

United Nations Economic Commission for Latin America and the Caribbean

ECLAC WASHINGTON OFFICE

Capital Flows to Latin America and the Caribbean: Recent Developments



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Washington, D.C., 7 December 2015

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Economic
Commission for
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Capital Flows to Latin America and the Caribbean: Recent Developments



Washington, D.C., 7 December 2015

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Highlights

- In the third quarter of 2015, the downward trend in asset prices and portfolio flows to Latin America and the Caribbean (LAC) persisted, as the economies of the region continued to face weaker external demand, lower commodity prices and a strengthening U.S. dollar.
- China's economic slowdown and the U.S. dollar's appreciation, as well as weakened domestic growth prospects, especially for commodity exporters, has led to an increase in the burden of dollar-denominated debt in local currency terms.
- As a result, after building up leverage to the highest levels in a decade, the region's corporate sector saw a jump in credit spreads – the Latin component of J.P. Morgan's Corporate Emerging Markets Bond Index (CEMBI) increased by 226 basis points in the third quarter of 2015 – as the depreciation of most local currencies against the U.S. dollar made servicing the dollar-denominated debt more expensive.
- Most sovereigns have seen their financing costs trend upward this year as well, although not as much as the corporate sector, in line with increasing concern over the region's macroeconomic outlook. There has been significant divergence between countries, however. Among investment grade sovereigns, Brazil has experienced the sharpest deterioration in spreads. The trend in yields has generally coincided with the weakness in currencies, with Brazil and Colombia suffering on both fronts, while Mexico and Chile have been much less affected by recent market turbulence.
- The decline in debt issuance accelerated in the third quarter. New international bond issuance fell by 63% compared to the third quarter of 2014, according to ECLAC estimates based on information from *Latin Finance* and other market sources. More than half of this decline was due to the absence of Brazilian borrowers from the cross-border markets during the quarter. Year-to-date, Latin American bond issuance is down by almost 40% relative to the same period in 2014.

- The following are the main highlights in Latin American and Caribbean international debt markets in the third quarter of 2015 and beyond:¹

In **July**, Mexico's Pemex issued a US\$ 525 million 2.46% 2025 bond using a guarantee from the U.S. Export Import Bank.²

Jamaica sold a US\$ 2 billion dual-tranche bond: a 6.75% US\$ 1.35 billion 2028 and a 7.875% US\$ 650 million 2045 bond. Jamaica will use US\$ 1.5 billion of the issue to pay back debt with Venezuelan oil company PDVSA.

In **August**, Peru issued a 4.125% US\$ 1.25 billion 2027 bond, seeking to anticipate interest rate uncertainty.

In **September**, the Central American Bank for Economic Integration (CABEI) tapped the Japanese Uridash market for the first time, issuing a 10.550% US\$ 50 million-equivalent 2019 bond in Turkish Lira.³ With this bond sale, CABEI has issued in 18 currencies.

Chile's Codelco (Corporación Nacional del Cobre) issued a 4.5% US\$ 2 billion 2025 bond, the first issue over US\$ 1 billion from a Latin American corporate or quasi-sovereign since late June.

Colombia issued a 4.5% US\$ 1.5 billion 2026 bond, completing half of its planned US\$ 3 billion bond sales for next year.

In **October**, Uruguay issued a 4.375% US\$ 1.205 billion 2027 bond. This transaction represented Uruguay's first issuance under the 2014 ICMA Collective Action Clauses (CACs) and *Pari Passu* language recommendation.

Peru sold a 2.750% US\$ 1.2 billion-equivalent 2026 bond in Euros, its first euro-denominated issue since 2004, and its lowest-ever coupon according to the finance ministry. The sovereign has issued six notes in the last 12 months, including the note issued in August.

Nacional Financiera (NAFIN), Mexico's development bank, issued Mexico's first green bond – a 3.375% US\$ 500 million 2020 bond – drawing heavy interest from global accounts including those with dedicated environmental mandates. Investors from the U.S. bought 45% of the instrument, European investors 25%, Mexican investors 5%, and Asian investors picked up the rest.

In **November**, Mexico's Fibra Terrafina, a Mexican-style real estate investment trust (REIT), made its debut in international markets with a US\$ 425 million 5.250% 2022 bond.

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

² With the guarantee the bond is viewed more as a US high-grade deal than an emerging market issue according to market sources.

³ "Uridashi" registration was introduced in 1994 in order to make the domestic public offering of foreign securities possible. Under this registration, bonds denominated in yen or another currency and issued overseas can be sold in Japan through a secondary market registration and selling contract between a domestic Uridashi agent and an overseas underwriter (see "Asian bond issues in Tokyo: history, structure and prospects" by Fumiaki Nishi and Alexander Vergus, BIS Papers No. 30, November 2006). An Uridashi bond is sold to Japanese retail investors and is normally issued in high-yielding currencies in order to give the investor a higher return than the historically low domestic interest rate in Japan.

CAF Development Bank of Latin America issued two bonds, one denominated in Euros (a € 750 million, US\$ 819 million-equivalent 1.000% 2020 bond), and another in Norwegian kroner (a NOK 800 million, US\$ 93 million-equivalent 3.050% 2030 bond) through a private placement.

Mexico's Grupo Televisa priced a dual-tranche US\$1.2 billion bond (maturing in 2026 and 2046) that observers said could encourage others to follow. Televisa was last in the cross-border market in May 2014.

Mexico's Pemex issued its first Swiss franc-denominated bond in over three years, a US\$ 591 million-equivalent 1.500% 2020 bond.

Argentina's Banco Hipotecario sold its first plain vanilla cross-border bond since 2006 following the results of the presidential elections, a US\$ 200 million 9.750% 2020 bond, taking advantage of investors' optimism towards the country as they anticipate a more market-friendly policy environment. The Caa1/CCC- rated bank will use the funds to buy back some of its 9.75% April 2016 notes.

Overview

Asset prices declined and portfolio flows to Latin America and the Caribbean (LAC) weakened in the third quarter of 2015. There was considerable volatility during the quarter, especially in August, with concerns about China's growth outlook increasing, as the Yuan's devaluation, the subsequent release of China's weakest manufacturing data since 2009, and China's stock markets crash on August 24 caused a global sell-off and raised concerns that a primary engine of the global economy is slowing rapidly.

A strengthening U.S. dollar continued to contribute to the commodity prices' decline, which was exacerbated by the turmoil in Chinese stock markets in August. Falling commodity prices, led by oil, were a dominant driver of rates and currencies in Latin American and Caribbean markets during the quarter.

According to a report from the Institute of International Finance (IIF) released at the end of September, the third quarter was the worst for portfolio flows to emerging markets since the depths of the global financial crisis at the end of 2008. Global investors were estimated to have taken about US\$ 40 billion from emerging markets equity and bonds in the third quarter, divided roughly even between bonds (US\$ 21 billion) and equities (US\$ 19 billion).⁴ The IIF also revised downwards its previous estimates for flows in July and August, resulting in three consecutive months of outflows for both asset classes. The retrenchment reflected growing tensions in some major emerging economies, which are struggling with slower growth, substantial debt and plunging prices for commodities, which many of these economies rely on.

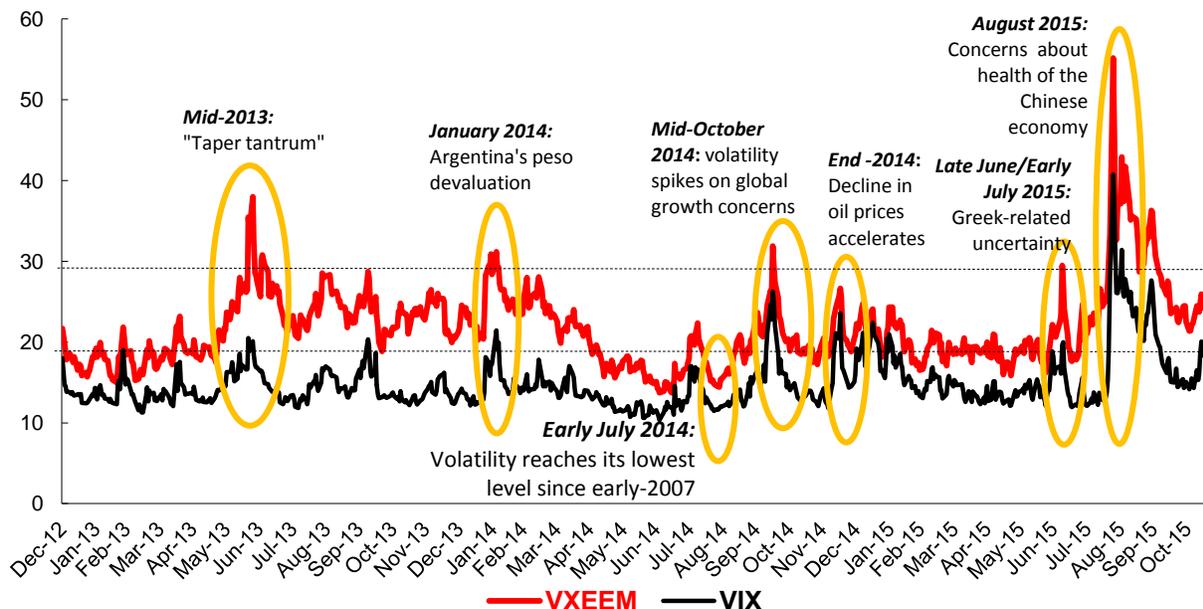
Implied volatility as measured by the Chicago Board Options Exchange's VIX index – a key measure of market expectations of near-term volatility and a barometer of investor sentiment – surged to its highest level since 2009 in August. On Friday, August 21, the VIX jumped to 28 from 19, a 46% jump, the fifth-largest one day increase in the history of the index going back to 1990. On Monday, August 24, when Chinese shares plunged by 8.5% amid growing doubts about the Chinese government's ability to backstop the market, the index jumped another 45% to 40.74, surging into fear territory and bringing back memories of past periods of intense market stress (see chart 1).

Volatility has declined since then, falling 40% from the peak on August 24 to the end of September. The Federal Reserve's decision at its September meeting to keep interest rates unchanged provided a short-lived reprieve for emerging markets, contributing to the decline in volatility. By the end of October, volatility was back to levels below 20, and had fallen 63% from its August peak.

⁴ Institute of International Finance, "September 2015 EM Portfolio Flows Tracker and Flows Alert," 29 September 2015.

**CHART 1:
CBOE VOLATILITY INDEX**

(VIX and VXEEM close)



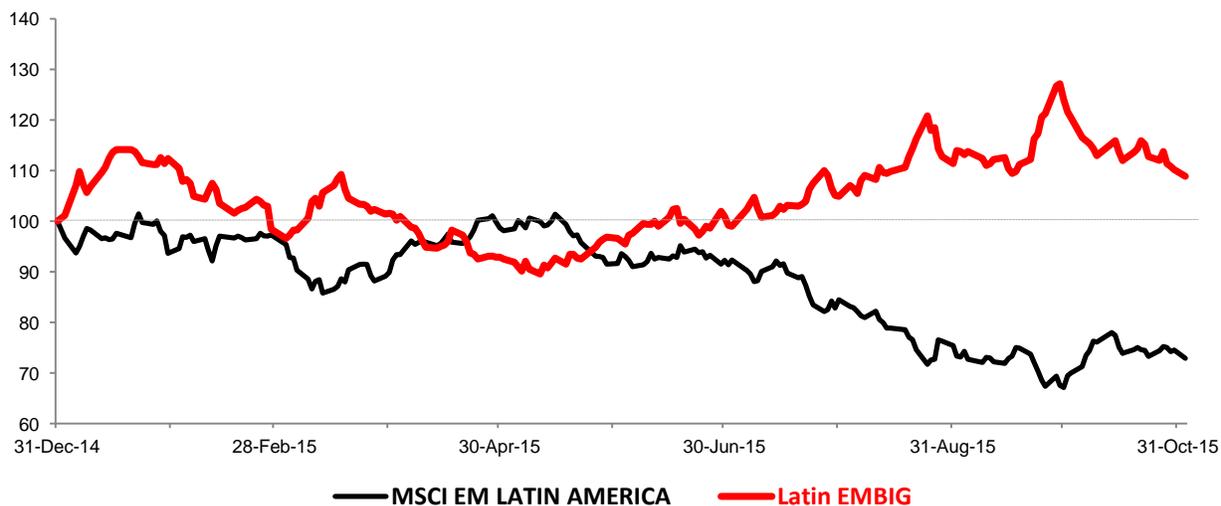
Source: ECLAC, on the basis of data from the Chicago Board Options Exchange, www.cboe.com/micro/vix/historical.aspx

Note: The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. VIX values greater than 30 are generally associated with a large amount of volatility, while values below 20 generally correspond to less stressful, even complacent, times in the markets. The VXEEM is the CBOE volatility index for emerging markets (conveyed by MSCI Emerging Markets Index fund option prices).

The unfavorable external scenario has led to a decline in Latin American equity prices and an increase in bond spreads since April of 2015, with the trend intensifying in the third quarter (see chart 2).

**CHART 2:
LATIN AMERICAN EQUITY PRICES VS BOND SPREADS: 2015 YTD**

(MCSI and EMBIG indices)



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

In the case of Latin American equities, their appeal has been undermined by a shrinking growth differential between the region and mature markets. In the third quarter of 2015, the Morgan Stanley Capital International (MSCI) Latin American Index lost 25%. This compares to a loss of 18.5% for emerging markets as a whole and 9% for G7 countries (see chart 3). Latin America’s weaker growth prospects have weighed down on its stocks.

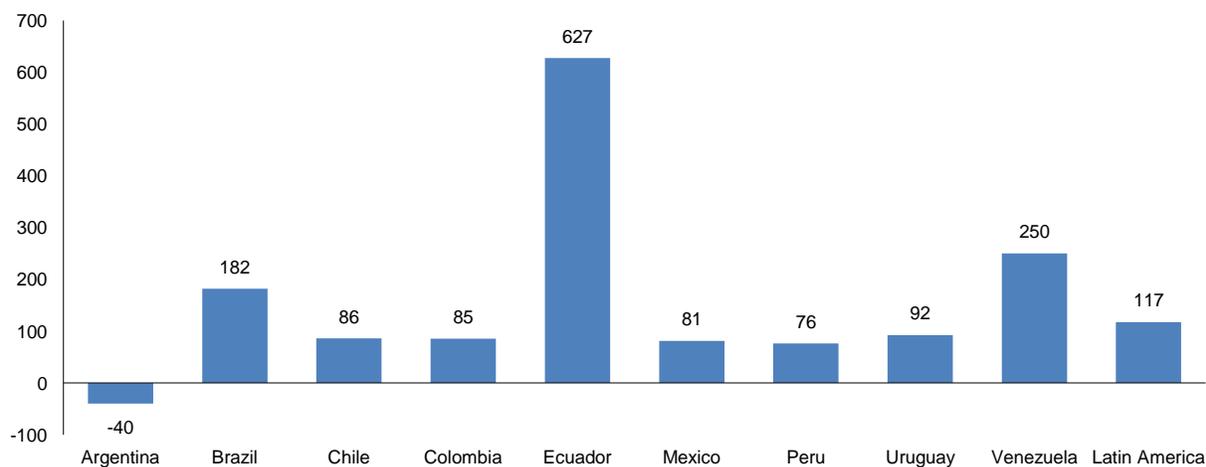
**CHART 3:
MSCI EQUITY PRICE INDEX: 2015 YTD**



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

Bond spreads for the countries in the region widened in the third quarter, as a sharp decline in oil prices, Greece-related uncertainties, doubts about China’s economic health, and anticipation of a U.S. interest rate increase, weighed on risk. Spreads for Venezuela and Ecuador widened the most, as rapidly declining oil prices increased investors’ concerns (see chart 4).

