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Emerging Sovereign Debt Markets NEWS

Number 4 Week 18 – 24 January 2020

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China issues more local gov't bonds in 2019

21-Jan-2020

BEIJING, Jan. 21 (Xinhua) -- **China's local governments issued more bonds in 2019 than in 2018, official data showed Tuesday.**

The value of local government bonds issued totaled some 4.36 trillion yuan (about 632.5 billion U.S. dollars) last year, up about 197.2 billion yuan from 2018, according to the Ministry of Finance (MOF).

Among the total, the issuance value of special-purpose local government bonds aimed at providing financial support for public-interest projects reached about 2.58 trillion yuan.

In December, local governments issued bonds worth about 37.99 billion yuan.

MOF data also showed outstanding local government debts amounted to roughly 21.31 trillion yuan at the end of December, below the official ceiling of about 24.08 trillion yuan set for the year.

Enditem

Chinese treasury futures surge as new virus spreads

23-Jan-2020

SHANGHAI, Jan 23 (Reuters) - **Chinese government bond futures surged on Thursday as investors' worries heightened over the spread of a new flu-like virus that has forced China to lock down a city of 11 million people.**

Chinese 10-year treasury futures for March delivery, the most traded contract, rose 0.42% in afternoon trade to 99.57.

Yields on China's 10-year government bonds fell below 3%.

China is putting a transport lockdown on the city of Wuhan, which is considered the epicenter of the new coronavirus outbreak that has killed 17 and infected nearly 600 people, as health authorities around the world work to prevent a global pandemic.

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Hong Kong

Moody's cuts Hong Kong's rating to 'Aa3' as protests continue

21-Jan-2020

Jan 21 (Reuters) - **Moody's downgraded Hong Kong's credit rating one notch to "Aa3" from "Aa2" on Monday, saying its view on the strength in the Chinese-ruled city's institutions and governance is "lower than previously estimated."**

The agency, however, moved its outlook to stable from negative.

"The absence of tangible plans to address either the political or economic and social concerns of the Hong Kong population that have come to the fore in the past nine months may reflect weaker inherent institutional capacity than Moody's had previously assessed," the agency said in a statement.

The agency also said that there has been a lack of clarity from Hong Kong's government on its response to the direct council elections late last year that saw pro-democracy candidates win by record numbers.

"Pressures on Hong Kong's institutions undermine its credit profile directly," Moody's added.

In a statement on Tuesday, Hong Kong's government said it strongly disagreed with Moody's assessment and was "deeply disappointed" by the decision.

"Although Hong Kong has faced the most severe social unrest since its return to the Motherland in the past seven months or so, the HKSAR Government, with the staunch support of the Central Government, has firmly upheld the 'one country, two systems' principle and handled the situation in accordance with the law to curb violence on its own to restore social order as soon as possible," it said.

Moody's said its stable outlook reflects Hong Kong's superior fiscal strength and consistent macroeconomic stability.

The agency's move comes as many Hong Kongers continue to take to the streets, with thousands gathering in a central park on Sunday calling for democratic reforms leading to clashes with the police.

Protests escalated in June over a since-withdrawn bill which would have allowed extraditions to mainland China, where courts are controlled by the Communist Party. They have since broadened to several demands, including universal suffrage.

Moody's called the response by Hong Kong's government to political demands by parts of the population and concerns about living standards, housing costs and equality of economic opportunities to be "notably slow, tentative and inconclusive."

The government said it was "proactively" engaging various groups of people through dialogue.

"The persistent social unrest reflects that there are deep-seated problems in society in Hong Kong, on which the Government will conduct an independent review soon," the government statement said.

In September, Fitch downgraded Hong Kong's rating to "AA" from "AA+".

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India

India likely to fund some $28 bln of 2020/21 expenditure via off-budget borrowings

23-Jan-2020

- **2020/21 fiscal deficit likely between 3.5-4.0% of GDP - sources**
- **Finance minister to present annual budget on Feb.1**

By Manoj Kumar and Aftab Ahmed

NEW DELHI, Jan 23 (Reuters) - **India is likely to fund roughly $28 billion of its expenditure outlay in its budget for fiscal 2020/21 via off-budget borrowings, three government sources said, as it seeks to revive a sagging economy while keeping its fiscal deficit in check.**

Prime Minister Narendra Modi's government is under pressure to increase spending on rural welfare schemes and infrastructure to boost growth that has fallen for six straight quarters.

Off-budget borrowings are a means by which the government keeps its fiscal deficit in check by making quasi-government entities borrow on its behalf, to partly fund its expenditure plan for the year.

This would mark a roughly 13.8% increase in so-called off-budget borrowings from an estimated 1.75 trillion rupees ($24.6 billion) in the ongoing fiscal year, said the three sources, who have direct knowledge of the matter and asked not to be identified as the discussions are private.

"We're facing a serious economic crisis," said one of the sources, adding there was no alternative but to raise spending on infrastructure and welfare schemes to boost consumer demand and create jobs.

"You should not be surprised if the real deficit touches 4.5% of GDP," he said, adding the "official" deficit could be kept between 3.5% and 4% of GDP.

He said the government had realised it needed to take all possible steps to support growth "after initial denial of the economic slowdown".

A spokesman for the finance ministry declined to comment, citing the silent period ahead of the budget speech on Feb. 1.

The International Monetary Fund (IMF) this month cut India's growth forecast to 4.8% for the ongoing fiscal year - its lowest level in 11 years.

Finance Minister Nirmala Sitharaman, who will deliver the budget speech, is widely expected to announce stimulus measures for small businesses and non-banking finance companies as a cut in corporate tax rates and rate cuts by the central bank have failed to revive growth.

The fiscal deficit for the current fiscal year was likely to touch 3.7% or 3.8% of GDP after the slowdown dented revenue collections, the second government official said.

In the 2020/21 budget, Sitharaman could announce plans to spend over 105 trillion rupees ($1.48 trillion) on infrastructure in the next five years and expand annual spending on railways, roads, renewable energy, water and health sector by up to 20%, said the first official.

"Inflation is not an issue for now," he said, adding that India needed 5-6% inflation to improve agricultural and corporate earnings.

The government could increase the target of raising revenue through privatisation of state companies to 1.5 trillion rupees for next fiscal year, the second official said.

India's committed spending, excluding capital spending, could be targeted at near 27 trillion rupees ($379.91 billion) for the next fiscal year, compared to the budgeted 24.5 trillion rupees in the current fiscal year, while about 4 trillion rupees could be allocated to capital spending, the first official said.

Modi's party has also urged him to announce steps to revive real estate and other sectors.

"We are no more in a denial mode," Gopal Krishan Agarwal, the head of BJP's Economic Affairs Cell, told Reuters. "You will see measures in the budget to boost investments and growth."

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RBI raises short-term FPI debt investment limit to 30% from 20% to boost inflows

24-Jan-2020
Mumbai

In a move that could lead to higher foreign inflows, the Reserve Bank of India (RBI) has hiked the short-term investments by foreign portfolio investors (FPIs) from 20 per cent to 30 per cent of the total FPI investment in Central government securities (including Treasury Bills) or state development loans.

In another measure aimed at giving a leg-up to bankruptcy proceedings, the central bank has exempted FPI debt investments in corporates undergoing insolvency resolution plan.

The central bank has also increased the FPI in corporate bonds from 20 per cent to 30 per cent. While the RBI move is aimed at arresting the outflow of FPI money from the debt market, analysts said short-term is hot money which can exit at a faster rate.

FPI investments in Security Receipts are currently exempted from the short-term investment limit and the issue limit. The RBI has extended the exemptions to debt instruments issued by Asset Reconstruction Companies and debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code. "The RBI move to bring insolvency process under exemption will boost the investor interest," said an analyst.

According to the current norms, short-term investments by a FPI should not exceed 20 per cent of the total investment of that FPI in either central government securities (including treasury bills) or state development loans.

The hike in short-term debt investment limit has come at a time when the debt market witnessed an outflow of Rs 11,917 crore in January this year. The month of December 2019 also saw outflows of Rs 4,616 crore and November outflows were Rs 2,358 crore.

While the total equity investment in calendar year 2019 was Rs 101,122 crore, debt market could attract only Rs 25,882 crore.

India's corporate bond market has remained shallow despite a host of measures by the government and the regulator. There is little or no incentive for market making. A majority of the bonds issued by companies are privately

placed with a select set of investors in India rather than through a public issue; this is done to both save time and avoid greater disclosures. Besides, defaults by IL&FS and delayed payments by some NBFCs have led to liquidity crunch in the financial sector.
Analysts are expecting more measures to deepen the debt market in the forthcoming budget on February 1. In her Budget speech last year, Finance Minister Nirmala Sitharaman had said that an action plan to deepen the market for long term bonds including for deepening markets for corporate bond repos, credit default swaps etc, with a specific focus on the infrastructure sector, would be put in place.

