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ASIA

India

India bond yields at 4-wk peak after auction

- * **Need to support growth, contain inflation - Fin Min**
- * **Cbank may hike cash reserve ratio in Oct - Morgan Stanley**
- * **10-yr bond yield seen around 7.25-7.40 pct next week-trader**
- * **Aug industrial output due Monday seen up 9.2 pct y/y**

By Neha D'silva

MUMBAI, Oct 9 (Reuters) - **Indian federal bond yields rose to four-week highs on Friday after disappointing bond auction results raised concerns about the strength of demand in a market already nervous about a central bank policy review on Oct. 27.**

The benchmark 10-year bond yield ended at 7.32 percent, just off the day's high of 7.33 percent which was its highest since Sep. 14. It had ended at 7.22 percent on Thursday.

The yield rose 10 basis points this week.

Volumes were 56.45 billion rupees (\$1.2 billion) on the central bank's trading platform.

At Friday's 100 billion rupee (\$2.2 billion) bond auction, primary dealers who underwrote the sale had to buy 7.3 billion rupees of bonds to cover a shortfall in bids. **"There is no chance of interest rates coming down from here and the only positive move that can come is if the hold-to-maturity (HTM) limit is hiked," said Anoop Verma of Development Credit Bank.**

He expected the 10-year yield to trade in a 7.25-7.40 percent range next week.

Banks are hoping for an increase in the amount of bonds they can place in a HTM account free of mark-to-market requirements.

An increase, which the central bank has said it is considering, would limit banks' portfolio losses given 10-year yields have risen about 200 basis points in 2009, and should also support demand for the government's record bond issuance in 2009/10.

Also worrying bond traders is the risk of monetary policy being tightened, after the central bank governor said there was broad agreement expansionary settings in India needed to be wound back and following a rate rise in Australia on Tuesday.

Finance Minister Pranab Mukherjee said a balanced approach on interest rates was needed to support growth and contain inflation.

Morgan Stanley said in a report on Friday the RBI might raise the cash reserve ratio, the amount of funds banks have to keep on deposit with it, by 50 basis points, at its Oct. 27 review.

Morgan Stanley expects the central bank to hike the repo rate by 150 basis points in 2010, with the first rise in January.

Traders said industrial output data will be watched on Monday as it is expected to accelerate to 9.2 percent year-on-year, picking up from a provisional 6.8 percent rise in July's data.

In interest rate futures on the National Stock Exchange (NSE), the December contract was implying a yield of 8.02 percent, near Wednesday's close of 8.0119 percent.

The benchmark five-year interest rate swap at 6.85/90 percent, up from its previous close of 6.81/86. (\$1 = 46.4 Rupees)

(Editing by Jarshad Kakkrakandy)
(neha.dsilva@thomsonreuters.com; Tel: +91 22 6636 9033; Reuters Messaging: neha.dsilva.thomsonreuters.com@reuters.net)) ((If you have a query or comment on this story, send an

email to news.feedback.asia@thomsonreuters.com)
Keywords: MARKETS INDIA MONEY/

Indonesia

Islamic Bond Auction Targeted to Raise IDR6 Trillion

07 October 2009

Provided by: [Bisnis Indonesia](#)

JAKARTA: The government will put Islamic T-bonds into auction and target to raise IDR6 trillion fund by the yearend. Two new series, IFR003 and IFR004, will mark the beginning of the auction on October 13.

Islamic T-bond series IFR0003 is a six-year bond, IFR0004 is an 11-year bond. Previously, the government issued Islamic T-bond series IFR0001 and IFR0002 last year and retail Islamic bond SR001 in February this year.

"It is around that IDR6 trillion. We will make four auctions until November, each of which is targeted to raise IDR1.5 trillion," revealed Director of Islamic Financing at the Department of Finance Dahlan Siamat to Bisnis yesterday.

He explained the smaller indicative target compared to IDR2 trillion indicative target for conventional T-bond was attributable to the fact that other T-bond series were more mature.

However, he continued, Islamic T-bond auction next year would not be as frequent as this year's twice a month. He added Islamic T-bond auction next probably would only take place once a month.

He explained number of Islamic T-bond auction bidders had so far reached 14 institutions consisting of 10 banks and four securities firms. The government, he inserted, invited other financial institutions to register themselves to join the auction.

Dahlan said that the government only needed request letters from T-bond main dealers to join the auction. "As to new bidder candidates, they have to meet several requirements and procedures established by the Department of Finance."

At the moment, there are five main T-bond dealers that don't participate at Islamic T-bond tender, namely Citibank NA, Deutsche Bank AG, publicly listed PT Bank Central Asia Tbk, publicly listed PT Bank Danamon Tbk, and JP Morgan Chase Bank NA. In the meantime, PT Bank Jabar Banten and publicly listed PT Bank OCBC NISP, becomes the new Islamic T-bond tender participants.

A bond analyst at publicly listed PT Trimegah Securities Ariawan said investors' interest in the Islamic instrument would be bigger than the IDR6 trillion target fixed by the government for this year's indicative target.

He viewed it would be more favorable for the bond market if the government put into auction

the existing bonds. Ariawan argued it would be better to maintain the Islamic T-bond trading liquidity, which currently was still sluggish.

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Indonesia to repay biggest debt since 2004

09 October 2009

Provided by: [Xinhua News Agency](#)

JAKARTA, Oct. 9 (Xinhua) -- **Indonesian government will repay debt worth 127.71 trillion rupiah (about 12.77 billion U.S. dollars) this year, the biggest since 2004, Kompas daily reported on Friday.**

The repayment will decrease debt ratio to gross domestic product (GDP) to 30 percent, according to the report.

"This year's debt repayment is higher than 2008. It is the biggest compared to previous years," Rachmat Waluyanto, director general of the Finance Ministry's debt management, was quoted as saying.

