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Emerging Sovereign Debt Markets NEWS

Number 10 Week 2 – 8 March 2019

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This newsletter includes news gathered until Friday 01-Mar-2019 at 15:00.

ASIA

Armenia

Fitch Ratings: Armenia's IMF Deal Confirms Post-Transition Policy Focus

05-Mar-2019

Fitch Ratings-London-March 05: Armenia's precautionary IMF Stand-By Arrangement (SBA) confirms the new government's economic policy priorities are in line with our expectations of a fiscally prudent and reform-minded approach, Fitch Ratings says. Policies are focused on maintaining sustainable growth, fiscal consolidation and mitigating external vulnerabilities.

The IMF said on 26 February that it had reached a staff-level agreement on a USD250 million three-year precautionary SBA with Armenia "to support the new government's reform plans and strengthen resilience against external shocks." The IMF Executive Board is expected to consider the agreement in May.

A record of support from international financial institutions and bilateral partners enhances Armenia's policy credibility. This is important given the sovereign's relatively low external liquidity ratio and the role of a predictable and coherent fiscal consolidation strategy in stabilising debt dynamics.

The IMF agreement follows the decisive victory of the My Step Alliance, led by Nikol Pashinyan, in the December 2018 elections. Mr Pashinyan became prime minister in May 2018 following anti-corruption protests that led to the resignation of his predecessor, but, prior to the elections, his Civil Contract Party held only a few parliamentary seats.

With a commanding majority in parliament, the Pashinyan administration has indicated it will pursue further tax and spending reforms and measures to improve the business environment, strengthen the management of public finances and public investment and tackle monopolies and vested interests. Technical support from the IMF would support these efforts. Although the SBA is non-disbursing, it could bolster the credibility and predictability of the fiscal consolidation strategy and, by supporting investor confidence, ease refinancing risks. Armenia has a USD500 million Eurobond coming due in 2020.

The absence of significant economic disruption or destabilising financial system

pressures, and the relative stability of the dram during last year's political transition were largely due to the smooth functioning of economic institutions such as the central bank. This provides the new government with a solid macroeconomic starting point. Even before the elections, Mr Pashinyan's first cabinet (which included experienced technocrats and private sector professionals) was able to implement some notable measures. The final phase of the 2014 pension reform came into effect in July 2018, and the 2019 budget was the first under new fiscal rules that limit current primary expenditure growth (while preserving capital expenditure) if debt is between 50%-60% of GDP.

Economic growth slowed in 2018, but remained robust. We estimate full year real GDP growth at 5%, down from 7.5% in 2017. Strong domestic demand has put pressure on the current account deficit, although this should narrow to an average of 4.3% of GDP in 2019-2020 as slower domestic demand moderates import growth. Reducing the uncertainty regarding the resolution of the environmental dispute at the Amulsar gold mine could support export growth and foreign investment prospects.

High public and external debt are important weaknesses in Armenia's 'B+' sovereign rating, along with tense relations with some neighbouring countries. The Positive Outlook on the rating reflects a stronger growth outlook relative to peers, the start of a fiscal consolidation process that we expect will deliver a gradual decline in government debt over the medium term and institutions that have underpinned macroeconomic and financial stability during significant political change. Entrenching improvements in the economic policy framework, governance and institutional effectiveness could be positive for the rating.

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Additional information is available on www.fitchratings.com

China

China to issue 2.15 trln yuan of special local govt bonds in 2019

05-Mar-2019

BEIJING, March 5 (Xinhua) -- **China will issue 2.15 trillion yuan (about 320 billion U.S. dollars) of special local government bonds this year, an increase of 800 billion yuan over last year, says a government work report.**

The report was available to the press on Tuesday morning ahead of the annual legislative session.

"This is designed to both provide funding for key projects and create conditions for better forestalling and defusing local governments' debt risks," the report says.

Enditem

China says proactive fiscal policy does not mean opening floodgate of stimulus

07-Mar-2019

BEIJING, March 7 (Reuters) - **China's finance minister said on Thursday that a proactive fiscal policy does not mean Beijing will open a floodgate of stimulus, adding that authorities are highly concerned about local government debt risks.**

China will not allow new hidden debt and strictly forbids illegal financing guarantee offered by local governments, said finance minister Liu Kun at a news conference on the sidelines of an annual parliamentary meeting in Beijing.

Policymakers are ramping up support for the economy after growth last year cooled to a 28-year low, but analysts do not expect activity to stabilise until around mid-year.

(Reporting by Yawen Chen and Ryan Woo; Editing by Kim Coghill)

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China says higher 2019 budget deficit will spur growth, won't open floodgates

07-Mar-2019

- **Higher deficit ratio leaves room for policymakers to manoeuvre-finmin**
- **Says proactive fiscal policy doesn't mean flood of stimulus**
- **Tax cuts to exert some pressure on local governments - finmin**
- **Beijing to offset lower fiscal revenue with SOE profits - finmin**

By Yawen Chen and Ryan Woo

BEIJING, March 7 (Reuters) - **China's decision to increase its budget deficit ratio to 2.8 percent this year from 2.6 percent in 2018 is appropriate for the economy, and leaves room for policymakers to manoeuvre, Finance Minister Liu Kun said on Thursday.**

But a proactive fiscal policy does not mean China will open the floodgates for stimulus, Liu said at a news conference on the sidelines of the annual parliamentary meeting in Beijing, reiterating past government pledges of restraint.

Global investors are closely watching how forcefully Beijing will support the economy after growth in 2018 slowed to a near 30-year low. A key market focus is how policymakers will balance the need for growth against the threat of a further flare-up in financial risks and debt.

"We will not spend a penny that is not supposed to be spent, and we'll strive to guarantee the money that is supposed to be spent," Liu said.

Premier Li Keqiang told the opening of

parliament on Tuesday that China is planning billions of dollars in additional tax cuts and infrastructure spending, amid pressure from softer domestic demand and a trade war with the United States.

The premier also announced the slightly higher target for the budget deficit to GDP ratio and a lower annual economic growth target of 6-6.5 percent, both of which had been widely expected.

For 2019, Beijing is planning cuts of nearly 2 trillion yuan ($298 billion) in taxes and fees for companies, featuring long-awaited reductions in value-added tax for manufacturing, transport and construction sectors. It has not yet announced when the VAT cuts will take effect.

Liu acknowledged that the planned tax cuts will exert some pressure on local government finances, but he pledged more funds will be transferred from the central government to localities.

"Considering the downward pressure on the economy and the upcoming policy of larger tax and fee cuts, some regions will still face relatively big budgetary pressure this year," said Liu.

PROVINCES IN TRANSITION

Many provinces across China are in the midst of a long-term economic transformation as President Xi Jinping urges industries to move away from low-value, polluting manufacturing.

Shanxi, a northern province traditionally known for its coal resources, is building solar plants in old mining districts in its renewable energy push, and like other provinces, has not been spared from the broader economic slowdown.

To shore up its corporate sector, Shanxi reduced taxes by 57.3 billion yuan ($8.5 billion) in 2018 and cut fees of 6 billion yuan, with 90 percent of the companies benefitting from the tax cuts being private firms, Wu Tao, head of the Shanxi provincial government's finance department, said on the sidelines of parliament on Wednesday.

"Since last year, we have overcome difficulties and spared no effort in pushing forward the implementation of tax and fee cuts, even though fiscal revenues, which once dropped for two consecutive years, are still in a stage of recovery," Wu said.

Shanxi is expected to cut taxes and fees by another 31.2 billion yuan this year, he said.

Shanxi has reported falling government revenues in 2015 and 2016.

The finance minister said the central government is highly concerned about the cases of some provinces having difficulties in paying salaries, maintaining operations and social security.

