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Emerging Sovereign Debt Markets NEWS

Number 32 Week 1 – 7 August 2020

Table of contents

ASIA

China

China's local gov't issues bonds worth 272.2 bln yuan in July

04-Aug-2020
BEIJING, Aug. 4 (Xinhua) -- **The value of China's local government bond issuance stood at 272.2 billion yuan (about 39 billion U.S. dollars) in July, data from the Ministry of Finance (MOF) showed Tuesday.**
The data took total local government bond issuance to 3.76 trillion yuan by the end of July as authorities quickened bond sales as part of proactive fiscal policies to shore up the virus-hit economy.
Among the issuance, new sales amounted to 2.83 trillion yuan, accounting for 59.8 percent of the 4.73-trillion-yuan quota planned for the year, the MOF data showed.
The ministry pledged to continue to quicken bond sales to facilitate the implementation of proactive fiscal policy.
China has accelerated local government bond issuance this year to help the timely implementation of various projects in order to mitigate the impacts of the novel coronavirus outbreak.

Enditem

China utilizes over 500 bln yuan of anti-virus treasury bonds by July-end: minister

06-Aug-2020
BEIJING, Aug. 6 (Xinhua) -- **A total of 510.5 billion yuan (about 73.52 billion U.S. dollars) of China's special treasury bonds for COVID-19 control had been put to use by July 29, said the country's finance minister.**
Proceeds from the bonds funded 24,199 projects, most of which related to infrastructure construction and COVID-19 control, Liu Kun, the minister of finance, told Xinhua in an interview.
By the end of July, China had completed the planned issuance of the 1-trillion-yuan special

treasury bonds for COVID-19 control, Liu added.
So far, funds raised had been funneled to prefecture and county governments after the provincial-level governments retained part of the money based on regulations, Liu said, adding that the ministry has put in place a mechanism to monitor the distribution, allocation and use of funds.
The country pledged in May to increase its deficit by 1 trillion yuan over last year and issue 1 trillion yuan of government bonds for COVID-19 control, as part of efforts to prop up its virus-hit economy.

Enditem

India

India Must Explore Options Other Than Debt Monetisation

04-Aug-2020
By Dharam Dhutia
NewsRise
MUMBAI (Aug 4) -- **India must explore options other than direct debt monetisation as it risks distorting market signals and impacting monetary policy credibility, Kotak Securities said today.**
"Direct monetization could risk marginalizing the market feedback loop and weaken credibility of institutions built up onerously over time," economists Suvodeep Rakshit and Upasna Bhardwaj said in a note.
The Reserve Bank of India will need a multi-pronged strategy to fund an excess supply of government bonds by increasing the held-to-maturity limits, direct forex market intervention towards forwards and continue with Operation Twist to keep long-end yields under check. Once these options are exhausted, the central bank can opt for direct open market bond purchases to address the demand-supply gap, they added.
India aims to gross borrow a record 12 trillion rupees via bonds this year as revenues have been hit due to the coronavirus pandemic and lockdowns. Market participants expect New Delhi to raise the borrowing aim again.
This has increased calls for monetisation and open market operations. The central bank has bought 1.2 trillion rupees of bonds in the secondary market and switched bonds worth 200 billion rupees so far this financial year that started Apr. 1. However, most OMOs were conducted in April-May.
Higher liquidity in the banking system through monetisation of a consumption stimulus could have a negative impact as banks will earn at the RBI's reverse repo rate, pushing deposit rates lower or hurting net interest margins, Kotak said.
"Higher liquidity does not imply that demand at the longer end of the curve increases. We expect the yield curve to remain steep without RBI interventions," it added.

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India Bond Yields Seen Up Ahead Of Supply; Rate Cut Bets Dwindle

07-Aug-2020
By Siddhi Nayak
NewsRise
MUMBAI (Aug 7) **-- Indian government bond yields will likely edge higher in early session ahead of a fresh supply of notes at the weekly debt auction, while bets of an interest rate cut in the near term decreased.**
The yield on the benchmark 5.79% bond maturing in 2030 is likely to trade in a 5.85%-5.90% range till the auction today, a trader with a private bank said. The note ended lower at 99.45 rupees yesterday, yielding 5.86%, the highest since Jun. 30. The Indian rupee was little changed at 74.93 to the dollar at 2:00 p.m. yesterday.
New Delhi will raise at least 300 billion rupees via a weekly debt auction today.
"Supply concerns persist, which coupled with a likely status quo in interest rates at least in the next policy, will dampen sentiment for the time being," the trader said. "Still, 5.90% remains a crucial level on the benchmark yield, and the wide spread with the repo rate gives ample opportunity for investors to re-enter at these levels."
Bond yields rose sharply yesterday after the Monetary Policy Committee left the key policy interest rate unchanged at a record-low amid quickening inflation. The rate-setting panel held the repurchase rate at 4% and the reverse repurchase rate at 3.35%. It maintained an accommodative stance as long as necessary to revive growth, while ensuring inflation remains within target.
India's inflation, which has breached the MPC's tolerance ceiling, is likely to remain elevated in July-September, before easing in the rest of the year through March aided by favourable base effects, traders say.
The MPC is mandated to target inflation at 4% with tolerance levels stretching to two percentage points on either side, while supporting growth. India's retail inflation stood at 6.09% in June from a year earlier.
The MPC is likely to keep interest rates on hold for a second consecutive time when it meets again in October, amid concerns of higher inflation, a majority of the 15 economists and analysts surveyed by NewsRise said.
New Delhi has hiked its annual gross borrowing target for this year to a record 12 trillion rupees.

Market participants expect the federal government to raise the borrowing aim again, to make up for the shortfall in revenue generation amid the coronavirus crisis. The nation's tally of coronavirus patients now stands at over two million.
Meanwhile, crude oil prices rose after Iraq said it would make an additional cut in its oil production in August to compensate for its overproduction over the past period. India imports nearly 85% of its crude oil requirements.
KEY FACTORS:
*Benchmark Brent crude oil contract 0.3% higher at $45.23 per barrel.
*Ten-year U.S. yield at 0.5248%.
*Foreign investors sold net $2.69 million worth of Indian bonds on Aug. 6. In August so far, these investors sold net $78.96 million of Indian debt.
*RBI to release weekly foreign exchange data.
*RBI to set underwriting fees for 300 billion rupees weekly bond auction.

*RBI to conduct 300 billion rupees weekly bond auction.
- By Siddhi Nayak; siddhi.nayak@newsrise.org; 91-22-61353307
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India RBI Bought 14.60 Billion Rupees of Govt Bonds via OMO in Week to Jul 31

07-Aug-2020
By Dharam Dhutia
NewsRise
MUMBAI (Aug 7) **-- The Reserve Bank of India bought 14.60 billion rupees of federal government bonds via open market operations in the week ended Jul. 31, data released today showed.**
The central bank made the entire purchase on Jul. 29 and Jul. 30, its fourth such consecutive weekly purchase.
The RBI had purchased bonds worth 9.60 billion rupees, 7.60 billion rupees and 5 billion rupees in weeks ended Jul. 24, Jul. 17 and Jul. 10, respectively. The RBI had bought notes worth around 1.23 trillion rupees in April-July.

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Indonesia

Indonesia central bank buys 82.1 trln rupiah of govt bonds, first burden-sharing transaction

06-Aug-2020
JAKARTA, Aug 6 (Reuters) - **Indonesia's central bank has bought 82.1 trillion rupiah ($5.63 billion) of government bonds in a private placement, the first transaction under a COVID-19 burden-sharing scheme with the government, Finance Ministry said in a statement on Thursday.**
Bank Indonesia and the government had agreed on a $40 billion debt monetisation scheme, with the central bank pledging to buy $28 billion of bonds while relinquishing interest payments.
The government has promised faster stimulus spending to tackle the impact of the pandemic. The economy contracted 5.32% year-on-year in the second quarter, the first quarterly contraction in over two decades.

($1 = 14,580.0000 rupiah)
(Reporting by Tabita Diela;
Writing by Fransiska Nangoy; editing by John Stonestreet)
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Indonesia: Sovereign signs ¥50bn loan to combat virus

06-Aug-2020
The Republic of Indonesia has obtained a ¥50bn (US$474m) loan from the Japan International Cooperation Agency in response to the coronavirus pandemic.
The financing, which will provide budgetary support, was signed on August 3 in Jakarta, according to a press release on Wednesday.
It is part of JICA's Covid-19 Active Response and Expenditure Support Programme Loan.
The objective of the programme is to maintain economic activities, protect the poor and most vulnerable, and strengthen health and medical service capacity, in response to the pandemic in Indonesia.
The Asian Development Bank will be providing co-financing.
In June, the Asian Infrastructure Investment Bank approved a total of US$1bn in loans for two projects in Indonesia to support the government's plans to strengthen its social safety nets, bolster health response and stem the economic downturn from the coronavirus pandemic.
The first loan for US$750m is co-financed with the ADB and will go toward bolstering economic aid for businesses, including small and medium-sized enterprises, support for poor and vulnerable households, and strengthening the country's healthcare systems.

