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Emerging Sovereign Debt Markets NEWS

Number 6 Week 1 – 7 February 2020

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ASIA

Bahrein

Bahrain central bank cuts one-month deposit rate

05-Feb-2020
DUBAI, Feb 5 (Reuters) - **Bahrain's central bank said on Wednesday that it had decided to cut its one-month deposit rate by 15 basis points to 2.45% from 2.6%.**
The move "represents the continuous measures taken by the CBB to ensure the smooth functioning of the money markets in Bahrain," it said.
It kept its key policy interest rate on the one-week deposit facility and the rate on the overnight deposit facility unchanged, at 2.25% and 2.00%, respectively.
Lending rates were also unchanged at 4%.

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India

India Bonds See Best Week In Seven On Optimism Post Budget

07-Feb-2020
By Dharam Dhutia
NewsRise
MUMBAI (Feb 7) -- **Indian government bonds posted their best weekly rise in seven, after the government did not announce any additional borrowing and on plans to issue special securities with no cap on foreign investment.**
The central bank's announcement yesterday to infuse liquidity through long-term repos also aided sentiment.
The benchmark 6.45% bond maturing in 2029 ended at 100.05 rupees, its highest since issuance on Oct. 4, yielding 6.44%, in Mumbai, against 100.00 rupees and a 6.45% yield at previous close. The yield fell 16 basis points this week, the biggest fall since the week ended Dec. 20. The Indian rupee was at 71.40 to the dollar at 5:00 p.m. today, down 01% for the week. "The monetary policy was pragmatic and addressed the real issue of transmission with the announcement of term repo, while space for further easing is also there and budget also ensured that sentiment remains positive," said Abhishek Upadhyay, senior economist at ICICI Securities Primary Dealership. "Spread will continue to widen, with below five-year papers trading below 6%, while the benchmark bond yield may be in the 6.30%-6.45% band."
The Reserve Bank of India yesterday announced a new liquidity management framework, wherein it will conduct one- and three-year repo auctions totaling one trillion rupees, from the fortnight staring Feb. 15, to enable transmission of already announced interest rate cuts.
The Monetary Policy Committee maintained its status quo on policy rates and said it will maintain an accommodative stance as long as it was necessary to revive growth, but said there is room for future rate cuts.

The MPC maintained its forecast for India's gross domestic product growth for this year at 5%, while expecting growth to pick up to 6% in the next financial year that starts Apr. 1. The panel expects retail inflation in a higher 6.5% band in January-March.

The panel is likely to keep interest rates on hold for a third consecutive time when it meets again in April over concerns of elevated inflation, but it may cut rates by 25 basis points in June or August as retail inflation is likely to ease, a majority of the 20 economists and analysts surveyed by NewsRise said.

BofA Securities expects the MPC to cut rates either in April or in June, depending on how fast onion prices come down, while Barclays said the next window for modest rate cuts may open in the second half of 2020, when inflation is expected to ease below the upper band of the central bank's target.

The government widened its fiscal deficit target for the current financial year to 3.8% and aims to lower the budget gap to 3.5% for next year. It kept gross borrowing for this year unchanged at 7.10 trillion rupees and is aiming for 7.80-trillion-rupee borrowing next year.

India also plans to soon issue so-called special securities with no caps on foreign investment, paving the way for listing of these securities on global bond indices such as Bloomberg Barclays and J.P. Morgan.

The benchmark Brent crude contract was trading at $54.75 per barrel, down 5.9% for the week, its fifth consecutive weekly fall. India imports more than 80% of its crude oil requirements.

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Short term government bond yields drop up to 17 basis points after RBI policy

06-Feb-2020

Shorter duration government bond yields plunged after the Reserve Bank of India announced long term repo operation. Bond yields plunged about 14-17 basis points in Thursday afternoon trade paving way for arbitrage trades, dealers said. The Reserve Bank will conduct term repos of one-year and three-year tenors of appropriate sizes for up to a total amount of Rs 1, 00, 000 crore at the policy repo rate, the central bank said announcing bi-monthly policy.

"LTRO should improve monetary transmission bringing down shorter duration gsec yields, " said Naveen Singh, head of trading at ICICI Securities PD. "Now debt market may fund up to three-year assets through LTRO without risking any change in overnight borrowing costs in future.Four-year sovereign bonds are now yielding 6.

07 percent dropping about 14 basis points since Wednesday. Similarly, government securities maturing in 2023 are yielding 5.93 percent shedding 17 basis points since Wednesday.

Traders can now fund their money through RBI long term repo at 5.15 percent and buy shorter duration sovereign papers.The Reserve Bank of India has decided to revise its liquidity management through which it controls cash in the banking system, a key sauce to rationalise interest rates in line with the policy actions.

"It has been decided to fine-tune the existing liquidity management framework, the central bank said Thursday as it kept the repo rate unchanged at 5.15 percent in its bi-monthly monetary policy.The central will use a combination of tools including fixed and variable rate repo/reverse repo auctions, open market operations, forex swaps as it may be required depending on market situation.

"The daily rate repo and four 14-day term repos every fortnight being conducted, at present, are being withdrawn, " RBI said in the statement on Development and Regulatory Policies. If needed, RBI will conduct longer-term variable rate repo/reverse reop operations of more than 14 days. The weighted average call rate (WACR) will continue to be its operation target.

Call is the rate at which banks lend overnight money each other.

India may issue $5 bln of bonds next year with no foreign investment cap

04-Feb-2020

By Aftab Ahmed and Swati Bhat

NEW DELHI/MUMBAI, Feb 4 (Reuters) - **India is likely to issue at least $5 billion worth of bonds with no limits on foreign investment next year, in a bid to list the bonds on global indices and attract more foreign funds, according to two finance ministry sources.**

India's government is likely to issue the bonds in several tranches of at least $400 million each, one source said.