Local governments will be allowed to issue 2.15 trillion yuan worth of special purpose bonds in 2019, up 59 percent from last year. Such bonds are not included in the government budget and for funding key investment projects.

"The arrangement on the budget deficit ratio has fully considered factors including fiscal revenue and local government special bonds and leaves more policy room for future macro adjustments," Liu said.

The government will also look to offset some of the reduction in fiscal revenue from the tax cuts by collecting more profits from certain state-owned financial institutions and centrally-owed enterprises, Liu said, without giving more details.

Local governments will also have to secure funding via other channels, he added.

"In this regard, some funds will be raised, which allows us not to raise the deficit ratio too high."

But Liu said some local governments are still raising debt illegally and Beijing will not allow new hidden debt.

($1 = 6.7060 Chinese yuan)
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Foreign investors trim China bond holdings in Feb, policy bank bonds favoured

08-Mar-2019

SHANGHAI, March 8 (Reuters) - **Total holdings of Chinese bonds by offshore investors fell in February from a month earlier as a correction hit the domestic debt market, but investors took advantage of a tax break to stock up on policy-bank bonds, new data showed this week.**

Offshore investors held Chinese yuan bonds worth 1.75 trillion yuan ($260.44 billion) at the end of February, according to Reuters' calculations based on data released this week by Shanghai Clearing House and China Central Depository and Clearing Co, the country's two main bond clearing houses.

That was about 2.5 billion yuan less than total offshore holdings at the end of January.

Offshore investors trimmed their holdings of Chinese central government bonds by 17.35 billion yuan to 1.08 trillion, from a record 1.1 trillion yuan at the end of January.

They also reduced holdings of negotiable certificates of deposit, a short-term interbank debt instrument, by 10.06 billion yuan to 191.29 billion yuan.

In contrast, investors added 20.89 billion yuan worth of bonds issued by China's policy banks - China Development Bank, Export-Import Bank of China, and China Agricultural Development Bank - to their holdings in February.

Total policy-bank bonds held by offshore investors stood at 379.65 billion yuan at the end of February, a record high, Reuters' calculations showed.

China's policy banks disburse loans to support the government's development initiatives.

In November, China said it would exempt foreign investors in China's onshore bond market from

taxes for three years.
The exemption makes highly liquid policy-bank bonds, which boast higher yields than central government bonds but effectively the same level of credit risk, more attractive investments.
Previously, taxes of as much as 16 percent on foreigners' income from Chinese bonds erased most if not all of policy-bank bonds' yield premium over tax-free government bonds.
Investors have in recent months cited expectations of monetary policy easing in China for rising global interest in Chinese bonds. But even as China's economy grows at its slowest rate in nearly 30 years, officials have emphasised restraint, with broad easing seen as a last resort.
The yield on Chinese 10-year treasury bonds was at 3.167 percent on Friday, according to Refinitiv data, up from a low of 3.08 percent touched in February, as stronger risk appetite dulled the appeal of fixed-income investments.
China Development Bank's July 2028 bond, the most actively traded bond in China's interbank market in February according to the National Interbank Funding Center, yielded 3.6525 percent on Friday.

($1 = 6.7194 Chinese yuan)
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India

India March State Debt Sale May Sail Through Vs Govt Bonds

06-Mar-2019
By Dharam Dhutia and Neha Dubey
NewsRise
MUMBAI (Mar 06) -- **Indian state development bonds are likely to be fully sold in March amid heavy redemptions, even as doubts persist over appetite for federal government bonds, say traders.** "There is a lot of interest from insurance companies and provident funds in state bonds, while heavy redemption will also see replacement demand," a trader with a primary dealership says. Indian states plan to raise INR490 billion via bonds in March, while federal government bond sale at INR480 billion. State bonds worth around INR350 billion due for redemption in March, while there won't be any bond maturity for federal papers. "Most money from maturing papers are likely to go into fresh state debt as yields are around 100 basis points higher than 10-year yield," a trader with a private bank says. States issued 10-year bonds yesterday at cutoff yield of 8.35%-8.45% band, while 7.26% 2029 bond yield at 7.39%.

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Indonesia

Fitch Rates Indonesia's USD Sukuk Final 'BBB'

06-Mar-2019
Fitch Ratings-Hong Kong-March 06: Fitch Ratings has assigned Indonesia's US dollar sovereign global certificates (sukuk) issued through Perusahaan Penerbit SBSN Indonesia III (PPSI-III) a final rating of 'BBB'. This replaces the expected rating of 'BBB(EXP)' that Fitch assigned on 31 January 2019. The rating is in line with Indonesia's Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'BBB'.
The sukuk was issued on 20 February 2019 through PPSI-III, which is also the trustee. PPSI-III is a legal entity in Indonesia set up solely for the purpose of issuing sharia-compliant securities of the Indonesian government in foreign currencies in the international markets.
Two tranches were issued - USD750 million maturing August 2024 and USD1.25 billion maturing February 2029. The August 2024 maturity is a green sukuk and its proceeds will be used to finance or refinance green projects, as defined in the government's green sukuk framework.
KEY RATING DRIVERS
The certificates' rating is driven solely by Indonesia's 'BBB' IDR. This reflects Fitch's view that a default of these senior unsecured obligations would reflect a default of Indonesia in accordance with Fitch's rating definitions.
We have not considered any underlying assets or collateral provided when assigning a rating to the PPSI-III sukuk, as we believe that the issuer's ability to satisfy payments due on the certificates will ultimately depend on the Indonesian government satisfying its unsecured payment obligations to the issuer under the transaction documents described in the prospectus and other supplementary documents.
In addition to the Indonesian government's undertaking to ensure repayment of the PPSI-III sukuk, in Fitch's view it would also be required to ensure full and timely repayment of PPSI-III's obligations due to the Indonesian government's various roles and obligations under the sukuk structure and documentation, especially - but not limited to - the following features in the ijara and wakala series:
- In the ijara series, on or prior to each periodic distribution date, the state (as lessee) will pay PPSI-III rental due under the lease agreement for the ijara assets, which is intended to be sufficient to fund the periodic distribution amounts payable by PPSI-III. Furthermore, in the wakala series, the lessee will pay to PPSI-III

an amount reflecting the rental due for any project assets following their completion and delivery.

- On the scheduled dissolution or following the occurrence of a dissolution event, PPSI-III will have the right to require the state to purchase all of its rights, title, benefits and entitlements in, to and under the trust assets.
- The state will have to purchase the assets at a price equal to the outstanding face amount of the sukuk plus any accrued and unpaid periodic distribution amounts and any accrued but unpaid supplementary rental.
- In addition, the government will be required to pay any shortfall in insurance proceeds directly to the transaction account by no later than the close of business in London on the 31st day after the occurrence of the total loss event, unless the lease assets are replaced.
- The payment obligations of the Indonesian government (acting in any capacity) under the transaction are direct, unconditional, unsecured and general obligations, which rank pari passu with Indonesia's unsecured and unsubordinated marketable external debt.

The PPSI-III sukuk includes a negative pledge provision that is binding on the government of Indonesia, as well as financial reporting obligations, covenants and default acceleration terms.

Certain aspects of the transaction will be governed by English law, while others will be governed by Indonesian law. Fitch does not express an opinion on whether the relevant transaction documents are enforceable under any applicable law. However, Fitch's rating for the certificates reflects its belief that the government of Indonesia will stand behind its obligations.

When assigning ratings to sukuk certificates, Fitch does not express an opinion on their compliance with sharia principles.

RATING SENSITIVITIES

The rating is 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 on 2 September 2018.