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(Editing by Prakash Chakravarti)

Israel

Israeli leaders locked in budget battle as economic crisis deepens

04-Aug-2020

- **New election triggered if state budget not passed by Aug. 25**
- **Netanyahu locked in power-sharing deal with partner Gantz**
- **Snap ballot would negate that arrangement**
- **Danger of crippled economy amid coronavirus downturn**

By Steven Scheer and Maayan Lubell

JERUSALEM, Aug 4 (Reuters) - **A stand-off between Prime Minister Benjamin Netanyahu and his main coalition partner over passage of Israel's budget threatens to trigger its fourth election in a little over a year amid an economic crisis fuelled by the coronavirus outbreak.**

A ballot is automatically mandated if a budget is not approved by parliament by Aug. 25. Analysts are concerned that a new election and likely protracted coalition talks afterwards would have a crippling impact on an economy already expected to contract 6% this year, with unemployment now above 21%.

Such instability could also make prospects for any return to a long-dormant peace process with the Palestinians even more remote and complicate Netanyahu's bid to annex, with U.S. approval, parts of the occupied West Bank.

The budget is pivotal to a "unity" accord reached after an inconclusive March election. It calls for Defence Minister Benny Gantz of the centrist Blue and White party to take over as premier from right-wing Likud chief Netanyahu in 2021.

The power-sharing pact stipulated that Israel would pass a binannual budget but Netanyahu is now calling for a 2020 budget instead. Gantz insists on sticking to the deal that was to be his insurance policy for a smooth transition of power.

Failure to resolve the dispute could provide Netanyahu with a quick way out of the deal with Gantz and enable him to remain prime minister through an election campaign, possibly as early as November or in March if a 2021 budget is not agreed.

Some analysts point to Netanyahu's corruption trial, which began in May, as a catalyst for the crisis. A snap ballot could lead to a delay in proceedings, and he could opt to pursue a law to block his prosecution if he wins another term.

"The whole issue is really mostly politics," said former Bank of Israel governor Karnit Flug.

UNCERTAINTY

Flug, now vice president of research at the Israel Democracy Institute, said a budget for only 2020 implied government instability, and "that really intensifies economic uncertainty".

Economists said that with a 2020 budget effectively covering only the last quarter, at this late stage passing a separate one for 2021 made no sense.

Cedric Berry, associate director of sovereign ratings at Fitch Ratings, said any budget delay "would heighten concerns about Israel’s ability to implement prudent fiscal policy and erode (its) track record of debt reduction". He said this could pressure Israel's ratings.

For Netanyahu, now in his fifth term, an election with a health crisis raging would be especially risky. But many Israeli political commentators have been sceptical from the start about his pledge to transfer power to Gantz.

"Gantz is concerned that Netanyahu is aiming to establish the pretext to bring down the government in early 2021 ... Gantz is right to be concerned," said Henry Rome, a senior analyst at the Eurasia Group think tank.

Flug said another election could make Israeli leaders prone to taking populist moves leading to a loss in market confidence, a rise in risk premium and damage to credit ratings.

Amid a second wave of COVID-19 infections, public trust in Netanyahu's handling of the crisis has plummeted. Thousands of Israelis have taken to the streets, demanding his resignation over the graft charges, which he denies.

But opinion polls predict a weak showing for Gantz in any new ballot, with Netanyahu still backed by a large bloc in parliament.

Denying he is pushing for an election, Netanyahu argues that an annual budget would allow the government to stream money immediately to battle the coronavirus and that a longer-term budget would include spending cuts.

Gantz dismissed that as a "fairytale" in an interview with the Ynet website on Tuesday, saying Israel needed a long-term fiscal plan for economic and political stability.

(Additional reporting by Tova Cohen and Dedi Hayun
Editing by Jeffrey Heller and Mark Heinrich)
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Kyrgyzstan

Eurasian fund lends Kyrgyzstan $100 mln to fight coronavirus crisis

07-Aug-2020

MOSCOW, Aug 7 (Reuters) - **The Russia-led Eurasian Fund for Stabilization and Development said on Friday it was lending Kyrgyzstan $100 million to counter the economic impact of the coronavirus.**

The fund this week also said it was lending Tajikistan $50 million over 20 years to overcome the epidemic.

(Reporting by Andrey Ostroukh; editing by John Stonestreet)
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Lebanon

Lebanon bonds steady after deadly explosion

06-Aug-2020
By Julia-Ambra Verlaine
The deadly explosion that devastated Beirut left investors grappling with the potential damage to an economy already ravaged by crisis.
The blast in the capital port of Lebanon killed at least 100 people and injured thousands, marking the latest hardship to the Middle Eastern state, which defaulted on its debt in March and is struggling to save its economy from financial collapse.
Lebanon missed payment on more than $1 billion of U.S. dollar-denominated bonds in March -- the first time the country ever failed to pay its debt. At the same time the Lebanese government said it would stop paying all commercial foreign-currency debt obligations. These total about $31 billion, according to S&P Global. Beirut also skipped interest payments on several bonds in May and June.
Beirut's stock market was closed Wednesday and traders said they saw little action in the country's government debt. Lebanon's bonds due in 2030 trade about 17 cents on the dollar. Credit rating agency S&P Global in July downgraded billions of dollars of bonds coming due between now and 2035, citing a lack of progress on debt-restructuring negotiations between the Lebanese government and creditors.
The largest holders of Lebanese bonds include London-based asset manager Ashmore Group and Fidelity Investments, according to FactSet.
"In the absence of a comprehensive restructuring plan backed by all key political institutions and parties, and external support, we continue to expect the negotiation process will be drawn out beyond 2020," said S&P credit analyst Zahabia Gupta.
Lebanon borrowed heavily over the years from local banks, which used unusually high interest rates to attract dollar deposits from the country's overseas diaspora. Then anticorruption protests shook the country and investors fled. Without the inflow of fresh dollars, Lebanon's financial system began to seize and the country defaulted.
Lebanese debt is a small slice of emerging-market indexes. The Middle Eastern state had 0.37% weighting in JPMorgan's widely tracked EMBI Global Diversified Index as of July 31, down from 0.64% in February. Indonesia, Mexico and China account for the top three in the index.
But the explosion marked the latest difficulty to strike developing markets, which are already under pressure from the global coronavirus pandemic and declining oil prices. Analysts forecast deep economic contractions for many emerging-market economies in 2020 and Argentina this week agreed to a $65 billion restructuring deal with creditors.
Foreign investors piled into emerging-market debt over the past decade seeking higher returns as central banks in developed economies slashed interest rates to stimulate growth. Trillions of dollars of debt around the world carries negative yields, with JPMorgan Chase & Co. research analysts saying the pile has grown in recent weeks.
That made high yields in emerging markets appealing to investors. Debt issued by Lebanon yields up to 7%, while the benchmark 10-year Treasury note closed Wednesday at 0.541%, according to Tradeweb. Before March, when the coronavirus pandemic sent markets in a tailspin, the 10-year was yielding little above 1%.

IMF says exploring ways to aid Lebanon, calls for movement on reforms

06-Aug-2020
BEIRUT, Aug 6 (Reuters) - **The International Monetary Fund (IMF) said on Thursday it was exploring all possible ways to support the Lebanese people following the powerful port warehouse explosion that rocked Beirut, while urging authorities to move on reforms.**
Managing Director Kristalina Georgieva, in a statement, also urged the international community and friends of Lebanon "to step up to help the country".
"The IMF is exploring all possible ways to support the people of Lebanon," she said. "It is essential to overcome the impasse in the discussions on critical reforms and put in place a meaningful program to turn around the economy and build accountability and trust in the future of the country."
The Lebanese government entered talks with IMF in May after defaulting on its foreign currency debt, but the negotiations have stalled in the absence of reforms and amid a row between the government, banks and politicians over the scale of the country's vast financial losses.

(Reporting by Ghaida Ghantous and Ellen Francis; Editing by Jon Boyle)
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Lebanon's investors wary as blast upends debt revamp plans

07-Aug-2020
By Tom Arnold
LONDON, Aug 7 (Reuters) **- Lebanon's creditors are wary of the risk of even steeper losses as a devastating blast in Beirut complicates an already stalled debt restructuring process.**
Even before Tuesday's explosion in Beirut's port that killed 154 people, progress had been slow on a turnaround from deep financial turmoil that culminated in a default on Lebanon's foreign currency debt in March.
Reflecting the gloomy outlook, the country's $31 billion of sovereign dollar-bonds, beset by thin liquidity since the default, have sunk generally deeper below 20 cents in the dollar since March.
This has further diminished prospects of recovery for creditors already facing wider losses than for Argentina and Ecuador, two other troubled sovereigns which both moved closer to finalising their own debt revamps this week.
Trading volumes on Lebanese bonds spiked to their highest in three weeks on Wednesday, according to MarketAxess data, with financial sources citing a push by some creditors to try to sell their holdings.
"It means Lebanon is more likely to see goodwill from the international community but we don't know how this dynamic will play out and what it means for the reform programme," said Steffen Reichold, portfolio manager at Stone Harbor Investment Partners, which holds some Lebanese Eurobonds.
"In terms of recovery values, it's not going to be positive. If anything, it will be negative.
"But the main determinant is the cold hard facts on the balance sheets of the various institutions involved - the government, BdL (central bank) and the local banks - and that's what will drive recoveries."
With Lebanon's economy expected to face a more severe economic dip this year in the wake of the blast, investors are pondering the scale of revisions that may be required to the government's debt sustainability metrics laid out in an existing rescue plan, as the parallel exchange rate weakens further and government costs rise.
"The prospects are even worse than before," said a foreign creditor who spoke on condition of anonymity. "This episode underlines how weak the state of governance is in Lebanon."
Even before the blast, the process of overhauling the debt had hardly begun, with the government's financial adviser Lazard yet to engage comprehensively with creditors as talks with the International Monetary Fund over financing were put on hold.
Lebanon's commercial banks, the single largest constituency of Eurobond holders, had raised concerns about the government's plan.
Tuesday's explosion was a "watershed event" that could change the political system for the better, said an adviser to the banks association who asked to remain anonymous.
The adviser also warned that if the existing, long-ruling political class hangs on to power, the economic costs of the blast could lead to lower recovery values.

