

Emerging Sovereign Bond Markets NEWS

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Asia unlikely to face sovereign debt issues can safely spend to spur recovery

05 March 2010

Provided by: [Channel NewsAsia](#)

SINGAPORE: Asia is unlikely to face the sovereign debt difficulties seen in Europe. According to analysts, countries in this region can be expected to continue spending in order to support the economic recovery.

With GDP growth for the region expected to rise, they said Asian economies will have a sizeable buffer to support fiscal stimulus.

The fiscal troubles of Greece have put the spotlight on runaway government spending.

But observers said Asian countries are unlikely to face the problem of an unsustainable sovereign debt.

This, despite massive stimulus measures by governments in the region to prop up the economy even for countries with high debt ratios.

P.K. Basu, chief economist, Research Department, Daiwa Capital Markets Singapore, said: "In Japan for instance, there is a great amount of public debt. Public debt to GDP ratio is about 170 per cent. But all of it is owed to Japanese lenders and therefore is not going to cause a sovereign debt crisis."

They note that in comparison, Greece owes money to external debtors which cannot be rolled over through issuance of more currency without permission from the European Central Bank.

Experts added that Asian economies have the advantage of growth potential to offset any government spending.

Bernard Lee, visiting associate professor (Practices), SMU, Sim Kee Boon Institute for Financial Economics, said: "In Asia, this is still one region where we are seeing the creation and accumulation of wealth, India which is still very much a growth country. It has a pool of engineering talent, especially in software, and its foreign reserves are at about 10 per cent of its GDP."

With seven of the top ten economies hosting the largest foreign reserves China, Japan, Taiwan, India, South Korea, Hong Kong and Singapore situated in Asia, experts said the region also has a substantial fiscal buffer.

And observers said the big question now is not how Asian governments manage their finances but how economies can be restructured to take into compensate for the slow growth in consumer Western economies.

China and India stand as clear alternatives but must be cultivated carefully to maximise their limited consumer capacities.

- CNA/vm

China

China to strengthen regulation on local debt-financing activities

06 March 2010

Provided by: Xinhua's China Economic Information Service

BEIJING, Mar. 6 (Xinhua) -- China will strengthen its regulations over local debt and standardize local financial activities as well as financing companies, the country's Minister of Finance said on Friday in Beijing.

Xie Xuren, the Minister of finance, made the remarks on the sidelines of the annual session of the National People's Congress (NPC), the country's top legislature.

Besides, heads of the National Development and Reform Commission and the People's Bank of China also expressed their concerns over the risk of local financing platforms.

The standardization of local financing might have some effects on the bonds issued by local urban investment companies, which are established to help raise funds for local investment, said market analysts.

Feng Jia, an analyst with First Capital, noted that the issuance of bonds which are securitized with accounts payables would be subject to some limitations, while those already issued may see their yields fall 100 basis points.

Feng added that the standardization of local financing would enhance the repayment abilities of bond issuers and thus help boost ratings. This would help their yields approach those of local government bonds.

However, Li Jieming, a bond analyst with Sealand Securities, argued that the benefit is limited, "unless the implicit securitization for bonds becomes explicit."

(Edited by Zhu Zhu, zhuzhu2007@xinhua.org)
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Xinhua's China Economic Information Service

Hong Kong

HK in talks for regular yuan sovereign bond issues

04 March 2010

Provided by: [Reuters News](#)

HONG KONG, March 4 (Reuters) - Hong Kong is in talks with China to launch regular yuan sovereign bond issues in the city, with a new issue expected within a year, a Hong Kong financial services official said on Thursday.

"We hope to see renminbi sovereign bonds as a regular programme and not a one off," Julia Leung, undersecretary for financial services and the treasury, told Reuters.

"Hopefully they will come again this year," she told Reuters in an interview, referring to China's Ministry of Finance.

[To see the TV interview: <http://link.reuters.com/veg33j>]

Last year, China launched its first yuan sovereign bond issue in Hong Kong, worth 6 billion yuan (\$878.9 million), and recently allowed the Chinese subsidiaries of Hong Kong banks to issue bonds denominated in yuan, which is also referred to as renminbi. Previously, only Chinese banks could do so.

The issue proved popular -- around three times oversubscribed -- with analysts saying it reflected Beijing's desire to deepen Hong Kong's bond market and further develop the city into a major offshore yuan services hub for trade and investments.

Hong Kong's burgeoning yuan role is seen as part of China's longer-term strategy to internationalise its currency. Last year, the country launched a pilot scheme to allow yuan trade settlements for several hundred firms, many of them in the Pearl River Delta, which churns out a third of the country's exports. Beijing has also signed yuan swap deals with half a dozen overseas central banks.

CORPORATES EYE YUAN DEBT

In recent months, the scope of yuan services in Hong Kong has widened, with mainland firms now allowed to make direct yuan investments in the city and Hong Kong corporations able to issue yuan-denominated debt.

Leung said many firms were now attracted to the idea of issuing yuan-backed corporate debt in Hong Kong given the lower cost of borrowing relative to mainland China.

She cited the case of a listed company who said its borrowing costs were at least 5 percent on the mainland, whereas the pricing range in Hong Kong was expected to be around 3 percent, given low interest rates for yuan deposits and spreads for last year's yuan sovereign bond issue set at 2.3 percent.