In 2008, the government repaid debt worth 71.948 trillion rupiah (about 7.194 billion dollars), including repurchasing immature state's bonds.

In 2005, the amount of debt repayment decreased to 61.91 trillion rupiah (about 6.191 billion dollars) and in 2006 it increased to 77.74 trillion rupiah (about 7.77 billion dollars).

In 2007, it jumped to 117.609 trillion rupiah (11.76 billion dollars) and in 2007 it reached 103.76 trillion rupiah (10.37 billion dollars).

Dani Setiawan, the coordinator for Anti-Debt Coalition, a non-governmental organization, said that increasing repayment will not reduce all debts as long as strategy in the state budget still depends on loans, according to the report.

Enditem

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Philippine

7-year bond rate may climb

05 October 2009

Provided by: [BusinessWorld](#)

Cautiousness among local market players due to prospects of more national government borrowings could see the rate of the seven-year Treasury bond soar at tomorrow's auction, which may prompt the Treasury to reject bids.

The peso, on the other hand, may sustain its appreciation this week after reaching its strongest in almost five months last week as the dollar remains weak against major currencies.

The Bureau of the Treasury is scheduled to auction P6.5 billion worth of re-issued seven-year T-bonds.

Bond traders interviewed on Friday expect bids to range from 7.25% to 7.5%, up from the 7% that retail Treasury bonds (RTB) of the same tenor fetched at the Sept. 15 auction.

The Philippine Dealing System Treasury Fixing yield (PDSTF) for seven-year T-bonds - the rate used by traders in repricing debt securities - closed at 7.3625% on Friday, way above the 6.05% that papers of the same tenor fetched on March 17.

One trader said secondary market rates moved up last week on concerns the government may have to borrow P10 billion to supplement a P2 billion calamity fund that has dwindled to P27 million. This could result in the government exceeding its programmed deficit of P250 billion this year.

"The market was cautious [last week] and the sentiment might carry on [this week]. The bids will be higher," he said. "It will be up to the Treasury if it will accept the bids. I don't think it will get good bids."

Another trader said investors are still reeling from the recently concluded RTB offering.

The government raised a total of P114.4 billion from RTBs, with placements in three-year papers totaling P34.84 billion while subscriptions to the five-year paper reached P50.19 billion, and to the seven-year RTB, P29.37 billion.

"Market players are still trying to readjust their holdings. A rejection can provide relief for the market," the second trader said.

He said secondary market rates will continue to rise if the government accepts higher bids.

Meanwhile, the peso may strengthen to the P46.80 level this week after nearly breaking the P47-per-dollar barrier on Friday.

The peso closed at P47.10 that day, a 0.45% appreciation from the previous week's close of P47.315, as investors flocked to risky assets on the improving outlook on the global economy.

Jonathan L. Ravelas, chief market strategist at Banco de Oro Unibank, Inc. said there will be a test of P46.80 before the peso bounces back to P47.50.

However, a currency trader said the peso may be off to a weaker start as the less favorable employment data in the US released on Friday night might trigger risk aversion among investors.

Unemployment rate in the US reached 9.8% in September, the worst in 26 years.

"There might be a correction [because the employment data] was worse than expected," he said.

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BusinessWorld

South Korea

S. Korean bond issuance expands 15.7 pct in Sept.

07 October 2009

Provided by: [Asia Pulse](#)

SEOUL, Oct 7 Asia Pulse - **South Korea's bond issuance increased 15.7 per cent in September from a month earlier due to increased debt sales by the central bank and companies, the bourse operator said Wednesday.**

The government, state enterprises and private companies sold a combined 66.82 trillion won (US\$57 billion) worth of bonds last month, compared with 57.74 trillion won in August, according to the Korea Exchange (KRX).

The value of the nation's outstanding bonds came to 1,009.34 trillion won as of the end of September, surpassing the 1,000 trillion won level for the first time ever, the KRX said.

South Korea's bond yields were mixed last month with short-term interests adding gains while longer-term bonds shed ground.

"Yields on bonds with a maturity of more than five years closed lower due to remarks by the president and the finance minister that exit strategies are premature and sluggish figures in industrial output data," the KRX said. Short-term yields, however, climbed on an imminent interest lift by the Bank of Korea, it added.

As of end-September, the benchmark yield on five-year government bonds stood at 4.81 per cent, down 0.1 percentage point from a month earlier while the return on three-year Treasuries added 0.01 percentage point to 4.39 per cent.

(Yonhap) cg

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S. Korea's Ceiling on FX Stabilization Bond Likely to Be at \$2 Billion in 2010

08 October 2009

Provided by: [Maeil Business Newspaper](#)

South Korea is expected to lower the ceiling on the issuance of foreign exchange stabilization bond for next year by one third of this year.

According to the Ministry of Strategy and Finance (MSF) on Thursday, the South Korean government has set the ceiling of FX stabilization bond at around \$2 billion (or 2.33 trillion won) in its 2010 operation courses on the FX stabilization fund submitted to the National Assembly on October 1.

Under the plan, a total of 2.46 trillion won was reflected based on the won-to-dollar exchange rate (1,230 won per dollar) fixed in the government budget draft.

The newly adjusted amount is around one third of 2009 ceiling (\$6 billion, or 6.6 trillion won). The issuance ceiling is interpreted to have declined with FX reserves recovered to the pre-crisis level and conditions on foreign currency liquidity improved.

'The ceiling on the issuance has substantially dwindled compared to this year when the economy faced an unprecedented crisis, but is larger than those of average years (around \$1 billion),' said a MSF official.