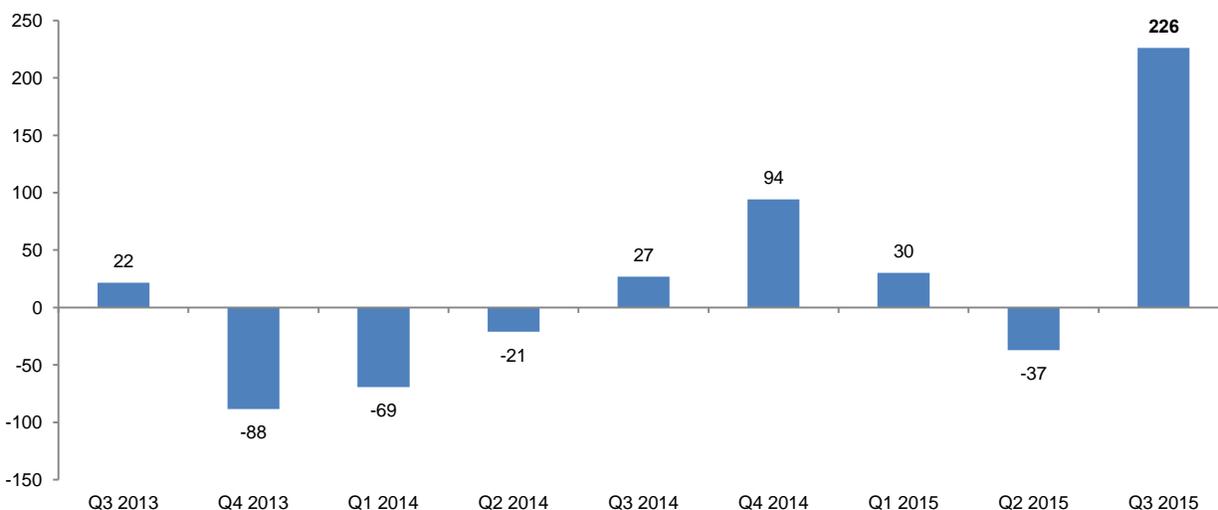
**CHART 4:
EMBI GLOBAL SPREAD DIFFERENTIALS: Q3 2015**
(Basis points)



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

China’s economic slowdown and the U.S. dollar’s appreciation, as well as weakened domestic growth prospects, especially for commodity exporters, has led to an increase in the burden of dollar-denominated debt in local currency terms. As a result, after building up leverage to the highest levels in a decade, the region’s corporate sector saw a jump in credit spreads – the Latin component of J.P Morgan’s Corporate Emerging Markets Bond Index (CEMBI) increased by 226 basis points in the third quarter of 2015 – as the depreciation of most local currencies against the U.S. dollar made servicing the dollar-denominated debt more expensive (see chart 5).

**CHART 5:
CEMBI QUARTERLY SPREADS**
(Basis points)



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

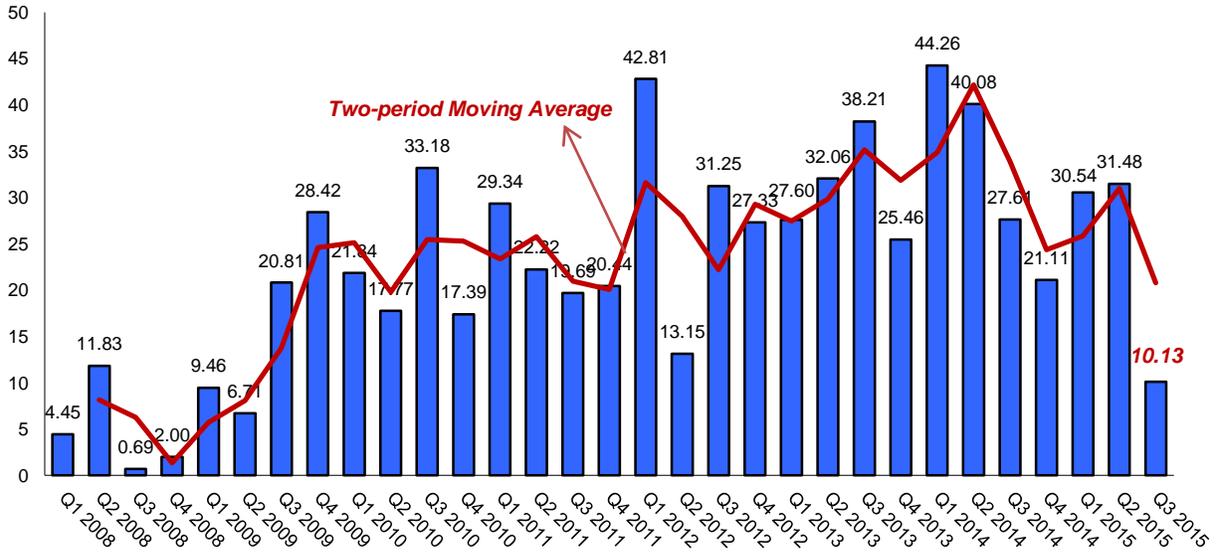
While debt spreads increased, debt issuance declined. Bond issuance in the third quarter of 2015 was 63% lower in comparison to the third quarter of 2014. Borrowers from Latin America and the Caribbean issued US\$ 10 billion in the third quarter of 2015, according to ECLAC’s estimates based on data from LatinFinance. This was the lowest quarterly issuance since the second quarter of 2012, and the lowest third quarter issuance since 2008 (see chart 6). The absence of Brazilian borrowers from international capital markets during the quarter explains more than half of this decline. Global developments, as well as disappointing growth in most countries of the region, have made the third quarter of 2015 a tough quarter for LAC capital market borrowers. Year-to-date, Latin American bond issuance is down by almost 40% relative to the same period in 2014.

There is a high degree of uncertainty regarding the region’s exact level of indebtedness. The build-up of debt in the region over the past decade has been disproportionately concentrated on the corporate sector. Data on private sector debt is not precise, however, as some of the capital flows towards the region came via the “shadow banking” system, where flows are harder to record. In addition, some countries have also borrowed from China’s development banks to a substantial degree, but exactly how much is uncertain, given the lack of transparency of these contracts.

Looking ahead, investors will look at countries’ exposure to China and commodities, policy space, political risk, foreign exchange, budget deficit and debt positions, as well as current account balances to determine their vulnerability. The U.S. Federal Reserve appears at last to be ready to raise interest rates in December. Over the next few months and quarters, the pace at which the Fed will raise interest rates will be very important for the region’s sovereign and corporate issuers. Another source of volatility for the region will

be developments in Brazil. Concerns regarding the performance of the region’s biggest economy have been dragging the region’s financial markets down, as the slowdown in bond issuance in the third quarter attests.

**CHART 6:
QUARTERLY LAC ISSUANCE**
(US\$ Billions)

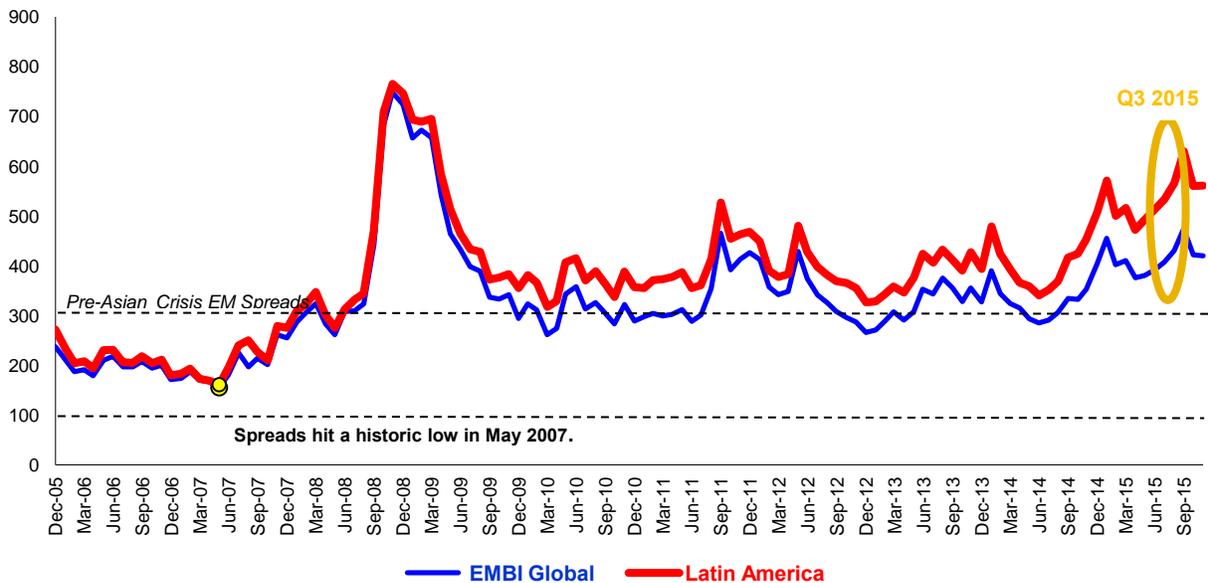


Source: ECLAC, on the basis of data from LatinFinance, JPMorgan and Bank of America-Merrill Lynch.

I. Bond markets and debt management

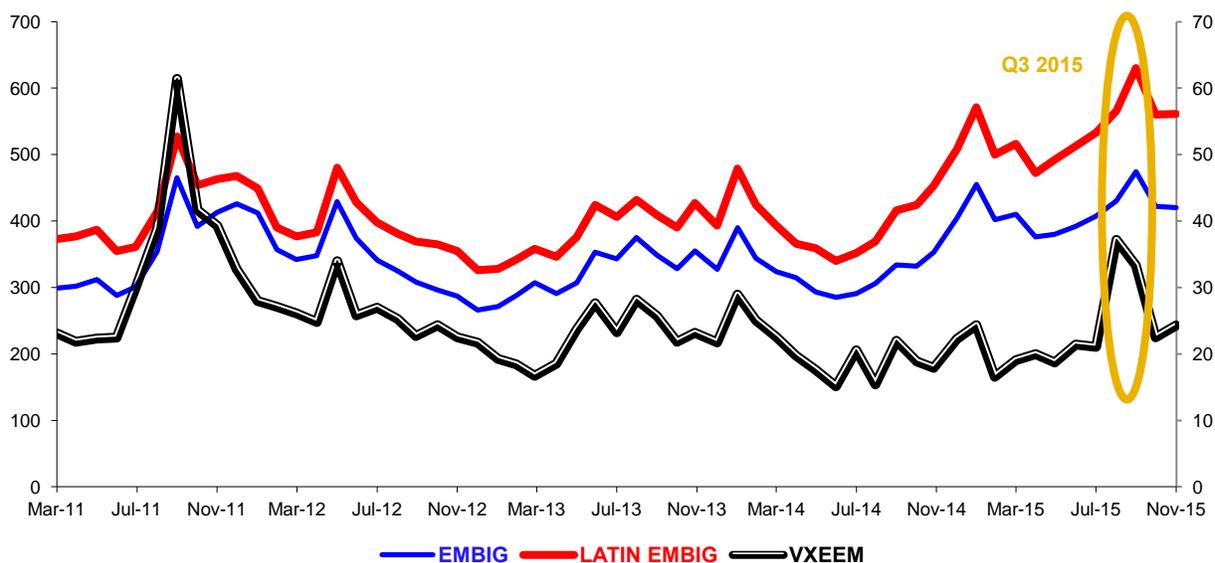
EMBI Global bond spreads widened 82 basis points while its Latin component widened 117 basis points in the third quarter of 2015. Spreads tightened some in October and changed little in November. From January to November 2015, the EMBIG Latin component widened 53 basis points (see charts 7 and 8).

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



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

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



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

In the third quarter of 2015, there were three positive sovereign credit rating actions in Latin America and the Caribbean— three upgrades— and six negative – five downgrades and one downward outlook revision. The three countries upgraded in the third quarter were Nicaragua, Bolivia and Honduras. El Salvador, Brazil, Ecuador and the Bahamas were downgraded (see table 1).

On September 9, S&P downgraded Brazil's rating to junk status – to BB+ from BBB-, with a negative outlook – citing a revision to the government's 2016 fiscal targets and increased political strife. Moody's and Fitch have kept Brazil with an investment grade, but downgraded its credit rating to Baa3 from Baa2 and to BBB- from BBB on August 11 and October 15, respectively. Both cited political impasse and a weakening economy as reasons for the downgrade. Fitch has kept a negative outlook on Brazil. The deteriorating economic situation in Brazil has increased concerns that it may increasingly become a source of contagion for the rest of the region, through trade and financial channels.

On the other hand, on November 2, Moody's changed the outlook on Argentina's Caa1 issuer rating to stable from negative, citing a more favorable political climate and reduced risks to investors, and on November 24, it raised the outlook to positive, citing its expectation that Argentina's policy stance will become more credit positive in the aftermath of the presidential elections.

As of November 24, four of the rated sovereigns in the region – Argentina, Belize, Honduras and Jamaica – had a positive outlook from one or more of the three main credit rating agencies (Moody's, S&P and Fitch) and seven – the Bahamas, Barbados, Brazil, Costa Rica, El Salvador, Guatemala and Venezuela – had a negative outlook (appendix A, table 1).

Year-to-date, negative actions, including downgrades and outlook revisions, have outpaced positive actions. There have been thirteen positive actions and fourteen negative actions. Seven countries have been upgraded so far – Paraguay, Dominican Republic, Jamaica, Uruguay, Nicaragua, Bolivia and Honduras – and six – Venezuela, Trinidad & Tobago, El Salvador, Brazil, Ecuador and the Bahamas – have been downgraded. Most of the downgrades took place in the third quarter.

**TABLE 1:
SOVEREIGN CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, 2015 YTD**

Date	Country	Action	
2015 YTD 13 positive and 14 negative actions			
Q1 3 positive and 3 negative			
13-Jan-15	Venezuela	Moody's downgrades Venezuela's rating to Caa3 from Caa1, with a stable outlook	<i>Negative</i>
22-Jan-15	Costa Rica	Fitch revises Costa Rica's BB+ rating outlook to negative	<i>Negative</i>
29-Jan-15	Paraguay	Fitch upgrades Paraguay's rating to BB from BB- with a stable outlook	<i>Positive</i>
9-Feb-15	Venezuela	S&P downgrades Venezuela's rating to CCC from CCC+ with a negative outlook	<i>Negative</i>
19-Feb-15	Jamaica	Fitch changes Jamaica's B- rating outlook to positive	<i>Positive</i>
22-Mar-15	Paraguay	Moody's upgrades Paraguay's rating to Ba1 from Ba2, with a stable outlook	<i>Positive</i>
Q2 5 positive and 3 negative			
9-Apr-15	Brazil	Fitch revises Brazil's BBB rating outlook to negative	<i>Negative</i>
30-Apr-15	Trinidad & Tobago	Moody's downgrades T&T's credit rating to Baa2 from Baa1 with a negative outlook	<i>Negative</i>
11-May-15	Honduras	Moody's changes Honduras' outlook to positive	<i>Positive</i>
20-May-15	Dom. Republic	S&P's upgrades Dominican Republic to BB- from B+, with a stable outlook	<i>Positive</i>
26-May-15	Guatemala	Moody's lowers Guatemala's rating outlook to negative	<i>Negative</i>
28-May-15	Jamaica	Moody's upgrades Jamaica to Caa2 from Caa3 with a positive outlook	<i>Positive</i>
3-Jun-15	Jamaica	S&P upgrades Jamaica's rating to B from B- with a stable outlook	<i>Positive</i>
5-Jun-15	Uruguay	S&P's upgrades Uruguay to BBB from BBB-, with a stable outlook	<i>Positive</i>
Q3 3 positive and 6 negative			
9-Jul-15	El Salvador	Fitch downgrades El Salvador to B+ from BB- with a stable outlook	<i>Negative</i>
10-Jul-15	Nicaragua	Moody's upgrades Nicaragua's credit rating to B2 from B3 with a stable outlook	<i>Positive</i>
15-Jul-15	Bolivia	Fitch upgrades Bolivia to BB from BB- with a stable outlook	<i>Positive</i>
20-Jul-15	Honduras	S&P upgrades Honduras' credit rating to B+ from B with a stable outlook	<i>Positive</i>
28-Jul-15	Brazil	S&P lowers Brazil's BBB- sovereign rating outlook to negative from stable	<i>Negative</i>
11-Aug-15	Brazil	Moody's downgrades Brazil to Baa3 from Baa2 with a stable outlook	<i>Negative</i>
12-Aug-15	Ecuador	S&P downgrades Ecuador's credit rating to B from B+ with a stable outlook	<i>Negative</i>
24-Aug-15	The Bahamas	S&P downgrades the Bahamas a notch to BBB- from BBB with a negative outlook	<i>Negative</i>
9-Sep-15	Brazil	S&P downgrades Brazil to BB+(below investment grade) from BBB-; negative outlook	<i>Negative</i>
Q4 2 positive and 2 negative			
15-Oct-15	Brazil	Fitch downgrades Brazil to BBB- from BBB; outlook remains negative	<i>Negative</i>
2-Nov-15	Argentina	Moody's changes the outlook on Argentina's Caa1 issuer rating to stable from negative	<i>Positive</i>
19-Nov-15	El Salvador	Moody's changes outlook on El Salvador's Ba3 ratings to negative from stable	<i>Negative</i>
24-Nov-15	Argentina	Moody's changes the outlook on Argentina's Caa1 issuer rating to positive from stable	<i>Positive</i>