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Indonesia central bank is intervening in govt bond market

08-Mar-2019

JAKARTA, March 8 (Reuters) - **Indonesia's central bank is intervening in the bond market to help stabilise the country's financial markets, a senior Bank Indonesia official said, as the rupiah hits its weakest in more than two months on Friday.**

"Bank Indonesia (BI) is currently intervening in the government bond market and will conduct operations in large amounts," Nanang Hendarsah, the central bank's head of monetary management, said.

BI Governor Perry Warjiyo said earlier on Friday the central bank was committed to maintaining stability in the rupiah.

Indonesia's 10-year bond yield touched 7.944 percent on Friday, its highest since Feb. 25, while the rupiah dropped 1.3 percent to its weakest since Jan. 4.

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Lebanon

S&P Maintains Lebanon's Sovereign Credit Rating At B-; Lowers Outlook To Negative

02-Mar-2019

March 1 (Reuters) - S&P Global Ratings:

S&P maintains Lebanon's sovereign credit rating at B-; lowers outlook to negative from stable.

S&P says Lebanon outlook to negative on rising risks to foreign currency debt rollover; 'B-/B' ratings affirmed.

S&P says Lebanon's negative outlook reflects the risk that a lack of material reforms to reduce the budget deficit will see investor confidence wane.

S&P says formation of government in Lebanon should improve investor confidence, which will support government financing needs in 2019.

S&P says affirmed ratings on Lebanon because S&P expect deposit inflows to financial system to rebound following recent formation of new government.

S&P says expect Lebanon's traditional growth drivers - tourism, real estate, and construction- to remain weak.

S&P says expect donor support from Qatar, maybe Saudi Arabia, BDL's servicing of foreign currency debt, to remain sufficient to support Lebanon's borrowing needs.

S&P on Lebanon says expect external security risks to remain high.

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Malaysia

Malaysia begins marketing 10-year JBIC-guaranteed Samurai

04-Mar-2019

TOKYO, March 4 (IFR) - **Malaysia, rated A3/A–/A–, has started marketing 10-year Samurai bonds with a guarantee from Japan Bank for International Cooperation.**

The bonds are being marketed with a coupon guidance which has already been narrowed to a single 0.53%, or 31bp over 10-year yen offer-side swaps. The sovereign aims to achieve books of ¥200bn (US$1.78bn) before it prices the bonds on Friday.

This ambitious target size would match the current sovereign record set by Brazil when it sold two-year bonds to Japanese retail investors in 2001. The biggest JBIC-guaranteed Samurai bond to date is a ¥180bn 10-year issue Turkey priced only a few hours before a massive earthquake hit Japan on March 11 2011.

Daiwa, HSBC and Mizuho are the bookrunners on the Malaysian Samurai.

(Reporting by Takahiro Okamoto; Editing by Vincent Baby)
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Oman

Oman's fiscal challenges prompt Moody's debt downgrade

06-Mar-2019

- **Moody's joins other rating agencies in rating Oman junk**
- **Fiscal deficit projected at 2.8 bln rials in 2019**
- **Economists expect Oman debt cost to stay high**
- **Arqaam's fund manager sees $2-$3 bln debt issues in 1H**

By Saeed Azhar and Davide Barbuscia

DUBAI, March 6 (Reuters) - **Moody's cut Oman's credit rating to junk with a negative outlook, citing fiscal challenges at a time of moderate oil prices in a move set to keep its borrowing costs high.**

Oman's state coffers have been hit hard by a slump in oil prices in recent years, resulting in a wide budget deficit that it has struggled to tame and leading Fitch and S&P to cut Oman's rating to junk over the past two years.

Moody's said in a statement on Tuesday that Oman could face external vulnerability as wide fiscal deficits will contribute to wide current account deficits, perpetuating Oman's dependence on steady inflows of external financing.

Oman's bond yields rose on Wednesday, by around 8 basis points on short- and medium-term paper, though the move was more subdued at the long-end of the curve.

One debt trader said the downgrade was already factored in as Oman bonds had been trading in line with other non-investment grade credits since last year.

"The market needs to see some signs from Oman to give it confidence that it's going to tackle the large fiscal deficit," said Monica Malik, chief economist at Abu Dhabi Commercial Bank.

"We believe that Oman will still be able to access international debt over our outlook period, though access could be impeded in the medium term if reforms to narrow its twin deficits are not implemented," she added.

For 2019, the oil producer has projected a budget deficit of 2.8 billion Omani rials ($7.3 billion) or 9 percent of gross domestic product, assuming an average oil price of $58 per barrel.

Malik said recent reported comments by an Omani official that privatization will help partly support funding requirements this year sounded "optimistic," and the country will likely have to tap the debt market.

"I expect Oman to raise around $2 to $3 billion in debt in the first half of the year, with another $2 billion in the second half depending on market conditions," Zeina Rizk, director of fixed income asset management at Dubai's Arqaam Capital, said.

"It remains to be seen how much they can raise from privatization this year," she added.

Moody's downgraded the long-term issuer and senior unsecured bond ratings of Oman to Ba1 from Baa3, it said in a statement on Tuesday. Baa3 is Moody's lowest investment-grade rating.

The rating agency said the negative outlook reflects the risk that "foreign investors' willingness to finance Oman's large deficits at relatively low costs could weaken, exacerbating the sovereign's external vulnerability and raising government liquidity pressures".

Jean-Paul Pigat, head of research at Lighthouse Research, said any concerns over financial market stability should be balanced against the high likelihood of receiving financial support from the rest of the Gulf countries.

Bahrain last year secured $10 billion in Gulf aid pledges and has promised to implement fiscal reforms.

Oman raised $8 billion in international bond sales last year, covering the three billion rial ($7.8 billion) deficit projected in its 2018 state budget.

A recovery in oil prices last year, however, narrowed the budget deficit by 43 percent to 1.87 billion rials during January to November, government data showed.

($1 = 0.3847 Omani rials)
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Philippines

Philippines raises $4.5 bln from 5-yr retail treasury bonds

08-Mar-2019

MANILA, March 8 (Reuters) - **The Philippine government raised 235.94 billion pesos ($4.5 billion) from an offer of five-year retail treasury bonds, National Treasurer Rosalia de Leon said on Friday.**

Proceeds from the issue will support the government's national budget of 3.76 trillion

pesos.
The government on Friday closed the tender offer on retail treasury bonds. The tender was launched on Feb. 26 with a coupon rate of 6.25 percent.
It last issued a retail treasury bond in June, raising 122 billion pesos from the three-year debt.
Apart from giving individuals an investment opportunity, the retail bonds help raise funds for the government's $180 billion "Build, Build, Build" programme, which aims to lift economic growth, create jobs and attract much-needed investments.

($1 = 52.2400 Philippine pesos)
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Qatar

Qatar starts marketing multi-tranche dollar bond

06-Mar-2019
DUBAI, March 6 (Reuters) - **Qatar started marketing a dollar bond issue split into tranches of five, 10 and 30 years, sources familiar with the matter said on Wednesday.**
The five-year notes are offering an initial price guidance of around 110 basis points over US Treasuries, while the 10-year and the 30-year notes offer around 160 bps and 200 bps over the benchmark.
Barclays, Credit Agricole, Credit Suisse, Deutsche Bank, QNB Capital and Standard Chartered have been hired to lead the five- and 10-year notes, while Credit Agricole, Deutsche Bank and Standard Chartered are joint bookrunners for the 30-year tranche, which is a Formosa bond.
Qatar's ministry of finance and the banks did not immediately respond to a request for comment.