"We have spoken to major index operators and we will start pushing these bonds in tranches very early in the first half of the next fiscal year itself," the first official said.

The bonds would be rupee-denominated, said the officials, who asked not to be named as the discussions were still private.

The finance ministry did not immediately reply to an email seeking comment.

In September, Reuters reported the government was considering a special window free of any foreign investment cap for overseas passive investors. An inclusion in global indices would open India's bond market to

more investors and potentially reduce the government's borrowing costs.
That investment could be significant in the long run, said Ananth Narayan, associate professor of finance at S.P. Jain Institute of Management and Research.
However, Narayan said, "if it is only a few bonds, a full- fledged index inclusion will not happen. We will get a very small, negligible kind of weightage on the index, but it is a good way to start,"

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Indonesia

Indonesia raises 21 trillion rupiah from debt auction, above target

04-Feb-2020
JAKARTA, Feb 4 (Reuters) - **Indonesia raised 21 trillion rupiah in a bond auction on Tuesday, above an indicative target of 15 trillion rupiah, the financing and risk management office at the finance ministry said.**
The weighted average yields of the bonds were lower than the yields of comparable bonds in the previous auction on Jan. 21. Total incoming bids at Tuesday's auction were 96.90 trillion rupiah.

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Lebanon

Lebanon approves financial rescue plan with 'painful steps'

06-Feb-2020
By Laila Bassam
BEIRUT, Feb 6 (Reuters) - **Lebanon's government on Thursday approved a rescue plan to pull the country's from its worst financial crisis in decades, including interest rate cuts, recapitalisation of banks and other "painful steps", according to a copy seen by Reuters**.
The 17-page plan - which also includes appeals for help from foreign donors - will be presented to parliament next week for a vote of confidence, the speaker's office said.
Prime Minister Hassan Diab's new government is facing a liquidity crunch, shattered confidence in banks which have imposed informal controls, a weakened Lebanese pound and soaring inflation.
The cabinet was formed last month by the Iran-backed Hezbollah movement and its political allies, which hold a parliamentary majority. It took office nearly three months after Saad al-Hariri's government resigned under pressure from mass rallies against a ruling elite that protesters blame for decades of waste and corruption.
In its statement, Diab's government pledged to come up with an emergency plan by the end of February that addresses people's needs and the country's debt maturities. It said some "painful steps" would be necessary while vowing to curb the impact on those with limited income.
The policy plan - which had minor changes from a draft seen by Reuters on Sunday - said banks must use their reserves and sell their investments abroad to help restore the sector's stability.
It envisaged foreign donors providing soft loans, though it did not name any institutions or say how much was required.
Finance Minister Ghazi Wazni's office said he would meet a World Bank delegation on Friday.
Foreign donors say they stand ready to help only if Lebanon's government implements long-stalled reforms.
Hezbollah's parliamentary bloc said on Thursday that decisions on the country's debt maturities in coming months would need national consensus. "Radical (moves)... require a national decision and popular understanding," it said in a televised statement.
Cash-strapped authorities are struggling to decide whether to repay a $1.2 billion Eurobond maturing in March, political and banking sources told Reuters this week. Diab urged European states to open a credit line and provide aid. "Lebanon needs urgent help today at various levels, power, food supplies, raw materials," he told a meeting of European ambassadors.
The U.N. Special Coordinator for Lebanon, Jan Kubis, said this week that a clear and transparent action plan was needed.
"If you don't help yourselves, why do you expect assistance from the outside world?" he told local media.

(Reporting by Laila Bassam, Ellen Francis and Ghaida Ghantous in Beirut
Editing by Nick Macfie, Gareth Jones and Andrew Heavens)

Pakistan

Pakistan's deficit under microscope as IMF review begins

04-Feb-2020
By Charlotte Greenfield and Asif Shahzad
ISLAMABAD, Feb 4 (Reuters) - **Pakistan will**

come under pressure to convince the International Monetary Fund (IMF) it can bring down a ballooning fiscal deficit, as a review on the future course of its $6 billion financial aid program gets under way.
An IMF team sent to review benchmarks set as part of the deal began formal meetings in Islamabad on Tuesday that will continue until February 13, a top finance ministry official said.
The Fund agreed the three-year rescue package last year - its 13th bailout program for Pakistan since the late 1980s - as the South Asian country of 208 million people wrestles with a balance-of-payments crisis.
Even after cutting its revenue collection target, Pakistan is facing a shortfall of 387 billion rupees ($2.51 billion).
By the end of the fiscal year in June, that could have virtually doubled, former finance secretary Waqar Masood - who was instrumental in past negotiations with the IMF, told Reuters on Tuesday.
That would be "alarmingly high," making the review potentially very critical given the already hard-pressed state of the economy. So the mission would ask for details of measures to narrow the shortfall, he said.
With energy and gas prices already high and citizens facing double-digit food-led inflation and interest rates, the government might be forced into introducing news taxes via a mini-budget.
"You might be hearing already that the government has no (other) option," he said, though that would be politically risky.
The IMF board met in December to approve second aid tranche of $450 million after the mission's team completed its first review in November, saying the fiscal deficit was narrowing.
The IMF has estimated that Pakistan's economy would slow down to 2.4 percent growth in 2020 and since the team's arrival the local stock market has fallen.
The outcome of the talks was a major uncertainty that was weighing on investors' minds, Mohammad Sohail, head of Topline Securities, said. "I think this will continue in the market for the time in which the IMF team are deliberating in Pakistan," he said.
He and Masood both said Pakistan might ask the mission to grant some form of waiver of the aid program's conditions.
($1 = 154.4000 Pakistani rupees)