Getting approval to issue a bond on the mainland also tends to be complicated, which could give a competitive advantage to Hong Kong, where firms would face less red tape. If they planned to remit their yuan funds to mainland China, however, approval would still be needed from Beijing.

"We'd certainly like to see more corporate issues," said Leung.

Leung also said the Hong Kong Stock Exchange expected yuan denominated shares to be traded in Hong Kong within three years.

"I understand that renminbi equity products is in their three- year strategic planning," she said. "It makes sense."

In December the amount of yuan trade

settlements in Hong Kong jumped sharply to HK\$1.3 billion, whereas in the previous four months, the average monthly figure had hovered around the HK\$100 million mark, Leung said.

"We hope to solidify the gains in this area to actually be able to expand and broaden this pilot and in the process accumulate renminbi deposits, liquidity in Hong Kong," she said. Leung decline to say how much the market might grow in the future.

Analysts expect the scale of such yuan-denominated services and investment products to increase in the coming years, which would likely boost the circulation of yuan in the city's economy. Yuan deposits in Hong Kong totalled HK\$64 billion at the end of January.

(Editing by Don Durfee and Tomasz Janowski)
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India

Bond yields may harden further

04 March 2010

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

Manish Basu

Kolkata, March 3

The interest rates in the bond market is expected to harden by another 30 to 40 basis points on an average by the end of the first quarter of 2010-11, according to mutual fund experts.

This phase of hardening of yields may however be the last in the cycle and the yields may start moving southward in the second half of 2010-11 with the fiscal deficit inching towards the targeted levels of 4.8 per cent, they say.

Yields have firmed up by nearly 300 per cent over the last 14 months.

"Supply side pressure in the bond market may push up the yield on 10-year bonds by 30 to 40 basis points between now and June-July," Ms Lakshmi Iyer, Head- Fixed Income and Products, Kotak Mahindra Asset Management Co. Ltd, said.

Concerns over inflation due to the fuel price hike would also add to the supply side worries, she added.

"A bulk of the Government borrowing is expected to be front-loaded and the interest rates are expected to be upwards of 8 per cent level in the first half of the next financial year," Ms Iyer said. The 10-year weighted yield of bonds is now at 7.9 per cent.

"The pressure on bond market is expected to be lower in the second half of 2010-11. With an increase in the demand for bonds from different financial institutions and expected participation by the RBI to meet Centre's borrowing schedule,

the yield curve may move southward starting from the second quarter," Mr Sujoy Kumar Das, Head, Fixed Income, Bharti AXA Investment Managers, said.

The net borrowing by the Centre in 2010-11 has been projected to be in the range of Rs 3.45 lakh crore. "This would mean a week-on-week borrowing of Rs 12,000 crore to 13,000 crore," Ms Iyer said. The expected rise in yields would render guild and bond funds attractive investment avenues in the first half of 2010-11, she said. Mutual funds contribute 5-10 per cent to the country's demand and supply of bonds.

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Business Line (The Hindu)

Indonesia

Indonesia to slightly raise 2010 debt target

02 March 2010

Provided by: [Reuters News](#)

JAKARTA, March 2 (Reuters) - **Indonesia plans to sell more bonds this year to fund a higher budget deficit target, a finance ministry official said on Tuesday, after the government indicated fuel and electricity price hikes may be delayed to next year.**

The head of the finance ministry's debt office, Rahmat Waluyanto, told Reuters the ministry expected to raise its bond issuance target by 1.2 trillion rupiah (\$129.7 million) to 176.2 trillion rupiah. The bulk of the additional debt would be raised in the domestic market.

Finance Minister Sri Mulyani Indrawati said on Feb. 25 she expected the budget deficit to reach 2.1 percent of gross domestic product this year, up from 1.6 percent forecast in the state budget, due to higher fuel and electricity subsidies. A controversial bank bailout by the government has proved politically divisive, leading to tensions in President Susilo Bambang Yudhoyono's coalition. Analysts say that means the government is unlikely to push ahead with increases in fuel and electricity prices this year for fear that it would lose vital political and public support. This would lead to higher budget subsidies. (\$1=9250 Rupiah)

(Reporting by Dicky Kristanto; Writing by Gde Anugrah Arka; Editing by Sara Webb)

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Israel

Israel to hold road show for euro bond issue

08 March 2010

Provided by: [Reuters News](#)

JERUSALEM, March 8 (Reuters) - **Israeli Accountant-General Shuki Oren will hold a two-day European roadshow this week to determine the possibility of Israel issuing euro-denominated bonds, the finance ministry said on Monday.**

The ministry in a statement said the roadshow would start on Tuesday and an offering depended on market conditions.

Israel has not issued euro-denominated bonds since October 2005. It last tapped international debt markets in March 2009 with a \$1.5 billion issue.

Underwriters for the potential offering will be led by Goldman Sachs, Barclays and Morgan Stanley.