(Reporting by Davide Barbuscia; Editing by Clarence Fernandez)
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Qatar takes advantage of market conditions to sell jumbo bond

06-Mar-2019
By Davide Barbuscia
DUBAI, March 6 (Reuters) - **Qatar started marketing on Wednesday a U.S. dollar-denominated bond issue which is expected to attract hefty demand, the latest indication of how the country has overcome a boycott imposed by some of its Arab neighbours.**
The debt sale, split into tranches of five, 10 and 30 years, will end later on Wednesday, according to a document issued by one of the banks leading the deal and seen by Reuters.
"I can imagine that they might issue between $7.5 and $12.5 billion. I think they will decide on how the books will develop. If there is heavy over-subscription like it was in April last year, then a larger deal will be likely," said Sergey Dergachev, senior portfolio manager at Germany-based Union Investment.
Orders for the bonds topped $25 billion while the deal was being marketed. Sources previously said the deal could go as high as around $10 billion.
The five-year notes are offering an initial price guidance around 110 basis points over US Treasuries. The 10-year and the 30-year debt offers around 160 bps and 200 bps over the same benchmark.
"The price guidance looks attractive as of now, with some 30 basis points of new issue premium, but in the end I expect 10 to 15 bps of premium maximum left," Dergachev said.
Barclays, Credit Agricole, Credit Suisse, Deutsche Bank, QNB Capital and Standard Chartered have been hired to arrange the five- and 10-year notes, the document showed.
The Taiwanese branches of Credit Agricole, Deutsche Bank and Standard Chartered are joint bookrunners for the 30-year tranche, which is a Formosa bond - a type of debt security sold in Taiwan by foreign issuers and denominated in currencies other than the Taiwanese dollar.
Qatar, the world's largest exporter of liquefied natural gas, rated Aa3 by Moody's, and AA- (minus) by S&P and Fitch, does not need to raise financing. It forecasts a budget surplus of 4.3 billion riyals ($1.18 billion) in 2019, partly because of higher oil prices.
But improved market conditions, and the recent inclusion of Qatar and other Gulf countries in JPMorgan's emerging-market government bond indexes might have prompted the sovereign to take advantage of global investor demand for Gulf debt.
"The timing is right to issue the bond," Dergachev said.
Also, more than $10 billion in Qatari debt is due next year, so a large debt sale could be used to pre-fund those maturities.
"I think it's a little surprising that they are coming to market with a very large issue, given the limited budget financing needs," said Timothy Ash, senior emerging markets strategist at Bluebay Asset Management.
"I guess this is in response to GCC index inclusion, and a response to increased demand for the region’s debt. This might be a broader regional trend which might cap any spread compression from GCC index inclusion, if it is just met by increased supply."
Last year Qatar raised $12 billion through a similarly structured bond deal, outdoing an $11 billion debt sale by Saudi Arabia.
That deal was Qatar's first test of international investor demand after a boycott imposed by

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt. They severed diplomatic and transport ties with Qatar in June 2017, accusing it of supporting terrorism, which it denied.
Partly thanks to rising energy prices, Qatar has largely overcome the economic impact of the boycott.
"Qatar is seen as an improving credit story – they have responded well to the economic blockade, pushing on with structural reforms, diversifying their trade, and improving their resilience," Ash said.

($1 = 3.6400 Qatar riyals)
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Singapore

Singapore rethinks infra bonds

08-Mar-2019

- **Bonds: MAS reviews tender process for agency debt**

By Kit Yin Boey

SINGAPORE, March 8 (IFR) - **Singapore's central bank is looking at ways to encourage more bond issuance from statutory boards, as the city state tries to shift a greater share of infrastructure funding towards the public debt markets.**
The Monetary Authority of Singapore is leading discussions with banks and statutory boards on the initiative, which could shake up the local bond market, IFR has learned.
Sources say the talks are still at a very premature and exploratory stage, but may lead to a standardisation of the way statutory boards hire underwriters for their bond issues and the issuance processes themselves.
More public agencies are exploring plans to sell bonds as part of a government push for state-owned companies and statutory boards to raise funds for major infrastructure needs on their own. This will likely lead to less issuance of Singapore government securities, helping the government balance its fiscal books.
Based on discussions held so far, bankers are expecting MAS to come out with standard guidelines for statutory boards to issue requests for proposals to banks. A draft panel of banks, which can bid for the RFPs, is also believed to be slowly taking shape.
The panel list to date includes the three local banks – DBS, OCBC and UOB – as well as HSBC and Standard Chartered, two foreign banks which have extensive operations in Singapore. Three Malaysian banks – CIMB, Malayan Banking and RHB – are likely to be included as are at least two banks from China – Bank of China and ICBC. Sources said the final list could range from 10 to 15 banks.
Such a list will come in handy for statutory boards in the midst of preparing maiden forays into the bond market. Potential issuers include National Environment Agency, Maritime and Port Authority, Changi Airport Group and Singapore Land Authority.
These agencies will join regular issuers Housing and Development Board and Land Transport Authority.
HDB makes four to five visits to the bond market each year, raising an average of over S$3bn (US$2.2bn) annually. It has sometimes come to market at times of market volatility, including on the day of the Brexit vote result in 2016, making pricing a challenge for syndicate banks.
"MAS has a better overall sense of money and fund flows in the global markets, and has a pulse on the macro stuff, so statutory boards will benefit from it overseeing the timing and appointing banks on various bond offerings," said one syndicate banker.

NOT CREATED EQUAL

Some bankers said it was less clear whether the planned guidelines could prove constraining for the frequent issuers which have their own, differing strategies in selecting banks for their bond sales.
"Not all statutory boards are equal," said one DCM banker. "HDB and LTA are larger organisations and they serve a strategic purpose for the government, while other agencies are smaller and their strategic value is less clear. Government guarantees will be beneficial for the latter group but not necessary for the larger ones."
The central bank's moves to streamline issuance procedures come at a time when the government is pushing statutory boards and government-linked companies to raise funds on their own. Massive infrastructure outlays are pushing total public expenditure to S$80.3bn (US$60bn) this year, 1.6% more than in 2018.
Government guarantees are being explored to facilitate infrastructure spending, but no such wrap has so far been granted for bond sales. Finance Minister Heng Swee Keat announced in his February budget speech that Changi Airport Group, which is building the airport's terminal 5 and adjoining areas, will take out bank loans, for which the government is planning to grant guarantees.
"The government also wants to give international exposure to the statutory boards, but is mulling reducing liquidity in Singapore government securities," said another banker.
"But that does not make sense. Yes, statutory boards are perceived as proxies for the sovereign, but foreign investors are just not interested in these agencies because their bonds are not as liquid as the SGS."
The current lukewarm overseas interest in statutory boards is reflected in the sale of HDB bonds. In a couple of rare instances over the past years, the public housing agency has sold 10%–20% of a new issue to foreign investors, but generally the overseas allocation is negligible, said syndicate bankers.
"There is no point marketing to foreign

investors," said an international syndicate banker. "We had checked overseas appetite, in Hong Kong for instance, and there is very limited interest. They (overseas funds) have no mandate for Singapore dollar assets."

(This story will appear in the March 9 issue of IFR Asia magazine
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Sri Lanka

Sri Lanka boosts spending in budget targeting voters

05-Mar-2019

- **Finance Minister sets ambitious fiscal deficit target**
- **Allowance for public servants, pensioners, armed forces**
- **Growth expected to improve from 17-yr low**
- **Sri Lanka to hold polls later in 2019, next year**

By Shihar Aneez and Ranga Sirilal

COLOMBO, March 5 (Reuters) - **Sri Lanka on Tuesday boosted spending on state employees, pensioners and the armed forces, and promised many rural infrastructure projects in a 2019 budget to woo voters before two elections, following a period of political instability.**

Finance Minister Mangala Samaraweera raised taxes on the tourism sector, vehicles, liquor and cigarettes to meet government spending before a presidential election later this year and a general election in 2020.