South Korea had annually issued \$1 billion worth of FX stabilization bond -- in terms of dollar -- from 2003 to 2006 subsequent to issuing the \$4 billion scale bond in 1998 immediately after the Asian financial crisis. The FX stabilization fund bond had not been issued in 2007 and the government had failed to issue the bond worth \$1 billion right before the outbreak of financial crisis last year amid a deteriorating global financial market.

Coming into this year, the government has issued the bond worth \$3 billion in April among the total ceiling of \$6 billion -- the remaining \$3 billion worth of bond has not been issued yet.

The government is said to be planning to review the issuing of Islamic bonds (Sukuk) once the bill incorporating tax benefits over Sukuk is passed.

[translated by Eun-jung Kim, edited by JYJ]

[http://news.mk.co.kr/newsRead.php?year=2009&no=523677'](http://news.mk.co.kr/newsRead.php?year=2009&no=523677)

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Maeil Business Newspaper

Taiwan

Taiwan's 10-year bond yields hit record low

08 October 2009

Provided by: [Reuters News](#)

*** 10-year bond yields hit record low of 1.309 percent**

*** Foreign investors banking on Taiwan dollar's further rise**

*** Funds flow into Asia on economic recovery hopes**

By Jeanny Kao

TAIPEI, Oct 8 (Reuters) - **Yields on Taiwan's 10-year treasury bonds hit a record low on Thursday as a result of foreign fund inflows to Asia on expectations the region's economies would recover faster than other parts of the world, dealers said.**

Foreign institutions have been actively investing in Taiwan's financial markets as part of plans to profit out of an expected rise in the Taiwan dollar, they said.

Yields on Taiwan's 10-year bonds fell to a record low of 1.309 percent in late trade before

eventually closing at 1.3110 percent, 2.88 basis points lower, with prices rising on brisk demand. **"Foreign funds are flocking into the bonds market not only because of expectations of an improvement of the economy. It's also because of forex levels," said a bond dealer in Taipei.**

Foreign institutions have been actively entering Taiwan's forex markets over the past week or so after the central bank said last week that the Taiwan dollar's rise this year was smaller than other regional currencies, with dealers expecting the currency to firm further. But under central bank regulations, foreign institutions can only park Taiwan dollars in their bank accounts for a limited amount of time and need to invest the money in financial instruments in Taiwan.

Apart from investing in offshore non-deliverable forwards markets, foreign institutions have been putting their money in stocks and bonds in the island as they hope to gain from a strengthening Taiwan dollar.

The Taiwan dollar rose to T\$32.095 to the U.S. dollar by the lunch break on Thursday on foreign fund inflows and exporters' deals.

(Writing by Lee Chyen Yee; Editing by Jonathan Hopfner)

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Thailand

Bond Outlook

08 October 2009

Provided by: The Nation (Thailand)

Bearishness looms

The Public Debt Management Office announced its supply plans for fiscal year 2010 in mid September, removing some market uncertainty. To summarise, it needs to raise a total of Bt801 billion in fiscal year 2010, of which Bt350 billion is earmarked to fund the budget deficit, Bt181 billion is for refinancing needs and Bt270 billion is to fund the fiscal stimulus package (SP2).

The government will issue Bt370 billion of government bonds, Bt100 billion of savings bonds and Bt61 billion of promissory notes, totalling Bt531 billion.

The remaining Bt270 billion, used to fund SP2, will be raised mostly via bank loans (as well as savings bonds and promissory notes), with no government/loan bond issuance involved.

The key takeaway here is that government bond issuance of Bt370 billion is somewhat lower than initial estimates of around Bt500 billion, since the legal technicalities surrounding the fiscal stimulus bill (SP2) mean that it cannot be funded via government bonds (loan bonds).

Thus, this announcement should reduce market bearishness. However, three consecutive

longend bond auctions - on September 23 and 30 and October 7 - are underpinning bearish market sentiment.

Going forward, we expect the Bank of Thailand to keep rates steady until 2011. That said, rate hike concerns will emerge beforehand, probably sometime in the second or third quarter of 2010. The risk is biased towards an earlier rate hike, particularly since the Reserve Bank of Australia already hiked its policy rate by 25basis points yesterday, highlighting a shift in the policy trend from easing to tightening. Given that we are about to enter a hiking cycle (though it is likely still some months away), and given limited supply concerns at the long end, we expect the Thai government bond yield curve to bearishly flatten.

DANNY SUWANAPRUTI is a rates strategist for Standard Chartered Bank, based in Singapore.

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The Nation (Thailand)

EUROPE

Lower debt supply lifts Czech, Polish bond sales

07 October 2009

Provided by: [Reuters News](#)

*** Lower planned issuance sends investors scrambling**

*** Polish, Czech yields lower, seen supported for now**

By Jason Hovet and Kuba Jaworowski
PRAGUE/WARSAW, Oct 7 (Reuters) - **Demand soared to more than twice the amount of bonds on offer at auctions in Poland and the Czech Republic on Wednesday after slimmer local issuance plans for the rest of 2009 spurred investors to pile into the debt.**

With only handful of debt sales expected for the rest of the year, investors have scrambled for Czech and Polish debt even as expectations build that these governments will flood their markets with more supply next year to cover ballooning fiscal gaps.

Poland sold 4.5 billion zlotys of its OK0112 bonds due in 2012, attracting the highest demand this year at 11.9 billion zlotys (\$4.2 billion). It sold another 900 million zlotys in a top-up round. The average yield stood at 5.115 percent. On the longer end of the bond curve, the Czech Republic sold 8.5 billion crowns (\$488 million) worth of 15-year, 5.70 percent coupon bonds, with demand twice the offer in the first, competitive round and double what it was at a June auction. The average yield fell to 5.276 percent from 6.112 percent.

The two countries are economically sounder than their central European peers, and their finance ministries have scaled back borrowing

plans for the final months of the year after more heavy issues earlier.