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Philippines

BTr urges public to invest in treasury bonds

05-Feb-2020

The Bureau of the Treasury or BTr Central Luzon has urged the public to start investing through retail treasury bonds or RTBs.
According to BTr Regional Director Irene Jonson, treasury bonds, particularly RTB, are designed for small investors, and are part of the government's effort to support public financial awareness.
He said it aims to encourage the public to start accumulating banks.
An individual needs only five thousand pesos to invest in the said RTB. It has an annual interest rate of 4.375 percent and is payable every three months for three years.
To invest in such an RTB, interested individuals can go to any of the 20 BTr agent banks, provided they have a peso account on them.
These include Banco de Oro Unibank, Inc., BDO Capital and Investment Corporation, BPI-Capital Corporation, China Banking Corporation, Citibank, CTBC Bank (Philippines) Corporation, Development Bank of the Philippines, East West Banking Corporation, First Metro Investment Corporation , ING Bank, Land Bank of the Philippines, Maybank Philippines, Inc., Metropolitan Bank and Trust Company, Philippine National Bank, Philippine Bank of Communications, Rizal Commercial Banking Corporation, Robinsons Bank Corporation, Security Bank Corporation, Standard Chartered Bank, and Union Bank of the Philippines.
You can also buy bonds online through the Development Bank of the Philippines, the Land Bank of the Philippines, and the First Metro Investment Corporation. Just go to the website www.treasury.gov.ph, click on the RTB logo, and follow the instructions.
As an additional feature, Jonson said BTr has an Exchange Offer program, in which holders of RTB 3-08 bonds that will expire on April 11, 2020, will be allowed to exchange their holdings for the latest RTB offer.
The bonds will be available for purchase through February 6, 2020.
It is intended to serve as the agency's main source of funding to support national government projects such as infrastructure, social services, health, and education.

Qatar

Qatar central bank sells 600 mln riyals in T-bills

04-Feb-2020

DUBAI, Feb 4 (Reuters) - **Qatar's central bank sold 600 million riyals ($165 million) of Treasury bills in an auction, it said in a statement on Tuesday.**
A total of 300 million riyals worth of three-month T-bills were sold at 1.41%, 200 million riyals worth of six-month T-bills were sold at 1.45% and 100 million worth of nine-month T-bills were sold at 1.49%.($1 = 3.6400 Qatar riyals)

(Reporting by Nayera Abdallah; Writing by Yousef Saba) ((Yousef.Saba@thomsonreuters.com ; +971562166204))

South Korea

S.Korea stocks retreat from 2-week high as virus death toll mounts

07-Feb-2020

- **KOSPI drops, foreigners net buyers**
- **Korean won weakens versus U.S. dollar**
- **South Korea benchmark bond yield falls**

SEOUL, Feb 7 (Reuters) - **Round-up of South Korean financial markets:**
South Korean shares declined on Friday, shedding the rally from the previous session, as the mounting death toll from a new coronavirus in China raised fears of an economic damage. The Korean won and the benchmark bond yield weakened.
The World Health Organization (WHO) said on Thursday it was too early to say that China's coronavirus outbreak was peaking, but noted that the country had recorded its first day of a drop in the number of new infections.
The death toll in mainland China has reached 636, as of the end of Thursday, up by 73 from the previous day, the country's National Health Commission said on Friday.
A surge on Thursday was excessive, said Huh Jae-hwan, an analyst at Eugene Investment. Though China is trying to cushion the impact, markets are bracing for negative influence on economy, he added.
As of 0205 GMT, the Seoul stock market's main KOSPI was down 17.11 points, or 0.77%, at 2,210.83. In the previous session, the index jumped nearly 3% to hit its highest since Jan. 23.
The KOSPI was set to gain more than 4% for the week.
Foreigners were net buyers of 42.0 billion won ($35.40 million) worth of shares on the main board on Friday.
The won was quoted at 1,186.8 per dollar on the onshore settlement platform, 0.59% lower than its previous close at 1,179.8.
In offshore trading, the won was quoted at 1,185.6 per U.S. dollar, unchanged from the previous session, while in non-deliverable forward trading its one-month contract was quoted at 1,185.1 per dollar.
MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.56%, after U.S. stocks ended higher overnight. Japanese stocks fell 0.15%.
The KOSPI advanced 0.73% so far this year, and gained 1.4% in the previous 30 trading sessions.
The trading volume during the session in the KOSPI index was 344.60 million shares and, of the total traded issues of 904, the number of advancing shares was 289.
The won lost 2.6% against the dollar so far this year.
In money and debt markets, March futures on three-year treasury bonds edged up 0.06 points to 110.80, while the 3-month Certificate of Deposit rate was quoted at 1.42%.
The most liquid 3-year Korean treasury bond yield fell by 2.7 basis points to 1.288%, while the benchmark 10-year yield dropped by 3.6 basis points to 1.598%.
($1 = 1,186.3900 won)

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EUROPE

Albania

Albania to sell 1 bln leks (8.1 mln euro) of 6-mo T-bills on Feb 11

06-Feb-2020

TIRANA (Albania), February 6 (SeeNews) – **Albania's finance ministry will offer 1 billion leks ($9.0 million/8.1 million euro) worth of six-month Treasury bills at an auction on February 11, it said.**
At the last auction of six-month government securities held on January 7, investors bought 1.4 billion leks worth of T-bills, meeting the ministry's target.
The average yield on the six-month Treasury bills edged up to 1.50%, from 1.48% at the previous auction held on August 13, 2019, data by the finance ministry showed.
(1 euro = 120.758 leks)

Belarus

Belarus lost $330 mln in 2019 due to Russian tax changes

06-Feb-2020

MINSK, Feb 6 (Reuters) - **Belarus lost $330 million in 2019 due to changes in Russian**

taxation, Belarusian Prime Minister Sergei Rumas said on Thursday.
The changes in taxation cost Belarus' budget $130 million while Belarusian oil refineries lost $200 million, Rumas was cited by state news agency Belta as saying.