(Reporting by Steven Scheer; Editing by Toby Chopra)
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Pakistan

PAKISTAN'S DOMESTIC DEBT SWELLS BY US\$5.2 BLN

02 March 2010

Provided by: [Asia Pulse](#)

KARACHI, March 2 Asia Pulse - **Pakistan's domestic debt swelled up by Rs440 billion (US\$5.2 billion) to a staggering Rs4.3 trillion during the first seven months of FY10, according to the figure released by State Bank of Pakistan (SBP).**

Data showed the floating debt surged significantly by Rs260.9 billion to Rs2.16 trillion so far in FY10. Similarly, unfunded debt increased by Rs110 billion to Rs1.38 trillion. Likewise, permanent debt swelled by Rs69.1 billion to Rs747 billion during the period mentioned above.

For the past three years, Pakistan has been relying most on the domestic debt to finance budget mainly due to revenue shortfall and high current expenditures. Also, in the last one year, non-fulfillment of donors' pledges added to the domestic debt by leaps and bounds.

Within the floating debt category, the highest increase was seen in borrowing through market treasury bills (MTBs). The government borrowed Rs258.3 billion through this instrument. It further borrowed Rs2.6 billion through the same. Within the permanent debt category, the

maximum hike was seen in borrowing through PIBs, prize bonds and GoP 3-year Ijara Sukuk by Rs32.7 billion, Rs19.3 billion and Rs14.4 billion respectively.

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Asia Pulse

Philippines

Philippines says may cut Q2 domestic debt plan

08 March 2010

Provided by: [Reuters News](#)

MANILA, March 8 (Reuters) - **The Philippines may cut its local borrowing in the second quarter if it pushes through with a plan to issue foreign-denominated retail bonds, National Treasurer Roberto Tan said on Monday.**

Manila is eyeing to launch next month its planned \$500 million bond offer to overseas Filipinos, with bulk of the bonds to be denominated in U.S. dollars and the rest in euros.

(Reporting by Monica Egoy)
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South Korea

S. Korea's long-term debt hits record high in 2009

03 March 2010

Provided by: [Organisation of Asia-Pacific News Agencies](#)

SEOUL, March 3 (Yonhap) -- **South Korea's long-term debt rose to a record high last year as financial firms sold overseas debts amid easing global financial turmoil and foreigners snapped up local state and currency bonds, central bank data showed Wednesday.**

The country's debt with a maturity of more than one year stood at US\$251.96 billion as of the end of last year, up 10.5 percent from the previous year, according to the Bank of Korea (BOK). The 2009 figure marked the highest level since the BOK began to compile related data.

A sharp rise in Korea's long-term debt came mainly because local financial firms tapped overseas markets to finance their needs and foreign investors bought a large amount of government and monetary stabilization bonds, it added.

Local financial firms' long-term debt stood at \$65.7 billion as of end-December, up 11.4 percent from a year earlier. External debt held by the foreign exchange authorities jumped

107.1 percent on-year to \$26.8 billion.

Local state firms' long-term borrowing rose 35.8 percent to \$12.8 billion as of the end of 2009, the sharpest increase since a 51 percent on-year advance in 1997, the central bank added.

Meanwhile, the growth of South Korea's short-term debt remained almost flat last year. The country's external debt with a maturity of one year or less stood at \$149.96 billion as of end-December, accounting for 37.3 percent out of total foreign debt.

The country's foreign debt reached a record high of \$426.13 billion in the third quarter of 2008 on the back of snowballing short-term overseas borrowing by banks to handle dollar forwards sold by local exporters.

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Thailand

Thailand: Public debt stands at 43.85% of GDP

05 March 2010

Provided by: [Thai News Service](#)

Section: Business News - The country's public debt as of the end of December 2009 stood at 3.96 trillion THB or 43.85% of the GDP, according to the latest report by the Public Debt Management Office.

Out of the total public debt as of the end of December last year, Mr Chakkrit Parapunthakul, Deputy Director of the Public Debt Management Office, stated that the amount of 2.588 trillion THB was a loan directly acquired by the government, 1.097 trillion THB held by non-financial institutional state enterprises, 198.4 billion THB by state enterprises which are financial institutions with government guarantees and 82.63 billion THB by the state-owned Financial Institutions Development Fund (FIDF).

He said the government's public debt decreased 2.66 billion THB from the previous month, including a 8.17 billion THB decline in non-financial institutions, 3.001 billion THB in financial institutions with government guarantees, and 27 million THB in state-owned Financial Institutions Development Fund (FIDF). However, Mr Jakkrit added that the state's direct loans in the previous month surged to 8.53 billion THB, while there were no pending debts reported in other state agencies.

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Thai News Service

Common euro zone bond could bring wide benefits

01 March 2010

Provided by: [Reuters News](#)

LONDON, Feb 26 (Reuters) - **Opposition to the issuance of bonds guaranteed by all 16 euro zone governments has gathered momentum with the escalating Greek debt crisis, but such bonds could prove beneficial to all members including Germany.**

As concerns rise over the ability of Greece to finance its borrowing and the euro zone tackles its biggest debt crisis ever, policymakers are considering a number of options to solve the fiscal woes.

One idea on the table has been to issue common bonds backed by all 16 members that would cover the first 40 percent of the region's total government debt.

The idea for such a market has been floated in the past, but has always met with fierce opposition from Germany and other "core" countries. They say their disciplined fiscal stance will be diluted by weak members, while their funding cost -- lowest in the bloc -- will rise to accommodate indebted colleagues.