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Philippines

Philippines sells $10.5 bln worth of retail treasury bonds

07-Aug-2020
MANILA, Aug 7 (Reuters) **- The Philippine said on Friday it had sold 516.3 billion pesos ($10.53 billion) of retail treasury bonds (RTBs), with most of the proceeds intended for the government's COVID-19 relief efforts and infrastructure projects.**
The five-year RTBs raised an additional 488.5 billion pesos of cash, with the balance of 27.8 billion pesos accounting for the bond switch component of the offer, National Treasurer Rosalia de Leon said.
"Strong market liquidity conditions supported healthy demand for the RTBs," she told reporters.
The RTBs, fetching a coupon rate of 2.625%, were offered to small investors and holders of previously-issued RTBs maturing this month and in March 2021.
The Southeast Asian country is ramping up borrowing as it seeks to mitigate the economic impact of the COVID-19 pandemic by providing cash transfers to the poor and assisting small businesses, and as authorities try to offset a slide in revenue due to lockdowns.

($1 = 49.017 pesos)
(Reporting by Enrico Dela Cruz
Editing by Ed Davies)
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Syria

Central Bank of Syria issues Treasury bond

03-Aug-2020
The Central Bank of Syria (CBS) has announced its second issue of Treasury bonds this year, with the auction set to take place on August 10th.
Analysis
The country's 17 conventional banks (six state-owned and 11 private) will be invited to bid for S£150bn (US$119m) of two-year securities, with

a reference yield of 7%. It is part of a two-tranche issue launched at the start of the year. The first went ahead in February, raising S£148.5bn from seven banks, with a yield of 6.7%. The proceeds are aimed at contributing to the financing of the government's fiscal deficit. The CBS also issued a tranche of certificates of deposits (CDs) in June, although the issue was not fully subscribed. The CBS issued S£74.3bn of the six-month CDs, with an annual yield of 6.5%. Eight banks took part in the issue, which had aimed to raise S£100bn.

The opportunity to invest in government debt has come at a time when banks face restrictions on their lending activities. On June 11th the CBS issued a note based on a cabinet decision requiring banks to suspend advances of credit or loans to customers and to halt renewals of existing facilities. The decision was announced on the same day as the dismissal of Emad Khamis as prime minister and the appointment of Hussein Arnous as his replacement. The CBS has since indicated that the measure was aimed at curbing the use of bank credits to finance black-market currency operations. A few days later the CBS devalued the official exchange rate by 44% to S£1,256: US$1. Since these measures went into effect, the rates quoted on the parallel market for the Lebanese pound have fallen by about one-third to about S£2,000: US$1 as at late July. Considering the new restrictions, we expect that there will be reduced demand among banks for Treasury bonds.

Impact on the forecast

Our forecast already accounted for the second tranche of the Treasury's bond issuance in 2020, and our fiscal forecasts therefore remain unchanged.

Thailand

Thailand to borrow $1.5 bln from ADB for anti-virus measures

04-Aug-2020

BANGKOK, Aug 4 (Reuters) - **Thailand's cabinet on Tuesday approved a $1.5 billion loan deal from the Asian Development Bank (ADB) to help finance stimulus measures to mitigate the impact of the coronavirus pandemic, a government official said.**

The government plans to sign the COVID-19 active responses and expenditure support programme with the ADB later this month, deputy government spokeswoman Rachada Dhnadirek told a briefing.

The loan is part of a plan to borrow 1 trillion baht ($32.16 billion) for relief measures for Southeast Asia's second-largest economy which the central bank predicts will contract by a record 8.1% this year.

The finance ministry said the loan would help reduce the impact on domestic liquidity and borrowing costs for both the public and private sectors.

"The government's external debt remains low and the finance ministry can manage foreign exchange risks", Rachada said.

The loan will be in two tranches - $500 million for 10 years and $1 billion for five years, she said.

With this borrowing, Thailand's foreign debt will be 2.46% of the total public debt, below the 10% limit, she added.

($1 = 31.09 baht)
(Reporting by Panarat Thepgumpanat
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Editing by Ed Davies)
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Thailand: ADB lends US$1.5bn to Thailand for virus response

06-Aug-2020

The Asian Development Bank is providing a US$1.5bn loan to the Government of Thailand to reduce the economic and social impact of the coronavirus pandemic.

The loan will help fund the government's relief packages for the country's health care system, small and medium-sized enterprises in industries most affected by the outbreak, and overall economic stimulus, ADB said in a press release on Tuesday.

Signing of the loan agreement will take place by the end of August in Bangkok.

The Thai government's stimulus packages have totaled Bt2.25 trillion (US$72bn) for fiscal years 2020 and 2021. That includes a programme for providing cash assistance to 16 million informal workers and 10 million farmer households.

ADB expects Thailand's economy to contract by 6.5% in 2020, down from its forecast of 3.0% growth in December 2019.

Due to Thailand's strong regional trade, investment and labour links, the ADB is concerned that an economic crisis in the country could spill over into its neighbours, including Cambodia, the Lao People's Democratic Republic, Myanmar and Vietnam.

ADB's loan to Thailand falls under the multi-lateral institution's Covid-19 Active Response and Expenditure Support (CARES) Programme – a US$20bn package funded through the Covid-19 pandemic response option under ADB's Countercyclical Support Facility.

From February to July, the ADB committed US$9.3bn in financial resources to support its developing member countries and private sector to address the impact of the virus, ADB said in an announcement on Monday.

In addition, the ADB is planning to strike a new partnership strategy with Thailand to support its economic recovery via a pipeline of green and climate-resilient infrastructure projects.

The strategy will focus on rebuilding regional cooperation through the Greater Mekong Subregion working groups on tourism, trade, transport and health.

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(Editing by Chien Mi Wong)

DMO applauds terms of $1.5bn extended by ADB

07-Aug-2020

The US$1.5 billion borrowed from the Asian Development Bank (ADB) comes with favourable conditions for Thailand, says the Public Debt Management Office (PDMO).On Aug 4, the cabinet approved the Finance Ministry's proposal to borrow $1.5 billion from the ADB to stimulate and rehabilitate the economy.

The borrowing scheme is part of the government's plan to issue a royal decree to borrow 1 trillion baht to revive the virus-hit economy. The interest rate, instalment period and grace period for principal payment represent a good deal for Thailand, said PDMO director Patricia Mongkhonvanit.

The conditions help to diversify the risk of borrowing, while the ADB is also offering technical assistance to borrowers, Mrs Patricia said. Repayment reportedly will be divided into two tranches, with the first worth $500 million and carrying a term of 10 years, with a three-year grace period.

The second tranche worth $1 billion carries a term of five years, with a three-year grace period. The Finance Ministry is required to disburse the borrowing by June 30, 2021. The ADB loan will be taken out on a gradual basis depending on the Covid-19 remediation programme and in accordance with the 1-trillion-baht loan decree, which prohibits financing of infrastructure projects, Mrs Patricia said.

The public debt level will rise to 57% of GDP from June's 44.8% upon borrowing the full amount under the loan decree. Public debt is capped at 60% under the fiscal sustainability framework.

A 50% cap applies to the medium-term fiscal plan. Separately, Japan Credit Rating Agency Ltd (JCR) affirmed the credit ratings of Thailand's long-term government bonds at A- and the baht at A, with a stable outlook.

Though the state will incur a greater fiscal deficit and public debt from fiscal and monetary policies this year, JCR believes that the government will continue to maintain fiscal discipline and keep public debt at a manageable level.

EUROPE

Albania

World Bank lending $15 mln to Albania to support health system amid pandemic

03-Aug-2020

TIRANA (Albania), August 3 (SeeNews) **- The World Bank said it has approved a $15 million (12.7 million euro) loan to Albania to provide the country with an emergency support to its healthcare system in order to better respond to the COVID-19 pandemic.**

The loan will finance activities aimed at strengthening health services and safeguarding lives, such as widespread population testing, healthcare investments, training of medical staff and strengthening the capacity to assess and modify requirements for physical distancing, the World Bank said in a statement last week.

The investments that will be funded with the proceeds of the loan are also expected to boost the Albanian healthcare system's capacity for routine service delivery and for future health crises.

"The World Bank stands with the people of Albania during this unprecedented crisis. I would like to recognize the extraordinary dedication of health professionals in Albania to save people's lives and strongly encourage citizens to strictly follow social distancing and other restrictive measures aimed at minimizing the impact of the pandemic", Maryam Salim, the World Bank country manager for Albania, said in the statement.