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Bosnia

Bosnia's Serb Republic sells 36.6 mln euro of 7-yr T-notes

05-Feb-2020
SARAJEVO (Bosnia and Herzegovina), February 5 (SeeNews) - **Bosnia's Serb Republic sold 36.6 million marka ($20.9 million/19 million euro) worth of seven-year Treasury notes, above its 35 million marka target, at an auction on Wednesday, data by the Banja Luka Stock Exchange (BLSE) showed.**
The government paper was sold at 104.50% of par, with the weighted average yield slightly increasing to 1.71% from 1.70% at the last auction of seven-year government securities held on December 2, BLSE data showed.
Monday's issue carries a coupon of 2.40%, higher than the 2.30% coupon of the December issue.
Coupon payments are due yearly. The principal is payable at maturity.
(1 euro = 1.95583 marka)

Croatia

Croatia to offer 800 mln kuna (107.3 mln euro) of 1-yr T-bills on Feb 11

06-Feb-2020
ZAGREB (Croatia), February 6 (SeeNews) - **Croatia's finance ministry said it will offer 800 million kuna ($118 million/107.3 million euro) worth of one-year Treasury bills at an auction on February 11.**
The T-bill issue will mature on February 11, 2021, the finance ministry said in a notice.
The finance ministry sold 200 million kuna worth of government securities, below its 300 million kuna target, at the last auction of one-year T-bills held on January 28. The yield was 0.06%, unchanged in comparison with the previous auction of one-year T-bills held on January 21.
(1 euro = 7.45749 kuna)

Czech Republic

Czech central bank chief: hikes over for now, will see if stability or cut needed later

06-Feb-2020
PRAGUE, Feb 6 (Reuters) - **The Czech central bank delivered interest rate tightening that it had been considering and does not see the need for a further rate increase, Governor Jiri Rusnok said on Thursday.**
Asked if the bank delivered the tightening seen in its new economic forecast and if then cuts could be expected later, as the forecast also indicated, Rusnok said:
"What is important is that the increase that we had already signalled in the past... that happened today, (going) further it is an open issue, whether it will be stability of rates or the situation will be so favourable that we could even consider some lowering," Rusnok told reporters.
"We do not expect that inflation pressures will escalate further in such a way that we would have to react by further increase."

(Reporting by Jan Lopatka)
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Hungary

Hungary posts HUF 90.4 bln January budget surplus

07-Feb-2020
BUDAPEST, Feb 7 (Reuters) - **Hungary's budget posted a 90.4 billion forint ($292.32 million) surplus in January, the Finance Ministry said in a statement on Friday.**
The ministry also said Hungary's economic growth had probably reached around 5% last year.
($1 = 309.25 forints)

(Reporting by Gergely Szakacs)
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Hungary central bank rejects all bids at Monday's swap tender

03-Feb-2020

BUDAPEST, Feb 3 (Reuters) - **Hungary central bank has rejected all bids on Monday at its weekly euro/forint swap tender providing forint liquidity to domestic commercial banks, the National Bank of Hungary (NBH) said in a statement.**

Banks submitted bids worth 2.07 billion euros for 1-month, 3-month, 6-month and 12-month liquidity. Surplus liquidity in the banking system fell by 130 billion forints to 2.055 trillion after the tender, the NBH said.

Last week the NBH warned of an impending drop in interbank market liquidity as it tries to fine-tune liquidity conditions via its swap tenders, with the forint trading near all-time lows.

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Macedonia

N. Macedonia to sell 3 bln denars (48.4 mln euro) of govt paper on Feb 11

06-Feb-2020

SKOPJE (Macedonia), February 6 (SeeNews) – **North Macedonia's finance ministry will offer two issues of government securities worth 3 billion denars ($53.3 million/48.4 million euro) combined at auctions on February 11, according to notices published by the country's central bank.**

The offer comprises 1.8 billion denars worth of one-year Treasury bills and 1.2 billion denars of 15-year T-bonds.

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

Moldova

IMF reaches staff-level accord with Moldova on economic programme review

06-Feb-2020

CHISINAU (Moldova), February 6 (SeeNews) - **The International Monetary Fund (IMF) said on Thursday it has reached a staff-level agreement with the Moldovan government on a loan arrangement review that would make available a further $20 million (18 million euro) to the country.**

The IMF staff and Moldovan authorities have reached a staff-level agreement on the sixth and final review under the economic programme supported by the three-year Extended Credit Facility and Extended Fund Facility (ECF/EFF) arrangements, the IMF said in a press release on Wednesday.

The staff-level agreement is subject to approval by the IMF management and the executive board.

An IMF staff team led by Ruben Atoyan visited Chisinau during January 22 to February 5 to conduct the 2020 Article IV consultation and the sixth and final review of Moldova's economic reform programme

"Consideration by the Executive Board is tentatively scheduled for March 16, 2020. The completion of the review will make available SDR 14.4 million (about $20 million)," Atoyan said in the press release.

According to the IMF, Moldova has made comprehensive reforms to rehabilitate its banking system and strengthen financial sector governance, thus entrenching macro-financial stability.