India central bank chief: govt must continue reforms, announce fiscal measures

24-Jan-2020
MUMBAI, Jan 24 (Reuters) - **Monetary policy has its limits and the Indian government will have to use fiscal measures and structural reforms to revive demand and support the sagging economy, Reserve Bank of India governor Shaktikanta Das said in a speech on Friday.**
The economy is projected to grow 5% in the fiscal year due to end in March, its lowest growth rate in 11 years.
Das said the RBI had used the space that was opened up by the moderation in inflation early last year and started loosening monetary policy after having recognised the imminent slowdown in growth even before it was confirmed by data.
"Monetary policy, however, has its own limits," he said.
"Structural reforms and fiscal measures may have to be continued and further activated to provide a durable push to demand and boost growth".
Das was speaking at a college event in New Delhi ahead of the federal budget that is due to be presented on Feb. 1.
He said potential drivers of growth like prioritising food processing industries, tourism, e-commerce, start-ups and efforts to become a part of the global value chain could give a significant push to the economy.
"The government is also focusing on infrastructure spending which will augment growth potential of the economy. States should also play an important role by enhancing capital expenditure which has high multiplier effect," Das added.
Finance Minister Nirmala Sitharaman, who will announce the budget, is widely expected to include stimulus measures for small businesses and non-banking finance companies as a cut in corporate tax rates and rate cuts by the central bank have failed to revive growth.
The central bank, which has cut interest rates by a combined 135 basis points in five moves since February last year, kept rates on hold at its last review in December. It is expected to maintain sit tight on Feb. 6 as well.

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Indonesia

Fitch Assigns Indonesia's USD and EUR Bonds Final 'BBB' Ratings

20-Jan-2020
Fitch Ratings-Hong Kong-January 20:
Fitch Ratings has assigned Indonesia's USD1.2 billion 2.85% bonds due 2030, USD800 million 3.5% bonds due 2050 and EUR1 billion 0.9% bonds due 2027 final ratings of 'BBB'. This replaces the expected rating of 'BBB (EXP)' that Fitch assigned on 7 January 2020.
KEY RATING DRIVERS
The ratings are in line with Indonesia's Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'BBB' with a Stable Outlook.
RATING SENSITIVITIES
The rating on the bonds would be sensitive to any changes in Indonesia's Long-Term Foreign-Currency IDR.
Fitch affirmed Indonesia's Long-Term Foreign-Currency IDR at 'BBB' with a Stable Outlook in March 2019 The Long-Term Local-Currency IDR is also 'BBB' with a Stable Outlook.
ESG CONSIDERATIONS
The ESG profile is in line with that of Indonesia.
Senior unsecured; Long Term Rating; New Rating; BBB
Senior unsecured; Long Term Rating; New Rating; BBB

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Indonesia raises 20 trln rupiah from debt auction, above target

21-Jan-2020
JAKARTA, Jan 21 (Reuters) -
• **Indonesia raised 20 trillion rupiah ($1.47 billion) 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. 7
- Total incoming bids at Tuesday's auction were 94.98 trillion rupiah

($1 = 13,650.0000 rupiah)
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Fitch Affirms Indonesia at 'BBB'; Outlook Stable

24-Jan-2020

Fitch Ratings-Hong Kong-January 24:

Fitch Ratings has affirmed Indonesia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BBB' with a Stable Outlook.

KEY RATING DRIVERS

Indonesia's rating balances a favourable medium-term growth outlook and a small government debt burden compared with 'BBB' category peers against challenges that include a strong dependence on external financing, low government revenue, and lagging structural indicators such as governance indicators and GDP per capita.

Indonesia's GDP growth is likely to remain resilient in the next few years, underpinned by a renewed public infrastructure push and reform agenda during the second five-year term of President Joko Widodo (popularly known as Jokowi), which commenced in October last year. Fitch forecasts growth to marginally accelerate to 5.1% in 2020 and 5.3% in 2021 from 5.0% in 2019, significantly higher than the 'BBB' category median of 2.8% for 2019. Domestic demand in 2020 is likely to be supported by some monetary policy easing, while the contribution to growth of net exports may continue to be negatively affected by a weakened terms-of-trade.

The government's plans for infrastructure development over the next five years are ambitious and include construction of a proposed new capital in East Kalimantan. Infrastructure development was already a key policy aim during President Jokowi's first term, when progress was made on a number of projects, including an underground metro system in Jakarta. **The government estimates that the total cost of developing the new capital city over a number of years would amount to USD31 billion (2.8% of 2019 GDP), of which it expects a large part to be financed by the private sector, although such interest remains to be seen.** Costs related to the development of the new capital and the relocation have not been factored into our projections yet, given the uncertainty that still surrounds the total costs and timing of the project.

The government's structural reform efforts have the potential to lift economic growth and foreign direct investment over the medium term, depending on details and implementation. Parliament is scheduled to discuss two "Omnibus Laws" in the next few months, which are likely to contain a number of long-awaited amendments to regulations related to taxation and the business environment. The "Omnibus Law on Job Creation", which is still being prepared by the government, reportedly will aim to simplify the regulatory framework, ease land acquisition, reduce the number of items on the negative investment list, and ensure greater labour market flexibility. The latter would be significant, given Indonesia's high severance pay requirements. Whether far-reaching reforms will be passed in Parliament remains uncertain, however, given their contentious nature in the political debate.

Fitch expects the general government deficit to remain stable in 2020 at 2.2% of GDP, higher than the 1.8% budget target, as we expect revenue to underperform. We estimate general government revenue of 14.0% of GDP in 2019 and 14.2% of GDP in both 2020 and 2021, the lowest in the 'BBB' rating category. The government is working to improve tax compliance, including through improved IT systems to ensure optimal use of available data, which should over time improve the revenue ratio. The most prominent change in the "Omnibus Law on Taxation", however, is a gradual reduction in corporate tax rates between 2021 and 2023 from 25% to 20%, which is likely to offset some of the revenue gains from other measures in the short run before any potential medium-term gains materialise through higher investment.

Indonesia's government debt is low at a Fitch-estimated 30.1% of GDP in 2019. However, the debt burden is higher than peers' when measured as a ratio against low general government revenue, at 215.3%. We expect the debt/GDP ratio to rise only marginally in the next few years, assuming the government continues to adhere to a self-imposed deficit ceiling of 3% of GDP. **Last December, the government reportedly discussed amending the deficit rule to allow some flexibility in a given year, by adopting a five-year average for the deficit, but decided to maintain the existing framework for the time being.**

State-owned enterprises (SOEs) have been leveraging up their balance sheets considerably since mid-2017 as a result of their important role in the government's infrastructure development. The gross combined debt of SOEs increased by 1.5pp of GDP in the 24 months through September 2019 to 5.9% of GDP. This trend is likely to continue in the next few years, given the government's ambitious infrastructure programme, and could test the ability of the government's risk-monitoring framework to contain vulnerabilities.

Inflationary pressures are likely to remain muted in the current growth environment. We forecast headline inflation to average 3.2% in 2020 and 3.3% in 2021, compared with 3.0% in 2019. Inflation has been under control in recent years, staying within Bank Indonesia's (BI) target range of 1pp above or below 3.5%. Low inflation and the recent strengthening of the rupiah exchange rate should provide BI room to cut its policy rate by at least another 25bp this year after the total reduction of 100bp in 2019, which was delivered in combination with macro-prudential easing.

Favourable market conditions have facilitated a further build-up of foreign-currency reserves to USD129 billion in December 2019, covering 6.2 months of current account payments, similar to the current 'BBB' median of 6.1 months. However, external liquidity, as measured by the ratio of the country's liquid external assets to its liquid external liabilities, is weaker than that of 'BBB' peers. Indonesia should continue to benefit from favourable global risk appetite in our baseline scenario, but the country's dependence on foreign portfolio financing and on commodity exports leave it vulnerable to a possible turn in market sentiment.

We expect the current account deficit to remain at 2.7% of GDP in 2019 and 2020, and to slightly fall to 2.6% in 2021, with net FDI inflows covering 1.6% of GDP, or more than half of the gap, leaving the remainder to be financed by portfolio inflows. Strong structural reform implementation and foreign companies' perception of an improved level-playing field could help accelerate FDI inflows and strengthen Indonesia's external finances.

Fitch considers the sovereign's exposure to banking-sector risks as limited. Private credit represents only 36.0% of GDP and the banking sector's capital-adequacy ratio remains strong, at 23.7% in November 2019. Foreign-currency loan exposure for Indonesian banks is equivalent to around 15% of total loans, although direct foreign-currency assets and liabilities are generally well-matched or hedged, and some liabilities relate to funding from banks' foreign parents.

The Indonesian economy continues to exhibit some structural weaknesses relative to peers, despite improvements in the business environment resulting from the reform agenda, and is less developed on a number of metrics than many of its peers. Average per capita GDP remains low at USD4.151 compared with the current 'BBB' range median of USD12.152, while governance continues to be weak, as illustrated by a low score for the World Bank governance indicator (47th percentile versus the current BBB median of 56th percentile).

SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)

Fitch's proprietary SRM assigns Indonesia a score equivalent to a rating of 'BBB' on the Long-Term Foreign-Currency (LT FC) IDR scale. Fitch's sovereign rating committee did not adjust the output from the SRM to arrive at the final LT FC IDR.

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LT FC IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

RATING SENSITIVITIES

The main factors that, individually or collectively, could trigger positive rating action are:

- Reduction in external vulnerabilities, for instance, through a sustained increase in foreign-exchange reserves, reduced dependence on portfolio flows or lower exposure to commodity price volatility.
- An improvement in the government revenue ratio, for example, from better tax compliance or a broader tax base, which would strengthen public finance flexibility.
- Continued improvement of structural indicators, such as governance standards, closer in line with those of 'BBB' category peers.

The main factors that, individually or collectively, could trigger negative rating action are:

- A sustained decline in foreign-exchange reserve buffers, resulting from a sharp external shock to investor confidence.
- A rapid increase in the overall public debt burden, for example resulting from budget deficits well exceeding the current 3% ceiling or accumulation of the debt of publicly owned entities.
- A weakening of the policy framework that could undermine macroeconomic stability.

KEY ASSUMPTIONS

The world economy performs broadly in line with Fitch's latest Global Economic Outlook, published in December 2019.