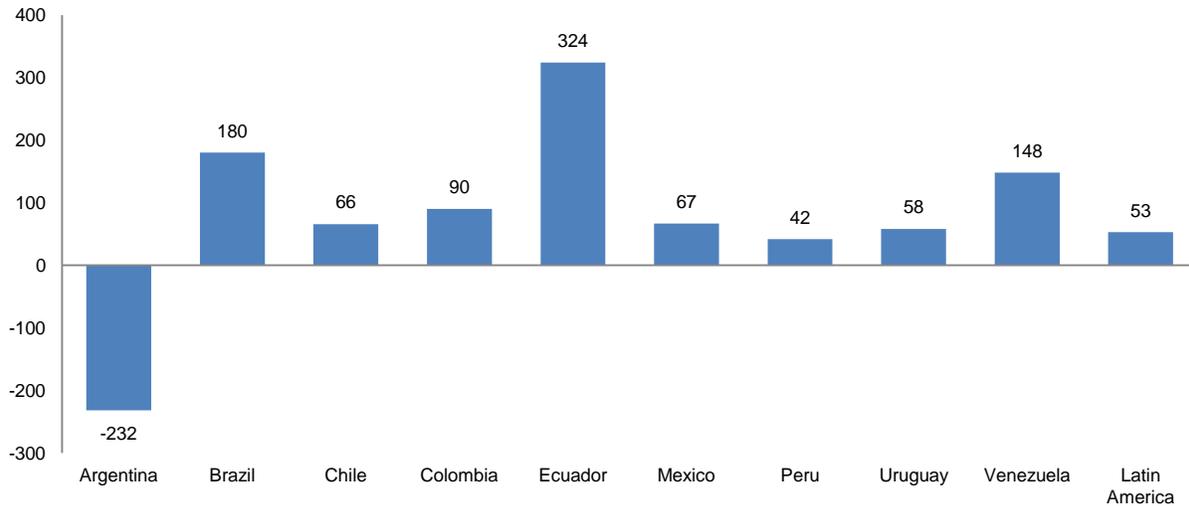
Source: JPMorgan, Emerging Markets Outlook and Strategy and rating agencies.

A. Sovereign Spreads

The J.P. Morgan's EMBIG widened 16 basis points from January to November 2015 – from 404 basis points at the end of December 2014 to 420 basis points at the end of November 2015 – while its Latin component widened 53 basis points, from 508 to 561 basis points. In this period, spreads increased for all countries in our

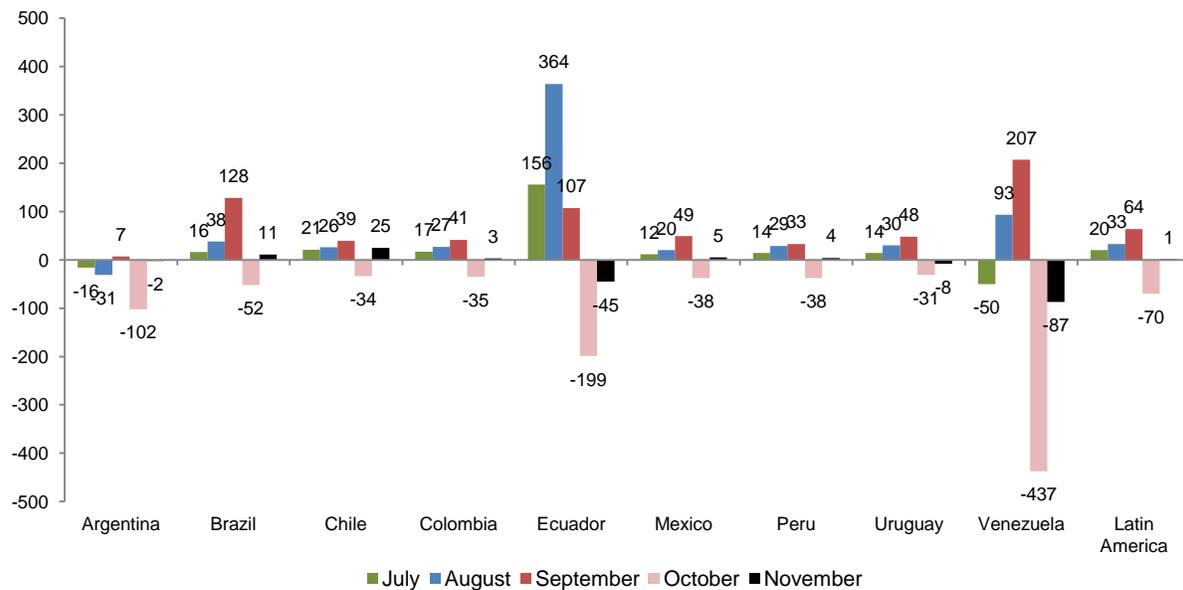
Latin American sample (with Ecuador and Venezuela driving the spread widening), except Argentina, whose spreads have been on a tightening trend since January of last year, when they spiked widely following a currency depreciation (chart 9). On a monthly basis, spreads widened in July, August and September, and tightened in October. In November, spreads changed little, tightening for Venezuela, Ecuador, Uruguay and Argentina, and widening for Chile, Brazil, Mexico, Peru and Colombia (chart 10).

CHART 9:
EMBI GLOBAL SPREAD DIFFERENTIALS: 2015 YTD
(Basis points)



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

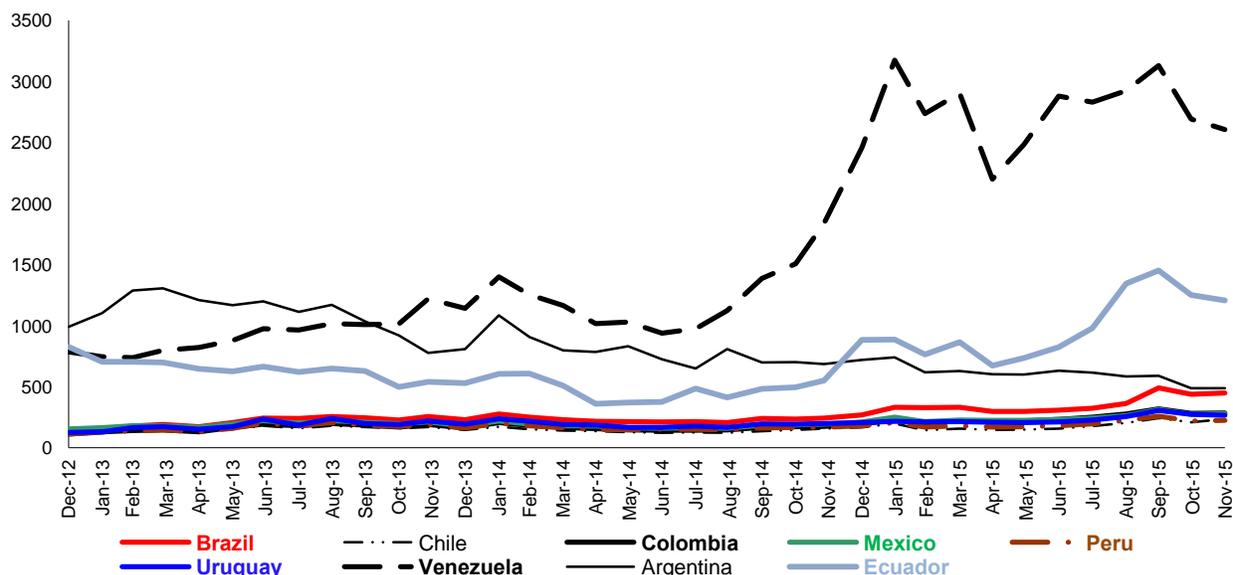
CHART 10:
EMBIG MONTHLY SPREAD DIFFERENTIALS: JUL-NOV 2015
(Basis points)



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

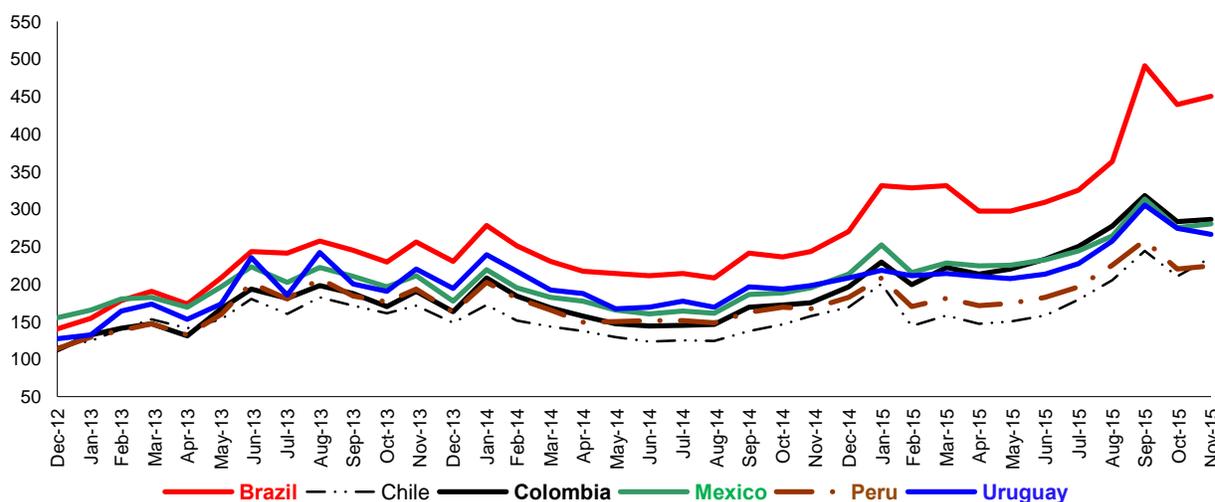
The recent evolution of the EMBIG spreads continues to point to a clustering of Latin American countries into roughly two groups: creditworthy countries, perceived as low risk by investors, with most countries in this group having already received an investment grade; and high EMBIG countries, which are perceived as high risk (see chart 11). Spreads for Brazil and Argentina seem to be converging, however, with Brazilian spreads widening for most of the year while Argentine spreads tightened. Among the investment grade countries, Brazilian spreads widened the most in 2015 YTD (see chart 12), with Brazil losing its investment grade from S&P in September and being downgraded to lower investment grade ratings by Moody’s in August and by Fitch in October.

CHART 11:
EMBIG LATIN: COUNTRY SPREADS
(Basis points)



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

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



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

Peruvian spreads had the lowest spreads in the EMBIG composite at the end of November 2015: 224 basis points (see appendix B, table 2). They widened 76 basis points in the third quarter and 42 basis points year-to-date (from January to November 2015). Economic growth has softened and inflation is still above the 1-3% target range, but there was a pick-up in economic activity in September and investors see Peru as one of the stronger credits in the region.

Chilean spreads were at 235 basis points at the end of November. They widened 86 basis points in the third quarter and 66 basis points year-to-date. Economic activity has remained subdued and the outlook for the economy remains challenging given renewed downward pressures on copper prices and expectations of lower growth in China. However, the acceleration in Chile's GDP growth in the third quarter is an encouraging sign that, after a brief slowdown in the previous quarter, the economic recovery is back on track.

Uruguayan spreads were at 266 basis points at the end of November 2015. They increased 92 basis points in the third quarter and 58 basis points since the beginning of the year. GDP growth has been healthy since the beginning of the year, but the economy is somewhat hindered by the weak prospects of its key regional trading partners (Argentina and Brazil). Inflation is also above the official target range. On August 31, the Japanese Rating & Investment Information company improved the outlook of the Uruguayan debt to "positive" from "stable". The rating remained at "BBB-". According to R&I, the decision was based on "the fact that Uruguay's economic and fiscal prospects are relatively stable even amid the harsh external environment".

Mexican spreads were at 280 basis points at the end of November 2015. They widened 81 basis points in the third quarter and 67 basis points year-to-date. Mexican GDP growth rate in the third quarter was stronger than consensus expectations, suggesting that the economy may be strengthening.

Colombian spreads were at 286 basis points at the end of November. They increased 85 basis points in the third quarter and 90 basis points since the beginning of the year. The recent decline in oil prices has raised concerns regarding Colombia's growth prospects, and the sovereign also needs capital inflows to fund its current account deficit of more than 5% of GDP. While investors remain constructive on the medium-term fundamentals, they recognize potential risks to the economy derived from lower oil prices.

Brazilian spreads were at 450 basis points at the end of November 2015. They widened 182 basis points in the third quarter and 180 basis points since the beginning of the year. Brazil's increasing debt, political impasse and weakening economy have had a toll on its borrowing costs. The political and economic uncertainty is expected to create increasingly difficult situations ahead.

Finally, Argentina, Ecuador and Venezuela, continue to be among the countries with the highest and most volatile spreads in the composite (487, 1,207 and 2,605 basis points at the end of November 2015, respectively).

Activity indicators in Argentina have been showing signs of improvement over the last months. Spreads have narrowed 232 basis points since the beginning of the year, the only country to see a tightening, thus converging towards the spreads of the group of Latin American countries considered as lower risk by investors. Markets have reacted very positively to the results of the recent presidential elections, which, they anticipate, may represent a turn to a more business friendly model.

In the case of Ecuador, debt spreads widened 627 basis points in the third quarter and 324 basis points since year-to-date, the biggest widening in our sample. Ecuador, being an oil producer with a "dollarized" economy that uses the U.S. currency as legal tender, has been caught between two punishing trends: the rising dollar and falling oil prices. Investors expect Ecuador to increase its debt levels as it seeks to finance its large spending needs, including a substantive capital expenditure budget, amid lower oil prices.

Venezuela maintains the highest debt spreads of any country in the EMBIG. Venezuelan spreads widened 250 basis points in the third quarter and 148 basis points since the beginning to the year, as lower oil prices and resulting economic pressure have led to increasing market doubts regarding Venezuela's ability to pay its debt.