However, the scheme could bring benefits for all members. The sheer liquidity the unified market would bring has potential to lower yields for fiscally sound countries.

According to some estimates, the market could develop into a highly liquid bond class of some 4 trillion euros, four times the size of German bunds, the region's safest, and a true contender to the estimated \$6-7 trillion U.S. Treasury market.

"Politically we're not anywhere close to that... but it would be more attractive to have a larger, deeper and more liquid market. The common bond may facilitate the evolution of the market," said Jon Stopford, head of fixed income at Anglo-South African Investec Asset Management.

A common bond would also help develop wider futures contracts for the euro zone as opposed to the current German bund futures, making it more effective and attractive for investors to hedge their underlying debt.

Single euro zone bonds, which if established may surpass U.S. Treasuries as the world's biggest market, are likely to attract a wide range of investors, including banks, fund managers and even central bank reserve managers.

Goldman Sachs argues that a common bond would automatically increase liquidity by simply pooling the region's debt issuance -- a phenomenon seen in the euro zone corporate bond market where total issuance of non-financial paper nearly doubled in nine years since the euro birth at 2000.

"A common bond with a joint guarantee could, in principle, benefit everybody," the bank said in a

2009 research paper.

"Pooling debt issuance through a common bond would eventually eliminate the liquidity-induced spread widening. Moreover, the effect would be reinforced by the fact that a common bond would, after some time, surpass the most liquid government bonds in the euro zone, implying also a lower liquidity premium for Germany."

The gross domestic product-weighted average of 10-year yields from all euro zone bonds stand at just below 4 percent, according to Julius Baer, compared with 3.12 percent for Germany and 6.58 percent for Greece.

WINNING EXCESS RESERVES

Having a deep and liquid bond market also helps attract official institutions, who are keen to diversify their holdings away from the dollar and U.S. Treasuries.

According to the International Monetary Fund, the euro's share of the \$4.4 trillion of the world's currency reserves where detailed breakdowns were available stands at 28 percent, compared with the dollar's 61 percent.

China and Japan are the world's top reserve holders and also biggest buyers of U.S. Treasuries, each holding more than \$750 billion as of December 2009.

"With the common bond, the euro becomes more clearly a reserve currency," Stopford said.

"The world is looking for an alternative for having excess reserves held in dollars. The euro has long been touted as an alternative but it clearly has issues. The United States has a deeper liquid capital market because a unified Treasury market provided a liquid yield curve."

A unified bond would make the euro zone a viable contender to the United States in attracting these dollar-based reserves, especially from China and other emerging economies whose excess FX reserves are expanding rapidly -- a point highlighted by the Securities Industry and Financial Market Association in 2008.

"A commonly issued European government bond would better enable Europe to compete with the U.S. Treasury market globally," the SIFMA said in a paper.

"By creating a consolidated T-bill product, a common European debt instrument could aid the development of the euro as a reserve currency." The SIFMA also said joint issuance would deliver steadier and more predictable supply, while the lower cost of liquidity management would solve an issue for some issuers who presently have to pay for the need to retain long term cash positions in order to fund short term gaps when their debt matures.

Global investors, according to Reuters polls released on Thursday, currently hold an average of 39.0 percent in euro zone bonds -- including government and corporate debt -- compared with 32.4 percent in the United States.

BUNDLED RISKS

Some investors say however that the unified bond makes it harder to identify sovereign

risks and removes an arbitrage opportunity. Having been burnt during the credit crisis by collateralised debt obligations which bundled different levels of risks into credit instrument, investors are particularly wary of this type of structure.

It could also lead to fiscal slippage, allowing indebted countries like Greece to keep borrowing at a favourable rate and dimming the overall attractiveness of the euro zone debt.

"I would rather have risk chopped up so that it's visible to me and can take opportunities. (Positions such as) long Greek bonds and short bunds -- it's easier for me to do that if you haven't got a homogenous lump of euro sovereign note," said Gary Reynolds, chief investment officer at asset manager Courtiers.

"In many ways the current structure unbundles all the risks so it's easy to take views. If you've got a single market, you have to basket together all the risks. At the moment there is incentive for Greece to sort out their finances. With the single bond there will be almost no incentives."

(Editing by Toby Chopra)
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Bulgaria

Bulgaria govt to dial up deficit to pay off debt to businesses

02 March 2010

Provided by: [Reuters News](#)

SOFIA, March 2 (Dnevnik BFNS) - **The Bulgarian government will officially increase the 2010 budget deficit to 1.8% of the GDP to settle its debt to businesses, it emerged on Monday after a ten-day mission of the International Monetary Fund (IMF).**

IMF estimates show Bulgaria could afford to allow expenditure to exceed revenue to up to BGN 1.2 billion if it wants to preserve fiscal stability. The fund also recommended that pensions and salaries remain intact, and the government signaled it is ready to take heed of this advice.

Both IMF and government officials indicated they have no worries about hitting the revenue target of Budget 2010.

At his final media briefing at the office of the Bulgarian National Bank (BNB) in Sofia, Bas Bakker, head of the IMF mission for Bulgaria, dubbed the 0.7% budget deficit set in Budget 2010 as hard to achieve and challenging.