The expected lower supply has given a modest boost to bond prices, although strategists have warned that borrowing plans next year to meet spiralling deficits will renew pressure on markets, especially at the longer end of the curve.

"Near-term lower issuance is certainly a main factor. And secondly, local institutions still have cash to deploy," Societe Generale strategist Esther Law said.

"We still have doubts over the sustainability of global growth or the optimism being priced into the market. Given this backdrop that could limit emerging market outperformance."

THE PLANS

Polish bonds have been knocked around the last month as markets have digested news the central budget deficit would double next year. That killed a rally and caused the market to underperform a rise in peers like Hungary, whose debt has firmed behind expectations of deep monetary policy easing moves.

The yield on the Polish bond fell six basis points to 5.09 percent after the auction.

"The two-year bonds are always attractive (for investors) and, what is more, this is the only primary bond tender this month so supply is limited," said Pawel Bialczynski, a fixed income trader at BRE Bank.

Earlier the ministry said it would hold three bond and three treasury bill tenders this quarter. It will also offer road bonds at five auctions in the period. The Czech Finance Ministry will offer 17 billion crowns in October and November, less than the 20 billion crowns-plus offered in some months in the first half of the year.

The Czechs also held their first sale last month of local bonds denominated in euros, giving the ministry another debt tool to tackle next year's borrowing as the fiscal deficit spirals past 5 percent of the economy.

The Czech 15-year bond was little changed on the secondary market after the auction, quoted with a yield of 5.321/5.176 percent, down almost 15 basis points on the day.

Bonds have also found support in the past week from a dovish stance by central bank Governor Zdenek Tuma and Vice-Governor Miroslav Singer, who voted unsuccessfully to continue cutting interest rates at the bank's last meeting.

The bank's main rate stands at a record low of 1.25 percent, and less than a month ago most analysts had expected the central bank to end its easing cycle. Poland is also seen at the end of its policy easing.

(Writing by Jason Hovet; Editing by Ruth Pitchford)
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Czech Republic

State Debt Rises to CZK 1.168 tln as of September

08 October 2009

Provided by: [CIA - Daily News](#)

PRAGUE (CIA) - As of the end of September the state debt of the Czech Republic reached CZK 1.168 tln. Each inhabitant of the Czech Republic thus owes CZK 111,000 on average. The debt has grown by CZK 167 bln since the beginning of this year and it rose by over CZK 30 bln only in Q3 of this year, according to data provided by the Finance Ministry of the Czech Republic.

"Announced targets of the financial programme have been exceeded due to the global financial crisis and a higher need of the government to borrow. The Finance Ministry will flexibly react on government's needs to borrow and the market situation when executing further financing," the ministry said.

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Hungary

Hungary lifts bond sales, tops up auction

08 October 2009

Provided by: [Reuters News](#)

*** Sells HUF 60 bln bonds at auction, plus 22 bln at top-up**

*** Total amount of bonds sold is highest since end July**

By Sandor Peto

BUDAPEST, Oct 8 (Reuters) - **Hungary sold 82 billion forints (\$452.6 million) worth of government bonds at auctions on Thursday, more than planned as demand surged even though Central European currencies were in retreat.**

Traders said demand was fuelled by abundant funds seeking higher yields, a forint government bond expiry of about 300 billion Hungarian forints next week and limited domestic bond supply in the rest of the year.

"It was a heck of an auction," a Budapest-based fixed income trader said. "They (the AKK) could issue many times this amount and the market would just devour it."

The debt agency AKK sold 60 billion forints worth of bonds at the auctions and a further 22 billion at top-up auctions. This was the highest total amount at its bi-weekly auctions since late July.

Yields on the secondary market fell by about 10 basis points by 1230 GMT after the auctions. Demand also soared at Czech and Polish bond auctions on Wednesday. The AKK sold a total 34.2 billion forints worth of three-year 2013/E bonds, above the 25 billion forint initial offer. Its sale of 27.4 billion forints worth of the five-year 2015/A exceeded the original offer by 12.4 billion forints and it sold 20.3 billion forints worth of 10-year 2019/A bonds, twice the amount planned.

Short-term bonds attracted more interest in the past months as the market rallied, driven by expectations for deep central bank interest rate cuts, while the yield curve steepened.

Traders said probably some investors believed that the curve was already too steep.

"The 10-year paper has become relatively cheap, its yield is about 100 basis point over corresponding asset swaps, while that spread is only about 20 basis points on the 2013/E," one trader said.

The average yield on the three-year bond fell to 7.16 percent from 7.4 at auctions two weeks ago, the five-year yield dropped to 7.44 percent from 7.60, while the 10-year yield rose slightly from 7.68.

The 10-year average auction yield of 7.74 percent is still well above the three-year yield, reflecting continued concern that the global market mood may turn gloomier, but foreigners probably bought into the auctions, traders said. **"Usually U.S. investors are the primary risk takers," the trader said. "There is much money out there... you could see that in demand for the Czech auction and Lithuania's new dollar bond."**

(Reporting by Sandor Peto; Editing by Toby Chopra)
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Poland

Poland will protect 55% debt / GDP threshold, prep. 2Y finance reform - FinMin

08 October 2009

Provided by: [PAP Market Insider](#)

Warsaw, October 8, 2009 (PAP) - **Poland will hold its debt to GDP ratio below the 55% threshold to end-2010 and prepare a 2Y public finance reform programme by end-2009, Finance Minister Jacek Rostowski said Thursday.**

"We will not cross the 55% threshold debt to GDP," Rostowski said in a parliamentary debate introducing the 2010 budget draft.

The government will nonetheless proceed to a programme for public finance reform.

"The state of public finance requires constant reform," Rostowski told MP's in the lower house.

By end-year, the government intends to present a "two-year plan for consolidation."