"This progress is commendable given a volatile political landscape, with the course of the program stretching over tenures of three different governments. This has been made possible by broad support for the reforms ultimately aimed at strengthening governance and improving living standards of Moldova's people," the IMF said.

So far, Moldova has received $159 million in four tranches from the IMF under the current three-year credit facility of $178.7 million approved in November 2016.

($ = 0.9089 euro)

Poland

Poland has financed some 70% of 2020 borrowing needs after auction

06-Feb-2020

Poland has financed some 70% of its gross borrowing needs for 2020 after the Thursday switching auction, the Finance Ministry said in a statement for PAP.

Poland sold PLN 6.3 bln in T-bonds at the Thursday switcher.

map/ mbn/ kd

Poland pulls emerging markets into sub-zero sovereign club

03-Feb-2020
By Marc Jones
LONDON, Feb 3 (Reuters) - **Poland became the first emerging market country to sell a mainstream government bond with a sub-zero interest rate on Monday, marking another major milestone in the post-crisis plunge in global borrowing costs.**
Eastern Europe's biggest economy sold a 1.5 billion euro, five-year bond which once pricing was finalised gave buyers a yield of -0.102%.
A sub-zero yield, common in some major sovereign bond markets after years of negative central bank interest rates, effectively means the buyer is paying for the privilege of owning debt considered low-risk.
"It is a milestone that I have been waiting a long time for," said Pictet Asset Management's Guido Chamorro. "Emerging markets are joining the negative-yield club."
Many of Poland's existing bonds trade at negative yields in secondary markets thanks to the neighbouring euro zone's deeply sub-zero rates, but to date no mainstream emerging market government bond has been sold with one.
The Polish sale also comes after the flight to safety caused by coronavirus worries have pushed the global universe of negative yielding bonds back up to almost $14 trillion.

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Romania

Romania's cenbank holds rate steady, cuts FX min reserve requirement

07-Feb-2020
BUCHAREST, Feb 7 (Reuters) - **Romania's central bank kept its benchmark interest rate unchanged at 2.50% as expected on Friday, staying cautious at a time of political upheaval, but cut minimum reserve requirements for banks' hard currency liabilities.**
Governor Mugur Isarescu said the bank expected annual inflation to "decline significantly in the early months of 2020 and stay in the upper half of the target range".
The bank will release new inflation forecasts for this year and next on Feb. 11. It targets inflation at 1.5-3.5%.
The bank cut hard currency minimum reserve requirements to 6.0% from 8.0%, which will release roughly 650 million euros ($713 million) into the market once it takes effect from Feb. 24.
Analysts said the funds could likely be soaked up by the finance ministry through euro-denominated domestic debt tenders.
The central bank is aiming to bring reserve requirements towards the European Union's 2% average, and Isarescu said in January it was looking for the right time to cut.
While analysts had expected no change in interest rates, a reserve requirement cut had not been expected this month.
"We see the monetary policy rate as being unchanged and ... one more cut of 2 percentage points in FX minimum reserve requirements by the end of 2020," BCR bank said in a note.
The centrist minority government of Prime Minister Ludovic Orban was toppled in a no confidence vote earlier this week, paving the way for a snap parliamentary election. The process could mean weeks of political wrangling and stalled policymaking at a time when widening budget and current account deficits are pressuring assets and rating outlooks.
Elsewhere in the region, Romania's EU peers have all kept rates low except for the Czech Republic where policymakers delivered a surprise increase in interest rates on Thursday to quell domestic price pressures.
The Romanian leu was trading 0.1% down versus the euro, unchanged from levels before the decision. It firmed after the government collapse, as investors see a potential early election as a positive factor to dispel political instability.
On Friday, Isarescu said that leu currency moves "are not solely reliant on political developments", and said market investors have become somewhat immune to such developments.
($1 = 0.9117 euros)

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Editing by Frances Kerry)
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Russia

Russian Eurobonds neutral on Thursday in absence of substantial UST trends

06-Feb-2020
MOSCOW. Feb 6 (Interfax) - **Prices for most Russian Eurobonds were neutral on Thursday in the absence of pronounced trends for US Treasuries, leaving sovereign spreads little changed, with the exception of Russia's 2030 Eurobonds.**
Russia's benchmark 2030 bonds were up 50

basis points from previous closing by 6:15 p.m. Moscow time at 113.84% with yield at 2.48% per annum, 18 bps lower. Three-year US Treasuries were down only 2 bps from previous closing at 100.93%, with yield up 1 bp at 1.465%. Spread between Russia-30 and UST3 narrowed 19 bps to 101.5 bps.
Russia's 2043 bond was down 30 bps at 136.02% yielding 3.6%, up 1.5 bp; the 2042 bond was up 39 bps at 131.99%, yielding 3.53%, up 2 bps; the 2026 bond was unchanged at 112.45% with yield unchanged at 2.595%; and the 2023 bond also unchanged at 109.44% yielding 2.14%.
The new 2047 bond was down 16 bps to 128.65% with yield up 1 bps to 3.595%; and the new 10-year bond maturing in 2027 was down 10 bps at 110.24%, with yield up 1.5 bps at 2.71%.