He introduced a special allowance for all public sector employees and revised payments for pensioners. Public sector workers and pensioners account for 15 percent of voters.

Samaraweera also promised many rural infrastructure projects and to safeguard lower-income earners.

"We will invest more in social infrastructure and a social safety net," Samaraweera told the parliament while delivering the budget with the theme of "Enterprise Sri Lanka - Empowering the People and Nurturing the Poor".

The government, led by Prime Minister Ranil Wickremesinghe, has come under heavy criticism for higher taxes, and tight monetary and fiscal policies that have crimped growth to a 17-year low and led to a sharp fall in the rupee.

Wickremesinghe was reinstated as prime minister after a 51-day political face-off with President Maithripala Sirisena, who had sacked him, but was forced by a court ruling to reinstate him.

Samaraweera set an ambitious fiscal deficit goal of 4.4 percent of gross domestic product (GDP), compared with 5.3 percent in 2018.

"Achieving 4.4 percent deficit target will be challenging and an uphill task," said Danushka Samarasinghe, CEO at Softlogic Capital Markets.

Trisha Peiris, product head at Frontier Research, said the budget "appears to target the middle-class segment more while proposing several loan schemes to the lower income earners".

The government aims to increase spending by 13 percent in 2019 and increase tax revenue by 21.3 percent compared with 2018.

Budget documents show the government plans to borrow 450 billion rupees ($2.51 billion) via foreign commercial borrowing.

On Friday, the IMF said it had agreed to extend a $1.5 billion loan programme for an additional year, effectively giving the government some room to boost spending before the elections.

Sri Lanka is struggling to repay its foreign loans, with a record $5.9 billion due this year, including $2.6 billion in the first three months.

It used its reserves to repay a $1 billion sovereign bond loan in January.

The government is sticking to a medium-term economic strategy of cutting the deficit to 3.5 percent of GDP by 2020, an IMF target, which was earlier expected to be shifted to 2021.

Tight monetary and fiscal policies, along with intermittent floods and drought, have led to growth slumping to a 17-year low of around 3 percent last year, while the rupee fell 16 percent mainly due to foreign outflows from Sri Lankan securities.

Samaraweera expected this year's growth to pick up to a pace of 3.5 percent.

($1 = 179.00 Sri Lankan rupees)
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Fitch Rates Sri Lanka's USD Bonds 'B(EXP)'

07-Mar-2019

Fitch Ratings-Hong Kong-March 06: **Fitch Ratings has assigned Sri Lanka's upcoming US dollar-denominated bonds an expected rating of 'B (EXP)'.**

KEY RATING DRIVERS

The expected rating is in line with Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'B' with a Stable Outlook.

RATING SENSITIVITIES

The rating would be sensitive to any changes in Sri Lanka's Long-Term Foreign-Currency IDR.

Fitch downgraded Sri Lanka's Long-Term Foreign- and Local-Currency IDRs to 'B' from 'B+', with a Stable Outlook, on 3 December 2018.

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Additional information is available on www.fitchratings.com

Sri Lanka commands global following despite uncertainty

08-Mar-2019

- **Bonds: Investors place over US$7.5bn in orders after well-received budget**

By Frances Yoon

HONG KONG, March 8 (IFR) - **The Democratic Socialist Republic of Sri Lanka, rated B2/B/B, garnered strong support from global investors for a US$2.4bn bond issue despite political uncertainty and a record debt load.**

The sovereign priced US$1bn five-year and US$1.4bn 10-year bonds at par to yield 6.85% and 7.85%, respectively, offering little new issue premium over its secondary curve. Initial price guidance for the tranches was 7.20% area and 8.20% area.

Total orders exceeded US$7.5bn, with a bias towards the 10-year notes, which offer the highest coupon among the country's outstanding offshore fixed-rate bonds.

The 2024s and 2029s were spotted at around par and 100.125, respectively, in the aftermarket.

The deal benefited from improved sentiment after the International Monetary Fund agreed at the beginning of this month to extend by a year a US$1.5bn loan to the country. The fund, whose support is essential for Sri Lanka to access attractive borrowing terms, had delayed a decision last November given political uncertainty at the time.

Despite slowing economic growth and credit downgrades from all three rating agencies in response to a political crisis that erupted last October, the outcome suggests that global investors are ready to look past last year's difficulties.

In its budget announcement on Tuesday, the government pledged to reduce the fiscal deficit to 4.4% of GDP this year from 5.3% in 2018, news that was well received by investors.

Global fund managers bought large portions of the deal, even though this year's presidential election, which must be held before December 9, could increase political uncertainty again.

Sri Lanka has US$5.9bn of debt due this year, including US$2.6bn in the first quarter.

US investors bought a whopping 44% of the 10-year and 39% of the five-year tranches, while Europe accounted for 38% of the 2024s and 39% of the 2028s. Fund managers bought at least 90% of both tranches.

"Sri Lanka has enjoyed a global following for years, and we found out that confidence hasn't waned," said a banker on the deal. "These funds understand the story and can see through near-term events."

Investor confidence took a hit when President Maithripala Sirisena abruptly sacked Prime Minister Ranil Wickremesinghe in October, replacing him with pro-China former president Mahinda Rajapaksa, and dissolved parliament.

Sri Lanka's top court then ruled the dissolution of parliament illegal and Wickremesinghe was restored to power in December. The seven-week-long crisis hurt the rupee and drove sovereign bond yields higher, straining state finances.

READY TO GO

Global investors were said to have expressed interest for the latest bond offering throughout the preparations, with syndicate bankers receiving multiple reverse enquiries.

This provided comfort to bankers, particularly as equity markets were softer this week and the Asian investment-grade CDS widened on the day of announcement.

A second syndicate banker said the backdrop was still constructive with trade tensions subsiding and a halt in military skirmishes between India and Pakistan.

New issue premiums were seen at around 5bp for both tranches, based on averaging the yields of similar-tenor bonds to give fair value of around 6.8% and 7.8% respectively, said the first banker.

Yields on Sri Lanka's offshore bonds have come down since the height of the political drama late last year, but many of its fixed-rate notes are still trading below par, according to Refinitiv data.

"Investors see value in where the curve is trading, especially since the curve has factored in what's happened so far and we might have reached the bottom of the bad news," said the banker.

Demand for yield skewed interest to the 10-year tenor. Books on that tranche exceeded US$4.8bn, almost double the over US$2.7bn of orders for the fives.

Insurers and pensions accounted for 5% of the 2024s, banks 3%, and the rest went to other investors.

Of the 2029s, the US bought 44%, Europe 39% and Asia 17%. Insurers and pensions bought 5%, followed by banks at 4% and others 1%.

Sri Lanka has a US$500m bond due in April.

The 144A/Reg S bonds have expected ratings on par with the issuer.

BOC International, Citigroup, Deutsche Bank, HSBC, JP Morgan, SMBC Nikko and Standard Chartered were joint bookrunners.

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EUROPE

Croatia

Croatia sells T-bills just below target, yield flat

05-Mar-2019

ZAGREB, March 5 (Reuters) - **Croatia sold 962**

million kuna ($147 million) worth of one-year treasury bills at auction on Tuesday, falling just short of target, with a flat yield, Finance Ministry data showed.
The ministry accepted all bids against a 1.0 billion kuna initial target. Some 1.12 billion kuna worth of bills mature later this week.
The yield stayed unchanged at 0.09 percent.
Banks soaked up almost 90 percent of the paper.
Occasionally, the ministry also sells bills with three-month and six-month maturities as well as those denominated in euros.
Following the auction, Croatia's short-term local currency debt fell to 16.75 billion kuna from 16.91 billion.
The date of the next auction will be announced later on.