Prime minister Boyko Borissov and finance minister Simeon Djankov told reporters an hour later the government will slightly loosen the purse strings.

Djankov explained the fresh expenses will be used to pay contractors for executed work.

The IMF's opinion was sought at the request of

premier Borissov but it tied up with finance ministry calculations reported by Dnevnik back in mid-January, which projected the maximum deficit at 1.7%.

Up till now, the government has only signed agreements to pay BGN 200 million it owes to building contractors. The amount is due by April, with BGN 40 million payable in January and BGN 80 million per month in February and March. However, February's tranche was not transferred by the end of the month.

Djankov yesterday spoke more cautiously about a possible increase in pensions and public sector paychecks. Last year he said Budget 2010 could be updated in the summer to boost pension and salaries expenses depending on revenue.

"If after the middle of 2010 we see the economy is faring better than we and the IMF expect, then there could possibly be a chance to raise salaries and pensions," he said on Monday.

Knowledgeable sources told Dnevnik that the budget will dig deeper into the red in February after the BGN 495 million shortfall for January.

Despite the daunting challenges Bulgaria is faced with, the IMF revised its economic outlook for the country to a 0.2% growth from the previously projected 2.5% decline.

The government sees the economy bouncing back by 0.3%.

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Reuters News

Czech Republic

Czechs set CZK 32 bln in bond tenders for Q2/2010

01 March 2010

Provided by: [Reuters News](#)

PRAGUE, March 1 (Reuters) - **The Czech Finance Ministry will offer 32 billion crowns (\$1.67 billion) worth of state bonds in six auctions in the second quarter, including long bonds that met poor price bids last month, the ministry said on Monday.**

The ministry will offer 11 billion worth of 15-year, 5.70 percent coupon bonds due 2024 in two auctions, and 10 billion worth 2.80 percent bonds due 2013, also in two auctions.

It added it would auction short-term domestic treasury bills worth 26 billion crowns in second quarter.

Some dealers had expected lower issuance for the coming quarter due to an expected eurobond. Second quarter issuance is still lower than the 42 billion crowns planned for the first quarter.

"There was a risk that the issuance would have been much lower," a fixed income dealer said.

The ministry has started preparations to sell 1-2 billion euros of euro-denominated bonds on

foreign markets in the coming months, possibly before a May 28-29 general election.

Bonds on the secondary market were little changed after the calendar.

The 15-year bond was quoted with a yield of 4.998/856 percent, down 18 basis points since Feb 10 when the ministry cut in half an auction of the paper after a jump in yields prior to the sale. Gross borrowing will stay elevated this year at a record 280 billion crowns despite an expected lower budget gap and modest economic recovery.

The ministry expects a 1.3 percent economic growth this year after a contraction last year of more than 4 percent.

It forecasts the overall public sector fiscal gap this year at 5.3 percent of overall economic output, down from 6.6 percent last year.

(Reporting by Jason Hovet; Editing by Toby Chopra)
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Poland

Polish govt woos president over plans to cut debt

02 March 2010

Provided by: Reuters News

*** Govt needs to pare back budget deficit, public debt**

*** President says can't say now whether he will veto bills**

By Pawel Sobczak

WARSAW, March 2 (Reuters) - **Polish Finance Minister Jacek Rostowski sought on Tuesday to avert a presidential veto of a set of bills the government says would lower debt and deficit levels in years ahead.**

But President Lech Kaczynski, a political opponent of the government who is expected to seek a fresh five-year mandate in this autumn's presidential election, said he needed to see the bills' details before deciding whether to back or block them.

Prime Minister Donald Tusk's centrist coalition needs to show investors it is serious about reining in the budget deficit and public debt but lacks a big enough majority in parliament to override Kaczynski's veto.

"I expect we will find out in one or two weeks' time whether we can count on the president not exercising his veto," Rostowski told reporters while attending a debate hosted by Kaczynski on the state of public finances.

He said he hoped to persuade the president during the meeting to allow the bills to pass.

The bills under preparation would cut special pension privileges for uniformed services such as the police and soldiers, curb disability benefits, trim defence spending and enact a cap on budget spending growth.

"These bills would bring savings worth a total of 10 to 12 billion zlotys (\$3.4 billion to \$4.14 billion) until 2012," Rostowski said.

Asked later whether he would support the bills, Kaczynski told a news conference: "I cannot say whether I would veto or not... There have to be concrete bills."

DEFENCE

But Kaczynski, a staunch supporter of Poland's NATO membership, signalled he might block any government attempt to curb defence spending, now set by law at 1.95 percent of gross domestic product (GDP).

"When it comes to the army, the assumption that 1 percent of annual growth can correspond to our NATO-related obligations, as well as to our army development plans... can right away be considered controversial," he said.

Poland's economy is the only country in the 27-member European Union to have avoided recession during the global financial crisis, but a sharp slowdown has nevertheless battered budget revenues and driven up spending.

Kaczynski, who generally favours more state spending, has said in the past he might veto reforms that hurt ordinary Poles.

Last year, Tusk accused Kaczynski of stoking the budget deficit and public debt. Kaczynski's twin brother Jaroslaw leads the main opposition party Law and Justice.

The government recently outlined plans to reduce the budget deficit, expected to hit 6.9 percent of gross domestic product (GDP) this year, back to below 3 percent by 2012 as part of its drive to prepare Poland for euro membership.