"We will not hold back from introducing further reforms necessary for the development of our economy and the consolidation of spending," he declared.

gty/ maf/ ami

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PAP Market Insider

Romania

IMF: Romania's capacity to repay debt is strong

09 October 2009

Provided by: [Rompres](#)

Bucharest, Oct 9 /Agerpres/ - 'Romania's capacity to repay the Fund is expected to remain strong', the International Monetary Fund experts say in the country report drawn up after Sept. 10, 2009, i.e after the assessment mission headed by Jeffrey Franks, who visited Bucharest over July 29-Aug. 10. The Report was published on the IMF Web site on Friday.

'Romania's capacity to repay the Fund is expected to remain strong. While relative to the original Stand-By Agreement program the external debt will peak at a slightly higher level as a share of GDP due to sharper economic contraction in 2009, the level of reserves will also be higher in light of the faster contraction in the current account deficit and better developments in the capital account,' the Report says.

The IMF experts say that, by the end of the arrangement, Fund exposure to Romania is projected to be about 10 percent of GDP, slightly over 30 percent of gross reserves (compared to about 40 percent under the original program in the Stand-By Agreement).

While this exposure remains large, the associated servicing risks are mitigated by the relatively low level of public debt. Direct public indebtedness is expected to remain relatively low (under 34 percent of GDP), with public external debt peaking at around 13 percent of GDP at end-2010. Total external debt is projected to increase to about 71 percent of GDP at end-2010 (compared to 68 percent under the original program) from about 54 percent at end-2008, but the declining current account deficit and a return to economic growth would gradually reduce it to manageable levels in the medium term, the document says.

The length of Romania's financing agreement with the IMF is 24 months, with the Fund to disburse Romania a total 12.95 billion euros, in eight tranches, out of a support loan of 19.95 billion euros, of which 5 billion euros come from the European Commission, one billion euros from the World Bank and one billion euros from

the European Bank for Reconstruction and Development and the European Investment Bank.

Romania has so far received 6.57 billion euros from the IMF, with the second tranche amounting to 1.85 billion euros.

AGERPRES
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Russia

Russian govt domestic debt in securities up 17.9% in Jan-Sep

05 October 2009

Provided by: [Prime-TASS News \(Russia\)](#)

MOSCOW, Oct 5 (PRIME-TASS) -- **The Russian government's domestic debt in securities increased 17.9% in January-September to 1.676 trillion rubles as of October 1, the Finance Ministry's department for international financial relations, government debt, and government assets said in a report Monday.**

OFZ-AD bonds with a sinking fund provision amounted to 863.377 billion rubles and accounted for 51.51% of the total debt, the department said.

OFZ-PD federal bonds with a fixed yield were at 545.375 billion rubles, or 32.54% of the total debt; GSO-FPS government savings bonds with a fixed coupon rate amounted to 132 billion rubles, or 7.88%; and GSO-PPS savings bonds with a fixed coupon rate were at 135.415 billion rubles, or 8.08%. (30.1240 rubles - U.S. \$1)

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Turkey

New Turkish benchmark bond yield 7.72 pct at auction

06 October 2009

Provided by: [Reuters News](#)

*** Treasury sells 966.7 million lira in benchmark auction**

*** Existing benchmark yield at record low on secondary market**

(Adds details, background)

ISTANBUL, Oct 6 (Reuters) - The Turkish Treasury sold 966.7 million lira (\$660 million) of a new benchmark bond, maturing on Aug. 3, 2011, at an average yield of 7.72 percent on Tuesday, central bank data showed, below a poll forecast of 7.75 percent.

In a tap of a five-year fixed-rate note, maturing on Aug 6, 2014, the Treasury sold 625.8 million

lira at an average compound yield of 10.12 percent, below a forecast 10.25 percent.

It also sold 2.128 billion lira of a seven-year floating rate note (FRN), maturing Sept 28, 2016, at an average price of 100.541 lira, compared with a 100.5 lira forecast.

On the secondary market, the yield on Turkey's existing benchmark maturing on May 11, 2011 fell to an all-time low of 7.59 percent on Tuesday. The bond had already been boosted by two debt auctions on Monday which attracted strong demand.

Including non-competitive sales of the new benchmark, the total net sales volume was 3.970 billion lira, compared with a poll forecast of 3.85 billion lira.

The Treasury faces debt repayments to the market of 14.97 billion lira and repayments to public institutions of 1.71 billion lira on Wednesday.

(Writing by Daren Butler)

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LATIN AMERICA

Argentina

Argentina gets offers to issue debt -- report

04 October 2009

Provided by: [Reuters News](#)

BUENOS AIRES, Oct 4 (Reuters) - **Argentina said it received offers from international banks to issue as much as \$1 billion in debt at a 13.5 percent rate, state news agency Telam reported.**

The offer, which was made to the country's central bank, was for an issue of at least \$500 million, with a 10-year maturity and capital amortization between the seventh and 10th year of the bond, Telam said, citing unnamed sources at the central bank.

The sources spoke to Telam on the sidelines of the World Bank and International Monetary Fund meeting in Istanbul.

According to Telam, the central bank is studying the offer, although its terms are not considered attractive.

Argentina has been shut out of international debt markets largely due to lawsuits from holdouts trying to recover losses after the country defaulted on \$100 billion in bonds eight years ago.

According to the sources, Argentina is not facing difficulties in meeting its financing needs, which in turn does not warrant such a high interest rate.

(Reporting by Vivianne Rodrigues, Edited by Tim Ahmann)
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Argentina needs IMF plan to restructure debt-France

04 October 2009

Provided by: [Reuters News](#)

ISTANBUL, Oct 4 (Reuters) - **Argentina needs to be in an International Monetary Fund programme to conduct talks on restructuring its debt with the Paris Club of sovereign creditors, French Economy Minister Christine Lagarde said on Sunday.**

Argentina owes some \$6.7 billion in defaulted debt to the club. It wants to resolve the issue as part of an effort to get relations with the international community back on track after the country's 2001-2002 economic crisis.