ESG CONSIDERATIONS

Indonesia has an ESG Relevance Score of '5' for Political Stability and Rights, as World Bank Governance indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and a key rating driver with a high weight.

Indonesia has an ESG Relevance Score of '5' for Rule of Law, Institutional and Regulatory Quality, and Control of Corruption as World Bank Governance Indicators have the highest weight in the SRM and are therefore highly relevant to the rating and a key rating driver.

Indonesia has an ESG Relevance Score of '4' for Human Rights and Political Freedoms, as World Bank Governance indicators have the highest weight in the SRM and are relevant to the rating and a rating driver.

Indonesia has an ESG Relevance Score of '4' for Creditor Rights, as willingness and ability to service debt are relevant to the rating and a rating driver, as for all sovereigns.

Indonesia; Long Term Issuer Default Rating;

Affirmed; BBB; RO:Sta;
Short Term Issuer Default Rating; Affirmed;
F2; Local Currency Long Term Issuer Default Rating; Affirmed; BBB; RO:Sta;
Local Currency Short Term Issuer Default Rating; Affirmed; F2;
Country Ceiling; Affirmed; BBB
Senior unsecured; Long Term Rating; Affirmed; BBB
Perusahaan Penerbit SBSN Indonesia III
Senior unsecured; Long Term Rating; Affirmed; BBB

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Kazakhstan

Kazakhstan's central bank to further reduce borrowings this year

24-Jan-2020

NUR-SULTAN, Jan 24 (Reuters) - **Kazakhstan's central bank will continue reducing the outstanding volume of its short-term notes this year, bank governor Yerbolat Dosayev said on Friday.**

The central bank, which has about 3.4 trillion tenge ($9 billion) in outstanding notes, believes cutting their supply will free up liquidity for lending, Dosayev told a government meeting.

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Lebanon

Lebanon should restructure Eurobonds, seek IMF help

22-Jan-2020

By Tom Arnold and Tom Perry

BEIRUT, Jan 22 (Reuters) - **Lebanon should restructure its Eurobonds, including a $1.2 billion issue maturing in March, and secure a multi-billion dollar IMF bailout to stave off economic meltdown, its former labour minister said.**

The country is deep in financial crisis and struggling with one of the world's largest debt piles relative to GDP, and markets are focused on whether a new government formed on Tuesday will meet the March payment.

"I don't see the logic of the system leaking $500 to $600 million out of Lebanon on the March payment when an actual restructuring of the Eurobonds is next to inevitable," Camille Abousleiman told Reuters in an interview. "That money would be better spent on other things, such as food and medicine."

Abousleiman, who drafted the legal framework for Lebanon's bonds from the mid-1990s onwards, spoke on Tuesday while still caretaker labour minister. He is not part of the new government.

Lebanon has never defaulted on its international debt but with its longer-dated bonds trading at less than half their face value, the market is already pricing in prospects of a default or restructuring.

The central bank mulled a proposal to ask local holders of some of this year's bonds to swap them for longer-dated ones to ease pressure on state finances. Former caretaker finance minister Ali Hassan Khalil asked it to hold off on that plan until the new government was formed.

"The size of the debt is too large relative to the size of the economy," said Abousleiman, who said any restructuring of the debt could include an extension of the maturity or reduction in the interest rate, not necessarily the principal.

Lebanon's gross public debt is around $89.5 billion, 38% of it in foreign currency.

Finance Minister Ghazi Wazni on Tuesday said the new government must decide on its approach to the Eurobond due in March and also needed foreign support to help ease economic and financial strains.

Abousleiman said it was "inevitable" the new government would look to secure IMF support as there was no other way to get the "large liquidity" Lebanon needed.

A deal of around $4 billion to $5 billion might ease the deficit, reassure bondholders and encourage other prospective international donors, while also giving momentum to economic and social reforms, he said.

"This needs to be accompanied by a serious plan to combat corruption and return ill-gotten gains," he said, referencing one of the root causes of widespread civil unrest.

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Lebanon's 2020 budget foresees a surging deficit

24-Jan-2020

BEIRUT, Jan 24 (Reuters) - **Lebanon's parliament will vote next week on a 2020 budget that projects a deficit of 7% of GDP, the head of parliament's finance and budget commission said on Friday -- far larger than the 0.6% originally planned, as multiple crises batter the country's finances.**

Lebanon is suffering from a long-brewing

economic crisis, which erupted last year in protests against the ruling elite. A hard-currency crunch led banks to impose informal capital controls and the currency to slump.
Strained by decades of corruption and waste, Lebanon's state finances are one of the causes of the crisis. The country has one of the world's heaviest public debt burdens.
Ibrahim Kanaan, a senior MP, said the 2020 budget marked "the start of the rescue plan". Parliament is due to convene on Monday to debate the law, which was first drafted by the Saad al-Hariri-led government that quit in October.
A new government formed this week with backing from Hezbollah and Kanaan's Free Patriotic Movement is expected to enact rapid reforms, including in the power sector, which sucks $2 billion a year from state coffers, he said.
"The government now is more homogenous, you don't have these sort of struggles between political blocs and parties inside the government," he said.
The 2020 budget originally aimed to slice some 7 percentage points from 2019's targeted deficit, largely through a waiver on interest on government debt held by the central bank. The bank remains committed to waiving the interest, Kanaan said.
But uncertainty makes it difficult to project revenues. "Revenues were reduced very substantially," Kanaan said. "Now we are coming back from this story, it needs time to see and assess clearly what kind of figure we can aim for."
The budget law includes raising a state guarantee on bank deposits to 75 million Lebanese pounds - around $50,000 at the official exchange rate - from 5 million pounds.
"Some 86% of the depositors in Lebanon would benefit from this rise," Kanaan said.
It also extends a six-month grace period for debtors struggling to repay subsidised loans.
The budget law will also require state-owned bodies, including the Port of Beirut and telecom companies, to transfer revenues directly to the treasury, a move Kanaan said would help bring down their operating costs.

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Lebanese finance minister to meet IMF official on Saturday

24-Jan-2020
BEIRUT, Jan 24 (Reuters) - **Lebanese Finance Minister Ghazi Wazni will meet with IMF Alternative Executive Director Sami Geadah on Saturday, a finance ministry statement said on Friday, as a new government grapples with a spiralling financial crisis.**
Sovereign dollar-bonds tumbled as much as 2.7 cents after the announcement of the meeting. The new Cabinet formed this week to tackle a dire financial crisis must decide how to deal with maturing Eurobonds. A $1.2 billion bond is due in March.
A source familiar with the IMF meeting played down its significance later on Friday, saying it was only a courtesy appointment to see the new minister.
"This is not a staff visit. This is a courtesy visit from the office of the executive director that represents Lebanon on the board of the IMF to meet the new minister," said the source.
Lebanon hopes the new Cabinet can enact urgent reforms. The crisis has shaken confidence in banks and raised concerns over the country's ability to repay one of the world's highest levels of public debt.
The previous government resigned last year in the face of large scale anti-government demonstrations by protesters accusing entrenched political parties of corruption.
Investors said Friday's slide in bonds reflected concern over the stability of the new government, while also citing uncertainty over what IMF involvement could bring.
"This is a government which has very little public support and it will only be a matter of time until the protests will be surging again," said Koon Chow at UBP. "If they were to take the IMF medicine it could heighten the restructuring risk."
Lebanon has not said whether it will seek assistance from the International Monetary Fund. In December, then-caretaker Prime Minister Saad al-Hariri met with IMF and World Bank officials to discuss technical assistance in drawing up a rescue plan.
The finance ministry statement did not provide further details on the nature of the upcoming IMF meeting.
Wazni met on Friday with a World Bank delegation headed by the regional director for the Middle East department, Saroj Kumar.
A cabinet committee tasked with drawing up a policy plan to deal with the crisis met for the first time on Friday but did not provide a timeline on when the plan would be announced.
"People are waiting for us to act, therefore the (policy) statement must not consist of empty promises or suggest to the Lebanese people that all is well," Prime Minister Hassan Diab was quoted by the state news agency NNA as saying on Friday.
Analysts say the influence of powerful Iran-backed Hezbollah over the new Cabinet may complicate its attempt to secure foreign funding, particularly from Gulf Arab states that have provided aid in the past but see Hezbollah as a threat.

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Philippines

Philippines raises $1.3 bln from euro bond issue, including 1st ever zero-coupon deal

22-Jan-2020

MANILA, Jan 22 (Reuters) - **The Philippines raised 1.2 billion euros ($1.33 billion) from the capital market by selling its first ever zero coupon three-year euro-denominated bond and securing the lowest coupon ever for a nine-year deal, its finance secretary said on Wednesday.**

The three-year and nine-year issues, which follow a similar offering in May, was nearly four times oversubscribed, Carlos Dominguez said, citing a report from the Bureau of Treasury.

Dominguez said the three-year euro bond had a coupon of 0% and offers 40 basis points over benchmark, while the nine-year bond's 0.75% coupon was tighter than on the Philippines' existing euro bonds due 2027, which pay out 0.875%.

UBS, Citigroup, Standard Chartered, and Credit Suisse were joint lead managers and joint bookrunners.

Orders came from a diverse group of investors both in the onshore and offshore market, he said.

The Philippines, one of Asia's most active sovereign bond issuers, is raising funds to help finance its 4.1 trillion pesos ($80.39 billion) budget this year, which is 12% more than last year's spending plan.