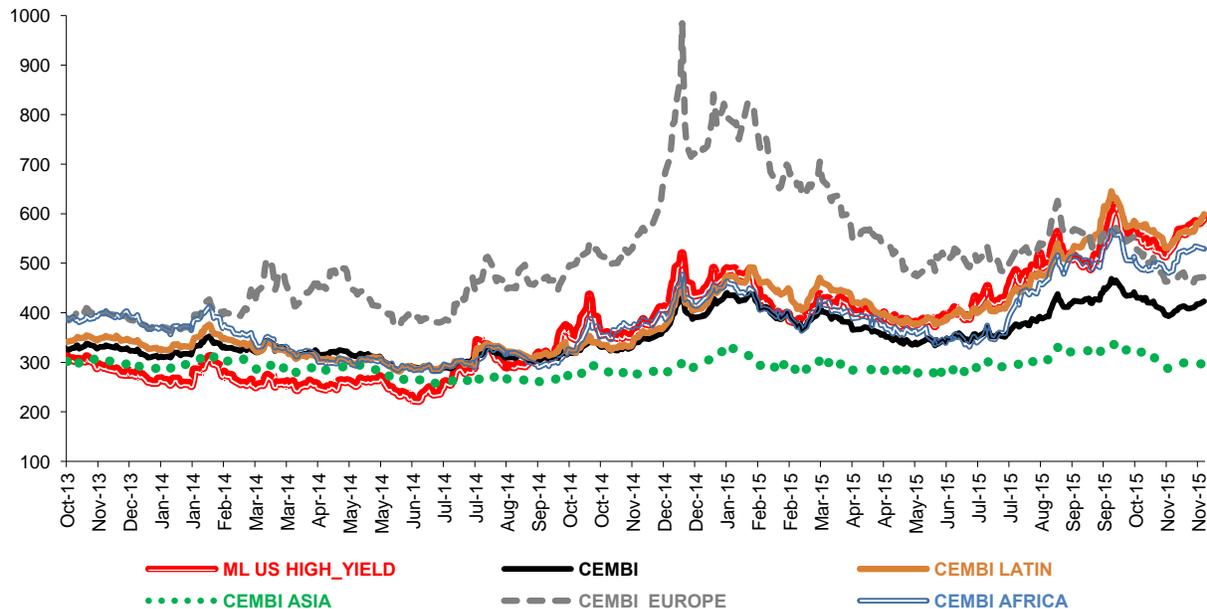
B. Corporate Spreads

After building up leverage to the highest levels in a decade, Latin America and the Caribbean’s corporate sector saw a jump in credit spreads – the Latin component of J.P Morgan’s Corporate Emerging Markets Bond Index (CEMBI) increased by 226 basis points in the third quarter of 2015 – as the depreciation of most local currencies against the U.S. dollar made servicing the dollar denominated debt more expensive.

There were seven defaults in 2015 year-to-date, all in Brazil, with the biggest impact on the commodity sector. China’s economic slowdown and the U.S. dollar’s appreciation, as well as weakened domestic growth prospects, especially for commodity exporters, have led to an increase in the burden of dollar-denominated debt in local currency terms. According to Standard & Poor’s, corporate credit quality in the region “will continue to be challenged by weak economic conditions in Brazil; further commodity price declines, particularly in oil and gas, sugar, and metals; still high exchange rate volatility; and low international funding availability.”⁵

CEMBI and Latin CEMBI spreads widened 30 and 184 basis points, respectively, from January to November 2015, with most of the widening taking place in the third quarter, as the external environment deteriorated and the cost of holding dollar-denominated debt increased. Latin American corporates’ credit spreads underperformed peers in other regions in the third quarter. Spreads for the region’s corporate sector are now higher than the spreads for the U.S. high-yield sector and for the corporate sector of other regions (chart 13). This reflects the region’s relatively high exposure to commodity exports and large corporates with very high levels of foreign currency borrowing. In 2015 year-to-date, 73% of LAC corporate bonds have been denominated in U.S. dollars.

CHART 13:
CORPORATE EMBI SPREADS VS U.S. HIGH-YIELD CORPORATE SPREADS
(Basis points)



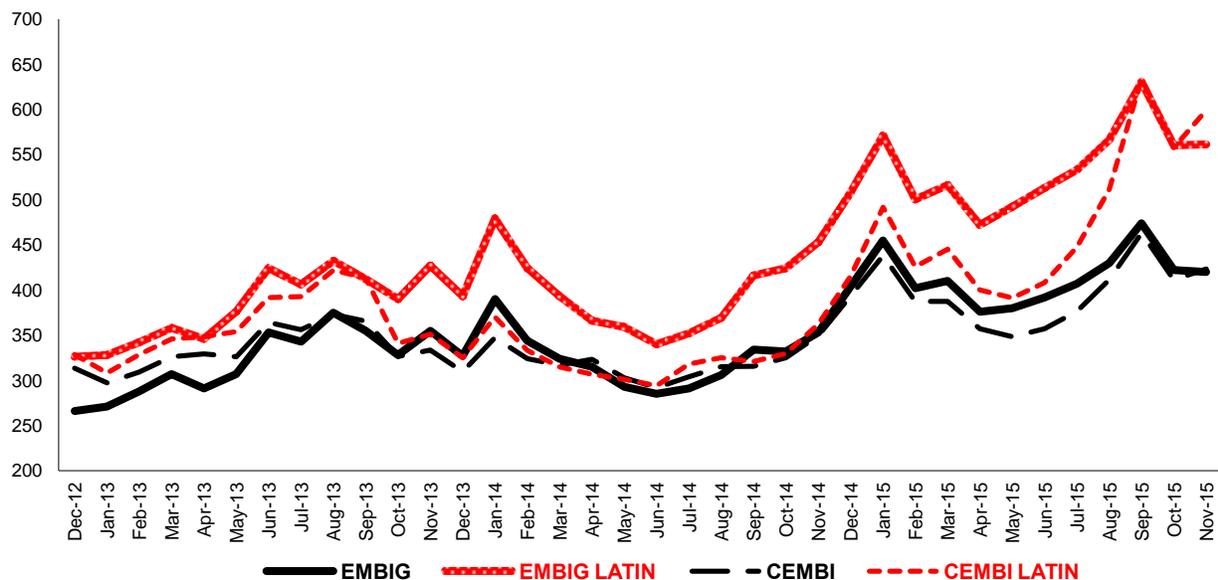
Source: ECLAC, on the basis of data from JPMorgan CEMBI and Merrill Lynch U.S. High-Yield Master II Index (H0A0).

⁵ Standard & Poor’s, “Credit conditions: Latin America Buffeted by Winds from China and Brazil”, 15 October 2015.

The region's corporate spreads increased over three times more (184 basis points) than sovereign spreads (53 basis points), reflecting concerns about the impact that an increase in U.S. interest rates may have on the debt of the corporate sector, which issued 64% of the total LAC issuance year-to-date. Latin CEMBI spreads are now higher than their sovereign counterpart (chart 14).

CHART 14:
JPMORGAN EMBIG SPREADS, CORPORATE AND SOVEREIGN

(Basis points)



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

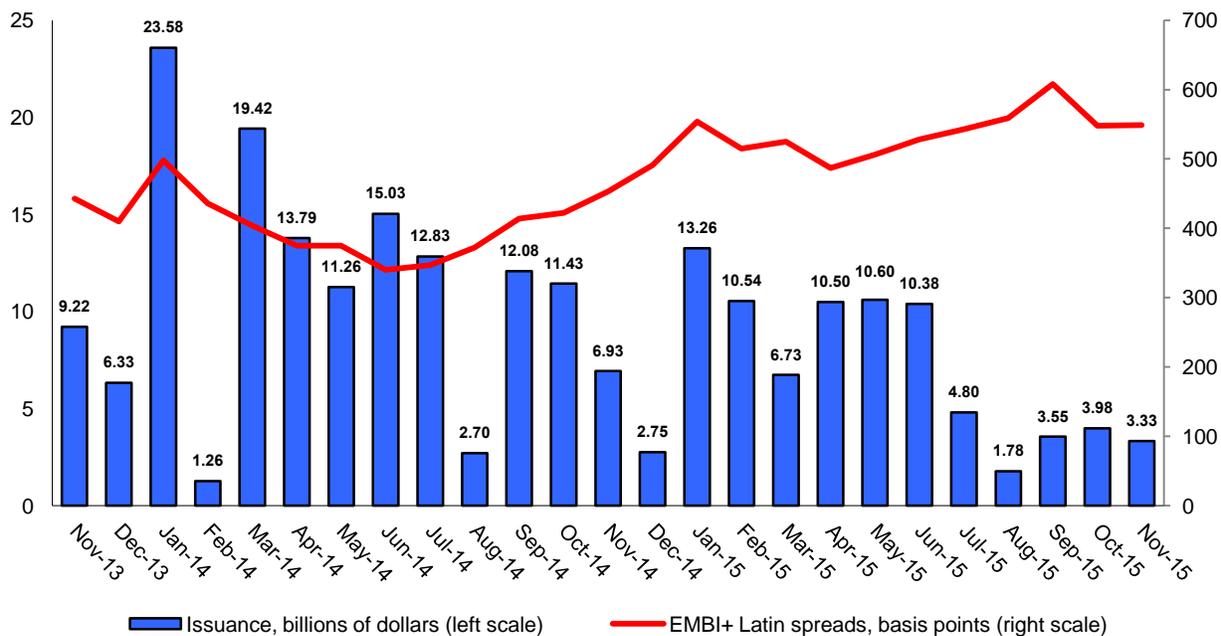
C. New Debt Issuance

There has been a considerable slowdown in LAC debt issuance since July (chart 15), as volatility and lower commodity prices have loomed over the region. Total LAC debt issuance reached US\$ 79.45 billion from January to November 2015, compared to US\$ 130.31 billion in the same period in 2014, 39% lower. With oil prices low and economic growth slowing, the region is losing favor with international investors.

Mexico had the largest share of bond issuances – sovereign and corporate combined – from January to November 2015, followed by Chile and Brazil. It was the first time ever that Brazil was not included in the top two. Mexico, Chile and Brazil issued (sovereign and corporate combined) US\$ 30.1 billion, US\$ 7.7 billion and US\$ 7.5 billion, respectively. Issuances from the top three countries account for 57% of the total LAC issuance from January to November 2015 (chart 16). This is a smaller share than the 62% that Brazil and Mexico held together in 2014, given that Brazilian issuers' have been mostly absent from international bond markets this year. Brazilian issuers have for the most part stayed out of cross-border markets, as a political impasse continues to hinder fiscal reform. Brazil's share year-to-date is 9.5%, compared to 34.1% last year.

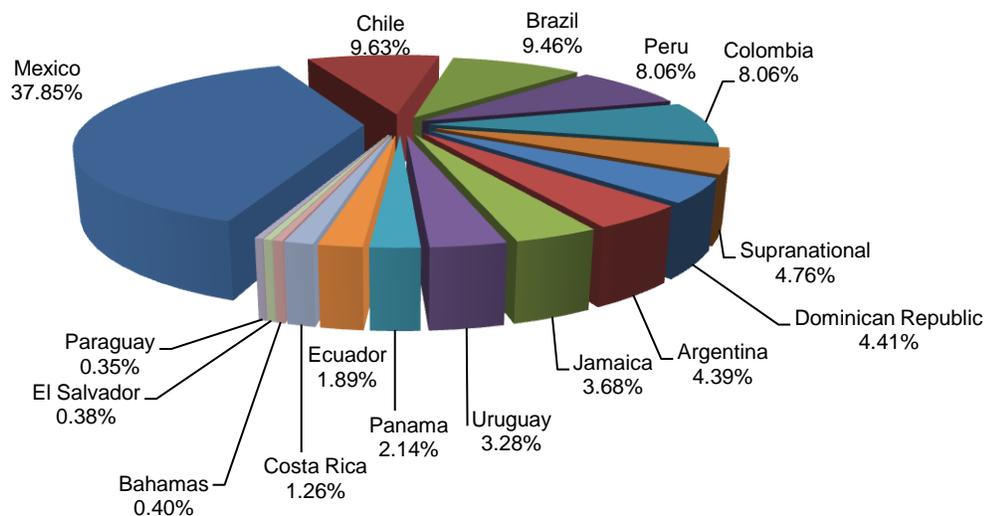
Some of the largest issuances since July has come from sovereigns and quasi-sovereigns. Sovereigns, quasi-sovereigns and development banks accounted for 90% of the total amount issued in the third quarter and have continued to account for most of the issuances in the current quarter. According to market participants, currently there is little interest in getting too "corporate credit risk intensive."

**CHART 15:
MONTHLY LAC ISSUANCE**
(Left axis: US\$ Billions; right axis: Basis Points)



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

**CHART 16:
LAC DEBT ISSUANCE IN 2015 YEAR-TO-DATE: COUNTRY BREAKDOWN**
(Country shares in percentage)



Source: ECLAC on the basis of data from LatinFinance.

i. Sovereign Issuance

Eleven sovereigns – Mexico, Dominican Republic, Colombia, Uruguay, Costa Rica, Panama, Peru, Ecuador, Paraguay, Chile and Jamaica – tapped international debt markets this year (see appendix C, tables 3 to 6).

In the *third quarter*, three sovereigns tapped the cross-border bond markets (appendix C, table 5). In *July*, *Jamaica* issued a dual tranche deal, a US\$ 1.35 billion 6.750% 2028 bond and a US\$ 650 million 7.875% 2045 bond. In *August*, Peru issued a 4.125 % US\$ 1.25 billion 2027 bond, seeking to anticipate interest rate uncertainty. In *September*, Colombia issued a 4.5% US\$ 1.5 billion 2026 bond, completing half of its planned US\$ 3 billion bond sales for next year (appendix C, table 5).

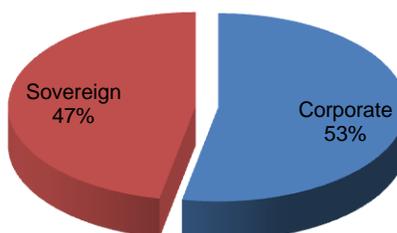
In *October*, Uruguay issued a 4.375% US\$ 1.205 billion 2027 bond. This transaction represented Uruguay's first issuance under the 2014 ICMA Collective Action Clauses (CACs) and Pari Passu language recommendation. Peru sold a 2.750% US\$ 1.2 billion-equivalent 2026 bond in Euros, its first euro-denominated issue in over a decade, and its lowest-ever coupon according to the finance ministry (appendix C, table 6). The sovereign has issued six notes in the last 12 months, including the note issued in August.

In *November* there were no sovereign issuances.

ii. Corporate Issuance

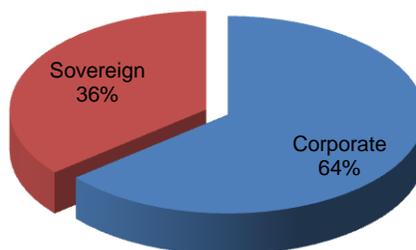
In the third quarter, the corporate sector (including corporations, banks, quasi-sovereigns and supranationals) accounted for 53% of total LAC issuance (see chart 17). Year-to-date (January to November 2015), the corporate sector accounted for 64% of total LAC issuance (see chart 18), less than the 75% share in 2014. The share of corporate issuance has been declining since 2012, when it reached a peak of 85%.

CHART 17:
LAC CORPORATE AND SOVEREIGN ISSUANCE IN Q3 2015
(Percentage)



Source: ECLAC on the basis of data from LatinFinance.

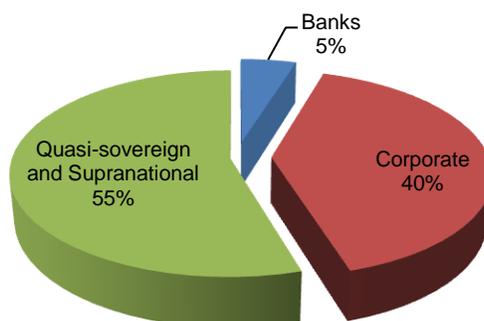
CHART 18:
LAC CORPORATE AND SOVEREIGN ISSUANCE IN 2015 YTD
(Percentage)



Source: ECLAC on the basis of data from LatinFinance.