($ = 0.8491 euro)

Andorra

Andorra: The government approves a debt issue of 20 million euros in government bonds to Banco Santander

06-Aug-2020

The Government has approved, at the proposal of the Minister of Finance, Eric Jover, a debt issue of 20 million euros in the form of government bonds, within the framework of the public debt issuance program that it was approved last March 25th.

The operation makes it possible to refinance part of the debt issue that matured on October 17, 2020. Thus, this issue, fully subscribed by Banco Santander - for 2 years and with an interest rate of 0.60 % -, allows us to continue advancing in the will of the Executive to diversify the Andorran debt and at the same time internationalize it in order to increase its sustainability.

This is the first time that such a placement has been made, of national debt issues to customers outside the Principality. It thus becomes a first step for the international debt issues that the Government is preparing for the coming years.
The Minister of Finance has reiterated that, in the context of existing uncertainty, the will of the Executive is to increase the strength of state funding by ensuring its resilience as much as possible.

Belarus

Belarus sees 2020 budget shortfall of $2.1 bln, Belta cites finance ministry as saying

05-Aug-2020
MINSK, Aug 5 (Reuters) **- Belarus' budget deficit could widen to about $2.1 billion this year, the Belta news agency reported on Wednesday, citing the finance ministry.**
The ministry said earlier on Wednesday that the country's state budget revenue for this year could shrink by up to $1.7 billion on the back of the coronavirus pandemic and issues with oil supplies.

(Reporting by Andrey Makhovsky; Writing by Gabrielle Tétrault-Farber; Editing by Hugh Lawson)
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Bulgaria

Bulgaria seeks 511 mln euro loan under EU's SURE instrument

05-Aug-2020
SOFIA (Bulgaria), August 5 (SeeNews) - **Bulgaria's government said on Wednesday that it has authorised labour minister Denitsa Sacheva to sign a request for a 1 billion levs ($605 million/511 million euro) loan from the EU's temporary Support to mitigate Unemployment Risks in an Emergency (SURE) instrument.**
The funding will support the government measures aimed at softening the economic fallout from the coronavirus pandemic, the government said in a statement following its weekly meeting.
The measures will help around 250,000 people keep their jobs by the end of 2020. The funds will also help the authorities deal with the increased size of unemployment benefits needed to be paid.
SURE is a temporary financing scheme designed to provide up to 100 billion euro of loans under favourable terms to EU member states. The instrument enables member states to request EU financial support to help finance the sudden and severe increases of national public expenditure.
Bulgaria has signed but not yet ratified the SURE agreement.

(1 euro = 1.95583 levs)

Czech Republic

Czech central budget deficit rises to 205.1 billion crowns end-July

03-Aug-2020
PRAGUE, Aug 3 (Reuters) **- The Czech central state budget showed a 205.1 billion crowns ($9.14 billion) deficit at the end of July, Finance Ministry data showed on Monday.**
The figure compares to a 9.7 billion crown deficit recorded a year ago and to a 195.2 billion deficit at the end of June.
The government originally planned a deficit of 40 billion crowns for the full year, but raised the plan to a record 500 billion crowns after measures taken to tackle the COVID-19 pandemic weakened the central European economy.
Adjusted for funds from the European Union, the end-July budget would show a deficit of 209.0 billion crowns, versus an 11.4 billion crowns deficit at the same time last year.
Overall expenditure rose 17.1% while income decreased by 5.4%. Tax revenue fell by 12.1% year-on-year.
The central budget is the main part of the EU country's overall public sector finances, which also include local and regional administrations, the health insurance system and various off-budget funds.
The overall public sector balance is expected to reach around 8% of gross domestic product this year, the central bank's forecast shows.

($1 = 22.4340 Czech crowns)
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Hungary

Hungarian central bank says plans to "jump-start" green bond market in Hungary

04-Aug-2020
BUDAPEST, Aug 4 (Reuters) **- Hungary's central bank said on Tuesday that it planned to "jump-start" the green bond market in**

Hungary, which will require a range of incentives by the bank and also other regulators.

"Similarly to other countries, Hungary may also be required to introduce developing and facilitating measures," the National Bank of Hungary (NBH) said in a statement.

It also published an analysis in which the NBH said it would analyze ways of providing incentives through banks' capital requirements.

"Banks are among the most important potential investors for green bonds, and their purchases are influenced by the capital requirements. In principle, green bonds would be eligible for support in the capital requirement, but the calibration of this would require thorough research to make sure that the framework is well-founded and consistent," it said.

(Reporting by Krisztina Than)
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Moldova

Moody's affirms Moldova's B3 rating, outlook stable

03-Aug-2020

CHISINAU (Moldova), August 3 (SeeNews) - **Moody's Investors Service said it has affirmed he government of Moldova's 'B3' long-term foreign and local currency issuer ratings, with stable outlook.**

The decision to affirm the ratings and maintain the stable outlook was based on Moldova's low shock absorption capacity due to limited economic resilience reflecting low wealth levels and a narrow economic base as well as low institutional strength, Moody's said in a statement on Friday.

Another reason for the rating affirmation was Moldova's fiscal strength supported by a moderate debt level and high debt affordability despite the anticipated rise in debt-to-GDP ratio induced by the coronavirus shock.

In the ratings agency's view, Moldova's susceptibility to event risk remains driven by political risk, while external support helps to contain banking sector, liquidity and external vulnerability risks.

Moldova's long-term foreign currency bond and deposit ceilings remain unchanged at B2 and Caa1, respectively. The local currency bond and deposit ceilings remain unchanged at B2, according to the statement. The short-term foreign currency bond ceiling and short-term foreign currency deposit ceiling remain at Not Prime (NP).

Moody's also said in the statement:

"RATINGS RATIONALE

FIRST DRIVER: LOW SHOCK ABSORPTION CAPACITY DUE TO LIMITED ECONOMIC RESILIENCE

The first driver for the rating affirmation at B3 is Moldova's limited shock absorption capacity, constrained by low economic resilience and institutional strength, which makes the sovereign vulnerable to macroeconomic shocks.

Moldova's low economic resilience reflects a low GDP per-capita (estimated at $7703 (PPP) in 2019) compared with European B-rated peers, volatile growth dynamics and a narrow economic base. Moreover, a high reliance on the agricultural sector exposes the economy to adverse climatic conditions as exemplified by the recent drought.

Moldova is also highly dependent on remittances -- a key driver of private consumption -- that, albeit recovering, have been significantly affected by the coronavirus outbreak. In the medium term, structural challenges, including labor shortage due to emigration, also constrain economic strength. Moody's projects real GDP to contract by 4.5% in 2020, compared with 3.6% growth in 2019. Growth is expected to recover in 2021 to around 4% assuming that the spread of virus will be contained.

Limited institutional strength also weighs on Moldova's shock absorption capacity. Despite recent improvements, institutional strength, as measured by the Worldwide Governance Indicators, remains weak, particularly as concerns control of corruption. The completion of the IMF programme in March 2020 reflects the country's commitment to reform implementation despite the volatile political conditions and led to significant progress on banking sector reforms that helped to restore macroeconomic and financial stability.

The recent staff-level agreement between the authorities and the IMF on a new funded three-year programme with a proposed financing of $558 million that focuses on supporting economic recovery after the coronavirus shock and advancing institutional reforms signals the willingness of the authorities to sustain the reform momentum. The agreement will be considered by the IMF Board in September, subject to the authorities' implementation of a number of prior actions focusing on the central bank independence, financial sector oversight and fiscal transparency. The envisaged new programme will preserve macroeconomic stability and progress achieved under the previous programme, and ensure that further structural reforms are implemented. Reforms will be particularly focused on governance and institutions. While policy credibility has been strengthened in the context of the successful completion of the IMF programme earlier this year, governance challenges and low policy predictability persist against the backdrop of Moldova's volatile political landscape, and continue to be a key risk to the continuation of structural reforms.

SECOND DRIVER: FAVORABLE METRICS SUPPORT FISCAL STRENGTH DESPITE DETERIORATION INDUCED BY THE PANDEMIC

The second driver of the affirmation of the B3 rating relates to Moldova's fiscal metrics, which -- despite the expected deterioration in the context of the coronavirus crisis -- remain relatively favorable compared with rating peers.

Moldova's public debt burden stood at 27.4% of GDP at end-2019, well below the B-rated median of 53.6% of GDP. As a result of a large fiscal deficit and the economic contraction foreseen this year, Moody's expects public debt to rise significantly to about 36% of GDP by the end of 2020. That said, the debt trajectory remains exposed to the risk of weaker than expected growth and exchange rate depreciation given the large share of foreign currency denominated debt. Prior to the coronavirus outbreak, Moldova had a track record of small fiscal deficits (averaging 1.4% of GDP over the past five years) which in part reflected the under-execution of capital expenditure. **With the pandemic, Moody's expects the fiscal deficit to temporarily increase, exceeding 8% of GDP in 2020 from 1.4% in 2019, as a result of the coronavirus' dampening impact on revenues as well as newly introduced expenditure measures to mitigate the impact of the pandemic.**

Moldova's debt affordability metrics are strong and compare favorably with rating peers. The government's interest payment burden, with interest payments absorbing around 3% of revenue in 2019, is very low and compares favorably to the B-rated median (8% of GDP in 2019), reflecting a high share of concessional debt with low funding costs. Moody's expects debt affordability to also remain strong this year and next, assuming most of the additional financing will remain on concessional terms.