Ng mz
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Slovakia

Slovakia to offer 2028, 2037 bonds in February

05-Feb-2020
PRAGUE, Feb 5 (Reuters) - **Slovakia will offer two bonds coming due in 2028 and 2037 at an auction on Feb. 17, the country's debt management agency ARDAL said on Wednesday.**
The indicated amount in the competitive round of the auction is seen at 100 million euros ($110.43 million) for the 2037 bond and 150 million euros for the 2028 bond, ARDAL said in a monthly report.
A non-competitive round offering the same paper will follow the next day.
ARDAL also said it would auction on Feb. 24 an indicated amount of 200 million euros of Treasury bills that mature in January 2021.
($1 = 0.9056 euros)

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Turkey

Turkey says $4 bln issuance almost three times oversubscribed

07-Feb-2020
ISTANBUL, Feb 7 (Reuters) - **Turkey's Treasury confirmed on Friday it borrowed $4 billion in its five-year and 10-year eurobond issuance, with the offering attracting an order book almost three times the issue size.**
It said 51% of the bonds were sold to investors in Britain, 14% elsewhere in Europe, 18% in the United States, 10% in Turkey and 7% in other countries.
The 5-year tranche has a yield of 4.45% and the 10-year tranche a yield of 5.45%, it added.

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LATIN AMERICA AND CARIBBEAN

Argentina

Argentina bonds jump 1.6% on debt deal optimism

07-Feb-2020
BUENOS AIRES, Feb 7 (Reuters) - **Argentine over-the-counter bonds jumped 1.6% on Friday on rising optimism over an eventual debt restructuring deal as the government gets ready to host an International Monetary Fund technical mission next week, traders said.**
Risk spreads on Argentine bonds tightened compared to safe-haven U.S. Treasury papers, according to JP Morgan's Emerging Markets Bond Index Plus, though they remain high after a bond market crash last year.
Argentina is locked in talks to restructure around $100 billion in sovereign debt, including with the IMF which extended a $57 billion credit facility to the South American country in 2018, the fund's largest ever.
The country's center-left President Alberto Fernandez, who came to power in December, has targeted striking a deal with creditors by the end of March, a deadline seen as ambitious but also a sign the government wants to avoid a hard default.
The country's sovereign and Buenos Aires provincial bonds have been buoyed this week by positive signals, including a "meeting between Economy Minister Martin Guzman and IMF chief Kristalina Georgieva at the Vatican that both called constructive."
Buenos Aires's provincial government also averted defaulting on a 2021 bond when it agreed to make a $277 million payment after failing to get bondholder approval to push it back until May.
Graham Stock, senior sovereign strategist at Bluebay Asset management in London, cited

rumblings that the country was close to striking some sort of deal with the IMF, which would be a major step toward unlocking the debt crisis.
"But a lot more detail has to be put round those bare bones and on its economic plans," he said. "But things this week have been encouraging."
Argentina will auction on Feb. 10 three peso-denominated treasury notes expiring in 2021, the economy ministry said.

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Argentina swaps $164 mln in bonds for new debt maturing in 2021

05-Feb-2020
BUENOS AIRES, Feb 4 (Reuters) - **Argentina swapped $164 million in sovereign bonds due this month for four new instruments maturing in August 2021, the government said in a statement on Tuesday as it responded to a credit crunch by improving its debt profile.**
The government exchanged $126.51 million in U.S. dollar-denominated paper due Feb. 13 for a new 7.56 billion peso obligation denominated in local currency. It is advantageous for the government to repay its debt in pesos after a 38.62% slide in the local currency against the greenback over the last year.
The economy ministry said it swapped another $23.6 million in bonds for a new 1.34 billion peso obligation. A third tranche of $12.19 million was swapped for an $8.45 million bond, both denominated in dollars.
The fourth tranche was a $2.06 million obligation swapped for a new local currency bond of 117.96 million pesos.

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Brazil

Brazil's economy to grow 2%-2.5% this year, beat global growth next year

07-Feb-2020
RIO DE JANEIRO, Feb 7 (Reuters) - **Brazil's economy will grow between 2.0% and 2.5% this year, Economy Minister Paulo Guedes said on Friday, adding that growth next year will be faster than the global rate of expansion.**
Speaking at an event in Rio de Janeiro, Guedes also said the government aims to lower the tax burden to 30% from 34% during its current term, and that Congress has fully embraced the administration's economic reform agenda.

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Fitch says no guarantee of quick return to investment grade for Brazil

06-Feb-2020
By Jose Gomes Neto
SAO PAULO, Feb 6 (Reuters) - **Brazil's economy should continue to recover this year, but the potential for sub-2% growth persists and concern over the country's finances means a quick upgrade to an investment grade credit rating cannot be guaranteed, a senior director at Fitch Ratings said on Thursday.**
Speaking at an event in Sao Paulo, Shelly Shetty, senior director and co-head of Americas sovereign ratings, said Fitch was looking for more signs debt would stabilize in the medium term, adding that Brazil would likely continue posting primary budget deficits until at least 2022.
On average, countries with a profile similar to Brazil take 10 to 11 years to recover their investment grade credit rating, Shetty said.
Fitch cut Brazil to junk status in December 2015, and raised its outlook to stable from negative in February 2018.
Shetty said that Brazil's finances are still exposed to risks surrounding politics, the government's economic reform agenda, and high levels of public spending despite last year's landmark pension reform.
"There are political risks - risks over the ability to pass reforms, and we will assess what that means in terms of the fiscal consolidation process," Shetty said, noting Brazil's local elections in October.
On the positive side, Shetty welcomed the central bank's latest interest rate cut, praised the country's "strong" foreign exchange reserves position, and said the fall in Brazil's national debt as a share of GDP is "good news."
Shetty said she expects the central bank's benchmark Selic interest rate to remain low at least throughout this year, with low rates likely to be have a positive impact on credit conditions and in Brazil's capital markets.
Fitch's last official update on Brazil was in November, when it confirmed its "BB-" rating and stable outlook, noting high government debt levels, fiscal rigidity and weak potential economic growth.