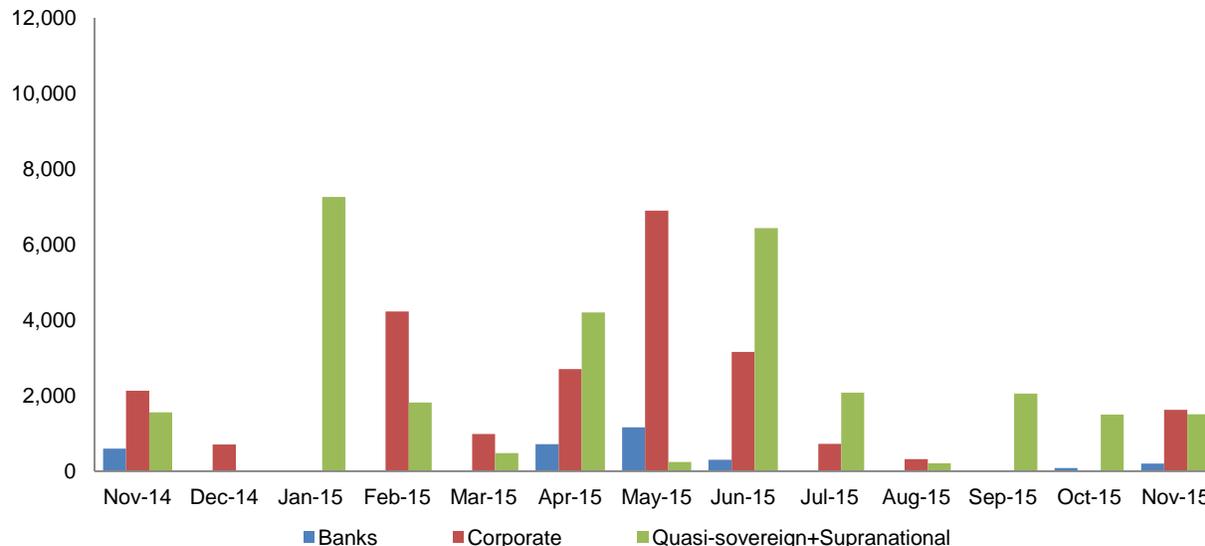
Quasi-sovereign and supranational issuers accounted for 55% of total LAC corporate issuance in international markets in 2015 year-to-date (January to November), a significant increase from the 46%, 39% and 31% shares in 2014, 2013 and 2012, respectively. Banks and corporations accounted for the other 45% (charts 19 and 20).

CHART 19:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE IN 2015 YTD
(Percentage)



Source: ECLAC on the basis of data from LatinFinance.

CHART 20:
CORPORATE ISSUANCE BY TYPE IN 2015 YTD
(US\$ million)



Source: ECLAC on the basis of data from LatinFinance.

In the *third quarter*, three quasi-sovereigns, two supranationals and a Caribbean corporation tapped the cross-border markets, issuing a total of US\$ 4.3 billion (appendix C, Table 5). In *July*, Peru's Corporación Financiera de Desarrollo S.A. – Cofide issued a new US\$ 600 million 4.75% 2025 bond and re-tapped its 3.25% 2019 bond to add US\$ 200 million, and Mexico's Pemex issued a US\$ 525 million 2.46% 2025 bond, using a guarantee from the U.S. Export Import Bank. In *August*, CAF Development Bank of Latin America issued a CHF 200 million (US\$ 205million-equivalent) 0.450% 2023bond. The deal is CAF's third Swiss franc

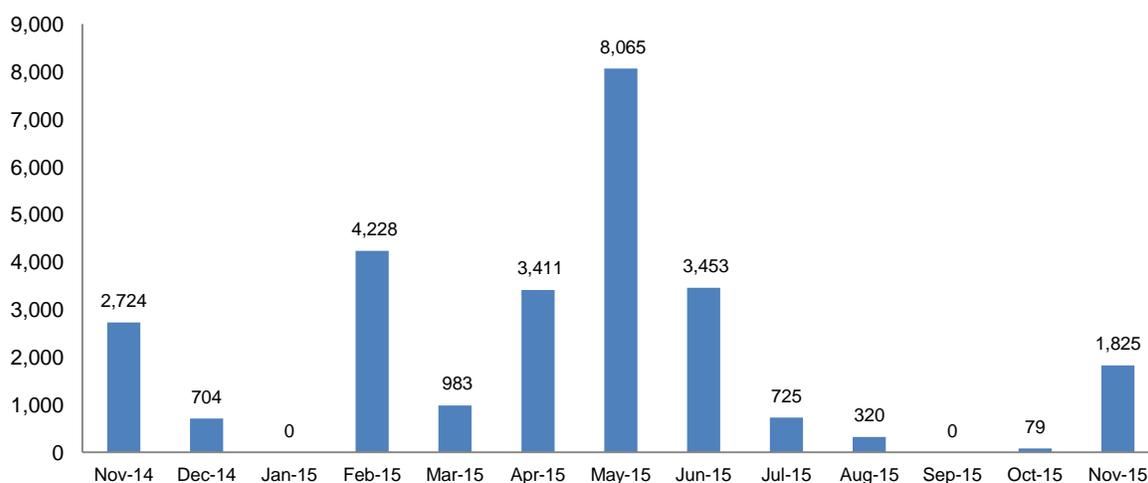
trade of 2015. In **September**, the Central American Bank for Economic Integration (CABEI) tapped the Japanese Uridash market for the first time, issuing a 10.550% US\$ 50 million-equivalent 2019 bond in Turkish Lira. Also in September, Chile's Codelco (Corporación Nacional del Cobre) issued a 4.5% US\$ 2 billion 2025 bond, the first issue over US\$ 1 billion from a Latin American corporate or quasi-sovereign since Ecopetrol's 4.375% US\$ 1.5 billion 2026 note in late June.

In **October**, Mexico's Banco Nacional de Comercio Exterior (Bancomext), an export credit agency, issued a 4.375% US\$ 1 billion 2025 bond. Nacional Financiera (NAFIN), Mexico's development bank, issued Mexico's first green bond – a 3.375% US\$ 500 million 2020 bond – drawing heavy interest from global accounts including those with dedicated environmental mandates. Investors from the U.S. bought 45% of the instrument, European investors 25%, Mexican investors 5%, and Asian investors picked up the rest.

In **November**, CAF Development Bank of Latin America issued two bonds, one denominated in Euros (a € 750 million, US\$ 819 million-equivalent 1000% 2020 bond), and another in Norwegian kroner (a NOK 800 million, US\$ 93 million-equivalent 3.050% 2030 bond) through a private placement. Mexico's Pemex issued its first Swiss franc-denominated bond in over three years, a US\$ 591 million-equivalent 1.500% 2020 bond.

Regarding issuances from the **private corporate sector** in the third quarter of 2015 and beyond, monthly activity was lowest in August and strongest in November (chart 21). Most of the highlights for this period happen in November. Mexico's Fibra Terrafina, a Mexican-style real estate investment trust (REIT), made its debut in international markets with a US\$ 425 million 5.250% 2022 bond. Mexico's Grupo Televisa priced a dual-tranche US\$ 1.2 billion bond (maturing in 2026 and 2046) that observers said could encourage others to follow. And Argentina's Banco Hipotecario sold its first plain vanilla cross-border bond since 2006 following the results of the presidential elections, a US\$ 200 million 9.750% 2020 bond, as investors anticipate a more market-friendly policy environment.

CHART 21:
LAC MONTHLY PRIVATE CORPORATE SECTOR BOND ISSUANCE IN 2015 YTD
(US\$ Millions)



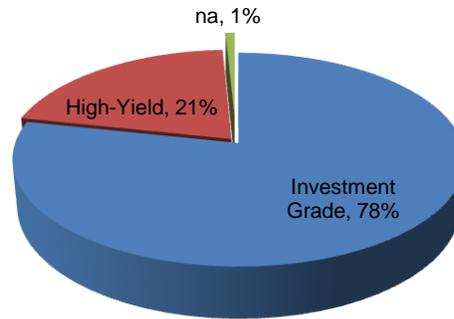
Source: ECLAC on the basis of data from LatinFinance.

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

Investment grade companies have dominated corporate issuance in 2015 year-to-date. The share of high-yield issuance was 21% (see chart 22), below the 2014 share of 23% and the 2013 share of 30%. LAC high-yield debt benefitted from low global interest rates, seeing an unprecedented demand from international

investors in search of yield in 2013 and 2014. With the prospect of an increase in interest rates by the U.S. Federal Reserve, investors have turned more cautious on debt, and high-yield bond issuances from the Latin American and Caribbean region have fallen as a result. Political and market uncertainty in Brazil also dampened issuance, since it is home to a third of the 103 high-yield issuers that Moody's covers in Latin America.

CHART 22:
BREAKDOWN OF LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY RATING, 2015 YTD
(Percentage of total)

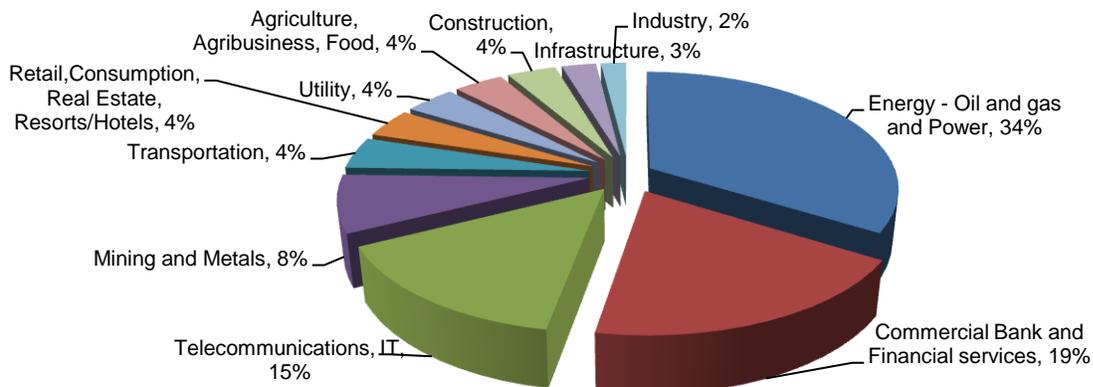


Source: ECLAC, on the basis of data from LatinFinance,.

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

From a sectoral perspective, 68% of LAC corporate debt issuance (including corporate, banks, quasi-sovereigns and supranationals) in 2015 year-to-date has come from three sectors: energy, financial services and telecommunications (chart 23). The energy sector, including oil, gas as well as power, was the main driver of the growth in corporate issuance and accounted for 34% of the total volume. The financial sector, including banks as well as financial services companies, came in second, accounting for 19%. The telecommunications was the third most relevant sector in terms of aggregate volume (15% of total corporate issuance), followed by mining and metals (8%).

CHART 23:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY SECTORS, 2015 YTD
(Percentage of total)



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

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

iii. Currency Composition

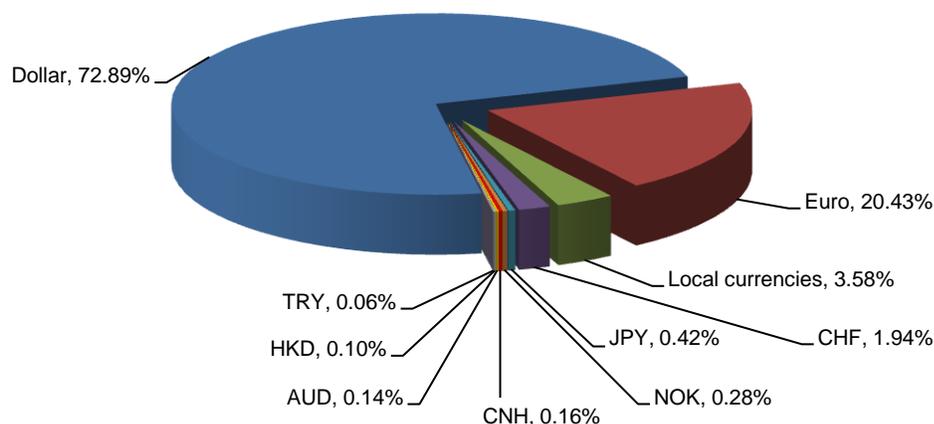
Most of the international debt issuance in the region in the third quarter of 2015 was denominated in U.S. dollars (97.48%), but there was also issuance in Swiss franc (2.02%) and in Turkish lira (0.49%). From January to November 2015, 72.89% of the total amount issued was in U.S. dollars, but there was also issuance in Euro (20.43%), local currencies (3.58%), Swiss franc (1.94%), Japanese yen (0.42%), Norwegian krone (0.28%), offshore renmimbi (0.16%), Australian dollar (0.14%), Hong Kong dollar (0.10%) and Turkish lira (0.06%). Local currencies included Mexican pesos, and Peruvian soles. Mexican pesos had the highest share (2.40%), followed by Peruvian soles (1.17%).

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

Currency	2015 YTD
Dollar	72.89%
Euro	20.43%
Local currencies	3.58%
CHF	1.94%
JPY	0.42%
NOK	0.28%
CNH	0.16%
AUD	0.14%
HKD	0.10%
TRY	0.06%

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

CHART 24:
CURRENCY BREAKDOWN, 2015 YTD



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

II. Bond markets and credit management in the Caribbean

Hit badly by the global financial crisis, the Caribbean region⁶ has struggled to recover ever since. After contracting in 2009 and 2010, average regional growth in real output has recovered very slowly and has not yet reached 2%. Countries in the region have been plagued by debt, and a number of them restructured bond payments over the past three years, making this period one with the highest number of defaults on loan agreements in the Caribbean region. Some of these restructuring agreements have tried to reduce the chances of a default in the future. For example, Grenada's restructuring agreement is set to include a novel hurricane clause that would delay payments if a major natural disaster strikes the island. The region has made strides in rebalancing sovereign finances and improving economic conditions as a result of some of these efforts.

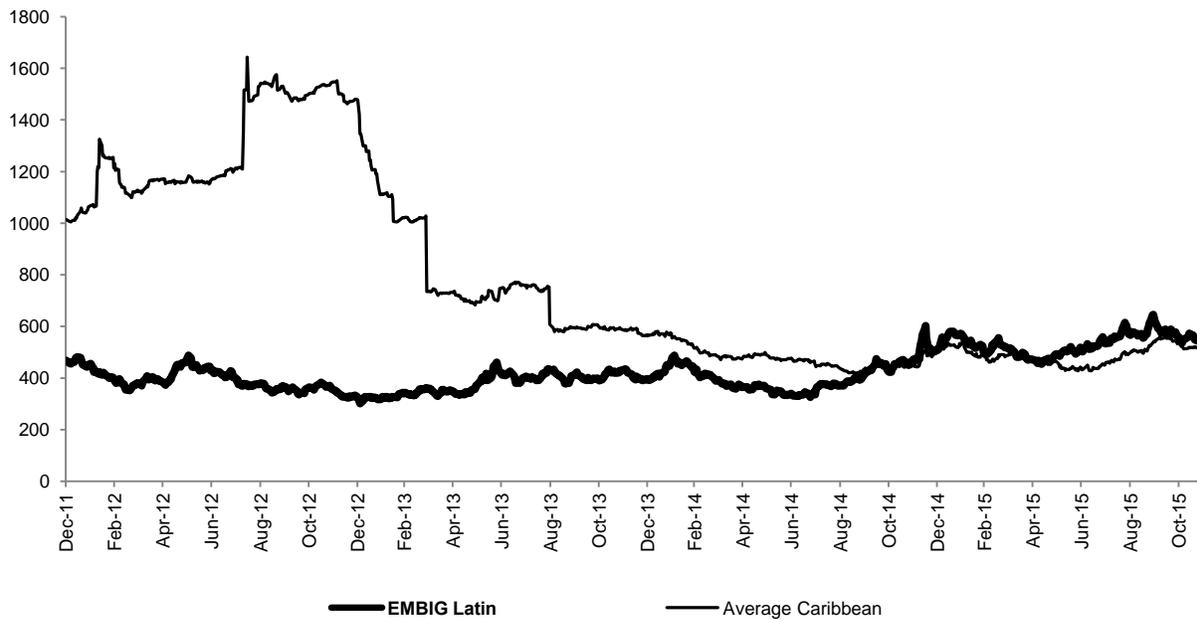
From late 2010 to late 2012 the spread gap between the Caribbean countries and the EMBIG Latin component widened by more than 1,500 basis points as a result of the high number of defaults in the region. In 2014 the spread gap was finally closed, as successful bond restructurings lowered spreads for the region, and this year the gap has actually reversed, with Caribbean spreads lower than the EMBIG Latin component by almost 40 basis points at the end of November (see chart 24).