THIRD DRIVER: SUSCEPTIBILITY TO EVENT RISK IS DRIVEN BY POLITICAL RISK WHILE EXTERNAL SUPPORT CONTAINS BANKING SECTOR, LIQUIDITY AND EXTERNAL VULNERABILITY RISKS

The third key factor underpinning the affirmation of Moldova's B3 rating is the country's susceptibility to event risk, which is predominantly driven by political risk. Moody's assessment of Moldova's political risk reflects both the volatile domestic political environment and the geopolitical risk related to the unresolved Transnistria conflict.

After a period of relative stability, the domestic political volatility has increased since the elections in February 2019. The coalition that was formed after several months of post-election uncertainty -- comprising the Party of Socialists of the Republic of Moldova (PSRM) and the ACUM electoral bloc -- collapsed already in November 2019. A PSRM-led government was formed shortly thereafter, followed by the formation of a coalition with the Democratic Party (PDM). That coalition lost recently its parliamentary majority.

The presidential election is expected for November and the recent ruling of the country's constitutional court prevents the parliament from being dissolved within six months before the expiration of the president's mandate, making parliamentary elections before the end of the year unlikely. An increase in volatility of the domestic political environment in the context of the upcoming presidential elections would carry liquidity and external risks, as there is a risk that it could result in delay or suspension of international financial assistance.

The banking sector risk remains contained given the substantial progress made in addressing the vulnerabilities of the financial sector under the IMF programme. The continued reform momentum is expected to contribute to preserve financial stability. Moody's expects government liquidity risk and external vulnerability risk to remain contained as bilateral and multilateral financing are expected to cover a significant share of the increasing fiscal and external financing needs in 2020.

RATIONALE FOR STABLE OUTLOOK

The stable outlook balances Moldova's reform progress made under the recently concluded IMF programme against structural economic challenges that constrain the country's credit profile and limit shock-absorption capacity, including with respect to the coronavirus pandemic, and a volatile political landscape that could derail the reform momentum or result in a less prudent fiscal policy, limiting the financing options. The stable outlook also reflects Moody's expectations that the support from the international institutions will bolster Moldova's external and liquidity profiles.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Moody's takes into account of the impact of environmental (E), social (S) and governance (G) factors when assessing sovereign issuers' economic, institutional and fiscal strength and their susceptibility to event risk. In the case of Moldova, the materiality of ESG to the credit profile is as follows.

Environmental considerations are relevant to Moldova's credit profile as the significant reliance on the agricultural sector makes the country vulnerable to climate change. Rural livelihoods are dependent on agriculture, which accounted for more than 10% of the gross value added and employed about 20% of the population. In particular, droughts can create economic, fiscal and social costs for the sovereign.

Social considerations are material to Moldova's rating, mainly related to unfavourable demographics. Since Moldova gained independence in 1991, around a third of the country's population has emigrated, mainly because of a lack of job opportunities and relatively higher poverty levels. According to UN forecasts, the contraction in Moldova's working-age population is likely to accelerate. Although the large amount of remittances has improved recipients' welfare, the declining population will be a major constraint on the economy as it weighs on labour input. Moody's regards the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Governance considerations are material to Moldova's credit profile through relatively weak rule of law and high levels of corruption. The country's scores are very low on institutional factors, as measured by the WGIs, reflecting moderate government and policy effectiveness.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

WHAT COULD CHANGE THE RATING - UP

Evidence that progress on structural reforms continues, resulting in a strengthening of the country's governance and institutional profile, would exert upward pressure on the rating. Improving longstanding structural economic impediments that weigh on economic resilience, including the weak business climate and labour shortage, would also support the emergence of upward rating pressure.

WHAT COULD CHANGE THE RATING - DOWN

Moldova's government rating could be downgraded if there were an increase in political risk that resulted in a slowdown or reversal of the reform progress achieved under the IMF programme and/or in a less prudent fiscal stance that could lead to a lasting erosion of the government's fiscal metrics. The emergence of liquidity pressures due to larger than projected financing needs or an increase of external vulnerability risk due to a larger than expected deterioration of the balance of payments position could also result in downward rating pressure. Although not likely, Moldova's rating could also be downgraded if conditions in the Transnistria region were to deteriorate significantly."

(1 euro=19.8079 Moldovan lei)

North Macedonia

North Macedonia sells 2.3 bln denars (37 mln euro) of govt paper

04-Aug-2020

SKOPJE (North Macedonia), August 4 (SeeNews) **- North Macedonia's finance ministry has sold 2.3 billion denars ($44 million/37 million euro) worth of government securities at two auctions held on August 4, data by the country's central bank showed on Tuesday.**

The finance ministry sold 1.4 billion denars worth of one-year Treasury bills and 900 million denars of 30-year government bonds, the data showed.

The central bank sells government securities on behalf of the finance ministry through volume tenders in which the price and coupon are set in advance and primary dealers bid only with amounts.

(1 euro = 61.54 denars)

Romania

Romanian central bank's July FX reserves rise to 36.25 bln euros

03-Aug-2020

BUCHAREST, Aug 3 (Reuters) - **The Romanian central bank's foreign exchange reserves, excluding 103.6 tonnes of gold, rose by 1.25 billion euros ($1.46 billion) in July to 36.25 billion euros, the bank said on Monday.**

Inflows were 4.72 billion euros, including changes in credit institutions' foreign currency-denominated required reserves, inflows into the finance Ministry's and European Commission's accounts and the $3.3 worth of dollar bonds debt managers sold in July.

Outflows were 3.48 billion euros, representing changes in credit institutions' foreign currency-denominated required reserves, interest payments and principal repayments on foreign currency public debt, and other.

The central bank said payments to service external public and publicly guaranteed foreign currency debt amounted to 305 million euros in August.

($1 = 0.8535 euros)

(Reporting by Luiza Ilie)
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Romania rejects bids at tender to sell 2028 bonds

03-Aug-2020

BUCHAREST, Aug 3 (Reuters) **- Romania's finance ministry rejected bids at a tender to sell 2028 treasury bonds on Monday, its second consecutive failed attempt to sell the paper since July 20, central bank data showed.**

Debt managers, who had planned to sell 400 million lei, last sold the paper on July 2 at 3.87%.

So far this year, Romania sold roughly 45 billion lei of local currency bills and bonds as well as 150 million euros of euro-denominated paper, and tapped foreign markets for 6.3 billion euros worth of Eurobonds and $3.3 worth of dollar bonds.

(Reporting by Radu Marinas)
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Russia

Fitch affirms Russia at 'BBB', outlook

stable

07-Aug-2020

Aug 7 (Reuters) **- Fitch Ratings on Friday affirmed Russia's rating at "BBB", citing the country's credible and consistent policy framework, robust balance sheets and low government debt.**

"We forecast Russia to contract by 5.2% in 2020 due to the impact of the COVID-19 pandemic and containment measures on domestic demand and exports," the ratings agency said in a statement, maintaining Russia's outlook at "stable".

Russia is rated investment grade by the three big international rating agencies, including S&P Global Ratings and Moody's, which helped Moscow borrow money on global markets by issuing Eurobonds last year.

Still, risks posed by the COVID-19 pandemic, lower oil prices and Western sanctions are seen hampering Russia's efforts to achieve higher rates of economic growth.

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Slovakia

Slovak end-July budget deficit at EUR 3.83 bln

03-Aug-2020

PRAGUE, Aug 3 (Reuters) - **The Slovak central government budget deficit reached 3.83 billion euros ($4.50 billion) at the end of July, wider than a 1.43 billion euro deficit posted a year ago, the Finance Ministry data showed on Monday.**

Total revenue reached 7.39 billion euros at the end of July, while expenditure was 11.22 billion euros. Tax revenue stood at 6.14 billion euros, down from 6.92 billion euros a year ago.

Revenue from EU transfers reached 710.57 million euros, down from 714.56 million euros at the end of July 2019.

Slovakia's budget deficit could swell to 8.4% of gross domestic product (GDP) in 2020, a finance ministry report has showed.

($1 = 0.8508 euros)
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Slovenia

Slovenia: The correctness and effectiveness of government measures is confirmed by Slovenia's favorable position on the capital markets

05-Aug-2020

The yield on 10-year bonds of the Republic of Slovenia on the financial markets is negative (-0.04%). The correctness and effectiveness of government measures to preserve jobs and encourage investment is confirmed by Slovenia's favorable position on the capital markets.

On 30 July, the Ministry of Finance took advantage of the demand of a reputable investor and issued an additional issue of a 3-year bond of the Republic of Slovenia (maturity in 2023) in the amount of EUR 50 million at a record low yield to maturity of 0.492%, which is 27 basis points more yield to maturity of a comparable bond of the Republic of Germany, which is the lowest so far.

Investors' confidence in the Republic of Slovenia and their willingness to invest in government bonds at extremely low yields is the result of the government's effective measures in the fight against the Covid-19 epidemic. As a result of these measures, the economic downturn has also been relatively short, and large-scale support programs have reduced the effects of the epidemic on the labor market and helped maintain the economy's financing. The measures taken by the European Commission and the European Central Bank are also important for the situation of the euro area countries.