($1 = 6.5552 kuna)
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Hungary

Hungary posts HUF 177.2 bln budget deficit in February

08-Mar-2019
BUDAPEST, March 8 (Reuters) - **Hungary posted a 177.2 billion forint ($629.53 million) budget deficit in February due to higher spending on social support measures and development programmes, the Finance Ministry said in an emailed statement on Friday.**
The deficit comes after a surplus in January, curbing the accumulated surplus to 67.3 billion forints, the ministry said. It said a full-year deficit target worth 1.8 percent of gross domestic product remained achievable.

($1 = 281.48 forints)
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Kosovo

Kosovo to sell 30 mln euro of 1-yr T-bills on March 12

06-Mar-2019
PRISTINA (Kosovo), March 6 (SeeNews) – **Kosovo's finance ministry will offer 30 million euro ($34 million) worth of one-year Treasury bills at an auction on March 12, it said.**
The issue will mature on March 11, 2020, the finance ministry said in an auction notice.
At the last auction of one-year T-bills held on December 4, Kosovo sold out a 15 million euro issue of government securities. The average weighted yield increased to 0.73% from 0.59% at the previous auction of one-year T-bills held in August.

($ = 0.88337 euro)

Malta

Moody's Says Malta's Credit Profile Reflects Strong Economy And Falling Public Sector Debt

05-Mar-2019
March 5 (Reuters) - Moody's:
Moody's says Malta's credit profile reflects strong economy and falling public sector debt.
Moody's on Malta says government debt remains on a declining trend.
Moody's, on Malta, says growth to continue to moderate in 2019 and 2020, but stay well above euro area average.

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Poland

Fitch Ratings: Poland Stimulus Package Shifts Fiscal Stance

04-Mar-2019
Fitch Ratings-Frankfurt/London-March 04: **Poland's new stimulus package shifts the country's fiscal stance to a more expansionary setting, although the immediate impact on the 2019 deficit may be small, Fitch Ratings says.**
The medium-term fiscal trajectory remains an important sovereign rating sensitivity, particularly as the revenue benefits of strong economic growth start to fade.
The ruling Law and Justice (PiS) party announced the fiscal stimulus package on 23 February. It includes bonuses for pensioners, cuts to income taxes for workers under the age of 26 and an expansion of the 'Family 500+' programme to families with one child.
The announcement comes ahead of European elections in May and key measures will come into effect before domestic parliamentary elections later in the year. The likelihood of pre-election stimulus was one reason why Fitch's 2019 fiscal deficit forecast of 2% of GDP was wider than the budget target of 1.7%. But the fiscal impact may have a longer-lasting effect than was thought likely. The government expects the costs of the extra pensions and the family programme expansion to be PLN20 billion (0.9% of GDP) in 2019, and estimates that they would amount to up to PLN40 billion (1.7% of GDP) in 2020.
The PLN20 billion cost of the new programme has not been factored into the 2019

discretionary expenditure items, and the pension bonus in May and family transfers from July do not need legislative approval. **Measures planned for 2020 will need parliamentary approval and their total additional cost is unclear. No offsetting fiscal measures were announced.** However, the stimulus plan could be accommodated through expenditure reallocation consistent with the stabilising expenditure rule, which has anchored fiscal policy in recent years. The Ministry of Finance plans to provide further details in the update of Poland's convergence programme in April.

The government has beaten its fiscal targets in recent years enabling it to keep spending promises while lowering the deficit. In 2018, a deficit of just 0.5% of GDP was posted versus a target of 2%. Fiscal performance has benefitted from greater tax compliance following administrative measures. This should support revenue gains in 2019. However, robust GDP growth has been a key source of revenue growth.

Fitch expects a fairly rapid slowdown in economic growth, from a cyclical peak of 5.1% in 2018 to 3.8% in 2019 (consistent with the government's assumption in the 2019 budget) and 3% in 2020, as robust investment growth tapers off. We think any benefits to growth from the proposed fiscal measures are likely to be modest, with household consumption benefitting most directly.

Other sources of potential funding for 2019 include central bank dividends (though this has not been factored in by the government in its budgetary assumptions) and the Social Insurance Fund, which recorded a surplus in 2018. **In the absence of offsetting measures and with revenue growth likely to slow, the 2020 deficit would risk being pushed towards to the 3% of GDP threshold for the EU's excessive deficit procedure. Policy settings will become more important to fiscal outturns as growth slows.**

We affirmed Poland's 'A-'/Stable sovereign rating in October last year. As we noted at the time, faster fiscal consolidation that leads to a sustained decline in debt/GDP could be positive for the rating, while any sign that the relevance of the 3% of GDP EU deficit criteria were weakening as a fiscal anchor, or failure to stabilise the debt/GDP ratio in the medium term, could be negative for the rating. Our next scheduled review is due on 29 March.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

Poland's central bank sees rates on hold despite government spending hike

06-Mar-2019

WARSAW, March 6 (Reuters) - **A package of social spending and tax cuts in Poland does not raise the chance of interest rate increases in 2019 and 2020, the central bank governor said on Wednesday, after the bank cut its inflation projection following curbs on electricity prices.**

Poland's ruling Law and Justice (PiS) party said in February it would increase public spending by up to $10 billion a year, raising child subsidies, offering an extra payment to pensioners and improving transport infrastructure while also cutting taxes.

"No", bank governor Adam Glapinski told a news conference when asked whether the planned fiscal easing raises the probability of rate hikes this and next year. Earlier on Wednesday the bank's rate-setting panel of 10 including Glapinski decided to leave rates unchanged, as expected.

He repeated his view that interest rates may remain unchanged until 2022, but rate-setter Lukasz Hardt, also speaking at the conference, added that he would not say that rates might stay unchanged.

"In our view both the Monetary Policy Council rhetoric and the projections presented by the bank confirm that interest rates in Poland will remain stable until at least the end of 2020," Piotr Poplawski, senior analyst at ING, said in a note.

POWER PRICE CAP

The central bank released its newest inflation projection on Wednesday, cutting its CPI forecasts due to smaller risks related to a potential jump in electricity prices. It now expects inflation this year at 1.2-2.2 percent compared to 2.6-3.9 percent seen in November projection.

The government has since proposed measures to prevent the increase in power prices, although critics say they are costly and might be considered illegal public aid.

"Freezing electricity prices has radically changed our projection," Glapinski told the conference.

He also said that this year's inflation would be slightly lower than the bank currently forecasts if the government did not launch the increased spending, which in turn is expected to stimulate the economy.

The central bank head reiterated that he was not considering resigning following media reports on high remuneration at the central bank and Glapinski's alleged link to a corruption scandal at Poland's financial market regulator.

(Reporting by Pawel Florkiewicz and Alicja Ptak; writing by Agnieszka Barteczko and Alan Charlish, Editing by William Maclean)
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Romania

S&P Global Ratings outlook on Romania under appeal, ratings affirmed at BBB-/A-3

04-Mar-2019

BUCHAREST (Romania), March 4 (SeeNews) - **Standard & Poor's Global Ratings said it has accepted Romania's request for an appeal of its credit rating outlook, while affirming its rating at BBB-/A-3.**

"S&P Global Ratings determined that the conditions for making such an appeal had been met in accordance with its policies and procedures," S&P Global said on Friday night in a press release.

"As a consequence, we will deviate from our calendar of 2019 EMEA sovereign, regional, and local government rating publication dates to resolve the appeal. We plan to resolve it within two weeks."