While Latin American sovereign spreads widened 53 basis points in the eleven months of 2015, according to the J.P. Morgan EMBIG Latin component, spreads for the Caribbean region widened only 8 basis points. Caribbean countries have benefited from lower oil prices and from an increase in tourism flows. The rebound in the economies that rely on tourism is offsetting the impact of softer commodity prices on growth among commodity producer economies.

Jamaica's spreads showed the biggest decline in 2015 year-to-date, tightening 44 basis points (see chart 25). They declined from 485 basis points at the end of December 2014 to 441 basis points at the end of November 2015, following an outlook change to positive by Fitch (in February) and two upgrades by Moody's (in May) and by S&P (in June). In July, Jamaica sold a US\$ 2 billion dual-tranche bond: a 6.75% US\$ 1.35 billion 2028 and a 7.875% US\$ 650 million 2045 bond.

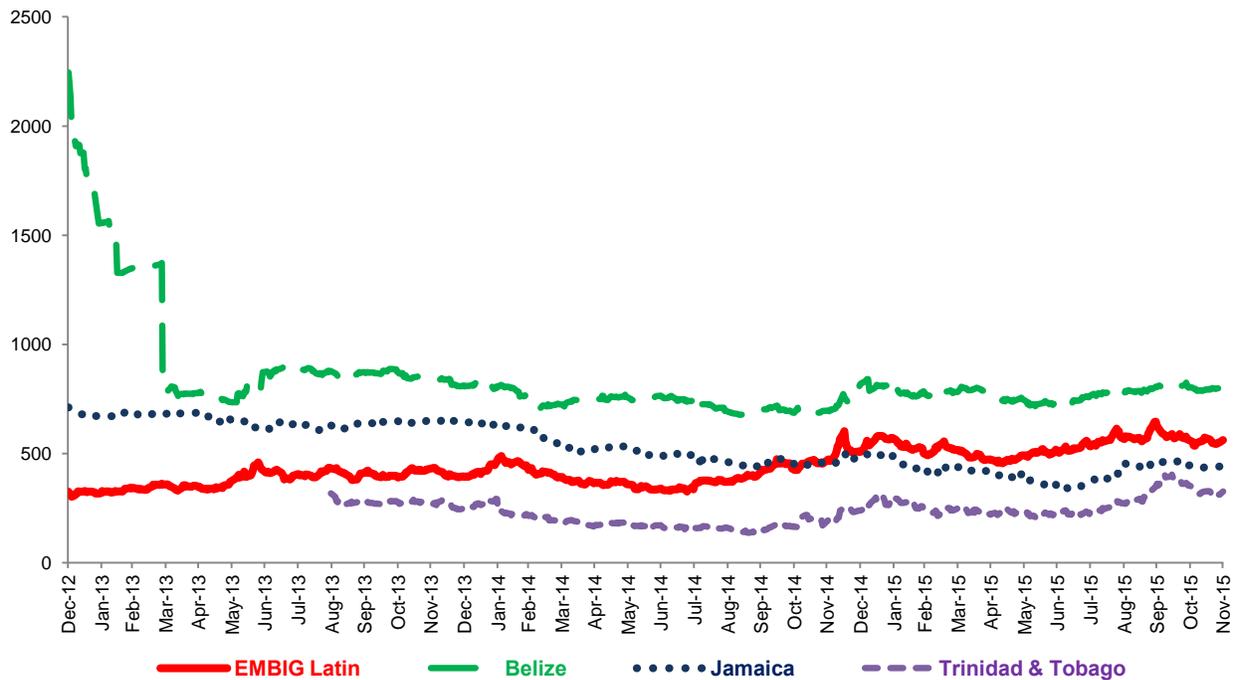
⁶ Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Of these 13 countries, only a few have tapped international capital markets. For some it is difficult to get a foothold in the capital markets borrowing, because bonds' benchmark sizes – US\$ 500 million is the EMBI minimum – are in general too high for the size of their economies

CHART 24:
EMBIG SPREADS, CARIBBEAN VERSUS LAC
(Basis points)



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

CHART 23:
CARIBBEAN COUNTRIES, 2015 YTD EMBIG SPREADS
(Basis points)



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

Belize's spreads tightened 19 basis points, to 800 basis points at the end of November from 819 basis points at the end of December 2014 and Trinidad & Tobago's spreads – which were added to the J.P. Morgan EMBIG index on 30 August 2013 – widened 87 basis points, to 326 basis points at the end of November from 239 basis points at the end of December 2014, as commodity price weakness adversely impacts its economy. Oil and gas account for about 40% of Trinidad & Tobago's GDP and half of government revenues. However, spreads for Trinidad & Tobago, which has an investment grade from Moody's and Standard & Poor's, remain way below the LAC average.

Despite the slow but welcome economic improvement in the Caribbean, the decline in investment during the period following the global crisis remains a key challenge for the region. Foreign direct investment (FDI) figures have been inconsistent since the crisis, economies have not yet recovered and with more than half of the population under the age of 30, youth unemployment levels are among the highest in the world. Unemployment levels on this scale can only be tackled with the support of foreign direct investment, and there are signs that a more collaborative approach to investment promotion at the regional level is taking shape.

The region's FDI portfolio is more diverse than might be assumed, and is not entirely dominated by tourism. Since 2010, the communications sector has attracted the most capital investment, at an estimated US\$ 5.9 billion, according to fDi Markets, the crossborder investment monitor from the Financial Times, followed by metals (US\$ 4.2 billion); real estate (US\$ 4 billion); coal, oil and natural gas (US\$ 3.5 billion); and finally, hotels and tourism (US\$ 3.4 billion).⁷

By number of projects, business and financial services have accounted for 188 projects since 2010, according to fDi Markets. Alternative energy is of growing interest to Caribbean governments, and is now the sixth-ranked sector. Investment in such sectors as communications and energy can create a virtuous circle as they help address some weaknesses in the region's business environment

But the largest obstacle to investment in the Caribbean remains substandard skills, which will require more investment in education to close the gap between the underemployed workforce and the types of jobs that could help lift the region's youth out of poverty.

Credit Rating Actions

There have been three positive credit rating actions in the Caribbean region year-to-date, all related to Jamaica, and two negative actions, related to Trinidad & Tobago and the Bahamas (see table 3).

The positive actions were taken in February, May and June. Citing diminishing external financing risks and built-up reserves, Fitch changed Jamaica's B- rating outlook to positive on February 28. On May 26, Moody's upgraded Jamaica's rating to Caa2 from Caa3, maintaining a positive outlook, citing fiscal consolidation, strong commitment to structural reforms, improving balance of payments position and reduced external vulnerabilities. On June 3, S&P upgraded Jamaica's rating to B from B- with a stable outlook, citing its ability to meet its fiscal targets in the past two years, which has led to stronger fiscal credibility and steady debt trajectory

The negative actions were taken in April and August. On April 30, Moody's downgraded Trinidad and Tobago's credit rating citing persistent fiscal deficits, decline in oil prices and weak macroeconomic policy framework. On August 25, S&P downgraded the Bahamas a notch to BBB- from BBB, with a negative outlook, citing weakening growth prospects and long-term vulnerabilities, as well as the short-term economic shock of the Baha Mar (a local resort) bankruptcy filing and subsequent legal disputes.

⁷ Courtney Finger, "Caribbean struggles to attract investment," *Financial Times*, EM Squared, 23 November 2015.

**TABLE 3:
SOVEREIGN CREDIT RATING ACTIONS IN THE CARIBBEAN, 2015 YTD**

Date	Country	Action	
2015 YTD 3 positive and 2 negative actions			
Q1 1 positive and 0 negative			
28-Feb-15	Jamaica	Fitch changes Jamaica's B- rating outlook to positive	Positive
Q2 2 positive and 1 negative			
30-Apr-15	Trinidad & Tobago	Moody's downgrades T&T's credit rating to Baa2 from Baa1 with a negative outlook	Negative
28-May-15	Jamaica	Moody's upgrades Jamaica to Caa2 from Caa3 with a positive outlook	Positive
3-Jun-15	Jamaica	S&P upgrades Jamaica's rating to B from B- with a stable outlook	Positive
Q3 0 positive and 1 negative			
25-Aug-15	The Bahamas	S&P downgrades the Bahamas a notch to BBB- from BBB with a negative outlook	Negative

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

Debt issuance

There were three new bond issuances from the Caribbean region in the third quarter of 2015. In *July*, Jamaica sold a US\$ 2 billion dual-tranche bond: a 6.75% US\$ 1.35 billion 2028 and a 7.875% US\$ 650 million 2045 bond. Following on the Dominican Republic steps, Jamaica will use US\$ 1.5 billion of the issue to pay back debt with Venezuelan oil company PDVSA. Also Sable International Finance, which operates in the Caribbean and Panama, issued a US\$ 750 million 6.875% 2022 bond at the end of the month. Sable is the financing arm (subsidiary) of Cable & Wireless Communications. In *August*, Barbados-based financial services provider Sagicor issued a US\$ 320 million 8.875% 2022 bond. There were no new issuances from the Caribbean region in October and November.

III. Portfolio equity flows

Emerging market equities have been affected by a triumvirate of economic headwinds, in the shape of slow growth, dollar strength and retreating commodity prices. The shrinking growth differential between emerging and mature markets has undermined the appeal of emerging market equities. The Latin American MSCI Index has lost 30% in 2015 year-to-date, while emerging markets as a whole lost 15% (table 4). Concerns about poor global growth, especially China's rapid slowdown, declining oil prices, strengthening dollar and higher volatility had an impact on the region's equity markets.

Within the region, Colombia's MSCI index has had the sharpest decline (44%), as the fall in oil prices has had an adverse impact on Colombia's equity valuations (table 4, and chart 24). The loss in Colombian equity prices was followed by Brazil's (40%), Peru's (29%), Chile's (20%), and Mexico's (11.5%). Argentina's stock prices showed a slight gain (3%).

Linkages between China and the rest of the world have intensified dramatically, so economies are hurt when the Chinese economy falters. The stock market plunge in the summer was evidence of the extent of this economic interdependence. For most stock markets the third quarter was the worst since 2008. In the third quarter of 2015 alone, the Latin American MSCI Index lost 25%, while emerging markets as a whole lost 18.5% (table 4). Within the region, Brazil's MSCI index showed the biggest loss in the third quarter (34%), followed by Argentina's (27%), Colombia's (24%), Peru's (22%), Chile's (14%), and Mexico's (13%).

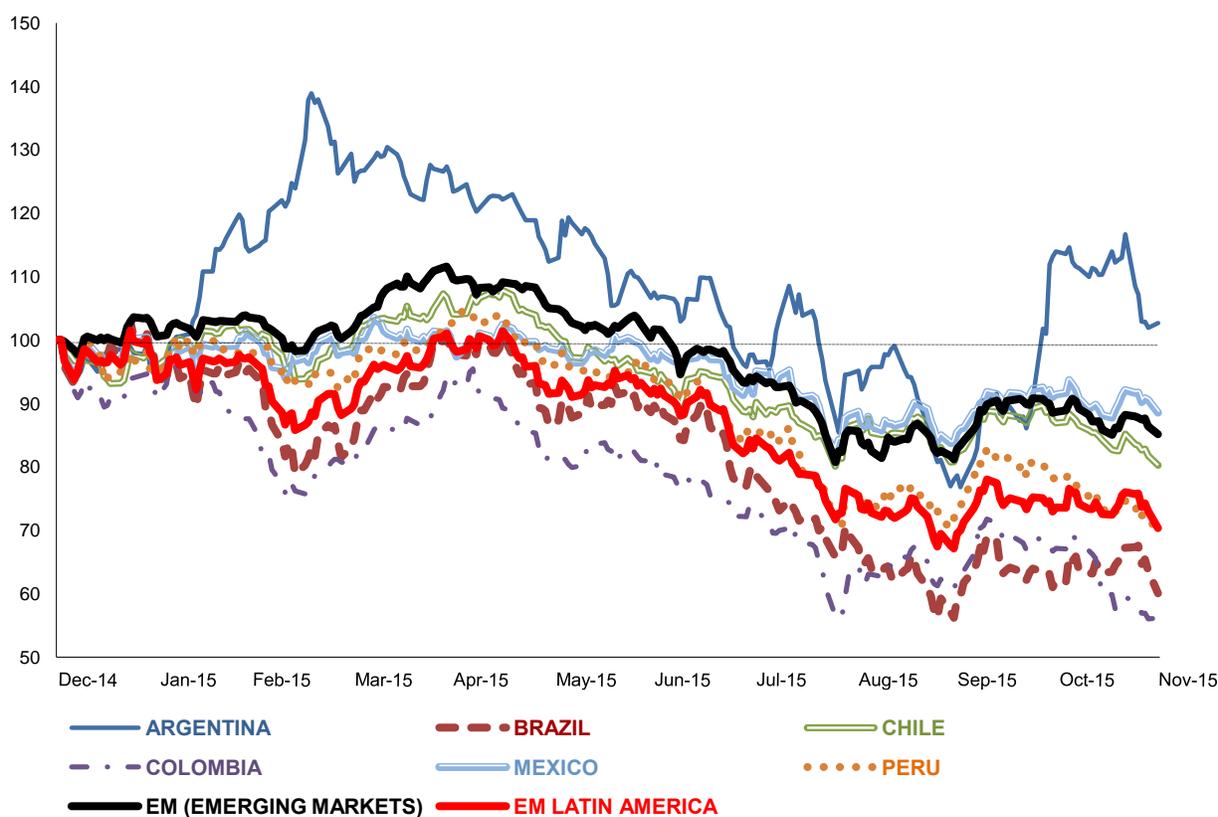
On a separate note, in October, after a 45-day consultation on whether to shift Peruvian stocks to the frontier markets grouping, MSCI decided to keep them in its emerging market index, but said it would reevaluate again next year. According to the chairman of Peru's stock exchange, Christian Laub, the country's equity market has a liquidity problem. He said that more companies need to list and trading in those that are already listed needs to increase as well, but added that the country was on track to remain in its current categorization. Peruvian officials are hopeful that new capital gains tax rules and regulations on market-making, which come into effect from January 1, will give Peru's equity markets a liquidity boost. Additionally, the Bolsa de Valores de Lima recently switched its platform to the same one used by the London Stock Exchange, opening the door to high-frequency trading, algorithmic trading and securities lending in the local market.

TABLE 4:
MSCI EQUITY INDICES, 2015 YTD

	Price Index in USD					Variation			
	Dec 31, 2014	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Nov 30, 2015	Q1 2015	Q2 2015	Q3 2015	2015 YTD
<i>Emerging markets</i>	956.308	974.572	972.254	792.049	814.297	1.91%	-0.24%	-18.53%	-14.85%
<i>Latin America</i>	2,727.693	2,451.399	2,517.479	1,894.554	1,919.267	-10.13%	2.70%	-24.74%	-29.64%
<i>Argentina</i>	2,405.304	3,006.021	2,585.076	1,891.126	2,470.095	24.97%	-14.00%	-26.84%	2.69%
<i>Brazil</i>	1,832.343	1,548.261	1,642.490	1,083.243	1,100.000	-15.50%	6.09%	-34.05%	-39.97%
<i>Chile</i>	1,575.411	1,566.731	1,499.713	1,295.421	1,264.098	-0.55%	-4.28%	-13.62%	-19.76%
<i>Colombia</i>	806.735	648.573	658.515	503.131	453.019	-19.61%	1.53%	-23.60%	-43.85%
<i>Mexico</i>	6,262.814	6,133.204	6,118.684	5,349.303	5,545.153	-2.07%	-0.24%	-12.57%	-11.46%
<i>Peru</i>	1,202.652	1,129.580	1,127.423	884.052	853.134	-6.08%	-0.19%	-21.59%	-29.06%

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

CHART 24:
MSCI EQUITY PRICE INDEX, 2015 YTD



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

Prices at the end of the month.