($1 = 0.9021 euros)
($1 = 51.0000 Philippine pesos)
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Philippines raises 1.33 bln U.S. dollars from euro-dominated global bonds

22-Jan-2020

MANILA, Jan. 22 (Xinhua) -- **The Philippines successfully priced its first international bond issuance in 2020 with its total offering of 1.2 billion euro (roughly 1.33 million U.S. dollars) from euro-dominated bonds offered to foreign investors, the country's Bureau of Treasury said on Wednesday.**

The Philippines offered 600 million euros of note with a three-year maturity, and another 600 million euros under a nine-year tenor, the bureau said.

"The Philippines successfully priced its first international bond issuance in 2020 with its total offering of 1.2 billion euros 3- and 9-year global bonds," Philippine National Treasurer Rosalia de Leon said in a statement.

She said the euro debt papers, which mark the Philippines' first offering in the global market this year, have been priced on Tuesday night.

"The bonds are expected to be rated Baa2 by Moody's, BBB+ by Standard & Poor's and BBB by Fitch," she said, adding that the notes are expected to settle on February 3 this year.

According to de Leon, this offering is a landmark transaction for the Philippines having priced its lowest coupon euro issuance as well as its first-ever zero-coupon euro issuance in the international capital markets.

Philippine Finance Secretary Carlos Dominguez welcomed the positive response from the market.

"The overwhelming response from the market for this landmark transaction underscores the international investor community's deepening confidence in the Philippine economy amid the reforms put in place by the Duterte administration to sustain the country's high and inclusive growth in the face of the current geopolitical headwinds," he said.

Last year, the Philippines returned to the euro debt market to end the country's 13-year absence.

Enditem

Fitch Assigns Philippines' EUR Bonds Final 'BBB' Ratings

24-Jan-2020

Fitch Ratings has assigned the Philippines' EUR600 million 0.700% bonds due 2029 and EUR600 million 0.000% bonds due 2023 final ratings of 'BBB'. This replaces the expected rating of 'BBB (EXP)' that Fitch assigned on 20 January 2020.

Philippines

Senior unsecured; Long Term Rating; New Rating; BBB

Senior unsecured; Long Term Rating; New Rating; BBB

KEY RATING DRIVERS

The ratings are in line with the Philippines' Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'BBB' with a Stable Outlook.

RATING SENSITIVITIES

The rating on the bonds would be sensitive to any changes in the Philippines' Long-Term Foreign-Currency IDR.

Fitch affirmed the Philippines' Long-Term Foreign-Currency IDR at 'BBB' with a Stable Outlook in May 2019 The Long-Term Local-Currency IDR is also 'BBB' with a Stable Outlook.

ESG CONSIDERATIONS

The ESG profile is in line with that of the Philippines.

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Additional information is available on

Saudi Arabia

Saudi Arabia starts selling triple-tranche dollar bonds

21-Jan-2020

DUBAI, Jan 21 (Reuters) - **The government of Saudi Arabia started marketing on Tuesday U.S. dollar denominated bonds split into tranches of seven, 12 and 35 years, a document showed.**

The kingdom is offering initial price guidance of around 110 basis points (bps) over U.S. Treasuries for the seven-year paper, 135 bps over the benchmark for the 12-year tranche, and 180 bps over for the 35-year.

Citigroup, Morgan Stanley and Standard Chartered are joint global coordinators and lead managers, and BNP Paribas, HSBC, JPMorgan and NCB Capital have been hired as passive lead managers.

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Saudi Arabia raises $5 bln as bond investors brush off Gulf jitters

22-Jan-2020

By Davide Barbuscia

DUBAI, Jan 21 (Reuters) - **Saudi Arabia has raised $5 billion in bonds after receiving around $20 billion in orders, a sign that an escalation in geopolitical tensions in the Gulf has not deterred investors looking for high returns amid low global rates.**

The kingdom has issued bonds with maturities of seven, 12 and 35 years, a document by one of the banks leading the deal showed, as part of plans to raise $32 billion worth of debt this year as it seeks new financing channels in an era of lower oil prices.

The bond sale is the first by a Gulf government this year and follows a rise in geopolitical tensions in the region after Iran and the United States, Saudi Arabia's ally, traded military strikes earlier this month.

Riyadh raised $1.25 billion in seven-year bonds offering 85 basis points over U.S. Treasuries, $1 billion in 12-year notes with a spread of 110 basis points over the benchmark, and $2.75 billion in 35-year bonds, the kingdom's longest international bonds ever, with a 3.84% yield.

Saudi Arabia's dollar bonds, among the most liquid in the region, have been relatively resilient after an attack on the facilities of state-owned oil giant Aramco last year and a U.S. drone strike that killed Iranian military commander Qassem Soleimani this month.

The spreads on offer looked "cheap" when the bond sale began on Tuesday, particularly for the longer dated tranches, said Zeina Rizk, fixed income executive director at Dubai's Arqaam Capital.

"There is definitely a risk premium linked to geopolitical risk, but markets didn't sell off as much as you would have expected them to after the Aramco attack or after Soleimani's strike. Initial price guidance is cheap but it will obviously tighten," she said.

Alberto Bigolin, executive director and head of MENA fixed income at Tellimer, said the initial premium was erased completely during the sale process.

"Both the action on the Saudi sovereign curve in the past weeks and the pricing of the new issuance confirm that the demand for Saudi risk is there, despite the heightened geopolitical risk and the recent tensions in the Gulf."

Citigroup, Morgan Stanley and Standard Chartered worked as joint global coordinators and lead managers, while BNP Paribas, HSBC, JPMorgan and NCB Capital have been hired as passive lead managers.

Of Saudi Arabia's total planned debt issuance this year, almost $12 billion will be used to refinance existing local debt and will also be raised locally, a finance ministry official told Reuters last month.

International debt was expected to account for 45% of the remaining $20 billion-worth of new funds that Riyadh plans to raise.

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Syria

Syria cracks down on exchange firms to halt currency collapse

21-Jan-2020

- **Authorities crackdown on exchange firms blamed for speculation**
- **Pound lost half its price in the last year as sanctions tighten**
- **Currency collapse deepens hardship among war-weary Syrians**

By Suleiman Al-Khalidi

AMMAN, Jan 21 (Reuters) - **Syria cracked down on currency dealers blamed for speculation on Tuesday as part of several measures to stem a rapid collapse in the country's currency that has in recent weeks worsened the plight of a devastated war-torn economy, dealers and traders said.**

The Syrian pound hit last week a new record low by breaking below 1,000 pounds to the dollar. The next day, the government announced jail time for anyone caught using the dollar in commercial transactions to halt further dollarisation.
On Tuesday, the authorities also announced they had closed at least 14 exchange firms, among them several well-known Damascus-based financial companies in a move that spread panic in the market, traders and business leaders said.
The moves helped bring down the dollar 25% lower to just a touch below the 1,000 barrier after trading at around 1,250 last week, exchange dealers contacted from Damascus said.
But bankers and dealers said the measure was unlikely to bring a rapid recovery to the battered currency.
"People are afraid and don't know what to do," said a senior banker who requested anonymity saying panicky merchants were now taking stock of the impact of a ban on commercial dealings in the dollar on imports and price of goods in the days ahead.
The crumbling of the currency has driven up inflation and aggravated hardship as many ordinary Syrians struggle to afford basics such as food and power.
With growing public anger over the rise in basic goods, thousands of protesters in the mainly Druze inhabited city of Sweida in southern Syria took to the streets last week against worsening living conditions.
In rare demonstrations in government-controlled areas that have not risen against Syrian President Bashar al Assad's rule as other opposition areas, protesters chanted against businessmen associated with Assad whom they blamed for robbing the country.
In the last year alone the Syrian pound has lost over half its value with expanded U.S. and European sanctions against business executives close to Assad and targeted non-Americans trading with Syria.
The pound has lost almost 80% in nearly nine years of conflict which has caused tens of billions of dollars' worth of damage, disrupted agriculture, devastated industry and wiped out foreign currency flows from tourism and oil exports.
It traded at 47 to the dollar before protests against authoritarian rule erupted in March 2011.
The pound's decline has accelerated since mid-October when the financial crisis in neighboring Lebanon choked a main source of foreign currency inflows.
Also putting pressure on the currency, the Syrian central bank has largely abandoned efforts in recent months to support the value of the currency in order to protect its remaining foreign exchange reserves which stood at $17 billion before the war, local businessmen say.

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Thailand

Thailand's $105 bln budget faces further delay

22-Jan-2020
BANGKOK, Jan 22 (Reuters) - **Thailand's 3.2 trillion baht ($105.40 billion) budget for the current fiscal year, aimed at reviving a flagging economy, faces further delay as lawmakers seek a court ruling on the validity of the parliament vote to approve it.**
Parliament passed the draft bill, which was expected to be effective in early February, this month, delayed from Oct. 1, when the fiscal year began.
The House of Representatives will now ask the Constitution Court to rule whether the vote was valid following the discovery that a lawmaker's voting card was used when the lawmaker was not present.
"We will send this matter to the court tomorrow," an official at the lower house told Reuters.
The proposed budget foresees a 7% rise in overall spending to 3.2 trillion baht for the current fiscal year. It sets a deficit of 469 billion baht, up 4.2% from the 2019 fiscal year.
On Wednesday, Finance Minister Uttama Savanayana told reporters that any further delay in the budget should not affect investor confidence.
"If the budget is further delayed, the finance ministry's agencies will consider measures and other options," he said.
"Seeking a bill to borrow for investment is one option."
Southeast Asia's second-largest economy has lagged most regional peers for years. The central bank forecast economic growth of 2.8% this year, slightly picking up from an estimated 2.5% in 2019, a five-year low.