On Saturday morning, prime minister's economic counselor Darius Valcov told local TV station Antena 3 that together with the finance minister they had sent a letter to S&P asking it not to change Romania's outlook to negative yet, as the country needs some more time to approve the 2019 budget and assess the effects of a planned tax reform.

Earlier this month, president Klaus Iohannis refused to sign the 2019 budget bill into law, referring it to the constitutional court. In his opinion the proposed budget is unrealistic, overvalued and some of its clauses run against the Constitution.

A controversial government decree issued in late December obliges domestic natural gas producers to sell their output mainly to suppliers at regulated prices, enforces new taxes for banks, energy companies and establishes new rules for the operation of private pension funds. The fiscal overhaul was widely criticised by industries, European Central Bank, European Commission, opposition parties and by president Iohannis.

S&P also said in the statement:

"The ratings on Romania continue to be supported by its moderate external private and public debt levels, and still sound growth prospects. In our opinion, Romania's institutional effectiveness remains weak, however, which constrains the ratings.

While Romania continues to benefit from solid fiscal and external stock positions, we think that notably widening fiscal and external deficits could over time eat into these buffers and make the Romanian economy increasingly vulnerable to slowing growth momentum."

(1 euro=4.7433 euro)

Romania's fin min tells S&P 'greed tax' on banks under revision

04-Mar-2019

BUCHAREST (Romania), March 4 (SeeNews) - **Romania's finance ministry is revising a controversial tax on banks, the so-called 'greed tax', it told global ratings agency Standard & Poor's Global Ratings in a letter published on Monday.**

The finance ministry is planning to replace the tax on bank assets, which is calculated on the basis of the three-month and six-month Romanian Interbank Offered Rate (ROBOR), with an annual fixed fee applicable to only certain asset categories, the letter, posted on social media by an MP of the opposition Save Romania Union party, showed.

Furthermore, the tax will be adjusted downwards, taking into account margins resulting from the difference between interest rate on attracted deposits and on loans granted in lei, the document showed.

The controversial government decree issued in late December also obliges domestic natural gas producers to sell their output mainly to suppliers at regulated prices, enforces new taxes for energy companies and establishes new rules for the operation of private pension funds. The fiscal overhaul was widely criticised by industries, European Central Bank, European Commission, opposition parties and by president Iohannis.

On Saturday morning, the prime minister's economic advisor Darius Valcov told local TV station Antena 3 that together with the finance minister they had sent a letter to S&P asking it not to change Romania's outlook to negative yet, as the country needs some more time to approve the 2019 budget and assess the effects of a planned tax reform.

For its part, S&P Global Ratings said it has accepted Romania's request for an appeal of its credit rating outlook, while affirming its rating at BBB-/A-3.

"As a consequence, we will deviate from our calendar of 2019 EMEA sovereign, regional, and local government rating publication dates to resolve the appeal. We plan to resolve it within two weeks," S&P Global said in a press release.

The ratings on Romania continue to be supported by its moderate external private and public debt levels, and still sound growth prospects, S&P noted.

"In our opinion, Romania's institutional effectiveness remains weak, however, which constrains the ratings," it added.

While Romania continues to benefit from solid fiscal and external stock positions, S&P thinks that notably widening fiscal and external deficits could over time eat into these buffers and make the Romanian economy increasingly vulnerable to slowing growth momentum, the agency also said.

(1 euro=4.7397 euro)

Romania sells 635 mln lei (134 mln

euro) of 2023 T-notes, yield falls

07-Mar-2019

BUCHAREST (Romania), March 7 (SeeNews) - **Romania's finance ministry sold on Thursday 635 million lei ($151 million/134 million euro) of a new issue of Treasury notes maturing on June 28, 2023, above its initial target, data from the country's central bank showed.**

The average accepted yield fell to 4.08% from 4.27% achieved at the previous auction of government securities of the same issue held in February, the data indicated.

Demand for the T-notes, which carry an annual coupon of 4.25%, rose to 1.128 billion lei from 682 million lei at the February auction.

The issue will be reopened on Friday when the finance ministry hopes to raise 60 million lei in a non-competitive tender.

Since the beginning of 2019, the finance ministry has sold roughly 5 billion lei and 83.5 million euro ($94.6 million).

(1 euro=4.7448 lei)

Russia

Russian Eurobonds relatively stable on Tuesday despite UST prices falling

05-Mar-2019

MOSCOW. March 5 (Interfax) - **Prices for most Russian Eurobonds remained relatively stable on Tuesday, despite negative signals from international equity markets and somewhat of a decline in prices for US Treasuries, resulting in a slight narrowing of the spread between the two benchmark issues.**

Russia's benchmark 2030 bonds were up 5 basis points from previous closing by 6:15 p.m. Moscow time at 110.94% with yield at 3.69% per annum, 2 bps lower. Three-year US Treasuries were down 5 bps from previous closing at 98.64%, with yield up 2 bps at 2.525%. Spread between Russia-30 and UST3 narrowed 4 bps to 116.5 bps.

Russia's 2043 bond was down 15 bps at 111.10% yielding 5.08%, up 1 bp; the 2042 bond was down 12 bps at 107.46%, yielding 5.07%, alsoup 1 bps; the 2026 bond was up 6 bps at 101.75% with yield down 1 bps to 4.46%; and the 2023 bond fell 5 bps in price to 103.69% yielding 3.98%, up 1.5 bp.

The new 2047 bond was down 14 bps to 98.53% with yield up 1 bps to 5.35%; and the new 10-year bond maturing in 2027 was down 4 bps at 98.22%, with yield up 1 bps at 4.51%.

Ng aa

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Slovakia

Slovak December current account shows 443 million euros deficit

26-Feb-2019

BRATISLAVA, Feb 26 (Reuters) - **Slovakia's current account showed a deficit of 443 million euros ($503.12 million) in December after a revised deficit of 401 million euros in November, the central bank said on Tuesday.**

The November figure was revised from an originally reported deficit of 416 million euros.

($1 = 0.8805 euros)

(Reporting by Mirka Krufova

Editing by Michael Kahn)

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Ukraine

Ukraine court verdict on gas won't affect IMF deal

04-Mar-2019

KIEV, March 4 (Reuters) - **A Ukrainian court's decision to declare a 2016 gas price increase illegal will not affect the government's current cooperation with the International Monetary Fund, a government spokesman said on Monday.**

Ukraine raised gas prices for households by almost 25 percent last November to secure a new $3.9 billion IMF stand-by agreement, a deal aimed at keeping the country's economy stable as it holds presidential and parliamentary elections this year.

Opposition leader Yulia Tymoshenko, who is challenging incumbent President Petro Poroshenko in the March 31 presidential election, had filed a suit at the Kiev administrative court against an earlier gas price hike in 2016.

Asked if the court ruling would force the government to reverse the more recent gas price hike, thereby threatening the terms of the IMF deal, Vasyl Riabchuk said: "No, it did not."

He said the verdict related to an earlier decision, from 2016, which no longer had legal force.

"Despite this, the cabinet of ministers will appeal and challenge this court decision," he said in a text message to Reuters.

Tymoshenko has made her opposition to the government's decision to raise gas prices a central part of her campaign in the March election. Tymoshenko's party said in a statement the verdict showed the gas price increase, which was introduced in May 2016, was unjustified.

