiz SA	USD 850	850	4.500%	2030	
Paraguay	Republic of Paraguay	USD 450	450	5.400%	2050	(r)
Chile	Embotelladora Andina SA	USD 300	300	3.950%	2050	
Brazil	Klabin Austria GmbH	USD 200	200	7.000%	2049	(r)(g)
Brazil	Banco BTG Pactual SA	USD 250	250	4.500%	2025	
Ecuador	Ecuador Social Bond SARL	USD 327	327	0.000%	2035	(soc)
Chile	Sociedad Quimica y Minera de Chile SA - SQM	USD 400	400	4.250%	2050	
Brazil	Itau Unibanco Holding SA	USD 500	500	3.250%	2025	
Brazil	Itau Unibanco Holding SA	USD 1000	1,000	2.900%	2023	
Brazil	Globo Comunicacaoes e Participacoes SA - GLOBOPAR	USD 500	500	4.875%	2030	
Brazil	Centrais Eletricas Brasileiras SA - ELETROBRAS	USD 500	500	3.625%	2025	
Brazil	Centrais Eletricas Brasileiras SA - ELETROBRAS	USD 750	750	4.625%	2030	
Chile	Republic of Chile	EUR 694	769	0.830%	2031	(r)(g)
Chile	Republic of Chile	EUR 1269	1,407	1.250%	2040	(g)
Colombia	Republic of Colombia	USD 1543	1,543	3.000%	2030	
Colombia	Republic of Colombia	USD 300	300	5.200%	2049	(r)
Mexico	Petroleos Mexicanos - PEMEX	USD 2500	2,500	5.950%	2031	
Mexico	Petroleos Mexicanos - PEMEX	USD 2500	2,500	6.950%	2060	
Paraguay	Telefonica Celular del Paraguay SA - Telecel	USD 250	250	5.875%	2027	(r)
Chile	Republic of Chile	USD 750	750	2.550%	2032	(g)
Chile	Republic of Chile	USD 900	900	3.500%	2050	(r)(g)
Brazil	Banco Bradesco SA	USD 800	800	2.850%	2023	
Brazil	Banco Bradesco SA	USD 800	800	3.200%	2025	
Colombia	Bancolombia SA	USD 950	950	3.000%	2025	
Chile	Engie Energia Chile SA	USD 500	500	3.400%	2030	
Brazil	Companhia Siderúrgica Nacional CSN Islands XI Corp	USD 1000	1,000	6.750%	2028	
Dominican Republic	Dominican Republic	USD 1500	1,500	5.875%	2060	
Dominican Republic	Dominican Republic	USD 1000	1,000	4.500%	2030	
Paraguay	Frigorífico Concepción SAE	USD 100	100	10.250%	2025	
Colombia	Grupo Aval Ltd	USD 1000	1,000	4.380%	2030	
Peru	Camposol SA	USD 350	350	6.000%	2027	(NC4)
Mexico	Alpha Holding SA de CV	USD 400	400	9.000%	2025	
Mexico	Aerovias de Mexico SA de CV - Aeromexico	USD 400	400	7.000%	2025	
			37,790			

Feb-20						
Colombia	Credivalores - Crediservicios SAS	USD 300	300	8.875%	2025	
Chile	Kenbourne Invest SA	USD 60	60	6.880%	2024	
Peru	Banco de Crédito del Perú (BCP)	USD 300	300	3-m L+0.55%	2022	
Mexico	Operadora de Servicios Mega	USD 350	350	8.250%	2025	
Mexico	FEMSA	USD 300	300	3.500%	2050	(r)
Jamaica	Transjamaican Highway Ltd.	USD 225	225	5.750%	2036	
Mexico	Banco Mercantil del Norte	CHF 225	230	0.500%	2024	
Brazil	Rede D'Or Sao Luiz SA	USD 350	350	4.500%	2030	
Brazil	Itau Unibanco Holding SA	USD 700	700	4.630%	Perp	
Chile	Banco de Credito e Inversiones - BCI	CHF 125	127	0.100%	2025	
			2,942			
Mar-20						
Chile	Colbun SA	USD 500	500	3.150%	2030	
Mexico	Comision Federal de Electricidad - CFE	USD 900	900	4.050%	2050	
Chile	Banco del Estado de Chile	AUD 50	33	2.800%	2040	
Panama	Republic of Panama	USD 2500	2,500	4.500%	2056	
			3.933			

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

Notes: **Q1 2020 Total 44,665**

(r): retap.

(g): green.

(soc): social.

NC4: only callable after 4 years.

TABLE 4:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
SECOND QUARTER OF 2020

Country	Issuer	Amount (million)	Amount US$ (mm)	Coupon (%)	Maturity	
Apr-20						
Mexico	Banco Santander (Mexico) SA	USD 1750	1,750	5.375%	2025	
Peru	Republic of Peru	USD 1000	1,000	2.392%	2026	
Peru	Republic of Peru	USD 2000	2,000	2.783%	2031	
Guatemala	Republic of Guatemala	USD 500	500	5.375%	2032	(soc)
Guatemala	Republic of Guatemala	USD 700	700	6.125%	2050	(r)
Mexico	United Mexican States	USD 1000	1,000	3.900%	2025	
Mexico	United Mexican States	USD 2500	2,500	4.750%	2032	
Mexico	United Mexican States	USD 2500	2,500	5.000%	2051	
Paraguay	Republic of Paraguay	USD 1000	1,000	4.950%	2031	
Colombia	Ecopetrol SA	USD 2000	2,000	6.875%	2030	
Panama	Copa Holdings	USD 350	350	4.500%	2025	
Supranational	Central American Bank for Economic Integration (CABEI)	USD 750	750	2.000%	2030	
Chile	Corporación Nacional del Cobre de Chile SA - CODELCO	USD 800	800	3.750%	2031	
			16,850			

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

Notes:

(r): retap.

(soc): social.

Q2 2020 QTD	**16,850**
2020 YTD	**61,515**

ECLAC OFFICE IN **WASHINGTON, D.C.**

ECLAC

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Comisión Económica para América Latina y el Caribe (CEPAL)
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