($1 = 30.36 baht)
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EUROPE

Albania

Albania sells 10.2 bln leks (82.5 mln

euro) of 1-yr T-bills

21-Jan-2020

TIRANA (Albania), January 21 (SeeNews) – **Albania's finance ministry said it sold 10.2 billion leks ($91.5 million/82.5 million euro) worth of one-year Treasury bills on January 21.**

The average weighted yield on the government securities slightly fell to 1.76% from 1.77% at the last auction of one-year Treasury bills held on December 30, according to auction results published by the finance ministry.

(1 euro = 120.418 leks)

Belarus

Belarus central bank to reduce FX exposure in 2020

24-Jan-2020

MINSK, Jan 24 (Reuters) - **The Belarusian central bank said on Friday it will be reducing its presence in the foreign exchange market in 2020.**

The government and central bank will spend $4.3 billion on foreign and domestic debt repayments this year, the central bank said, adding it expected its gold and forex reserves to reach $7.3 billion by the end of the year.

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Bosnia

Bosnia's Serb Republic to offer 17.9 mln euro of 7-yr T-notes on Feb 5

21-Jan-2020

SARAJEVO (Bosnia and Herzegovina), **January 21 (SeeNews) – Bosnia's Serb Republic will offer up to 35 million marka ($19.9 million/17.9 million euro) worth of seven-year Treasury notes at an auction on February 5, the entity's finance ministry said.**

The government securities on offer will have a par value of 1,000 marka each and will mature on February 7, 2027, the finance ministry said in a tender notice on Monday.

The securities will have a fixed annual interest rate of 2.4%, the statement added.

At the last auction of seven-year T-notes held on December 2, the Serb Republic's finance ministry sold government securities worth 37.2 million marka, above the 35.8 million marka target. The sold T-notes had an annual coupon of 2.3% and a 1.70% yield.

The Serb Republic is one of the two autonomous entities forming Bosnia and Herzegovina. The Federation is the other one.

(1 euro = 1.95583 marka)

Croatia

Croatia beats target at T-bill auction, yield flat

21-Jan-2020

ZAGREB, Jan 21 (Reuters) - **Croatia's Finance Ministry sold one-year bills worth 1.38 billion kuna ($206.17 million) against a target of 1.0 billion kuna, while the yield remained unchanged at 0.06%, ministry data showed on Tuesday.**

Banks bought slightly more than a half of the overall amount in the first of Croatia's T-bill sale this year.

The ministry occasionally also offers three- and six-month bills as well as those denominated in euros.

After the auction, Croatia's short-term local currency debt slightly fell to 17.16 billion kuna from 17.19 billion.

($1 = 6.6934 kuna)

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Croatia to offer 300 mln kuna (40.3 mln euro) of 1-yr T-bills on Jan 28

24-Jan-2020

ZAGREB (Croatia), January 24 (SeeNews) - **Croatia's finance ministry said it will offer 300 million kuna ($44.5 million/40.3 million euro) worth of one-year Treasury bills at an auction on January 28.**

The T-bill issue will mature on January 28, 2021, the finance ministry said in a notice.

The finance ministry sold 1.4 billion kuna worth of government securities, above its 1 billion kuna target, at the last auction of one-year kuna-denominated T-bills held on January 21. The yield was 0.06%, unchanged in comparison with the previous auction of one-year T-bills held on December 30.

(1 euro = 7.44466 kuna)

Czech Republic

Fitch Affirms Czech Republic at 'AA-'; Outlook Stable

24-Jan-2020

Fitch Ratings-Frankfurt am Main-January 24:

Fitch Ratings has affirmed the Czech Republic's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA-' with a Stable Outlook.

KEY RATING DRIVERS

The Czech Republic's 'AA-' rating balances strong external and public finances, and a solid banking system, with relatively lower GDP per capita and governance indicators compared with its rating peers. The Stable Outlook reflects Fitch's expectation that the authorities will continue to implement relatively sound fiscal and monetary policies in the context of weaker external demand, which could weigh on the highly open economy.

The Czech Republic's headline fiscal balance, at an estimated 0.6% of GDP in 2019, is above the current peer median of -0.3%. The government has kept the 2020 target for the State Budget unchanged at a deficit of CZK40 billion (0.7% of GDP), following an outperformance in 2019. Fitch views the target as achievable, given relatively prudent fiscal policy and generally stable growth prospects for 2020. Fitch expects the general government balance, which has been in surplus since 2016, to shrink to 0.1% of GDP on average in 2020-21, as the economy slows from its recent cyclical peak.

General government debt, at an estimated 31.2% of GDP at end-2019, is below the current peer median of 38.8%, and will continue to decline given continuing primary surpluses. The FX proportion of state debt is set to increase by up to 3pp to 20.1% by 2021as the authorities look to take advantage of low yields to issue up to EUR3 billion in euro-denominated debt to cover redemptions.

Consumer Price Inflation grew by 3.2% yoy in December 2019, the fastest pace since mid-2012, and in breach of the Czech National Bank's (CNB) tolerance band of +/-1pp around its 2% inflation target. Core inflation also increased to 2.6% yoy, the highest level in two years, possibly representing a firmer pass-through of strong wage growth to inflation.

Fitch expects inflation to edge back down to 2.5% on average in 2020 and 2% in 2021, as food price inflation eases and economic growth slows. Consequently, the CNB is likely to keep rates on hold at 2% through 2020, with a potential cut by end-2021 if economic growth slows beyond expectations.

Economic growth has slowed in the Czech Republic, partly the impact of a slowdown in Germany and other major EU export markets. Real GDP growth stood at 2.5% yoy (0.4% qoq) in 3Q19, down from 2.9% yoy in 1H19, mainly due to neutral contribution of exports and a deceleration in investment growth. Fitch expects real GDP growth to slow from an estimated 2.5% in 2019 to 2.2% in 2020 and 2.1% in 2021, as investment and net exports growth decline.

The Czech Republic is susceptible to an external slowdown, as an open economy, with current account receipts equivalent to 81.6% of GDP in 2019. Sluggish growth in Germany (destination for 31% of exports), is a downside risk to growth in 2020. With the auto sector contributing around 10% of GDP, structural changes in the sector are likely to have a negative impact on the Czech Republic in the medium term. In particular, a shift towards production of electric cars will very likely be negative for the Czech Republic, where no such cars are produced currently, and infrastructure to begin production is lacking.

Following three quarters of double-digit increases, house price growth declined to 9.3% yoy in 3Q19, likely reflecting tighter lending standards by banks as new mortgage volume declined by a monthly average of 11.2% in 3Q19. Household indebtedness is moderate at 33% of GDP as of 2Q19, and with wage and employment growth still largely stable, Fitch does not expect significant risks to emerge in the property market in the near term.

The Czech Republic's external finances are a key rating strength, with the net external creditor position of an estimated 19.4% of GDP at end-2019 above the current 'AA' median of 16%. Fitch expects the current account balance to decline from an estimated surplus of 0.3% of GDP in 2019 to a deficit of 0.3% on average in 2020-21 in the wake of decelerating external demand. However, net foreign direct investment and EU capital transfers will more than adequately cover this deficit.

World Bank Governance indicators and Doing Business indicators are below the current 'AA' median. Prime Minister Andrej Babis remains under public pressure due to audit findings by the European Commission, which have found him to be in conflict of interest in regard to EU subsidies. However, the opposition does not appear to have gained politically, and the ruling ANO party's popularity has remained steady, at 34% according to opinion polls in December 2019, reflecting its support in its traditional strongholds such as rural areas. Fitch does not expect early elections before the government's term finishes in 2021.

The Czech Republic's GDP per capita is only slightly more than half the current 'AA' median, although income levels reached 90.6% (in PPP terms) of the EU level as of 2018, from 82% of the EU average in 2009.

SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)

Fitch's proprietary SRM assigns the Czech Republic a score equivalent to a rating of 'AA-' on the Long-Term Foreign-Currency (LT FC) IDR scale.

Fitch's sovereign rating committee did not adjust

the output from the SRM to arrive at the final LT FC IDR.
Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LT FC IDR.
Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

RATING SENSITIVITIES

Developments that may, individually or collectively, lead to positive rating action include:

- Convergence of structural indicators, including GDP per capita and governance indicators, closer to rating peer medians.

Developments that may, individually or collectively, lead to negative rating action include:

- Marked loosening in fiscal policy, resulting in substantial increases in GGD/GDP levels.
- Evidence of a significant deterioration in trend GDP growth, such as through structural changes in the auto sector which have a negative impact on Czech production.
- Material worsening of governance indicators, particularly if they were to have a notable impact on policy coherence and credibility.

KEY ASSUMPTIONS

Fitch assumes that the eurozone will grow by 1.1% in 2020 and 1.2% in 2021 (in line with its December 2019 Global Economic Outlook).