Analysts recently polled by Reuters expect Poland, the EU's largest ex-communist member, to join the euro zone in 2015.

(Additional reporting by Dagmara Leszkowicz, writing by Gareth Jones; editing by Patrick Graham)
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Romania

Yields fall further at Romania 5-yr T-bond tender

04 March 2010

Provided by: Reuters News

*** 5-yr T-bond tender heavily oversubscribed, yields fall**

*** Sells \$124 mln, less than planned**

*** Yield drop seen bottoming soon**

BUCHAREST, March 4 (Reuters) - **Romania sold a lower-than-planned 369 million lei (\$124 million) in five-year treasury bonds on Thursday, with the average yield falling in line with expectations, central bank data showed.**

The issue was heavily oversubscribed with bids totalling 2.1 billion lei and the average yield set at 7.08 percent against 7.65 percent at a similar

Feb. 4 tender.

Yields have dived from as much as 9.5 percent at the start of the year, helped by the International Monetary Fund's decision to free up 3.3 billion euros in international aid for the struggling emerging economy by the quarter's end.

Market watchers had said that given that half of IMF tranches are aimed at financing the fiscal gap -- targeted at 5.9 percent of GDP against 7.3 in 2009 -- it was possible that March auctions would indicate lower needs from the local market.

The finance ministry had planned to sell 600 million lei. "They preferred to send a signal of lowering yields...Had they taken a much bigger sum that would have implied higher a yield paid, which could have sent a negative signal," said Nicolaie Alexandru-Chidesciuc, senior economist at ING Bank in Bucharest.

Analysts foresee a further fall in Romanian yields in the coming weeks, although at a much slower pace.

"We expect even lower yields going forward but the pace of the moves should be limited even if we take into account further rate cuts," he said. "A sort of bottoming in yields is quite close," Alexandru-Chidesciuc added.

Romania has sold about 9 billion lei of debt so far this year and the ministry plans to issue debt worth 10-12 billion in the first quarter, as well as a Eurobond of around 1 billion euros.

It aims to sell leu currency bills and bonds worth 4 billion lei in March, up from the 2.8 billion lei it sold last month.

(Reporting by Radu Marinas; Editing by Jon Boyle)
(\$1=2.989 Lei)
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Russia

Russia's external debt in Jan goes up to USD 37 bln

05 March 2010

Provided by: [ITAR-TASS World Service](#)

MOSCOW, March 5 (Itar-Tass) — **The volume of Russia's sate external debt at February 1, 2010 amounted to 37.5 billion dollars or 26.9 billion euros against 37.6 billion dollars or 26.3 billion euros at January 1, 2010, the Russian Finance Ministry reports.**

Thus the volume of Russia's external debt increased over a month by 117.8 million dollars or by 0.3 percent. Russia's external debt evaluated in euros increased over a month by 652.8 million euros or by 2.5 percent, the business news agency PRIME-TASS reports.

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Turkey

Turk bond yields hit 2010 high on inflation fear

04 March 2010

Provided by: Reuters News

*** C.Bank warns inflation to stay high in Q2, Q3**

*** Bond yields rise to highest level of 2010**

*** Shares slip, Garanti holds ground on block sale report**

ISTANBUL, March 4 (Reuters) - **Turkey's benchmark bond yield rose as much as 19 percentage points on Thursday to a 2010 high as markets reacted to a warning by the Central Bank that annual inflation will remain high in the second and third quarters.**

Central Bank Governor Durmus Yilmaz said although March data would show a correction in the pace of inflation, prices would only begin to rise more slowly in the last quarter of 2010, and inflation would be in keeping with official targets by the first months of 2011.

The bank's inflation target for 2011 is 5.5 percent, and 6.5 percent for 2010.

His comments came a day after data showed consumer prices rose 1.45 percent on the month in February for an annual rise of 10.13 percent, the first double-digit rise in 14 months.

The benchmark bond yield rose as high as 9.11 percent early on Thursday from a previous close of 9.00 percent.

"This is a belated reaction to annual inflation reaching double digits. Yilmaz's comments on inflation also increased the rising trend in yields," a fixed-income trader said.

The lira continued to weaken to the dollar from Wednesday, trading at 1.5425 from a previous interbank close of 1.5375.

Analysts warn the price acceleration that lies ahead could threaten the central bank's end-2010 inflation target of 6.5 percent. The lira is also likely to underperform in the short term, analysts at Goldman Sachs wrote this week, so long as the Central Bank retains its dovish stance and the current account rises.

The Istanbul blue chip share index eased 0.48 percent to 51,401.34 points, outperforming the MSCI emerging markets index which was 0.72 percent lower.

Top-traded Garanti bank traded flat at 6.00 lira. Newspaper Milliyet wrote on Thursday that options for General Electric's divestment of its 20.85 percent stake included a block sale and a possible second public offering. The banking index outperformed to trade flat, after a series of ratings upgrades by investment bank Goldman Sachs.