The country can either repay the debt in full, or seek a restructuring, which usually requires a country to be in an IMF programme.

The Paris Club is based in the French finance ministry and France is also one of Argentina's sovereign creditors.

"Our teams will work together but nothing has been done," Lagarde said on the sidelines of the semiannual IMF meetings.

"We are starting to talk to each other under certain conditions, notably of course within the framework of an IMF programme and under the usual conditions."

Argentine Economy Minister Amado Boudou has said it was out of the question to pay down the debt using cash.

Argentina's relations with the IMF have been sensitive for years because the IMF is widely blamed by Argentines for having encouraged policies and a debt overload that later played a part in the country's 2001/2002 economic meltdown.

Argentina ended a standby agreement with the IMF in 2005 and the fund has not been able to carry out a normal annual review of the Argentine economy since 2006 as it does every year for almost all its member countries.

Earlier on Sunday, the IMF told Argentina that its refusal to allow fund experts to review its economy was "somewhat odd," saying that when you are part of a club you should play by common rules.

Argentine Economy Minister Amado Boudou said this week that Argentina is now seeking a review from the IMF, which had been seen by some observers as key to a Paris Club debt restructuring.

However, Lagarde's comments imply that the Paris Club will stick to its rule that a country needs to be following an economic programme endorsed by the IMF before a restructuring can take place.

Argentina has been shut out of international debt markets since its economic crisis, largely

because of lawsuits from holdouts trying to recover losses after the country defaulted on \$100 billion in bonds.

(Reporting by Anna Willard; Editing by Tim Ahmann)
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Moody's: Resolution of Argentina's debt woes would be a positive credit development

08 October 2009

Provided by: [Moody's Investors Service Press Release](#)

Argentina's recent indication that it might seek to resolve outstanding debt issues and return to the international capital markets could eventually improve the outlook on its B3 government bond rating, says Moody's Investors Service in a new report.

"Repaying debt after seven years of default is not in itself a sign of improved long term creditworthiness, but proposals by Argentina to resolve its outstanding debt in default and to address concerns about the quality of its official economic data are an encouraging development," said Moody's Vice President Gabriel Torres, author of the report, which explores how a policy change might lead to positive rating developments within the context of Moody's sovereign ratings methodology.

Argentina's B3 government bond rating is one of the lowest of any country rated by Moody's, and the government remains in default on over \$20 billion of debt from its 2005 restructuring and over \$6 billion in Paris Club debt.

"In the past we have described these issues and concerns about politics and policy implementation as constraining the rating," said Torres. "This was the case even though the country's credit metrics and level of economic development could support a higher rating."

"While no single factor will, by itself, lead to an upgrade, resolution of these long-standing issues will go a long way towards reducing current credit concerns to the extent that they are reflective of an enduring effort to make policies more predictable," said Torres.

"Eliminating some of our major concerns on policy implementation is certainly positive for the credit assessment. A full and permanent implementation of the proposed changes would lead us to consider an improvement in our outlook for the government's rating."

AFRICA

INTERVIEW-Africa's debt up but not yet troubling--IMF

03 October 2009

Provided by: [Reuters News](#)

*** Africa's debt has worsened, but not worrying yet**

*** Growth in Sub-Saharan Africa to reach 5 percent in 2011**

*** Fiscal policies need to adjust once recovery takes hold**

By Lesley Wroughton

ISTANBUL, Oct 3 (Reuters) - **The global economic crisis has increased Africa's debts but the deterioration has not yet reached levels that are a concern, a senior International Monetary Fund official said on Saturday.**

In an interview with Reuters, IMF Director for Africa Antoinette Sayeh said that in countries where debt or high inflation are not a problem, fiscal and monetary policies should remain supportive.

However, she said other countries will need to be ready to shift fiscal policy once a recovery has been established to prevent debts from escalating further.

"We need to be careful because we've already seen some deterioration of debt sustainability indicators in some countries," Sayeh said on the sidelines of the IMF and World Bank meetings here.

"Some of the debt ratios are not looking as good as they did but we expect growth to resume in the next couple of years, so they have not deteriorated to levels that are worrying us," she said.

"We think countries at least for 2010 countries need to look at their budgets in the perspective of the recovery not yet fully underway."

In a report, the IMF said countries in debt distress include the Democratic Republic of Congo, Zimbabwe, Guinea and Liberia. Others with high debts are Central African Republic, Gabon and Burkina Faso.

Africa's debt burden had eased in recent years thanks to international debt relief programs and better economic policies. But the financial crisis and higher food prices last year added to budget pressures, threatening to set back progress these countries made to cut debts and reduce poverty.

The Fund has forecast that growth in Sub-Saharan Africa this year will rise by just 1.1 percent before strengthening to 4.1 percent in 2010 and 5 percent in 2011.

Sayeh, a former Liberian finance minister, said a recovery in Africa would depend on a strong rebound in the global economy, increased global trade, higher commodity prices and a pickup in worker remittances.

"I don't think trade numbers are showing a significant recovery in exports yet, but by next year we're anticipating that will be coming back," Sayeh said.

The IMF report said there are also questions over whether the subdued growth prospects for the global economy might delay Africa's recovery. There are added problems with

droughts in east Africa and flooding in West Africa.

"The outlook is certainly not without risk and it will just have to be managed depending on the pace at which the global economy recovers. If it doesn't recover to the extent that we're expecting, then we're in for a long haul," Sayeh added.