ESG CONSIDERATIONS

The Czech Republic has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators, which have the highest weight in Fitch's SRM, are highly relevant to the rating and a key rating driver with a high weight.
The Czech Republic has an ESG Relevance Score of 5 for Rule of Law, Institutional Regulatory Quality, and Control of Corruption as World Bank Governance Indicators have the highest weight in Fitch's SRM and is therefore highly relevant to the rating and a key rating driver with a high weight.
The Czech Republic has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as the Voice and Accountability pillar of the World Bank Governance Indicators is relevant to the rating and a rating driver.
The Czech Republic has an ESG Relevance Score of 4 for Creditors Rights as willingness to service and repay debt is relevant for the rating and a rating driver, as for all sovereigns.
Czech Republic; Long Term Issuer Default Rating; Affirmed; AA-; RO:Sta;
Short Term Issuer Default Rating; Affirmed; F1+;
Local Currency Long Term Issuer Default Rating; Affirmed; AA-; RO:Sta;
Local Currency Short Term Issuer Default Rating; Affirmed; F1+
Senior unsecured; Long Term Rating; Affirmed; AA-;
Country Ceiling; Affirmed; AAA;
Long Term Issuer Default Rating; Affirmed; AA-; RO:Sta

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Hungary

Hungary to buy back $1 bln worth of USD bonds

21-Jan-2020

BUDAPEST, Jan 21 (Reuters) - **Hungary's government debt agency AKK has launched the buyback of $1 billion worth of high-yield dollar bonds to curb financing costs and further reduce its stock of foreign currency debt, state news agency MTI reported on Tuesday.**
MTI cited Finance Minister Mihaly Varga as saying that the measure would bolster the stability of Hungarian public finances. The move is part of Hungary's long-term strategy to curb reliance on foreign investors.

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North Macedonia

North Macedonia to sell 1.5 bln denars (24.2 mln euro) of govt paper on Jan 28

23-Jan-2020

SKOPJE (North Macedonia), **January 23 (SeeNews) – North Macedonia's finance ministry will offer two issues of government securities worth a total of 1.5 billion denars ($26.8 million/24.2 million euro) at auctions on January 28, according to notices published by the country's central bank.**
The offer comprises 600 million denars worth of one-year Treasury bills and 900 million denars of 30-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.

Romania

Romania sells planned 300 mln lei (63 mln euro) in 2034 T-bonds, yield falls

23-Jan-2020

BUCHAREST (Romania), January 23 (SeeNews) - **Romania sold on Thursday a planned 300 million lei ($70 million/63 million euro) worth of Treasury bonds maturing on October 11 2034, central bank data showed.**

The average accepted yield fell to 4.78% from 5.07% achieved at the previous auction of government securities of the same issue held in December, the data indicated.

Demand for the T-notes, which carry an annual coupon of 4.75%, rose to 539.9 million lei from 223.2 million lei at the December auction.

The issue will be reopened on Friday when the finance ministry hopes to raise 45 million lei in a non-competitive tender.

So far this year, Romania has sold almost 4.9 billion lei of debt.

Russia

Russia's foreign debt grew 5.9% in 2019, to $481.5 bln due to increased government debt

21-Jan-2020

MOSCOW. Jan 21 (Interfax) - **Russia's foreign debt grew by $26.8 billion (5.9%) in 2019, from $454.7 billion to $481.5 billion, according to an estimate on the Central Bank's website.**

"The most substantial influence on the aggregate's dynamics was exerted by nonresidents' acquisition of sovereign securities, which were denominated both in Russian rubles and in foreign currencies. External debt of [the] private sector has not changed significantly: growth of liabilities within the framework of other sectors' direct investment relationships, was partially offset by reduction of banks' external debt liabilities," the bank said.

In Q4 2019, the foreign debt was up $7.8 billion or 1.6% from $473.7 billion. It rose by $14 billion in Q1 and by $13.9 billion in Q2 after falling by $8.9 billion in Q3.

General government external debt was up by $25.5 billion or 5.8% in 2019 to $69.5 billion. This is a high unseen for government debt since April 1, 2006, when it came to slightly over $69.5 billion).

Debt to nonresidents on ruble-denominated federal loan bonds was up the equivalent of $20.4 billion or by 79% to $46.1 billion.

Debts on foreign currency bonds were up 33.5% or $5.6 billion to $22.3 billion.

In Q4, government debt increased by $4.7 billion, including an increase of $5.5 billion for ruble-denominated government bonds and a decline of $500 million for foreign currency bonds.

Russian banks saw their external debts fall 9.5% ($8 billion) to $76.5 billion in the year, while rising $2 billion in Q4.

The external debt of non-banking sectors increased 2.6% ($3.2 billion) in the year to $322.6 billion and fell $900 million in Q4. Debt liabilities to direct investors and to direct investment enterprises increased 5.5% ($7.5 billion) to $143.7 billion. Debt on loans fell 0.7% ($1.2 billion) to $157.8 billion, while trade loans increased 68% ($2.1 billion) to $5.1 billion.

The Central Bank's foreign debt rose by $1 billion in the year to $12.9 billion and increased by $2 billion in Q4.

Mc ng mz ak
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Turkey

Turkey's central govt debt up 25% y/y at end-Dec

21-Jan-2020

ANKARA (Turkey), January 21 (SeeNews) - **Turkey's central government debt totalled 1.32 trillion Turkish lira ($222.71 billion/200.79 billion euro) at the end of December, up 25% year-on-year, according to data from the ministry of treasury and finance.**

Some 668.5 billion Turkish lira of the debt stock is denominated in the local currency while the remaining 660.2 billion Turkish lira is in foreign currency, the ministry said on Monday.

Turkey's central government debt as of the end of December 2018 came in at 1.07 trillion Turkish lira, finance ministry data showed.

Turkey's negative real rates affect central bank credibility

20-Jan-2020

ISTANBUL, Jan 20 (Reuters) - **Turkey's newly negative real interest rates will likely harm**

the central bank's credibility, risk hitting investor confidence and amount to a credit negative for banks' funding, ratings agency Moody's said on Monday.
The central bank cut its policy rate by 75 basis points to 11.25% last week, which Moody's said brought real yields into negative territory given inflation stood at 11.84% in December.
Moody's added that a recovery in Turkey's real estate sector is credit positive for banks as it will reduce problems loans and loan-loss provisions, while increasing lending volumes.

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LATIN AMERICA AND CARIBBEAN

Argentina

S&P Says Argentina Local Currency Ratings Lowered to 'SD' On Distressed Debt Exchange 'CCC-/C' Foreign Currency Ratings Affirmed

21-Jan-2020
Jan 21 (Reuters) - S&P:

- **S&P says Argentina local currency ratings lowered to 'SD' on distressed debt exchange; 'CCC-/C' foreign currency ratings affirmed**
- S&P says Argentina's negative outlook reflects prospects for further restructuring of sovereign debt
- S&P says affirming Argentina's long-term foreign currency sovereign credit rating at 'ccc-', and the outlook remains negative
- S&P says lowered Argentina's long-term local currency-denominated issue ratings to 'cc' from 'ccc-'
- S&P says affirmed 'b-' transfer and convertibility assessment on Argentina
- S&P says lowered national scale rating on Argentina to 'SD' from 'RACCC-'
- S&P says lowered local currency sovereign credit ratings on Argentina following a voluntary exchange offer of peso-denominated short-term paper

(Reuters.Briefs@thomsonreuters.com)

Argentine bonds fall as Buenos Aires province extends creditor deadline

22-Jan-2020
By Adam Jourdan and Rodrigo Campos
BUENOS AIRES, Jan 22 (Reuters) - **Argentine sovereign and provincial bonds dipped on Wednesday as the provincial government in Buenos Aires was forced to extend a deadline for creditors to agree or reject a plan to delay a $250 million bond repayment originally due on Jan. 26.**
The province said on Wednesday, minutes after the consent solicitation deadline had elapsed at 1pm (1600 GMT), that it would extend the cut-off for responses related to a 2021 bond until the same time on Jan. 31.
The province needs to receive consent from holders of over 75% of the principal amount of debt.
"To date we have received the support of a significant number of bondholders, and we continue in dialogue with institutional investors whose participation would allow us to arrive at the desired result," Pablo Lopez, the province minister of treasury and finance, said in a statement.
The payment on the 2021 bond marks the first major test for the South American country as it grapples with far more complex talks to restructure about $100 billion in public debts that the new Peronist government says it cannot currently pay.
Ilya Gofshteyn, a senior emerging markets strategist at Standard Chartered Bank, said that if Buenos Aires could not get sufficient bondholder support, it likely reflected the "difficulties facing the sovereign restructuring discussions."
The provincial government said the terms of the bond gave it a grace period of 10 days for capital payments and 30 days for interest payments without triggering a default.
Buenos Aires province, Argentina's largest by far, said this month it was seeking "temporary financial relief" from holders of the 2021 bond, and requested an extension to May 1 to make the repayment due this month.
Without consent, the province - and the national government - will be in something of a bind, analysts said.
"The alternatives are to either reach 75% agreement for consent solicitation to postpone the payment to May 1 or otherwise risk a hard default," Amherst Pierpont said in a note on Wednesday, adding the question would be whether the state would intervene at the last minute.
"It's a game of brinkmanship on whether either side caves in to avoid a hard default next week."
Prices for Argentina's over-the-counter (OTC) bonds were down on average around 1.3%, while Buenos Aires bonds fell across the board, led by a 3.5 point drop in the 2021 bond.
Argentina's economy minister said on Tuesday the government was sending a debt sustainability bill to lawmakers to help bolster the country's ability to pay.
Argentina's center-left President Alberto Fernandez has said the country needs to be given time by creditors, including the

International Monetary Fund, to revive growth in order to be able to do so.

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Argentina registers 2019 primary fiscal deficit of 208.766 bln pesos

23-Jan-2020
BUENOS AIRES, Jan 22 (Reuters) - **Argentina registered a primary fiscal deficit, which does not include interest on debt, of 208.766 billion pesos ($3.475 billion), equivalent to -0.96% of gross domestic product, the Economy Ministry said on Wednesday.**
Argentina ran a primary fiscal deficit of about 120.147 billion pesos in December, the ministry said.