Before the inflation fears and weaker global sentiment hit, Turkish assets had started to recover this week on signs that tensions between the military and the government,

which flared last week, appeared to be easing. Market jitters followed the arrests of military officials in an investigation into an alleged coup plot to topple the Islamist-rooted AK Party. The lira hit a nine-month low of 1.5560 to the dollar in the middle of last week, while shares dropped almost seven percent over the week as a whole. The military however struck a more conciliatory tone in a statement late on Monday.

(Reporting by Alexandra Hudson; Editing by Susan Fenton, John Stonestreet)
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Ukraine

Ukraine should slow growth of domestic state debt, says Akimova

04 March 2010

Provided by: Interfax: Ukrainian General Newswire
Kyiv, March 4 (Interfax-Ukraine) - **Ukraine needs to make a significant change in budget policy and strengthen measures to improve the financial sector, First Deputy Head of the Presidential Administration Iryna Akimova said during a round table meeting in Kyiv on Wednesday.**

"Here the main measure of success for any short-term moves would be a sharp slowdown of the growth in domestic state debt," she said, adding that there is a need to examine the situation with the servicing of domestic state debt.

Akimova also said that high interest rates on domestic loan bonds support a high price for bank credits and divert the funds of credit and financial establishments from financing economic projects.

Speaking about the initiative of the National Bank of Ukraine regarding the introduction of stimulating refinancing, Akimova said there is a need to consider this issue carefully.

"The idea could work out and the risks associated with its implementation will be reduced significantly if normal work between the NBU and the government is restored," she said. Akimova said she hopes for a decrease in politicization regarding relations between the central bank and the Cabinet of Ministers.

The first deputy head of the Presidential Administration also added that stimulating credits from the NBU would provide a positive effect if the level of their rates exceeded the level of inflation by two or three percentage points.

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Interfax: Ukrainian General Newswire

Ukraine's debt plans and obligations

02 March 2010

Provided by: Reuters News

KIEV, March 2 (Reuters) - **Ukraine must attract funds of \$3-5 billion per quarter until the International Monetary Fund resumes lending, which will happen only in the third quarter of this year, a deputy finance minister said on Tuesday.**

The former Soviet republic, hit hard by the global downturn, has only one foreign sovereign debt due -- in December. But it has been issuing increasingly large amounts of short-term domestic debt over the past year which is now maturing.

(tables follow)

(Compiled by Sabina Zawadzki and Natalya Zinets)
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LATIN AMERICA

Argentina

Argentina econ min: SEC may OK debt swap this week

07 March 2010

Provided by: Reuters News

BUENOS AIRES, March 7 (Reuters) - **Argentine Economy Minister Amado Boudou expects U.S. regulators will approve a \$20 billion swap of defaulted debt this week, crucial for the country to borrow again on international markets.**

A growing political crisis over the use of Argentina's foreign reserves would not jeopardize the deal "in operational terms," but could hurt investor interest in the swap, Boudou said in a Sunday interview with pro-government daily Pagina12.

"We believe we could finish the process with the SEC this week," the minister told the paper, referring to the U.S. Securities and Exchange Commission, which has demanded clarification on issues such as Argentina's controversial inflation data before approving the swap.

"After that we need to prepare the new offer and we have assured a \$10 billion operation that would be launched immediately," he added. President Cristina Fernandez, facing constraints to finance spiraling government spending, agreed in 2008 to reopen a swap deal to bond holders who rejected a massive debt restructuring in 2005.

The plan was delayed by the global markets meltdown of late 2008 and revived in September last year. Argentina filed the swap plan with the SEC in December, but had to amend it in late January to note a controversy over official economic data.

Fernandez needs more sources of financing to service some \$15 billion in debt coming due this

year while stepping up government spending before next year's presidential elections.

She has also tried to use \$4.2 billion from the country's foreign reserves to pay debt with private creditors this year, but her plan was frozen by the courts and triggered a political crisis in Congress.

The battle over the use of reserves, which has been hurting Argentina's bond prices, could make it more difficult for the government to obtain a high investor participation rate in the swap, Boudou said.

"When Argentina's bond prices rise on the secondary market, that undoubtedly encourages a larger investor participation in the swap," he said, adding that the political uncertainty potentially reduces the government's "leverage" in the deal.

(Reporting by Walter Brandimarte, editing by Maureen Bavdek)
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Colombia

Colombia eyes up to \$800 mln 2010 debt issues

01 March 2010

Provided by: Reuters News

BOGOTA, March 1 (Reuters) - **Colombia will seek to issue up to \$800 million in foreign bonds or credit operations this year for its 2010 financing needs, probably in the first half of the year, the government said on Monday.**

Colombia has been one of the most active emerging market countries in foreign bond issuance and credit operations in recent years as the government sought to improve its debt profile and fend off the economic downturn.

The Andean country only needs to issue \$500 million in foreign debt this year to meet its target. But the government said it was authorized to issue another \$300 million in case more financing was necessary.

Last year, Colombia sold \$500 million in 10-year Samurai bonds -- yen bonds issues in Japan by non-Japanese entities -- with a 2.42 percent coupon. In October it launched a global bond maturing in 2041, its first global issue since the start of last year.