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Colombia

Brazil's economy to grow 2%-2.5% this year, beat global growth next year

07-Feb-2020
RIO DE JANEIRO, Feb 7 (Reuters) - **Brazil's economy will grow between 2.0% and 2.5% this year, Economy Minister Paulo Guedes said on Friday, adding that growth next year will be faster than the global rate of expansion.**
Speaking at an event in Rio de Janeiro, Guedes also said the government aims to lower the tax burden to 30% from 34% during its current term, and that Congress has fully embraced the administration's economic reform agenda.

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Cuba

Cuba studying issuance of sovereign bonds out of commercial banking system

05-Feb-2020
HAVANA, Feb. 4 (Xinhua) -- **The Cuban government is studying the issuance of sovereign bonds out of the commercial banking system, Cuban Minister of Finance and Prices Meisi Bolanos has said.**
"It is something under study, which is being evaluated so that the business sector can get in," the minister told a press conference held here on Monday.
Bolanos said that the effort aims to create conditions for more economic actors to have access to the bonds with returns in different installments.
Currently, the issuance of Cuban government bonds takes place only within the commercial banking system, and qualified institutions can acquire the bonds with a 20-year maturity term at an annual interest rate of 2.5 percent, according to Cuban law.
Cuba foresees a fiscal deficit of 7 billion pesos (7 billion U.S. dollars) for 2020 and expects to partially offset the budget deficit through issuance of sovereign bonds.
Compared with the previous year, the budget has risen by 11 percent, which "will allow sustaining salary increases in the budget sector ... benefiting more than 1.4 million workers," the minister said.
"No nursery, school, university, home for the elder, or health care center will be closed in Cuba," the minister said.
Cuba faces tense economic and financial prospects due to the reinforcement of sanctions imposed by the United States.

Enditem

AFRICA

Algeria

Algeria's forex reserves drop by $10.6 bln in 9 months

03-Feb-2020
ALGIERS, Feb 3 (Reuters) - **OPEC member Algeria's foreign exchange reserves fell by $10.6 billion in the last nine months, central bank governor Ayman Benabderahmane said on Monday, adding to financial pressure caused by a fall in energy earnings.**
"Reserves are now $62 billion," Benabderahmane told state news agency APS.
Reserves totalled $72.6 billion at the end of April last year, official data showed, down from $79.88 billion in December 2018 and $97.33 billion at the end of 2017.
Algeria, a major energy exporter, depends on its oil and gas sales for 60% of government revenue. However, sales have fallen since oil prices began to drop in 2014 and Algeria's foreign currency reserves have more than halved since then.
The government said in October that it plans to seek foreign loans in 2020 and cut public spending by 9.2% as it grapples with lower revenue from energy sales.

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Ghana

Ghana draws strong demand as sells $3 billion in eurobonds

05-Feb-2020
ACCRA, Feb 5 (Reuters) - **Ghana drew strong demand for an issue of hard-currency debt, raising $3 billion in a eurobond auction that**

the government said on Wednesday was five times oversubscribed.
It sold $1.25 billion in seven-year bonds at a coupon of 6.375% in Tuesday's sale, as well as $1 billion in 15-year bonds with a coupon of 7.875% and $750 million in 41-year paper with a coupon of 8.875%.
The 41-year paper is the longest-dated bond for an African country, the government said in a statement.
Simon Quijano-Evans, chief economist at Gemcorp Capital LLP in London, called the sale "a clear vote of confidence from the market... even if cash ratios do appear to be high among funds."
The sale should encourage the government to press on with reforms in the run-up to a presidential election scheduled for the fourth quarter, he said.
Ample liquidity in financial markets and historically low interest rates among major central banks around the globe have seen borrowing costs come down in many emerging markets .
Ghana's outstanding dollar-bond maturing in 2051 currently yields just over 8.6%.
The government statement cited Finance Minister Ken Ofori Atta as saying the lower debt yields reflected a reduced risk premium because of improving economic conditions in Ghana, which produces oil, cocoa and gold.
The West African nation has enjoyed some economic stability since the conclusion of a three-year International Monetary Fund loan programme last year, though the government expects economic growth to slow and the budget deficit to rise in 2020.

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Ghana sells $3 billion in eurobonds, oversubscribed five times

05-Feb-2020
ACCRA, Feb 5 (Reuters) - **Ghana has raised $3 billion in a eurobond auction that was oversubscribed five times, the government spokesman said on Wednesday.**
Tuesday's auction sold $1.25 billion in 7-year bonds with a coupon of 6.375%, $1 billion in 15-year bonds with a coupon of 7.875% and $750 million in 41-year bonds with a coupon of 8.875%.
The 41-year eurobond is the longest-dated bond for an African country, Information Minister Kojo Oppong Nkrumah said in a statement.

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Tunisia

Tunisian current account deficit narrows -central bank governor

07-Feb-2020
TUNIS, Feb 7 (Reuters) - **Tunisia's current account deficit has narrowed to 8.8% of gross domestic product from more than 11% of GDP a year ago, Central Bank Governor Marouane el Abassi said on Friday in televised remarks to the parliament.**
The reduced deficit accompanied a recovery of 8-9% in the price of the Tunisian dinar against both the U.S. dollar and the euro in the past six months following years of depreciation, he said.