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Brazil

Moody's Says Fiscal Consolidation Is Key to Brazil´s Sovereign Credit Prospects

21-Jan-2020
Jan 21 (Reuters) - Moody's:
- **Moody's says fiscal consolidation is key to Brazil´s sovereign credit prospects**
- **Moody's, on Brazil, says additional fiscal measures, including those aimed at improving fiscal flexibility, are needed to reduce spending rigidity**
- Moody's says weakening of reform momentum, lower than expected growth could negatively affect brazil´s credit profile
- Moody's says increase of political polarization, emergence of social unrest could negatively affect brazil´s credit profile
- Moody's says expect Brazil's debt to stabilize above 80% of GDP in next 2 - 3 YRS on the back of low interest rates, fiscal reforms, economic recovery

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Brazil govt could eliminate primary deficit by 2022

23-Jan-2020
BRASILIA, Jan 23 (Reuters) - **The Brazilian government's interest payment bill on the national debt could fall by 417 billion reais ($100 billion) over the course of its four-year term ending in 2022, by when the primary budget deficit could also be completely eliminated, a senior Economy Ministry official said on Thursday.**
Speaking to journalists in Brasilia, Waldery Rodrigues, special secretary to the Economy Ministry, said the 417 billion reais figure was entirely due to lower official interest rates, and that the public finances could be even stronger if ongoing economic reforms accelerate growth further.

($1 = 4.17 reais)
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Brazil govt sees $100 bln interest savings, wiping out primary deficit by 2022

23-Jan-2020
By Marcela Ayres
BRASILIA, Jan 23 (Reuters) - **The Brazilian government's interest payment bill on the national debt could fall by 417 billion reais ($100 billion) over the course of its four-year term ending in 2022, by which time the primary budget deficit could also be completely eliminated, a senior Economy Ministry official said on Thursday.**
The fall to a record low 4.5% in the central bank's benchmark interest rate since the middle of last year accounts for the interest savings, and the public finances could be even stronger if economic reforms accelerate growth further, said Waldery Rodrigues, special secretary to the Economy Ministry.
Speaking to journalists in Brasilia, Rodrigues said the primary budget deficit, before interest payments are taken into account, was on track to end last year at 1% of gross domestic product, well below the official goal of 2.3% of GDP.
The deficit could be wiped out entirely by the end of 2022, bringing almost a decade of budget shortfalls to an end. Rodrigues also said the national debt was on track to end last year at 77% of GDP or below, having struck a record high 79% in August.
Getting the public finances back on a more even keel was the government's No. 1 economic aim last year, with a sweeping reform of the social security system aimed at generating savings of 1 trillion reais over the next decade its main achievement.
The government hopes Congress will continue the reform process and approve three constitutional amendments in the first half of

this year, including the "federative pact" new framework for federal and local government finances, Rodrigues said.
Perhaps optimistically, he also said he expects Congress to approve three of the government's main economic reform agenda planks this year: the complex tax reform, administrative reform and "fast track" privatization bills.
The government is barely halfway through the fiscal adjustment needed to completely balance its books and will do what is necessary to keep the process on track, Rodrigues said, but added that he hopes there will be no need for spending freezes this year.
As well as lower interest payments, the fiscal outlook this year will be strengthened by state asset sales, while state development bank BNDES will also return the full 165 billion reais of loans it still owes the government by the end of 2022, Rodrigues said.

($1 = 4.17 reais)
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Chile

Chilean central bank hopeful of no recession, will prevent peso panic

22-Jan-2020

- **Violent protests in Chile did major damage to economy**
- **Deputy central bank chief sees demonstrations continuing**
- **Bank still ready to intervene in FX markets if needed**
- **Central bank "not uncomfortable" with current peso level**
- **Hopeful no need to cut growth forecasts further**

By Marc Jones
LONDON, Jan 22 (Reuters) - **Chile's central bank will intervene forcefully if violent protests threaten its peso currency again, though it hopes the relative calm in recent weeks will be enough to keep the country out of recession, its deputy governor Joaquin Vial said.**
Vial told Reuters in an interview that Chile's most widespread protests since its return to democracy in 1990 had done serious damage to the economy.
He is hopeful though that it will not be worse than the central bank feared in December when it’s slashed its 2020 growth forecast to a range of 0.5% to 1.5% from 2.75% to 3.75% previously.
"It looks to me that the estimate (for the economy) we made last quarter is very much in line with what happened," Vial said.
Asked if there was still a risk of a "technical" recession, defined as back-to-back quarterly contractions in the economy, he added: "If you look at the chart we are probably going to avoid that because the worst figures were from October and November."
"December is going to be very bad also, but we have seen some normalisation and the first quarter will most likely be somewhat better...But we have to see how fast confidence is going to restore."
The protests initially erupted in October after metro ticket prices were raised, but quickly escalated to subway stations being set alight and riots on the streets that left 26 dead and upwards of $1.5 billion in losses for businesses.
Vial warned that March and April could get rough again, with more student protests expected and then a referendum on replacing Chile's dictatorship-era constitution.
If tensions do flair again though the central bank is prepared after last year's troubles saw the peso plunge 15%.
Vial said it had looked like getting "out of control" at one point, but the central bank stepped in, putting $10 billion of its roughly $40 billion of currency reserves on the table to stem the rout.
It required a number of emergency meetings but it worked. It ended up using about $2 billion of its reserves and the peso made back some ground, but the bank is still on alert.
"We have signalled very clearly that we may intervene again in the foreign exchange market if there is disruption again."
At the same time, Vial stressed that the central bank does not want to change the "trend" of the exchange rate.
"Among other things we think this is part of the normal reaction to the new reality of the Chilean economy," he said referring to the sharp shock to growth. It could be argued that is should be lower, but "we don't feel uncomfortable with this level of the exchange rate," he added.
On interest rates, which did not change during the protests, there are opposing forces. The economy is under stress, but the sharp drop in the peso means inflation will soon be nearly 4%, well above the central bank's preferred level of 3%.
"We don't feel the depreciation has created the pressure to raise rates," Vial said.
However, with the risk of more peso weakness if demonstrations become violent again, he added: "from my personal point of view, (a rate cut) is less likely that the opposite option."

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AFRICA

Congo Republic

IMF aid to Congo Republic on hold over Glencore, Trafigura impasse

24-Jan-2020

- **IMF bailout programme hangs in the balance**
- **Congo pushing for haircut on oil-backed loans**
- **Congo in default with Trafigura**
- **Glencore has not received an oil cargo since 2018**

By Julia Payne, Dmitry Zhdannikov and Joe Bavier

LONDON/JOHANNESBURG, Jan 24 (Reuters) - **Talks to salvage a tentative $1.7 billion debt restructuring between Congo Republic and energy traders Glencore and Trafigura are stuck, sources said, jeopardising an International Monetary Fund bailout for the debt-hobbled nation.**

The IMF signed off in July on a $449 million, three-year lending programme to help the central African nation's ailing economy - but only $45 million has been disbursed with other funds subject to semi-annual reviews.

Those hinge on restructuring the oil-backed loans to the Swiss traders as money the state saves on reduced debt servicing would fill a gap in an overall $2 billion national rescue plan.

More IMF disbursements could help unlock another nearly $900 million in financing from the World Bank, African Development Bank and France who are all backing the rescue programme.

But the IMF said it has held off on submitting a 2019 year-end review to its executive board as it waits for Congo to finalise a deal with the traders.

An IMF spokesman said Congolese authorities had indicated to the institution that they expect restructuring negotiations with the oil traders to be done this quarter.

However, two banking and commodities industry sources familiar with the talks told Reuters an agreement in principle reached over the summer had fallen apart with both sides entrenched in their positions despite ongoing sporadic contact.

Congo wants a partial capital writedown and is meanwhile refusing to allocate cargoes to repay debt, the sources said, while the companies are considering legal action.

A Congo government spokesman did not respond to requests for comment, while spokespeople for Trafigura and Glencore declined to comment.

An IMF spokesman said: "We have not received any formal communication from the authorities regarding the specifics of an agreement in principle, either in the past or more recently."

Financial advisor Lazard, which is working on behalf of Congo, would not comment on the negotiations.

Another advisor, Parnasse, was not immediately reachable.

IMPROVING OUTPUT

Congo's cash-strapped energy industry has been boosted by major recent finds from Italy's ENI and France's Total, raising output to about 350,000 barrels per day.

The former French colony, ruled by President Denis Sassou Nguesso for all but five years since 1979, is expected to be the third largest oil producer in sub-Saharan Africa by next year.

Court action was being discussed among the traders, the sources said, as Glencore has not been allocated an oil cargo since 2018 while Trafigura has only been receiving sporadic ones.

Congo restructured nearly $1.6 billion in loans from China without taking a haircut, according to a deal inked last year, prior to the IMF agreement. That deal plus an increase in oil prices had strengthened the Swiss companies' resolve, according to one source familiar with their position.

"They need a restructuring and apparently the Chinese deal was done without haircut so why would we accept a haircut at $65 a barrel?" the source said.

Led by banks, Glencore initially lent about $850 million to Congo in 2015 to be repaid with crude over five years.

Meanwhile, Congo is in default on Trafigura's loan as the original timeline has already lapsed. The trader lent around $1 billion in 2014 with a maturity in 2019.

Unlike Glencore, Trafigura is fully responsible for the debt, although it has insured it with re-insurers.

The total remaining debt to both traders and banks is nearly $1.7 billion, according to sources with knowledge of the negotiations. Congo has not confirmed the figure.