IV. Bank Lending

Bank lending conditions are deteriorating in emerging markets, according to a survey from the Institute of International Finance (IIF), compiled from questionnaires at about 120 of the IIF's member banks operating in emerging markets.⁸ It shows overall conditions falling steeply to their worst level since 2011. Conditions deteriorated across all the categories in the survey: demand for loans, trade finance, credit standards, funding conditions and non-performing loans.

In Latin America, demand for loans is decreasing, while non-performing loans (NPLs) are on the rise as trade and investment sharply decline amidst an economic downturn, and borrowers' ability to service debt decline due to market volatility. 28 banks across Latin America were surveyed, and respondents pointed to weak economic growth and more NPLs as the main drivers for tightening loan credit standards over the past year. On the demand side, only Asian corporates are seeking less bank lending than Latin Americans.

The deterioration of bank lending conditions is of special concern to non-financial corporations. While they have expanded their use of international capital markets to raise funds overseas since the global financial crisis, the biggest increase in their borrowing has been provided by local banks.

⁸ Institute of International Finance (IIF), *EM Bank Lending Conditions Survey -2015Q3*, 5 November 2015,

V. Prospects

Among the Latin America and the Caribbean's headwinds going into 2016 are internal challenges from the worsening economic conditions in Brazil, as well as external, including potential slower growth in China and increased volatility spurred by weakening demand for commodities. The region also faces potential liquidity constraints if the U.S. Federal Reserve normalizes monetary policy later in December as markets widely expect.

Brazil's economy has been hit particularly hard by unfavorable internal and external conditions. Much of the slowdown in Latin American capital markets activities this year was due to the absence of Brazilian issuers and the lack of activity in Brazilian markets. Meanwhile, China's slowdown and economic troubles in the third quarter, the subsequent volatility and related capital market and commodity price weakness have been affecting other Latin American economies, diminishing their growth prospects as well.

Credit rating agencies expect eroding credit conditions for Latin America and Caribbean sovereigns. According to Standard & Poor's, despite largely stable outlooks on the sovereign ratings in the region, low oil and commodity prices have dampened growth in much of South America, but helped boost purchasing power in Central America and the Caribbean. The agency anticipates that most countries will suffer from larger fiscal and current account deficits this year.

However, the biggest concern for the region is the build-up in corporate debt. This problem is not unique to the region. Corporate debt has increased in all emerging markets and emerging market corporate bonds have been the fastest growing asset class over the past ten years. The International Monetary Fund has warned that debt levels of firms in emerging market economies have risen sharply, particularly in construction, and oil and gas. The rise is due to low interest rates in advanced economies, which encouraged borrowing and the search for higher yields on the part of investors, as well as other global factors, such as commodity prices. The composition of emerging market debt has also changed. In particular, although bank loans still account for the largest share of corporate debt, the share of bonds has nearly doubled over the last decade, reaching 17% in 2014.

In the post-crisis period, global factors have become more important drivers of borrowing and bond issuance in emerging market than firm and country-specific factors. These developments make emerging

market economies more vulnerable to a rise in interest rates, dollar appreciation, and an increase in global risk aversion.⁹

Concerns are rising that diverging paths for central banks in advanced economies will further strengthen the dollar, increasing pressure on emerging markets corporate debt. In a recently released report, Fitch says that private-sector debt in developing countries is growing so fast it threatens the creditworthiness of domestic governments, adding to a rising chorus of concern over emerging market private sector debt and its impact on global growth. What Fitch suggests, is that much of the emerging market debt burden has been transferred to the private sector, including large utilities and commodity companies in which governments hold significant and often controlling stakes. The vast majority of the debt increase has been in non-financial corporations such as miners and manufacturers. According to the agency, private-sector debt in Brazil, for example, grew by 50% of GDP between 2005 and 2014, to reach 93% of GDP.¹⁰

Next year is likely to be another difficult year for the region's capital markets. Many Latin American credits now have balance sheets that are misaligned with a world of lower-commodity prices, depreciated currencies and slower growth. There has been a bout of credit downgrades for companies in the commodity sector, especially in Brazil, thus in order to continue attracting foreign capital, overleveraged corporate balance sheets will need to be addressed and corporate governance improved.

⁹ International Monetary Fund, *Global Financial Stability Report*, 29 September 2015.

¹⁰ FitchRatings, "Rising Sovereign Risk from Private Sector Debt in EM," 2 December 2015. The report uses a broad definition of private sector debt, including local bank loans, local and international bonds and other international borrowing.

Appendix

A. Credit Rating

**TABLE 1:
CREDIT RATINGS IN LATIN AMERICA AND THE CARIBBEAN, 2015 YTD**

	Moody's		S&P		Fitch		Recent Moody's Action		Recent S&P Action		Recent Fitch Action	
	Rating	View	Rating	View	Rating	View	Action	Date	Action	Date	Action	Date
Argentina	Caa1		SD		RD		O/L changed to (+) from stable	24-Nov-15	Affirmed, O/L stable	1-Apr-15	Downgrade to RD	30-Jul-14
Bahamas	Baa2		BBB-	(-)			Downgrade, O/L stable	2-Sep-14	Downgrade, O/L (-)	25-Aug-15		
Barbados	B3	(-)	B	(-)	NR		Downgrade, O/L (-)	2-Jun-14	Downgrade, O/L to (-)	19-Dec-14		
Belize	Caa2		B-	(+)	NR		Affirmed, O/L stable	17-Jun-15	O/L changed to (+), Affirmed	7-Nov-14		
Bolivia	Ba3		BB		BB		Upgrade, O/L stable	8-Jun-12	Upgrade, O/L stable	15-May-14	Upgrade, O/L stable	15-Jul-15
Brazil	Baa3		BB+	(-)	BBB-	(-)	Downgrade, O/L stable	11-Aug-15	Downgrade, O/L (-)	9-Sep-15	Downgrade, O/L (-)	15-Oct-15
Chile	Aa3		AA-		A+		Affirmed, O/L stable	29-Oct-13	Affirmed, O/L stable	16-Dec-13	Affirmed, O/L stable	25-Oct-13
Colombia	Baa2		BBB		BBB		Upgrade, O/L stable	28-Jul-14	Affirmed, O/L stable	29-Apr-14	Affirmed, O/L stable	20-Nov-14
Costa Rica*	Ba1		BB		BB+	(-)	Downgrade, O/L stable	16-Sep-14	Affirmed, O/L stable	28-Feb-14	O/L changed to (-), Affirmed	22-Jan-15
Cuba	Caa2		NR		NR		Downgrade, O/L stable	23-Apr-14				
Dominican Republic	B1		BB-		B+		Affirmed, O/L stable	10-Oct-11	Upgrade, O/L stable	20-May-15	Upgrade, O/L stable	21-Nov-14
Ecuador	B3		B		B		Upgrade, O/L stable	19-Dec-14	Downgrade, O/L stable	12-Aug-15	Upgrade, O/L stable	18-Oct-13
El Salvador	Ba3		B+		B+		O/L changed to (-), Affirmed	19-Nov-15	Downgrade, O/L stable	22-Dec-14	Downgrade, O/L stable	9-Jul-15
Grenada			SD						Downgrade	12-Mar-13		
Guatemala	Ba1	(-)	BB		BB		O/L changed to (-), Affirmed	26-May-15	Affirmed, O/L stable	11-Oct-13	Downgrade, O/L stable	20-Jun-14
Honduras	B3	(+)	B+		NR		O/L changed to (-), Affirmed	11-May-15	Upgrade, O/L stable	20-Jul-15		
Jamaica	Caa2	(+)	B		B-	(+)	Upgrade, O/L (+)	28-May-15	Upgrade, O/L stable	3-Jun-15	O/L changed to (+), Affirmed	19-Feb-15
Mexico	A3		BBB+		BBB+		Upgrade, O/L stable	5-Feb-14	Upgrade, O/L stable	19-Dec-13	Affirmed, O/L stable	25-Feb-15
Nicaragua	B2		NR		NR		Upgrade, O/L stable	10-Jul-15				
Panama	Baa2		BBB		BBB		Upgrade, O/L stable	31-Oct-12	Affirmed, O/L stable	1-Aug-13	Affirmed, O/L stable	19-Feb-15
Paraguay	Ba1		BB		BB		Upgrade, O/L stable	22-Mar-15	Upgrade, O/L stable	11-Jun-14	Upgrade, O/L stable	29-Jan-15
Peru	A3		BBB+		BBB+		Upgrade, O/L stable	2-Jul-14	Affirmed, O/L stable	28-Aug-15	Affirmed, O/L stable	30-Sep-15
Suriname	Ba3		BB-		BB-		O/L changed to stable from (+)	14-Feb-14	O/L changed to stable from (+)	28-Apr-14	Affirmed, O/L stable	12-May-14
Trinidad & Tobago	Baa2		A		NR		Downgrade, O/L (-)	30-Apr-15	Affirmed, O/L stable	24-Dec-13		
Uruguay*	Baa2		BBB		BBB-		Affirmed, O/L stable	21-May-15	Upgrade, O/L stable	5-Jun-15	Affirmed, O/L stable	4-Mar-14
Venezuela	Caa3		CCC	(-)	CCC		Downgrade, O/L stable	13-Jan-15	Downgrade, O/L (-)	9-Feb-15	Affirmed, O/L stable	2-Jul-15

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

Changes for 2015 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, 2015 YEAR-TO-DATE

There have been 13 positive and 14 negative actions in Latin America and the Caribbean in 2015 YTD.

Positive Actions: 13 (Bold)

January

- Paraguay (January 29): **Fitch upgrades Paraguay's rating a notch to BB with a stable outlook**, noting the country's solid economic performance on the back of higher productivity and export diversification.

February

- Ecuador (February 09): S&P affirms Ecuador's sovereign debt rating at B+ with a stable outlook (*no change*).
- Jamaica (February 19): **Fitch changes Jamaica's B- rating outlook to positive**, citing diminishing external financing risks and built-up reserves.
- Panama (February 29): Fitch affirms Panama's ratings at 'BBB'; outlook stable (*no change*).

March

- Paraguay (March 22): **Moody's upgrades Paraguay's rating to Ba1 from Ba2, with a stable outlook**. The agency cited the country's positive results in diversifying the economy, investing in infrastructure, implementing reforms that have strengthened the fiscal framework, and improving governance and institutional strength.

May

- Honduras (May 11): **Moody's changes Honduras' outlook to positive**, citing continued progress toward fiscal consolidation targets.
- Dominican Republic (May 20): **S&P's upgrades the rating of Dominican Republic to BB- from B+ with a stable outlook**, citing the country's improving monetary policy and inflation-targeting measure.
- Uruguay (May 21): Moody's affirms Uruguay's Baa2 sovereign rating; outlook stable (*no change*).
- Jamaica (May 26): **Moody's upgrades Jamaica's rating to Caa2 from Caa3, maintaining a positive outlook**, citing fiscal consolidation, strong commitment to structural reforms, improving balance of payments position and reduced external vulnerabilities.

June

- Jamaica (June 3): **S&P upgrades Jamaica's rating to B from B- with a stable outlook**, citing its ability to meet its fiscal targets in the past two years, which has led to stronger fiscal credibility and steady debt trajectory.
- Uruguay (June 5): **S&P upgrades Uruguay's rating a notch to BBB from BBB- with a stable outlook**, to reflect the country's sound macroeconomic policies and the improved regional environment.
- Belize (June 17): Moody's affirms Belize's Caa2 sovereign rating; outlook stable (*no change*).

July

- Venezuela (July 02): Fitch affirmed Venezuela's long-term foreign currency rating at CCC with a stable outlook (*no change*).
- Nicaragua (July 10): **Moody's upgrades Nicaragua's rating to B2 from B3 with a stable outlook**, as a result of a stronger economy.
- Bolivia (July 15): **Fitch upgrades Bolivia to BB from BB- with a stable outlook**, saying that the sovereign had made hydrocarbon production more sustainable.
- Honduras (July 21): **S&P upgrades Honduras' credit rating to B+ from B with a stable outlook**, considering improvements over the government's debt burden.

August

- Peru (August 28): S&P affirms Peru's BBB+ sovereign rating with a stable outlook (*no change*).

October

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

Box 1– (cont.)*November*

- Argentina (November 2): **Moody’s changes the outlook on Argentina’s Caa1 issuer rating to stable from negative**, citing a more favorable political climate and reduced risks to investors.
- Argentina (November 24): **Moody’s changes the outlook on Argentina’s Caa1 issuer rating to positive from stable**, citing its expectation that Argentina’s policy stance will become more credit positive in the aftermath of the elections that took place on November 22.

Negative Actions: 14 (Bold)*January*

- Venezuela (January 13): **Moody’s downgrades Venezuela’s sovereign rating to Caa3 from Caa1** and changes the outlook to stable from negative, saying that the falling oil price has put the exporter at a greater risk of default.
- Costa Rica (January 22): **Fitch revises Costa Rica’s BB+ rating outlook to negative**, saying financing conditions are deteriorating due to the lower absorption capacity of the domestic public sector investor base and the rising pressure on international interest rates.

February

- Venezuela (February 09): **S&P downgrades Venezuela’s rating to CCC from CCC+ with a negative outlook**, pointing to a growing default risk thanks to plummeting oil prices and a shaky political and social situation.

April

- Argentina (April 1): S&P affirms Argentina’s unsolicited foreign currency rating of ‘SD’ (*no change*).
- Brazil (April 9): **Fitch revises Brazil’s BBB rating outlook to negative**, saying that the country’s economy is underperforming and its fiscal accounts have deteriorated.
- Trinidad & Tobago (April 30): **Moody’s downgrades Trinidad and Tobago’s credit rating to Baa2 from Baa1, and changes the outlook to negative**, citing persistent fiscal deficits, decline in oil prices and weak macroeconomic policy framework.

May

- Guatemala (May 27): **Moody’s lowers its rating outlook on Guatemala to negative**, but maintained its Ba1 credit rating. The rating agency cited the escalating political crisis as the main reason for the move.

July

- El Salvador (July 9): **Fitch downgrades El Salvador to B+ from BB- with a stable outlook**, citing rising public debt.
- Brazil (July 28): **S&P lowers Brazil’s BBB- sovereign rating outlook to negative from stable**, on fears that reforms will not be implemented as planned.

August

- Brazil (August 11): **Moody’s downgrades Brazil to Baa3 from Baa2 with a stable outlook**, due to expected higher government expenditures and a lack of political accord to pass fiscal reforms.
- Ecuador (August 12): **S&P downgrades Ecuador’s credit rating to B from B+ with a stable outlook**, citing deteriorating fiscal and external metrics (higher debt and external risk).
- Bahamas (August 25): **S&P downgrades the Bahamas a notch to BBB- from BBB, with a negative outlook**, citing weakening growth prospects and long-term vulnerabilities, as well as the short-term economic shock of the Baha Mar (a local resort) bankruptcy filing and subsequent legal disputes.

September

- Brazil (September 9): **S&P downgrades Brazil’s rating to junk status, to BB+ from BBB-, with a negative outlook**, citing a revision to the government’s 2016 fiscal targets and increased political strife.

Box 1– (conclusion)*October*

- Brazil (October 15): **Fitch downgrades Brazil’s rating to BBB- from BBB, with a negative outlook**, citing the sovereign’s increasing debt, political impasse and a weakening economy.

November

- El Salvador (November 19): **Moody's changes outlook on El Salvador's Ba3 ratings to negative from stable; ratings affirmed**, citing the rising debt trend and growth, fiscal and debt metrics that are now weaker relative to peers in the Ba category.