(Reporting by Javier Mozzo, writing by Patrick Markey in Bogota; Editing by Andrew Hay)
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Reuters News

Mexico

Mexico to sell \$1 bln in 2020 bond reopen - IFR

04 March 2010

Provided by: Reuters News

NEW YORK, March 4 (Reuters) - **Mexico said on Thursday it plans to sell an additional \$1 billion of debt in a reopening of bonds due in 2020, said IFR, a Thomson Reuters service.**

The total outstanding on the current 5.125 percent bond is \$1 billion, with a yield of 5.25 percent, or 142.4 basis points more than comparable U.S. Treasuries.

JP Morgan and Morgan Stanley are the joint bookrunners on the sale.

(Reporting by Camille Drummond; Editing by James Dagleish)
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AFRICA

Nigeria

Nigeria to raise 65 bln naira in T-bills, 1-yr bond

04 March 2010

Provided by: Reuters News

LAGOS, March 4 (Reuters) - **Nigeria plans to raise 65 billion naira (\$437.97 million) in 91-day, 182-day and 360-day government securities next week, the central bank said on Thursday.**

The bank said it would issue 5.00 billion naira in 91-day bills, 30 billion naira in 182-day bills and 30 billion naira in the 360-day bonds on Wednesday, using the Dutch Auction system.

The results of the auction would be released the next day, the bank said.

Nigeria, sub-Saharan Africa's second biggest economy, issues treasury bills as part of its monetary control measures to curb inflationary growth and help banks manage their liquidity.

(Reporting by Oludare Mayowa; Editing by Tume Ahemba)
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S. Africa

Moody's assigns A3 rating to South Africa's \$2 billion bond issue

04 March 2010

Provided by: Moody's Investors Service Press Release

Moody's Investors Service has assigned an A3

rating to the new \$2 billion, 5.5% global bond issue from the Republic of South Africa.

"In his budget speech two weeks ago, South African Finance Minister Pravin Gordhan announced that the government would be accessing the global bond market more frequently in the next few years," said Kristin Lindow, Regional Credit Officer for Europe and Africa in Moody's Sovereign Risk Group. "We expect the government to issue at least one bond every year for the coming three years given its increased financing needs following the recent recession."

Moody's said that the South African government will continue to have relatively low external debt vulnerability, even with the stepped-up issuance, since it is starting from a low base. As a proportion of its total debt, foreign currency debt will actually decline because of increased borrowing requirements domestically.

At a national level, external vulnerability is also quite low compared to the country's A-rated peers, in spite of ongoing current account deficits. The Reserve Bank of South Africa has been accumulating foreign exchange in the past seven years when capital account surpluses regularly exceeded the current account deficits, and its net reserves position is in surplus by nearly \$39 billion.

Lindow said that the global crisis hit South Africa just as the economy was coming off a cyclical peak after a long expansion. However, at 1.8%, the contraction of the economy last year was modest relative to what most mature and some Eastern European countries faced. "The recovery in the last few months, while coming later than that of the global economy, has been unexpectedly robust," she said. **"However, growth is likely to settle in at a slower pace of around 3.5% in the coming years than the 5% that was registered in the four years leading up to the crisis. The reasons are weaker global demand, less-rapid local credit expansion - partly due to burdened household balance sheets - and higher unemployment."**

"The government's own balance sheet has been hit hard by the recession," said Lindow. "The medium-term outlook for government finances also has deteriorated significantly due to higher spending but mainly, lower revenues. As a result, after a decade of consistently declining debt ratios, the government's deficits and debt have started to rise regardless of which indicators one chooses."

Moody's said that fiscal consolidation will progress less quickly in the years ahead compared to the pre-crisis period, in view of the slower rate of growth. The agency expects South Africa's debt affordability to remain relatively favorable, thanks to its established fiscal credibility and its ready access to both domestic and international markets. The new bond issue carried the lowest interest rate South Africa has ever paid in the dollar market. However, in an era when sovereigns' fiscal

positions are being more closely scrutinized by investors, any meaningful slippage from the government's avowed intention to rein in the budget deficit would be likely to increase its credit risk premium.

"Given the country's socio-economic problems, including high poverty and wide income disparities, the other potential risk factor for South Africa is political," said Lindow. "Still, as far as the macroeconomic policy framework is concerned, the Zuma administration's first budget matched the determination of its predecessors in affirming a fiscally responsible agenda and rejecting demands from its left-wing partners for larger deficit spending."

Instead, the government is trying to identify where spending can be cut in order to reprioritize to areas where spending is needed, and the finance minister said he did not rule out increasing taxes once the economy's footing was on firmer ground.

In addition, the Ministry of Trade and Industry new "Industrial Action Plan" aims to raise the country's growth potential by addressing the various bottlenecks it has identified. Various such plans have been adopted in recent years with little effect, not just in South Africa, although the expansion of the country's infrastructure now underway provides more optimism than before about the current chances for success.

Moody's last rating action with respect to the Government of South Africa was implemented on 16 July 2009, when Moody's aligned the government's foreign and domestic currency debt ratings at A3. At the same time, the country ceiling for long-term foreign currency debt was upgraded to A1 from A2, the short-term foreign currency country ceiling was affirmed at Prime-1, the country ceiling for foreign currency deposits was raised to A3 from Baa1, and the country ceilings for local currency debt and deposits were lowered to Aa2 from Aaa.

The principal methodology used in rating the government of South Africa was Moody's Sovereign Bond Methodology, published in September 2008 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

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