"One possibility is that Congo has re-assessed the necessity of the (rescue) programme, given higher oil prices and production, as well as the need to spend more freely ahead of elections next year," another banking source familiar with the matter said.

Congo is still a way off top African producers like Nigeria, where output is around 2 million bpd. But a sustained rebound could help re-launch hospitals and water and power lines in one of the world's poorest countries.

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Egypt

Egypt primary surplus at 30 bln EGP in H1 FY 19/20

20-Jan-2020

CAIRO, Jan 20 (Reuters) - **Egypt registered a primary budget surplus of 0.5% of GDP, amounting to 30 billion Egyptian pounds ($1.91 billion), during the first half of the 2019/2020 fiscal year, Finance Minister Mohamed Maait said on Monday.**

The overall budget deficit in the first half of 2019/2020 increased to 3.8% from 3.6% from the same period last year and the GDP will increase to 5.8% - 5.9% by end of fiscal year 2019/2020 instead of previously targeted 5.6%, Maait added in a news conference.

($1 = 15.7300 Egyptian pounds)
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Egypt's debt ratio to beat target this year, minister says

20-Jan-2020

CAIRO, Jan 20 (Reuters) - **Egypt is on track to reduce its total debt to a lower-than-expected 83% of GDP by the end of the fiscal year in June, helped by a widening of its primary budget surplus in the last half of 2019, Finance Minister Mohamed Maait said on Monday.**

The primary budget surplus widened to 0.5% of GDP, or 30 billion Egyptian pounds ($1.91 billion), in the final six months of 2019 from 0.4% a year earlier, Maait told a news conference.

Egypt has said it aims to reduce its primary deficit to 2% of GDP for the whole of the 2019/20 fiscal year.

The overall budget deficit, which includes interest payments, rose to 3.8% of GDP in the last six months of 2019 from 3.6% a year earlier, partly due to an early interest payment on debt that matures in April and a 33 billion pound payment to top up the state pension fund, he said.

"We aim to reduce the debt to 83% by the end of the fiscal year, compared to the 89% we had (earlier) projected," Maait said.

The improvement in the primary surplus was helped by reductions in fuel subsidies, long a heavy burden on the budget, which were implemented as part of a three-year IMF programme that ended in November.

The oil ministry sent a net 3 billion pounds to the finance ministry in the July-Sept quarter, the first time in years it has provided a surplus, Maait said.

Oil ministry payments are expected to increase over the next five months, Deputy Finance Minister Ahmed Kouchouk said. The oil ministry expects fuel subsidy spending will fall to 30 billion pounds in 2019/20 compared to the original 52 billion pounds forecast in the budget, he added.

GDP is expected to grow by 5.8%-5.9% in the 2019/20 fiscal year, up from a previously projected 5.6%, Maait said.

($1 = 15.7300 Egyptian pounds)
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Egypt sovereign fund bringing in Actis to help attract investment

20-Jan-2020

CAIRO, Jan 20 (Reuters) - **Egypt's sovereign wealth fund has agreed to team up with private equity firm Actis to help attract and steer private investment into Egypt and to cooperate in energy and infrastructure projects, it said on Monday.**

The memorandum of understanding with UK-based Actis will directly support "the Sovereign Fund of Egypt's objective to attract and steer private investment toward critical sectors for Egypt's economy," it added.

Egypt set up the fund in February to take control of some of the government's most promising assets in industries such as power and real estate and bring in private investors to develop them.

The fund has a paid-in capital of 1 billion Egyptian pounds ($63.5 million), but President Abdel Fattah al-Sisi said in October this could rise to as much as several trillion pounds.

It will start off by selling a 25-year concession, owned by the Egyptian Electricity Holding Co, to operate three 4.8GW power plants built by Siemens under a 6 billion euro ($6.65 billion) deal signed in 2015.

Actis has proposed helping sell one of the three plants, a statement quoted the fund's chief executive Ayman Soliman as saying.

"We consider Actis's proposal to be a strong sign reflecting its underlying interest in expanding its investments in Egypt and we look forward to unlocking further appetite and value through such partnerships," Soliman said.

($1 = 15.7600 Egyptian pounds)
($1 = 0.9023 euros)
(Reporting by Patrick Werr; Editing by Toby Chopra)
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Egypt's economic outlook improves in 2020

23-Jan-2020

By Patrick Werr

CAIRO, Jan 23 (Reuters) - **Egypt's economy is likely to grow 5.8% in the current fiscal year ending on June 30, and 5.9% in 2020/21, according to a Reuters poll - an improvement on the previous poll three months ago.**
The median of forecasts from 20 economists polled from Jan. 7 to 21 aligns with the 5.8%-5.9% growth forecast by the finance ministry for 2019/20 on Monday. In 2018/19, GDP grew 5.6%.
In October, analysts had projected the economy would expand by only 5.5% in 2019/20 and 5.7% in 2020/21.
"We expect a slight increase in household consumption accompanied by higher exports and lower imports," Naeem Brokerage Allen Sandeep said, explaining the more optimistic outlook.
Egypt's economy has been boosted in the last three years by an upswing in tourism, strong remittances from Egyptian workers abroad and recently discovered natural gas fields coming onstream.
But the growth has mainly been driven by the state sector, with the non-oil private sector having contracted every month this fiscal year apart from July, according to the IHS Markit Egypt Purchasing Managers' Index (PMI).
In fact, non-oil private sector growth has expanded in only six individual months since a 2016 economic reform programme tied to a $12 billion three-year International Monetary Fund accord, according to the PMI data.
Completed in November, the programme was designed to reduce Egypt's budget and current account deficits. The reforms included letting the Egyptian pound depreciate sharply, removing almost all fuel subsidies, introducing a value-added tax and raising electricity and transport prices.
INFLATION SET TO INCREASE
The analysts expected Egypt's annual urban consumer price inflation to slow to 6.8% in 2019/20 but to rebound to 7.5% in 2020/21 and 8.0% the following year. In July 2017, months after the IMF-inspired austerity measures kicked in, inflation peaked at 33%.
Egypt reported that inflation had increased by an annual 7.1% in December after having slowed to as little as 3.1% in October.
"December 2019's inflation print confirms our expectation that prices will continue to accelerate in months to come as favourable base effects diminish," said Callee Davis of NKC African.
The median analyst forecast had the Egyptian pound weakening to 16.10 to the U.S. dollar by the end of June from 15.80 on Thursday. It will slide further to 16.50 by June 2021 and 17.08 by June 2022, the analysts predicted.
Davis forecast that the currency's strong appreciation over the last 12 months would begin to reverse this coming April 2020, when a $1 billion Eurobond repayment is scheduled.
The poll also suggested that the central bank would lower its key overnight lending rates, currently 13.25%, to 11.75% in 2020 and 10.75% in 2021 and 2022.
Last week, the bank left its overnight interest rates unchanged after cutting them at each of its previous three meetings.

(Polling by Md Manzer Hussain in Bengaluru; Reporting and writing by Patrick Werr; Editing by Kevin Liffey)
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Ghana

Moody's Changes Ghana's Outlook to Positive from Stable, Affirms B3 Rating

24-Jan-2020
Jan 24 (Reuters) - Moody's:

- **Moody's changes Ghana's outlook to positive from stable, affirms B3 rating**
- Moody's says in recent years Ghana has seen number of positive developments in key credit metrics, partly reflecting institutional and fiscal reforms
- Moody's says rationale for Ghana's positive outlook reflects rising confidence that policymakers will sustain economic and financial stability
- Moody's says environmental & governance considerations are material for Ghana's credit profile while social considerations are not

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South Africa

IMF lowers South African growth forecasts for 2020, 2021

20-Jan-2020
JOHANNESBURG, Jan 20 (Reuters) - **The International Monetary Fund (IMF) on Monday lowered its growth forecasts for the South African economy in 2020 and 2021, citing structural constraints and deteriorating public finances.**
The IMF now sees the economy growing at 0.8% this year, down from a previous forecast for 1.1% growth, and 1.0% in 2021, down from an earlier prediction for 1.4% growth.
South African President Cyril Ramaphosa has tried to revive Africa's most industrialised economy after a decade of slow growth, but he has found it hard to push through much-needed reforms and rein in rapidly rising debt levels.
In recent months, nationwide power cuts that have dented economic output and sapped investor confidence in the economy.
Ailing state-owned utility Eskom, which generates more than 90% of the country's electricity, is struggling to meet demand because of breakdowns at its coal-fired power

plants.
In an update to its World Economic Outlook, the IMF also maintained its growth projections for the continent's largest economy Nigeria at 2.5% for this year and next.
Nigeria has been recovering slowly from a 2016 recession, thanks partly to a recovery in its crucial oil sector.

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GLOBAL

Bond, equity funds suck-in $25 bln as "irrational" bull phase continues

24-Jan-2020
LONDON, Jan 24 (Reuters) - **Global equity and bond funds saw more inflows in the week to Wednesday and the "irrational bullish phase" in markets was likely to continue in the first-quarter if the U.S. Fed continued to pump-in liquidity, BofA said on Friday.**
Bond funds attracted $16.2 billion and equities sucked in $8.5 billion last week even as concerns over the spread of a deadly virus in China rattled markets, BofA said citing EPFR data. At $4 billion, emerging market equity funds saw their biggest inflows in 57 weeks.
Pointing to the exuberance in markets, BofA said peak positioning in stocks, peak liquidity pump by central banks, ultra-low forex volatility, bubbly bonds and new lows in bond yields were some of the catalysts that could derail the rally.
The bank said it would buy a put option -- used by investors as protection against serious falls in prices -- as the S&P 500 .SPX approaches 3,500.

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