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GLOBAL

GLOBAL MARKETS-Stocks fall on fears China virus to slow growth, gold gains

07-Feb-2020

- **Number of coronavirus cases in China rises**
- **Fear of virus curbing global growth offsets U.S. labor data**
- **World stock markets post best week since June**
- **Oil weakens, government debt yields fall**

By Herbert Lash
NEW YORK, Feb 7 (Reuters) - **Global equity markets and government debt yields slumped on Friday as nagging concerns about the impact of the coronavirus on global growth overshadowed a strong U.S. jobs report that indicated an economy on pace to grow moderately.**
Stocks on Wall Street retreated from record highs and safe-havens gold and the Japanese yen rose as investors weighed how much the virus is likely to disrupt supply chains. China accounts for about one-third of global growth.
The better-than-expected U.S. labor report failed to move the market as often occurs. Caution about the virus, which has inflicted 31,211 people and left 637 dead, dictated investor sentiment. Nonfarm payrolls increased

by 225,000 jobs in January, with employment at construction sites increasing by the most in a year amid milder-than-normal temperatures, the Labor Department said. "Investors should be watching the effect of the coronavirus on the global supply chain and thus, on the global economy and corporate profits," said John Vail, chief global strategist at Nikko Asset Management.
While the amount and duration of the effect remains unknown, there is a chance the Phase 1 U.S.-China trade deal will be severely hampered and bilateral relations worsen again, he said.
Global supply chains have grown far more integrated, so disruptions from China have bigger ripple effects around the world, said Ron Temple, head of U.S. equity at Lazard Asset Management in New York.
While the coronavirus will be disruptive, for long-term investors it may pose an entry point into equities, Temple said.
The economy is doing fine, the U.S.-Sino trade spat is on hold and there is no apparent catalyst for stock valuations to fall, he said.
"At the same time you got interest rates that are really low, so that feeds into an equity market with incremental upside," Temple said.
MSCI's gauge of stocks across the globe shed 0.60%, moving away from highs this week that were shy of a record peak set early in January. Despite Friday's downturn, the index posted its best weekly gain since June.
Emerging market stocks lost 1.11% and the pan-European FTSEurofirst 300 index fell 0.25%. The blue-chip index notched its best week since late 2016.
On Wall Street, the Dow Jones Industrial Average fell 277.26 points, or 0.94%, to 29,102.51. The S&P 500 lost 18.07 points, or 0.54%, to 3,327.71 and the Nasdaq Composite dropped 51.64 points, or 0.54%, to 9,520.51.
Gains for the Dow and S&P 500 were the best week since early June. For the Nasdaq, it was the best week since November 2018.
Benchmark 10-year U.S. Treasury notes last rose 18/32 in price to push yields down to 1.5834%.
Euro zone bond yields fell after German industrial output data in December notched its biggest fall since January 2009, fanning concerns about the bloc's biggest economy.
German industrial production tumbled 3.5% on the month, exceeding expectations of a 0.2% fall. French industrial production fell more sharply than expected in December as factories contended with nationwide transport strikes and a broader European slowdown.
Germany's benchmark 10-year Bund yield fell as low as -0.368%, before rising slightly.
The dollar slid and the yen rose after four days of selling, spurred by investor hopes China can contain the virus.
The dollar index rose 0.19%, with the euro down 0.32% to $1.0945.
The Japanese yen strengthened 0.21% versus the greenback at 109.77 per dollar.
In Asian trade, the yen halted a slide that had it set for its worst week in 18 months.
Oil prices slipped as Russia said it would need more time before committing to output cuts along with the Organization of the Petroleum Exporting Countries and other producers amid falling demand for crude as China battles the coronavirus.
Brent crude futures fell 46 cents to settle down at $54.47 a barrel, while U.S. West Texas Intermediate (WTI) crude futures slid 63 cents to settle at $50.32 a barrel.
U.S. gold futures settled up 0.2% at $1,573.40 an ounce.

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EMERGING

EM assets continue recovery but caution still remains

05-Feb-2020

- **EM stocks rise for second straight day**
- **Markets cautious about rising death toll from virus**
- **Russian finance ministry to cut daily FX purchases in Feb**

By Shreyashi Sanyal
Feb 5 (Reuters) - **Developing world assets continued to recover for the second straight session on Wednesday, as investors took comfort from China's efforts to limit the damage from a deadly virus outbreak but caution prevailed as the death toll continued to rise.**
MSCI's index for emerging market stocks rose 0.6% after a strong end to the previous session. The index had lost more than 6% in eight consecutive days of trading on fears the coronavirus outbreak could impact the global economy.
The death toll from the fast-spreading virus rose to nearly 500 as of Wednesday. "Markets are still cautious but perhaps this small move is on the back of a really strong rally yesterday. Overall, there isn't much going on today," said Izidor Flajšman, emerging markets associate at TD Securities.
Analysts have also pointed out that the impact will be temporary, as China has vowed to use monetary policy tools to ease the hit on the economy.
The People's Bank of China said on Tuesday that its huge liquidity injections through open market operations this week showed its determination to stabilise financial market expectations and

restore confidence. "It is unlikely to take much longer before even the final investor has extrapolated the falling infection rate and comes to the conclusion that the turning point in the number of infected will soon be reached," analysts at Commerzbank wrote in a note.

Among currencies, Russia's rouble firmed on Wednesday. The country's finance ministry said it would buy 11.3 billion roubles ($180 million) worth of foreign currency a day between Feb. 7 and March 5, down from 18.2 billion roubles a day in the previous period. Markit's Purchasing Managers' Index (PMI) showed Russia's service sector expanded for the seventh month running in January thanks to greater foreign client demand and a robust expansion in new orders. In South Africa, a survey showed activity in the private sector shrank for the ninth consecutive month in January albeit at a slower pace, as weak demand, lack of investment and power cuts weighed on output and new orders.

The currency of Africa's most industrialized economy edged higher.

(Reporting by Shreyashi Sanyal in Bengaluru; Editing by Giles Elgood)

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