Slovenia's favorable position on the capital markets is also strengthened by the confirmation of the Republic of Slovenia's credit ratings in April by Moody's (Baa1, stable outlook), in June by Standard and Poor's (AA-, stable outlook) and in July by Fitch Ratings (A, stable outlook).

In addition to government measures, the fact that public finances are stable and banks are liquid, and the confidence of investors and credit rating agencies reflects the fact that Slovenia, despite difficult epidemiological circumstances, remains a stable and trustworthy country, undoubtedly contributes to the rapid recovery of the Slovenian economy.

LATIN AMERICA AND CARIBBEAN

Argentina

Argentina creditors seek global support for bond clause changes

02-Aug-2020

By Rodrigo Campos and Tom Arnold

NEW YORK/LONDON, Aug 2 (Reuters) - **A group of Argentina's creditors has contacted the Institute of International Finance and other**

global bodies for support to amend legal clauses in its sovereign bond restructuring, a spokesman for the organisation said.
Buenos Aires is trying to clinch a deal to restructure around $65 billion in foreign debt by Tuesday, though it is likely to push that deadline back after bondholders grouped behind a counter-proposal, causing an impasse in talks.
Specific details of what creditors are seeking the support of the organisations on was unclear.
But collective action clauses (CACs), which determine the requirements for any future changes made to the bond agreements, are a key issue in the negotiations.
The bondholders, including BlackRock, Ashmore and Fidelity Management and Research, also made informal contact with the International Monetary Fund, U.S. Treasury and the International Capital Market Association, a creditor source told Reuters.
The IMF, U.S. Treasury and ICMA did not immediately respond to requests for comment.
Although these organisations have no control over how bond contracts are structured, the creditors hope that their support would help to persuade Argentina's Economy Minister Martin Guzman to agree to changes they want.
Guzman said on Thursday that the government's proposal was the maximum effort it could make, but that there was the "possibility for innovations" with legal clauses, but only with international backing.
"That's not a matter for Argentina and a subset of creditors to decide," he said during an online conference.
Argentina is pushing for enhanced CACs, which allow borrowers to bundle together multiple bonds, making it even harder for minority hold-outs pushing for a better deal to disrupt the process. Enhanced CACs require a single threshold for approval, generally set at 75%.
Creditors are worried the government will use the CACs to adopt the "Pac-Man" strategy of attempting to get them on board one at a time.
News of the bondholders' contact efforts was first reported by Bloomberg.

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Argentine govt nearing preliminary accord with creditors

03-Aug-2020
BUENOS AIRES, Aug 3 (Reuters) - **The Argentine government is nearing a preliminary accord with its creditors to restructure its foreign debt, local media reports said on Monday.**
Argentina and its creditors are trying to strike a deal for the restructuring of $65 billion of debt ahead of an Aug. 4 deadline.
(Reporting by Nicolas Misculin; writing by Cassandra Garrison; Editing by Sandra Maler)
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Argentina reaches $65 billion debt deal with creditors

04-Aug-2020
LONDON, Aug 4 (Reuters) **- Argentina said on Tuesday that it had reached a deal with three creditor groups on a sovereign debt restructuring deal.**
The deal with the Ad Hoc Group of Argentine Bondholders, the Argentina Creditor Committee and the Exchange Bondholder Group and other significant holders would allow members of the creditor groups to support a debt restructuring deal and grant the country significant debt relief, the Ministry of Economy said.
The country had been at an impasse with creditors including BlackRock and Ashmore, over proposals to revamp $65 billion in debt ahead of the deadline of today.

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Argentina's $323 billion debt conundrum

04-Aug-2020
By Adam Jourdan
BUENOS AIRES, Aug 4 (Reuters) **- Argentina is battling to escape from a messy ninth sovereign default as it firefights recession, stubborn inflation and increasingly wary investors.**
The country announced on Tuesday it had reached an agreement with creditors to restructure around $65 billion in foreign debt, breaking a deadlock over recent weeks and setting the stage for a formal deal later this month.
HOW WE GOT HERE
Argentina's center-left Peronist government made an aggressive initial proposal to bondholders in April that was quickly rejected.
After winding talks, the government made a "final" offer in early July, calculated to be worth near 53.5 cents on the dollar. Creditors rallied behind a counterproposal demanding around 3 cents more.
After last-ditch talks between the government, creditors and advisers, the two sides zeroed in on a deal worth around 54.8 cents, a person close to the talks said, with tweaks to legal clauses that bondholders were seeking.
The government has set a deadline for creditors

to formally accept the amended proposal on Aug. 24, after which new debt would be issued in early September.

WHAT ELSE DOES ARGENTINA OWE?

Argentina has a total debt pile of $323 billion, around 90% of gross domestic product. The majority of public debt is in foreign currency.

The South American country is negotiating with the International Monetary Fund to strike a new agreement to replace a landmark $57 billion financing deal struck in 2018. Argentina has already received around $44 billion under that deal.

Argentina also owes the Paris Club creditor group $2.1 billion that was originally due in May. It has made use of a one-year extension on the payment and is looking to renegotiate the debt with the group of country lenders.

A bill to restructure the country's foreign currency debt issued under local law is currently going through Congress.

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Argentina strikes $65 bln debt deal to avert hard default

05-Aug-2020

- **Buenos Aires fell into 9th sovereign default in May**
- **Economy ministry says deal reached with creditor groups**
- **Bond payment dates adjusted, Argentina says**
- **Argentina's Eurobonds rally**

By Tom Arnold and Adam Jourdan

LONDON/BUENOS AIRES, Aug 4 (Reuters) - **Argentina has reached an agreement with creditors to restructure around $65 billion in sovereign debt, breaking a deadlock in talks that will help the country climb out of default and banish fears of a damaging and protracted legal standoff.**

The economy ministry said in a statement on Tuesday it had reached an accord with major creditors after agreeing to adjust some payment dates and legal clauses to sweeten what had been touted as its "final" proposal made in early July.

A deal will help overwrite memories of Argentina's last major default in 2001-2002, which led to over a decade of litigation and left it a pariah in global capital markets.

"Early this morning we finally reached an agreement and took a decisive step," Economy Minister Martin Guzman said in an evening press conference, adding the deal was key to bringing the public sector out of a "situation of asphyxia."

He said the deal had the backing of a majority of creditors, and Argentina would look to convince any still undecided.

A major grain producer and once one of the world's wealthiest countries, Argentina fell into its ninth sovereign default in May and is headed for an estimated 12% economic contraction this year on the back of two years of recession.

The three creditor groups - the Ad Hoc Group, Argentina Creditor Committee and the Exchange Bondholder Group - said they were pleased to have reached an "agreement in principle" that provided debt relief and would lead to renewed access to international capital markets for Argentine issuers.

"The agreement is a good outcome for all participants and delivers an offer that all creditors should support," they said.

The ministry said it would extend the deadline for creditors to formally accept the new deal to Aug. 24. It had been set to expire on Tuesday.

BOND MARKETS CHEER

The agreement helped lift sovereign bonds an average of 8.7% following a rally on Monday in anticipation of a deal.

The country had been at an impasse with creditors, which included big-name funds such as BlackRock and Ashmore, over revamping the debt.

Investors were cheered by the announcement of an agreement.

"It is something that the main bondholder groups can accept," said Graham Stock, an emerging markets strategist at creditor BlueBay Asset Management, who said the average net present value of the new offer was 54.8 cents on the dollar.

"The economic situation in Argentina is very challenging and a key focus for us was to make sure there was sufficient cash flow relief for the government in the short-term to help the government address the economic fallout from coronavirus."

Riccardo Grassi, risk manager at Mangart Capital Advisors, said the two sides had reached a "political compromise."

"I wouldn't say creditors are happy, but we are happy that this thing has been resolved," he added.

Gabriel Torres at credit ratings agency Moody's said the agreement would allow the country to avoid "protracted and costly legal proceedings with bondholders" and called for "credible and sustainable fiscal and monetary policies."

PAYMENT DATES CHANGE

As part of the deal, the government said it would adjust some payment dates for the new bonds set out in the offer to raise the proposal's value.

The offer will also adjust certain legal aspects of so-called collective action clauses (CACs), which determine how future changes can be made to bond agreements. These had become a key point of contention in the talks.

Some bondholders had feared Argentina would try to use the CACs to adopt a "Pac-Man" strategy of attempting to get them on board one at a time.

Carlos de Sousa of Oxford Economics said the changes and the accord with major creditors

meant a deal was almost in the bag.
"It should be straight forward now to achieve the required qualified majorities for a successful debt exchange," he said.
Under the deal, payment dates on the new bonds will be Jan. 9 and July 9, instead of March 4 and Sept. 4. The new bonds will begin amortizing in January 2025 and mature in July 2029.
Moderate Peronist President Alberto Fernandez and Guzman had been adamant that Argentina was unable to improve the offer made in early July, though people close to the talks said there could be wiggle room to sweeten the offer.
Argentina struck a $57 billion loan deal with the International Monetary Fund in 2018 and has said it will seek a new program with the fund after it wraps up its talks with private creditors.
"A very significant step. Look forward to a successful conclusion in the interest of all," IMF head Kristalina Georgieva said in a congratulatory post on Twitter.