The Fund has said that a global economic recovery has begun, but it has cautioned that the rebound will be sluggish, especially in advanced economies. Both China and India have sharply increased trade and investments in Africa, which could also aid Africa's recovery.

RAND NOT OUT OF WHACK

The IMF report said South Africa's recovery is likely to be slow with growth expected to reach 1.7 percent in 2010 before rising to 3.7 percent in 2011.

Sayeh said the IMF did not think the South African rand was too strong or "out of whack" despite its gains in recent months against a weaker U.S. dollar.

The rand has gained about 20 percent against the U.S. dollar so far this year, gains that South African Reserve Bank Governor Tito Mboweni has repeatedly said could lead to imbalances in the economy.

Asked about debt relief for Zimbabwe, Sayeh said there was talk in some quarters about clearing a portion of the country's multilateral debt, which would not by itself help the country win financing from the IMF and the World Bank.

She said the IMF was encouraged by the significant rise in government revenues in Zimbabwe and a reduction in inflation, but cutting spending on wages presents a challenge. Sayeh said further political and economic reform efforts were needed before it won international support.

Zimbabwe has more than \$1.1 billion in arrears to creditors, including the IMF, World Bank and African Development Bank.

(Reporting by Lesley Wroughton; editing by Tim Ahmann)

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Nigeria

Nigeria FinMin-Planned bond put-off after W.Bank loan

04 October 2009

Provided by: [Reuters News](#)

ISTANBUL, Oct 4 (Reuters) - **Plans for a \$500 million naira-denominated bond have been put off for now, Nigerian Finance Minister Mansur Muhtar said, as a \$500 million loan from the World Bank would help meet medium-term funding needs.**

"The bond has been stepped down. It hasn't been completely abandoned but now is not the

best time to go out there for a debut issue. But we have the \$500 million loan agreement from the World Bank which will help with medium-term financing."

(Reporting by Alexandra Hudson)

Nigeria to issue 75 bln naira in bills, 1-yr bond

08 October 2009

Provided by: [Reuters News](#)

LAGOS, Oct 8 (Reuters) - Nigeria plans to issue 75 billion naira (\$512 million) in 91-day, 182-day and 364-day treasury bills next Wednesday as part of its money supply control measures, the central bank said on Thursday.

The central bank said it would auction 15 billion naira in the 91-day bill, 30.55 billion naira in the 182-day bill and 30 billion naira in 365-day bond, using the Dutch Auction System.

The auction results are expected to be released on Thursday.

The regulator said it could vary the amount on offer in line with market realities at the time of the auction.

Nigeria, sub-Saharan Africa's second biggest economy, previously issued treasury bills each week as part of measures to control money supply, curb inflationary growth and help banks manage their liquidity.

But the central bank has reduced the frequency of its issuance since January because of declining money supply (M2) and tight liquidity in the economy.

(Reporting by Oludare Mayowa; Editing by Randy Fabi)
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Nigeria's Niger state issues 6 bln naira 2014 bond

LAGOS, Oct 8 (Reuters) - A 6 billion naira (\$41 million) 5-year bond issued by Nigeria's central state of Niger for infrastructural development has been fully underwritten, the issuing houses said on Thursday.

"The bond is 100 percent underwritten on a firm (by firm) basis," the issuing houses -- Nigeria's BGL Plc and Zenith Capital, and Russia-based Renaissance Securities Ltd 's local unit said in a statement.

The estimated 5.53 billion naira expected to be raised from the bond after the deduction of issuing costs, would be used to rehabilitate and build new roads in the state, the statement said.

The bond is open to foreign institutional and local investors. The issuing houses have also applied to the Nigerian Stock Exchange to list the bond for trading.

Niger is one of five states in sub-Saharan Africa's second biggest economy to have launched bonds since last December as Nigerian

pension funds and asset managers become comfortable with fixed income and less reliant on equities in their portfolios.

Nigeria's federal government introduced a 20-year paper last November which established a benchmark yield curve, allowing some of the country's 36 states to take advantage of investor interest in debt and issue their own bonds.

More state bond issues are expected later this year.

Nigerian fund managers have been switching into government debt from equities in recent months, partly to recoup losses on the stock market, which is down around 50 percent from its peak in March last year.

Yields on the 20-year federal government bond have fallen from around 13 percent to 10 as demand has increased, while state bonds have even more attractive coupons.

Lagos state, Nigeria's commercial capital and its most populous city, plans to issue a second naira bond this year after its 50 billion naira issue last December was over subscribed.

An 18.5 billion naira bond by the southeastern state of Imo, the first tranche of a planned 40 billion naira medium-term issuance programme to finance water and road projects, and the construction of a new conference centre, was also fully subscribed in August.

(Reporting by Chijioke Ohuocha and Tume Ahemba; Writing by Tume Ahemba; Editing by Toby Chopra/Ron Askew) ((Reuters Messaging:tume.ahemba@reuters.com; Lagos newsroom tel: +234 1 463 0257)) (\$ = 146.51 naira)

ANALYSIS

India

Bond yields rise on Credit Policy concerns

05 October 2009

Provided by: [Business Line \(The Hindu\)](#)

Stress on net interest margin may see banks cutting short-term deposit rates

C. Shivkumar

Bangalore, Oct. 4: Bond yields resumed their upward momentum as banks and mutual funds sold some of their holdings ahead of the peak season Credit Policy.

Traders said the uptick in yields was also partly triggered by fears that the Reserve Bank of India was likely to initiate an exit from the easy liquidity policy. The concerns were also reinforced by the high food price inflation in the country. Food price inflation remains close to 16 per cent. Besides, statements that wholesale price index rise was likely to accelerate to 6 per

cent before the end of this fiscal, by Ministry of Finance Economic Advisor, Mr Arvind Virmani, also made traders nervous.