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

B. Latin American Spreads

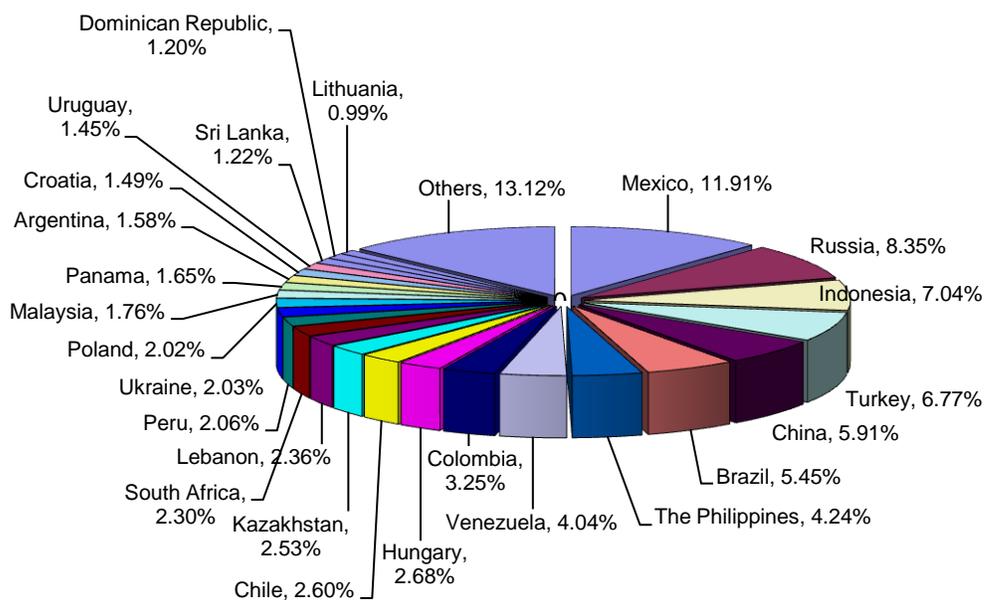
TABLE 2:
SOVEREIGN SPREADS ON JPMORGAN EMBI GLOBAL AND LATIN AMERICAN COMPOSITES
(Basis Points)

	EMBI Global	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Uruguay	Venezuela	Latin America
27-Nov-13	355	776	256	171	190	539	211	193	220	1221	427
31-Dec-13	327	808	230	148	163	530	177	162	194	1141	393
31-Jan-14	390	1085	278	172	208	605	219	202	239	1400	479
28-Feb-14	344	907	251	151	184	609	195	181	217	1255	424
31-Mar-14	324	799	230	143	168	508	182	165	192	1165	393
30-Apr-14	315	786	217	137	157	361	177	149	187	1018	366
30-May-14	293	833	214	129	147	372	165	150	167	1031	359
30-Jun-14	285	724	211	123	144	376	160	151	169	938	340
31-Jul-14	291	649	214	125	145	486	164	151	177	976	352
31-Jul-12	341	1087	183	154	140	852	176	145	172	1099	398
31-Aug-12	325	1051	179	146	137	791	186	145	158	1001	381
28-Sep-12	308	897	162	143	132	743	172	125	139	956	369
31-Oct-12	296	1066	154	126	122	824	166	118	136	959	365
30-Nov-12	287	1140	152	130	124	829	169	122	140	880	355
31-Dec-12	266	991	140	116	112	826	155	114	127	786	326
31-Jan-13	271	1102	154	124	132	704	165	129	132	746	328
28-Feb-13	288	1287	178	140	141	704	180	138	164	737	342
28-Mar-13	307	1307	190	153	147	700	182	147	173	797	358
30-Apr-13	291	1210	173	141	131	647	169	132	153	821	346
31-May-13	307	1167	208	153	167	626	196	159	173	878	376
28-Jun-13	353	1199	243	180	193	665	223	201	235	976	424
31-Jul-13	343	1112	241	160	181	620	202	180	185	966	406
30-Aug-13	375	1170	257	182	198	649	222	207	242	1017	432
30-Sep-13	355	1035	245	171	187	628	210	184	200	1010	412
31-Oct-13	328	921	229	161	170	499	196	176	190	1014	390
27-Nov-13	355	776	256	171	190	539	211	193	220	1221	427
31-Dec-13	327	808	230	148	163	530	177	162	194	1141	393
31-Jan-14	390	1085	278	172	208	605	219	202	239	1400	479
28-Feb-14	344	907	251	151	184	609	195	181	217	1255	424
31-Mar-14	324	799	230	143	168	508	182	165	192	1165	393
30-Apr-14	315	786	217	137	157	361	177	149	187	1018	366
30-May-14	293	833	214	129	147	372	165	150	167	1031	359
30-Jun-14	285	724	211	123	144	376	160	151	169	938	340
30-Apr-14	315	786	217	137	157	361	177	149	187	1018	366
30-May-14	293	833	214	129	147	372	165	150	167	1031	359
30-Jun-14	285	724	211	123	144	376	160	151	169	938	340
31-Jul-14	291	649	214	125	145	486	164	151	177	976	352
29-Aug-14	306	808	208	124	146	412	161	148	169	1123	369
30-Sep-14	334	700	241	137	169	484	186	162	193	1387	416
31-Oct-14	332	703	236	146	172	495	188	169	193	1507	424
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

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

Note: EMBI Global composition (end-November 2015): **by country**: Brazil, Colombia, Mexico and Venezuela account for 24.65% of the total weighting; **by region**: Latin: 39%; Non-Latin: 61%.

EMBI GLOBAL COMPOSITION (AS OF NOVEMBER 2015)



Others:	%
Romania	0.96%
Costa Rica	0.85%
Serbia	0.84%
El Salvador	0.74%
Jamaica	0.63%
Ivory Coast	0.57%
Ecuador	0.52%
Pakistan	0.49%
India	0.48%
Azerbaijan	0.48%
Latvia	0.42%
Egypt	0.39%
Kenya	0.38%
Zambia	0.37%
Angola	0.35%
Mongolia	0.34%
Morocco	0.33%
Ghana	0.33%
Iraq	0.29%
Vietnam	0.26%
Paraguay	0.26%
Gabon	0.26%
Slovakia	0.24%
Trinidad & Tobago	0.22%
Nigeria	0.21%
Guatemala	0.21%
Namibia	0.18%
Honduras	0.16%
Georgia	0.16%
Bolivia	0.15%
Senegal	0.15%
Armenia	0.15%
Ethiopia	0.14%
Tunisia	0.13%
Belarus	0.12%
Mozambique	0.10%
Tanzania	0.09%
Jordan	0.07%
Belize	0.06%
Total	13.12

C. New LAC Debt Issuance

**TABLE 3:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FIRST QUARTER OF 2015**

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Jan-15					
Mexico	United Mexican States	USD 1500	1,500	4.600%	2046
Mexico	United Mexican States	USD 500	500	3.600%	2025 (r)
Mexico	Pemex	USD 1500	1,500	3.500%	2020
Mexico	Pemex	USD 1500	1,500	4.500%	2026
Mexico	Pemex	USD 3000	3,000	5.625%	2046
Chile	Banco del Estado de Chile	JPY 31000	263	0.520%	2020
Dominican Republic	Dominican Republic	USD 1000	1,000	5.500%	2025
Dominican Republic	Dominican Republic	USD 1500	1,500	6.850%	2045
Supranational	CAF Development Bank of Latin America	USD 1000	1,000	3-month L+55	2018
Colombia	Republic of Colombia	USD 1500	1,500	5.000%	2045
Mexico	United Mexican States	USD 1500	1,500	4.600%	2046
			13,263		
Feb-15					
Peru	Intercorp	USD 250	250	5.875%	2025
Argentina	YPF	USD 175	175	8.875%	2018 (r)
Argentina	YPF	USD 325	325	8.750%	2024 (r)
Supranational	CAF Development Bank of Latin America	CHF 200	216	0.500%	2026
Peru	GyM Ferrovias	PEN 629	205	4.750%	2039
Mexico	Pemex	MXN 17000	1,100	7.500%	2026
Chile	Cencosud	USD 650	650	5.150%	2025
Chile	Cencosud	USD 350	350	6.625%	2045
Argentina	Cablevision	USD 286	286	9.375%	2018
Argentina	City of Buenos Aires	USD 500	500	8.950%	2021
Uruguay	Oriental Republic of Uruguay	USD 1200	1,200	5.100%	2050 (r)
Jamaica	Digicel	USD 925	925	6.750%	2023
Mexico	Aeromexico	USD 196	196	2.329%	2027
Mexico	Cemex	EUR 550	616	4.375%	2023 NC4
Mexico	Cemex	USD 750	750	6.125%	2025 NC5
Mexico	United Mexican States	EUR 1250	1,400	1.625%	2024
Mexico	United Mexican States	EUR 1250	1,400	3.000%	2045
			10,544		
Mar-15					
Mexico	America Movil	MXN 3500	232.6	7.125%	2024 (r)
Costa Rica	Republic of Costa Rica	USD 1000	1,000	7.158%	2045
Mexico	Kimberly-Clark de Mexico	USD 250	250	3.250%	2025
Supranational	Central American Bank for Economic Integration (CABEI)	CNH 800	128	4.750%	2018
Panama	Republic of Panama	USD 1250	1,250	3.750%	2025
Supranational	CAF Development Bank of Latin America	JPY 8900	73		2025
Peru	Republic of Peru	USD 545	545	5.625%	2050 (r)
Peru	Republic of Peru	PEN 2250	728	6.950%	2031 (r)
Ecuador	Republic of Ecuador	USD 750	750	10.500%	2020
Colombia	Republic of Colombia	USD 1000	1,000	5.000%	2045 (r)
Colombia	Colombia Telecoms - ColTel	USD 500	500	8.500%	Perp NC5
Peru	Red Dorsal Finance	USD 273.7	274	5.875%	2031
			6,730		

Source: LatinFinance (Bonds Database).

Notes:

Q1 2015 Total 30,537

(r): retap.

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

**TABLE 4:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
SECOND QUARTER OF 2015**

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Apr-15					
Mexico	United Mexican States	EUR 1500	1,600	4.000%	2115
Mexico	Pemex	EUR 1000	1,097	1.880%	2022
Mexico	Pemex	EUR 1250	1,400	2.750%	2027
Panama	Global Bank	USD 150	150	5.130%	2019 (r)
Colombia	BBVA Colombia	USD 400	400	5.875%	2025
Mexico	Southern Copper	USD 500	500	3.875%	2025
Mexico	Southern Copper	USD 1500	1,500	5.875%	2045
Argentina	YPF	USD 1500	1,500	8.500%	2025
Chile	Empresa Electrica Guacola	USD 500	500	4.560%	2025
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 200	207	0.190%	2022
Paraguay	Republic of Paraguay	USD 280	280	4.630%	2023 (r)
Uruguay	Puerta del Sur	USD 200	200	6.875%	2032
Chile	Santander Chile	CHF 150	161	0.380%	2022
Dom. Republic	Dominican Republic	USD 500	500	5.500%	2025 (r)
Dom. Republic	Dominican Republic	USD 500	500	6.850%	2045 (r)
			10,495		
May-15					
Mexico	JB y Compania	USD 500	500	3.750%	2025
Brazil	VotoCim (Votorantim Group)	EUR 500	564	3.500%	2022
Ecuador	Republic of Ecuador	USD 750	750	10.500%	2020
Chile	LatAm Airlines	USD 845.213	845	4.200%	2029
Chile	LatAm Airlines	USD 175.61	176	4.500%	2025
Chile	Banco de Credito e Inversiones	CHF 150	164	0.250%	2020
Brazil	Itaú Unibanco	USD 1000	1,000	2.850%	2018
Chile	Republic of Chile	EUR 440	456	1.625%	2025 (r)
Chile	Republic of Chile	EUR 950	1,082	1.875%	2030
Mexico	America Movil	EUR 3000	3,367	0.000%	2020
Brazil	JBS	USD 900	900	5.750%	2025 NC5
Supranational	CAF Development Bank of Latin America	NOK 1000	129	3.050%	2035
Supranational	CAF Development Bank of Latin America	AUD 150	115	4.500%	2025
Brazil	BRF Brazil Foods	EUR 500	549	2.750%	2022
			10,597		
Jun-15					
Brazil	Petrobras	USD 2500	2,500	6.850%	2115
Brazil	Globo	USD 325	325	4.843%	2025
Argentina	Province of Buenos Aires	USD 500	500	9.950%	2021
Chile	LatAm Airlines	USD 500	500	7.250%	2020
Mexico	Comisión Federal de Electricidad (CFE)	MXN 9000	575	7.350%	2025 (r)
Brazil	Embraer	USD 1000	1,000	5.050%	2025
Mexico	Comisión Federal de Electricidad (CFE)	USD 700	700	6.125%	2045
Peru	Metro de Lima Linea 2	USD 1155	1,155	5.875%	2034
Brazil	Oi	EUR 600	678	5.625%	2021
El Salvador	Banco Agricola	USD 300	300	6.750%	2020
Panama	AES Panama	USD 300	300	6.000%	2022
Colombia	Ecopetrol	USD 1500	1,500	5.375%	2026
Mexico	Grupo Posadas	USD 350	350	7.875%	2022 NC4
			10,383		

Source: LatinFinance (Bonds Database).

Notes:

(r): retap.

NC4: only callable after 4 years.

NC5: only callable after 5 years.

Q2 2015 Total **31,475**
H1 2015 **62,012**

**TABLE 5:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
THIRD QUARTER OF 2015**

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Jul-15					
Peru	Corporacion Financiera de Desarrollo S.A. - Cofide	USD 600	600	4.750%	2025
Peru	Corporacion Financiera de Desarrollo S.A. - Cofide	USD 200	200	3.250%	2019 (r)
Chile	AES Gener	USD 425	425	5.000%	2025
Mexico	Pemex	USD 525	525	2.460%	2025
Mexico	Kansas City Southern de Mexico	USD 300	300	4.950%	2045
Jamaica	Republic of Jamaica	USD 1350	1,350	6.750%	2028
Jamaica	Republic of Jamaica	USD 650	650	7.875%	2045
Caribbean	Sable International Finance	USD 750	750	6.875%	2022 NC3
			4,800		
Aug-15					
Barbados	Sagicor	USD 320	320	8.375%	2022 NC4
Supranational	CAF Development Bank of Latin America	CHF 200	205	0.450%	2023
Peru	Republic of Peru	USD 1250	1250	4.125%	2027
			1,775		
Sep-15					
Supranational	Central American Bank for Economic Integration (CABEL)	TRY 145	50	10.550%	2019
Chile	Codelco	USD 2000	2,000	4.500%	2025
Colombia	Republic of Colombia	USD 1500	1,500	4.500%	2026
			3,550		

Source: LatinFinance (Bonds Database).

Q3 2015 Total **10,125**

Notes:

2015 YTD **72,137**

(r): retap.

NC3: only callable after 3 years.

NC4: only callable after 4 years.

**TABLE 6:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FOURTH QUARTER OF 2015**

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Oct-15					
Mexico	Banco Nacional de Comercio Exterior (Bancomext)	USD 1000	1,000	4.375%	2025
Uruguay	Oriental Republic of Uruguay	USD 1205	1,205	4.375%	2027
Chile	Banco de Chile	HKD 608	79	3.045%	2025
Peru	Republic of Peru	EUR 1100	1,200	2.750%	2026
Mexico	Nacional Financiera (NAFIN)	USD 500	500	4.950%	2020
			4,800		
Nov-15					
Mexico	Fibra Terrafina	USD 425	425	5.250%	2022
Supranational	CAF Development Bank of Latin America	EUR 750	819	1.000%	2020
Supranational	CAF Development Bank of Latin America	NOK 800	93	3.050%	2030
Mexico	Grupo Televisa	USD 300	300	4.625%	2026
Mexico	Grupo Televisa	USD 900	900	6.125%	2046
Mexico	Pemex	CHF 600	591	1.500%	2020
Argentina	Banco Hipotecario	USD 200	200	9.750%	2020
			3,328		
Dec-15					
N/A					

Source: LatinFinance (Bonds Database).

Q4 2015 Total **7,311****2015 YTD** **79,448**