(Reporting by Tom Arnold and Adam Jourdan; Additional reporting by Marc Jones, Rodrigo Campos and Cassandra Garrison; Editing by Andrew Cawthorne, Steve Orlofsky and Tom Brown)
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Brazil

Brazil to decide this month on extending emergency aid to poor

06-Aug-2020
By Marcela Ayres and Jamie McGeever
BRASILIA, Aug 6 (Reuters) - **A decision on whether to extend emergency payments to millions of Brazil's poorest people, an economic lifeline in the COVID-19 pandemic, will be taken later this month, Treasury Secretary Bruno Funchal said on Thursday.**
Speaking in an online event hosted by local media outlet Jota, Funchal also said the government will not tinker with its spending cap rule, and that the economic outlook for next year remains highly uncertain.
The emergency 600 reais monthly payments to low-paid and informal workers expire in September and will have totaled some 254 billion reais ($48 billion) over five months. If they are not extended or replaced, economists warn the country's nascent economic recovery could be quickly snuffed out.
"Let's look at what's going on with the economy, and if there really is a need (to extend). The timing for this decision will be in August," Funchal said. "There will be a discussion whether to extend or not, and if so, by how much."
Officials have said the government cannot afford extra payments of 600 reais a month, but have not completely closed the door on lower payments.
Funchal said the outlook for the economy next year remains highly uncertain, even though recent indicators suggest a recovery is underway.
He also said the government's spending cap rule, which limits growth in non-obligatory expenditure to the rate of inflation and is considered the most important pillar for the country's public finances, is not up for debate.
The rule has helped keep market-based interest rates and government debt servicing costs down, he said.
"Every time this debate about the ceiling arises it is reflected in interest rates, perceived economic risk, and ends up making it more expensive for the government to roll over its debt," Funchal said.
Economists warn that the cap will be breached as early as next year unless the government drastically reduces spending because the squeeze on its finances is so tight. These cuts could be painful for society and politically unpalatable.

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Chile

Chile: They approve to empower the Central Bank to buy and sell debt instruments issued by the Treasury

07-Aug-2020
By 141 votes in favor, four against and five abstentions, the Chamber of the Chamber dispatched the draft constitutional reform that empowers the Central Bank to buy and sell debt instruments in the open secondary market issued by the Treasury in exceptional and transitory circumstances.
According to what was indicated by the Minister of Finance, Ignacio Briones, in his intervention in the Chamber, the current powers that the body has would not be enough to mitigate the economic impacts of the economic crisis derived from the Covid-19 pandemic. In the government's opinion, these new instruments allow the Central Bank to improve its response capacity in critical situations and guarantee the normality of internal and external payments.
The initiative, which was previously analyzed by the Constitution Commission and sent to the Executive for its promulgation as law, contains a transitory article, which indicates that the new norm will take effect when the law that introduces modifications to the Organic Constitutional Law enters into force of the Central Bank that will regulate this new faculty.

The project, reported in the Chamber by Deputy Matias Walker (DC) and arising from two parliamentary motions in the Senate, consolidated with a message from the Executive, establishes that the decision must be reaffirmed with the favorable vote of at least four councilors of the issuing entity.
Minister of Finance
The Minister of Finance pointed out that the power is for the secondary and not the primary market, because that would be a monetization of fiscal deficits, which could strongly affect the local economy, ending years of fiscal responsibility that have allowed low inflation in the country.
He argued that the power provided by this constitutional reform is available in large economies and in developing countries and has made it possible to balance the market in this complex global context.

Ecuador

Ecuador wins 'unprecedented' investor support for $17.4 bln debt restructuring

03-Aug-2020
By Alexandra Valencia and Brian Ellsworth
Aug 3 (Reuters) - **Ecuador said on Monday it had won overwhelming investor support for a $17.4 billion foreign debt restructuring, hailing it as an economic turning point following years of economic stagnation and one of the region's worst coronavirus outbreaks.**
President Lenin Moreno's government in July offered investors the chance to swap 10 existing notes for three new bonds maturing in 2030, 2035 and 2040, in an effort to save billions of dollars in debt service amid a severe cash crunch.
Finance Minister Richard Martinez said the plan won backing from investors holding more than 95 percent of outstanding bonds, despite a last-minute legal challenge by creditors who had called the deal unfair.
"This high percentage of support that we have achieved is unprecedented and shows the confidence in the new path laid out by the president," Martinez said in a virtual news conference.
The positive result is likely to solidify the Moreno government's reputation for pragmatic economic policy and willingness to negotiate with creditors.
It also signals that global investors are willing to make concessions amid the pandemic. Images of bodies piling up during the initial months of the coronavirus outbreak in the streets of Ecuador's largest city, Guayaquil, drew shock around the world.
The deal is expected to improve the government's cashflow by $10 billion in the coming four years.
The plan won the backing of investors holding all ten outstanding issues. That included bondholders with 95% of the notes maturing in 2024, which had a higher threshold for approval and had been expected to face more resistance.
Ecuador's largest creditor grouping, the Ad Hoc Group including asset managers such as AllianceBernstein, BlackRock and Ashmore, backed the plan early on.
Two other creditor groups, which include Amundi, Contrarian Capital Management and T Rowe Price Associates, had said the proposal did not go far enough.

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Ecuador economy: Creditors resoundingly approve debt-restructuring offer

05-Aug-2020
On August 3rd the government announced that it had successfully reached an agreement with private creditors to restructure its US$17.4bn in bonded external debt.
Bondholders overwhelmingly approved an unsweetened bond exchange offer that was initially agreed upon with a majority of them. Although political uncertainties and the magnitude of the economic fallout from the pandemic weigh heavily on Ecuador's outlook, The Economist Intelligence Unit views the deal as a major vote of confidence in Ecuador over the medium and longer term.
Bondholders representing more than 95% of the capital of each bond, including the 75%-threshold notes due in 2024, voted to accept Ecuador's offer of an exchange of its current ten bonds for three maturing in 2030, 2035 and 2040, as well as a zero-coupon bond due in 2030 for interest that it is currently not paying. As the zero-coupon bond is only available to those who participate in the exchange, it provided an incentive for approval amid tight deadlines for the restructuring of Ecuador's debt: the deadline for accepting the offer has been extended to August 7th for the few creditors who have not yet participated.
The terms also included a haircut on capital near 10%, a more than doubling of average maturities to 12.7 years (from 6.1 years) and a cut in the average interest rate to 5.3% (from 9.2%). The sovereign will pay almost no interest until 2022, when a new government will be in

place (elections are due in February 2021).

The deal is a landmark success for an emerging-market country with a poor track record of debt repayment. Ecuador has defaulted several times in modern history, most recently in 2008, when the former president, Rafael Correa (2007-17), claimed that bonds issued by previous administrations were illegitimate. The Correa administration regained access to international markets, but its debt-fuelled attempt to compensate for the fall in the price of its main export, crude oil, contributed to the incumbent government's need to restructure its debt and left Ecuador particularly vulnerable to the economic impact of the coronavirus (Covid-19) outbreak.

Debt restructuring is far from a silver bullet

The restructuring deal is undoubtedly a milestone, but serious challenges remain. The government is looking to China for help. Following the agreement, the results of reprofiling negotiations with China will be announced later this week, according to Richard Martínez, the finance minister. Nevertheless, even assuming that the elimination of interest payments is followed by a new US$2.4bn loan from China, Ecuador will have to close a gaping fiscal hole of about US$4bn before the end of the year.

The ball is now in the IMF's court. The restructuring deal hinges on a successor agreement with the Fund after the government cancelled its previous deal at the onset of the pandemic. Ecuador's private creditors have agreed to share some of the restructuring burden required by the Fund, but the government must now do its part. By passing some laws earlier in 2020 including fiscal reforms, it helped to reinforce an image that it can achieve some orthodox reform, even in the face of strong domestic headwinds. The government has also received strong backing from the IMF throughout the pandemic, suggesting that the Fund, cognisant of the country's economic woes, will remain supportive through a new lending arrangement.

Nevertheless, fiscal adjustment was an uphill battle even before the pandemic struck. Considering that elections are approaching, there are certainly doubts about how the incumbent government and the government that follows will manage to meet the conditions entailed in a new agreement with the Fund. Political uncertainties, in part driven by the economic fallout of the pandemic, point to substantial programme implementation risks.

Although the outlook is not sanguine, developments are corroborating our outlook. We have long maintained that the sovereign would reach an amicable agreement with private creditors to restructure its debt, providing respite amid the pandemic. **The economic outlook for Ecuador remains negative, and we expect real GDP to contract by 11% this year.** However, the landmark deal reinforces our outlook over the medium term; assuming policy continuity, we expect that the government, under the auspices of the IMF, will work to shore up the public finances and put its public debt on a sustainable trajectory.

Ecuador gets one-year grace period on China Development Bank credit line

06-Aug-2020

QUITO, Aug 5 (Reuters) - **Ecuador has negotiated a one-year grace period on a credit line from China Development Bank (CDB) that will allow the South American nation to delay $417 million in payments, the finance minister said on Wednesday.**

"We've obtained relief ... in the capital payment of a tranche of debt with China, with CDB specifically, that will give us relief for one year of $417 million," Richard Martinez said in a virtual news conference.

Ecuador owes China Development Bank $2.3 billion, which is spread across five credit lines. It owes a total of $5.3 billion to different Chinese state institutions.