Capital inflows

But foreign capital inflows sustained during the week, though they were largely driven by Participatory Notes. The inflows, traders said, accelerated after the G-20 meeting concluded in Pittsburgh. The meeting had called for eliminating regulatory arbitrage around the world and making banking haven operations transparent. As a result, FII inflows last week were \$855 million (Rs 4,104 crore).

However, there were little export inflows. Export growth actually contracted 19.4 per cent in August. Yet the rupee remained firm at Rs 47.86 (Rs 47.98) against the dollar on the back of non-debt capital inflows. But imports also continued to contract. In August, import contraction was 32 per cent. Non-oil imports fell 26 per cent. This trend was evident from the direction of the forward premia. Forward premia eased slightly, last weekend indicating that few importers were taking cover. But exporters were also not hedging either.

Forward premia

As a result, forward premia for one, three and six months eased slightly to 2.67 per cent (2.78 per cent), 2.78 per cent (2.86 per cent) and 3.02 per cent (3.10 per cent) respectively. Most of the hedging was entirely on the capital account, by corporate settling or refinancing external liabilities, leading to a slight hardening of 12-month forward premia to 3.12 per cent (3.08 per cent).

Short forward premia remained firm at 2.35 per cent (2.33 per cent) as foreign banks took advantage of the long weekend in the Indian markets and resorted to sell-buy swaps, for arbitraging on the RBI's reverse repo rate at 3.25 per cent. The outlook for exchange rates remained stable, though with a slight upside bias in the coming weeks. Traders said that more inflows are expected through PNs. But banks are also seeing inflows from non-resident deposits, mostly short-term deposits. Traders said that these funds were mostly coming in for taking advantage of the IPOs expected in the next few weeks from some public sector undertakings.

This expectation was reinforced by trends in the Non-Deliverable Forward market (NDF is the offshore rupee trading where settlement is done in foreign currency, mostly in US dollars), where the rupee-dollar rate closed the week at Rs 47.83 (Rs 48.15) or about three paise above the spot exchange rate. The rupee's upside, however, was likely to face resistance, according to the HDFC Bank's treasury and economic research report.

The report said, "Any sustained move below the 47.50 mark is unlikely at this stage because of the key reasons: (a) global oil prices are likely to increase over the next quarter and act as a natural resistance to significant rupee

appreciation, (b) we believe that the equity market valuations are entering bubble territory and this will trigger selling both in the stock and foreign exchange markets."

Tightening of liquidity

The capital inflows notwithstanding, liquidity slightly tightened last week. This was despite the absence of government borrowing. The tightening was evident from a compression in the recourse to the reverse repurchase window.

Recourse to the reverse repo was only Rs 80,265 crore. Till September-end, the amount parked in reverse repos had topped Rs 1 lakh crore. Traders said that the tightening was partly on account of banks' attempts to shore up their loan books ahead of the second quarter.

Most credits though are short-term loans. Redemption of the loans was expected to translate into a liquidity overhang once again. Expectation of the overhang was evident from the Treasury Bill auctions.

The cut-off yield on the 91-day T-bill dropped to 3.15 per cent, down from the previous week's 3.40 per cent. The softening trend was also discernible in the 182 day T-bill, where the cut-off yield was 3.8 per cent.

A fortnight ago, the cut-off yield on the 182-day bill was 4.03 per cent. The ten-year yield to maturity, however, ended the week at 7.21 per cent on a weighted average basis, up from the previous week's 7.12 per cent.

Average daily trade volumes dropped sharply last week to Rs 14,500 crore (Rs 16,200 crore). Traders said that the drop in trade volumes were largely on account of selling pressure from mutual funds anticipating repurchase pressures from banks. Banks' outstanding holdings of mutual fund units were about Rs 1.56 lakh crore. But last week was marred by holidays and had only two trading days. Equity trade volumes remained high averaging about Rs 20,000 crore per day. Traders said selling by banks and funds was also partly triggered by the RBI's calendar for the second half of the current year.

So far, the RBI has completed about 66 per cent of the gross borrowing target. Average borrowing is expected to be around Rs 7,000 crore per week or about Rs 3,000 crore lower than the first half. Traders said most of them expected to churn their investment portfolios.

The outlook for bonds remained buoyant, as a result. Most traders also expected the RBI to restore the Statutory Liquidity Ratio (the quantum of mandated G-Sec investments by banks as a component of their deposits) to 25 per cent. At present, it is 24 per cent.

This was partly to facilitate the Government borrowings. An SLR hike was possible, traders said, in view of the already high investment-deposit ratios of banks. Banks currently have investment-deposit ratios of close to 33 per cent. Incremental IDR this year so far is 72 per cent. An SLR hike would, therefore, have a minimum impact on the weak credit, though at same time conveying a signal of interest

stability. **"The options for hiking policy rates to contain inflation are very limited in a weak credit off-take environment," a trader said. Hikes in the cash reserve ratio (CRR - mandated bank cash balances as a component of deposits) was also ruled out for the same reason.** Policy rate hikes or CRR hikes tend to have a pass through impact, leading to higher rates with the potential to further dampen the credit environment. Already most banks are operating under an incremental credit- deposit ratio of barely 19 per cent and stressed net interest margins (NIM). The stress prompted banks to park funds in short-term loans with the corporate and also pick up of corporate debt to boost their asset books. This was evident from the increased corporate debt trade volume in the NSE that was close to Rs 1,000 crore per day last week. To mitigate NIM stress the banks are expected to further cut-back short-term deposit rates. The focus has shifted to long-term deposits. This trend was evident from banks

insisting on one-year certificates of deposits, though rates were on the retreat to about 5.75 per cent. This is likely to fall further in the coming weeks in tandem with mounting inflows.

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For any information, please contact the **PDM Network Secretariat** Publicdebtnet.dt@tesoro.it