The announcement follows a $17.4 billion debt restructuring plan that was overwhelmingly backed by investors as Ecuador seeks to emerge from years of economic stagnation and a brutal outbreak of the novel coronavirus.

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S&P Global set to raise Ecuador sovereign ratings after debt revamp

07-Aug-2020

LONDON, Aug 7 (Reuters) - **S&P Global Ratings said it will raise its sovereign credit ratings on Ecuador when the government issues new bonds this month under a debt restructuring.**

S&P, which lowered its ratings on Ecuador to selective default in April, said the rating after emerging from default will reflect financial relief gained from the debt overhaul, as well as the limited prospects for litigation from any holdout creditors and the possibility of a new International Monetary Fund programme.

The country announced on Monday investor support for a $17.4 billion foreign debt revamp.

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AFRICA

Ethiopia

Moody's Confirms Ethiopia's Rating, Outlook Negative

07-Aug-2020
Aug 7 (Reuters) - Moody's:

- **Moody's confirms Ethiopia's rating, outlook negative**
- Moody's - negative outlook reflects view that Ethiopia's fiscal vulnerabilities that had risen before covid-19 shock will be exacerbated by shock
- Moody's says uncertainty about Ethiopia's capacity to secure external funding to fully cover its needs could sharply raise pressure on liquidity
- **Moody's says confirmed B2 issuer and senior unsecured rating of government of Ethiopia**

(Reuters.Briefs@thomsonreuters.com)

Morocco

Morocco to reform state bodies in virus response, Finance Ministry says

04-Aug-2020
RABAT, Aug 4 (Reuters) - **Morocco plans to reform, merge or dissolve some state bodies to reduce their dependency on a state budget hit by the coronavirus pandemic, the finance minister said on Wednesday.**
The plan could include a merger of the indebted state railway operator, ONCF, and the highway company ADM into a single entity, the minister, Mohamed Benchaaboun, told reporters.
Morocco expects its economy to shrink by 5% this year, with the fiscal deficit rising to 7.5% of gross domestic product and treasury debt to 75.3% of GDP. Despite a tough lockdown, it has confirmed 26,196 cases of the coronavirus.
The state has already announced some measures to help with the economic impact. Last week, King Mohammed VI announced a $12.8 billion stimulus, equivalent to about 11% of GDP.
The stimulus includes 75 billion dirhams ($8 billion) in state-guaranteed loans to private and public enterprises and 45 billion dirhams as a strategic investment fund to finance public-private projects, Benchaaboun said.
State airline RAM will receive 6 billion dirhams, of which 60% is a direct capital injection and 40% loans guaranteed by the state.
Morocco’s plan to generalize social security in five years would guarantee health insurance, retirement pensions and unemployment compensation for everyone, he said.
More than a third of Moroccan workers already work in unregistered businesses without social protection, doing manual labour or selling in the streets, accounting for 14% of GDP, according to the planning agency.
Unemployment is expected to surge to 14.8% in 2020 from about 9.2% before the pandemic, the agency said.
Morocco intends to issue an international bond this year. "All preparations have been made," he said, without offering further details.

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Nigeria

World Bank approves $114 mln for Nigeria's COVID-19 response

07-Aug-2020
ABUJA, Aug 7 (Reuters) **- The World Bank has approved $114 million to help Nigeria tackle its coronavirus pandemic, the global lender said on Friday.**
The money comes in the form of a $100 million loan and a $14 million grant to be split between Nigeria's 36 states and federal-level procurement of medical equipment, tests and medicine.
Africa's most populous country has recorded more than 45,000 confirmed coronavirus cases and 930 deaths, but low levels of testing have left a muddy picture of the outbreak's severity.
"Nigeria has ramped up its efforts to contain the COVID-19 outbreak, but more needs to done at the state level, which are at the front line of the response," Shubham Chaudhuri, the World Bank's director for Nigeria, said in its statement on Friday.

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Rwanda

S&P Rates Rwanda's Long Term Local Currency 'B+' and Long Term Foreign Currency 'B+'

07-Aug-2020
Aug 7 (Reuters) -

- **S&P rates Rwanda's long-term local currency 'B+' and long-term foreign currency 'B+'; outlook negative**

• S&P says Rwanda outlook revised to negative on rising pressure on debt and external positions; 'B+/B' ratings affirmed
• S&P says covid-19 causing a sharp deterioration in Rwanda's economic activity, and expect real per capita GDP will remain broadly flat in 2020
• S&P says affirmed 'B+' long-term and 'B' short-term sovereign credit ratings on Rwanda
• S&P says expect Rwanda's real GDP growth will rebound next year
• **S&P says Rwanda's outlook also reflects larger general government deficits that could make funding more complicated**

(Reuters.Briefs@thomsonreuters.com)

Senegal

Moody's Confirms Senegal's Ba3 Ratings, Changes Outlook to Negative

07-Aug-2020
Aug 7 (Reuters) - MOODY'S:
• **Moody's confirms Senegal's BA3 ratings, changes outlook to negative**
• Moody's says Senegal's negative outlook reflects risks associated with relatively high central government debt burden
• Moody's says Senegal's short-term rating was affirmed at not prime
• **Moody's says coronavirus shock is exacerbating an upward trend in Senegal's debt burden that started before the shock**

(Reuters.Briefs@thomsonreuters.com)

South Africa

Foreign investors are losing interest in South African bonds

04-Aug-2020
By Robert Brand
Foreigners have sold a net R54 billion ($3.1 billion) of the debt this year, JSE Ltd. data shows.
Foreign investors continue to desert South Africa's bond market in July, with their share of government debt falling to the lowest level in more than eight years.
Non-resident bond holdings fell to 30.1% as of July 31, from 30.6% the previous month and as high as 37.3% in January, according to National Treasury data. Foreigners have sold a net R54 billion ($3.1 billion) of the debt this year, JSE Ltd. data show.
South Africa lost its last investment-grade credit rating in March, when Moody's Investors Service cut its assessment to Ba1 from Baa3. S&P Global Ratings and Fitch Ratings downgraded the country deeper into junk. The bonds exited indexes tracking investment-rated debt, sparking forced sales by funds benchmarked against those.
"The continuous downgrades by all three ratings agencies seem to be having the effect of taking South Africa off the radar for many offshore investors despite the attractive yields on offer," said Deon Kohlmeyer, a Johannesburg-based trader at Rand Merchant Bank. "It remains to be seen whether local investors can take up the issuance slack created by the reduction in offshore investor interest."
Yields on government bonds are among the highest in emerging markets, with benchmark 10-year debt offering a pickup of 8.78 percentage points over US Treasuries. The 10-year yield rose 4 basis points on Tuesday at 9.31%. It's climbed 67 basis points since the beginning of June.

South African central bank cuts bond buys to 2.5 bln rand in July

07-Aug-2020
JOHANNESBURG, Aug 7 (Reuters) - **The South African central bank further cut its government bond purchases in July, buying 2.5 billion rand ($142 million) worth, or half the amount it bought in June, to bring its total holdings to 38.4 billion rand, data showed on Friday.**
Rampant selling of government debt in March and April, as the coronavirus struck, forced the bank into emergency liquidity measures, including a quantitative easing style purchase of bonds in the secondary market.
At its rate meeting two weeks ago, when the bank clipped lending rates by 25 basis points, Governor Lesetja Kganyago stressed the bond buying was to support liquidity rather than finance government's ballooning budget deficit.
In May, National Treasury upped the weekly amount of debt on auction by nearly 2 billion rand.
Local banks and asset mangers have mostly taken up the increased supply, but foreign investors have reduced their holdings to an eight-year low at 30.1%.

($1 = 17.5639 rand)
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EMERGING MARKETS

EMEA emerging market sovereign debt-to-GDP ratio to rise over COVID-19

06-Aug-2020

The fallout from the coronavirus pandemic on domestic demand and international trade will raise EMEA emerging-market government ratios of debt-to-GDP a median 8.2 percentage points in 2020, S&P Global Ratings said in a report.

S&P rates 53 emerging market sovereigns in the EMEA region. These sovereigns entered 2020 with higher public and private debt than in the run-up to the global financial crisis according to the ratings agency.

Since the start of 2020, S&P has downgraded 21 sovereigns globally (of the total 135 rated sovereigns). Ten of these downgrades were in emerging EMEA.

"While our house view is that by the end of next year a vaccine for the current strain of the virus will be broadly available in developed economies, enabling infection rates to converge rapidly toward zero, the possibility of lower access to a vaccine in some emerging sovereigns could delay the recovery," the report said.

Despite the recent recovery in capital inflows into emerging markets, the ratings agency believes that pressure on macroeconomic fundamentals and therefore ratings are likely to persist into 2021 and 2022.

"For emerging EMEA sovereigns, net negative outlooks currently stand at negative 9 versus negative 1 at end-2019, meaning roughly 1 of 6 ratings has a negative outlook, compared with 1 of 4 for all emerging countries," the report noted.

MENA region

In the first six months of the year, the net balance of negative outlooks in MENA declined from negative 1 to negative 3, the report said.

Oman remained on a negative outlook, as did two Emirates, Ras Al Khaimah and Sharjah.

The ratings agency lowered the rating on Kuwait, Lebanon, Oman, and Sharjah.

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