(Reporting by Natalia Zinets; writing by Matthias Williams; editing by Louise Heavens and David Evans)

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LATIN AMERICA AND CARIBBEAN

Argentina

Argentina's Macri to increase subsidies for poor families

01-Mar-2019 17:21:39
By Cassandra Garrison and Gabriel Burin
BUENOS AIRES, March 1 (Reuters) - **Argentine President Mauricio Macri powered through continuous heckling by opposition lawmakers in Congress on Friday as the center-right leader delivered a heated State of the Union address ahead of running for a second term in October.**
Macri announced a 46 percent increase in subsidies for poor families with children, the only new initiative included in his speech.
Macri has drawn sharp criticism for tax increases and spending cuts instituted to slash the fiscal deficit at a time when the economy is shrinking and the country has one of the highest inflation rates in the world. He said there was room for targeted increases in welfare spending.
"Since 2012 our country has not grown," said Macri, who was elected in late 2015 and has negotiated a $56.3 billion standby financing agreement with the International Monetary Fund.
"Today we are solving problems that are not circumstantial, they are structural. If we had not made the decisions we made, the economy would have collapsed," he said, referring to the state of the country under his predecessor, ex-president Cristina Fernandez, now a senator who may run for the office again this year.
Fernandez was not present for Macri's State of the Union.
While fellow lawmakers from Macri's "Let's Change" coalition erupted into applause as he spoke of Argentina's progress under his leadership, he was interrupted by opposition politicians, prompting Vice President Gabriela Michetti to call for silence.
"These insults, this yelling, says more about you than it does about me," Macri said at one point, pausing his speech to address the hecklers. In particular, he emphasized progress that he has made in the areas fighting crime and corruption.
It was a preview of what is expected to be a contentious general election in October.
Outside congress, thousands of demonstrators marched. Activists carrying banners and banging drums included union workers, social organizations and leftist groups opposed to Macri's fiscal tightening program. He has agreed with the IMF to wipe out the primary fiscal deficit this year.
Police used metal barriers to block access to Congress and control the crowd, which snarled traffic and caused road closures at main intersections in the city center.

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Brazil

Brazil real to firm despite challenge delivering pension reforms

07-Mar-2019
By Gabriel Burin
BUENOS AIRES, March 7 (Reuters) - **Brazil's real will appreciate in coming months on continuing hopes President Jair Bolsonaro will succeed in changing the country's burdensome pension system despite initial lack of support for his plans, a Reuters poll found.**
The Brazilian currency is projected at 3.62 per dollar in 12 months, 6.0 percent stronger than its close of 3.8358 on Wednesday, according to the median estimate of 18 analysts surveyed during the last week.
"Challenges to governability and opposition to the current proposals will be more evident later in the year," Barclays strategist Juan Prada said.
He was one of the nine out of 21 analysts whose forecasts were weaker than the median for the six-month estimate.
Key lawmakers said last month Bolsonaro's administration had not yet been able to win enough votes in Congress to pass a pension reform bill that would curb federal budget deficits by slashing public spending.
The plan, aimed at saving more than 1 trillion reais ($270 billion) in a decade, was met with doubts about whether lawmakers would pass a package of that scale after its formal submission in February.
"To win the vote, which could happen around late May-early June, the government will have to make concessions which will lower projected savings," a UBS report said. "The big question now seems to be not approval, but at what level of savings."
Reflecting a cautious mood among currency experts, the real's one-year outlook was almost unchanged from the previous poll following two months of back-to-back improvements since Bolsonaro's inauguration Jan. 1 amid market cheer.
The number of analysts who saw downside risks to the real was the highest in four months, in a tie with those saying risks were to the upside, a separate question in the survey showed.
CENTRAL BANK VIGILANCE SUPPORTS MEXICO PESO
Political fears have become a bigger factor in Mexico than Brazil as some of President Andrés

Manuel López Obrador's initiatives soured business sentiment. However, the Mexican peso seems protected by the central bank's vigilant stance.
Mexico's currency is forecast at 20.0150 in 12 months, 3.2 percent below its value on Wednesday. The last estimate was less solid than the forecast in February's poll, but still in line with values around 20.0 compiled along 2018.
"The actions of the new government are ... increasingly in the focus of the markets – and the central bankers," Nord/LB said in a report. It anticipated the peso would trade steadily at 19.50 as the year progresses.
The German lender noted a slight decline in Mexican inflation as a plus for the peso. Consumer prices eased by more than expected in the first half of February to the lowest level since a liberalization of gasoline costs.
Last week, Mexico's central bank trimmed its economic growth forecasts for this year and next, while flagging the risk of a sovereign ratings downgrade and warning of persistent inflationary pressures.
López Obrador's announcements of austerity measures and a continuation of Mexico's free-trade policies since he took power on Dec. 1 "are going down positively with global investors", Nord/LB said.
"On the other hand, the scrapping of the construction of the new airport in Mexico City, a greater exertion of influence in (state oil company) PEMEX ... are raising questions. The 'newcomers' are at any rate under close observation", it added.
The outlook for other Latin American currencies suggested not a lot of change, with stable estimates for the Chilean and Colombian pesos as well as the Peruvian sol, but with the Argentine currency losing more ground.

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Costa Rica

Costa Rica debt rally set for pause as fiscal woes weigh

01-Mar-2019 16:24:59
NEW YORK, Mar 1 (IFR) - **Costa Rica debt has been a surprising outperformer after a strong start to 2019 for EM assets and following the passage of a seemingly unobtainable fiscal consolidation law.**
Even so, buoyant bond prices may be set for a pause after Costa Rica's average spreads tightened 44bp over the 10 days to February 27, and 120bp year-to-date, according to ICE BAML data.
That makes it the third best performing asset in the LatAm sovereign space this year, behind Argentina and Ecuador, two other countries with large financing needs that are struggling with their fiscal accounts.
"We think the spread compression should top because they still have a lot to do," Nathalie Marshik, head of sovereign research at Oppenheimer.
The government hopes to cover its remaining funding needs this year through around US$700m of multilateral loans and a US$1.5bn bond issue.
In all, authorities are seeking authorisation for US$6bn in Eurobond issuance over the next five years, according to Fitch.
"They have financing needs for a fiscal deficit of around 6% of GDP this year and large amortisations most of them local," said Siobhan Morden, head of fixed income strategy at Nomura.
This year's bond issue still needs two-thirds Congressional approval - a delay that could prove inconvenient should market sentiment towards EM turn sour.
Any international bond deal is not likely until the second half of the year, but "the sooner the better, as EM sentiment could turn", said Marshik.
"Costa Rica's interest to revenue ratio is 25%, which is very high for a sovereign, highlighting the importance to issue at better rate externally."
Should the government fail to get approval for the bond, it may have to resort to the local bond issues targeted at foreign investors, much like it did last year.
"But they won't be able to get the full US$1.5bn in the local market, and domestic rates keep getting higher and higher," said Marshik.
Domestic markets are already saturated with government debt, and, according to Morden, average interest rates for domestic debt rose from 7.9% in 2017 to 9.6% last year.
In contrast, the sovereign's 4.375% 2025 is trading at around 6% and its 2045 is being quoted at 7.50%.
But those levels are starting to look stretched, say some analysts, against Caribbean and Central American peers.
"It's worth remembering the vulnerability of the onerous financing programme with an incomplete/gradual fiscal adjustment that slowly erodes the debt ratios over the next four years," wrote Morden.
Ratings agencies are also warning of the difficulties of bringing down the country's fiscal deficit, with both Moody's and Fitch downgrading the sovereign even following fiscal reform.
Moody's cut Costa Rica's rating to B1 from Ba2 with a negative outlook in early December, while Fitch took its rating down two notches to B+ in mid-January.
Fitch said that the fiscal deficit will remain above 5% of GDP until 2020, pushing the central government debt burden past 65% of GDP by

2023.
"Stabilisation of the debt by 2023 requires over-compliance with the fiscal rule and strong tax collection performance over the next five years," Fitch analysts wrote.

(This story will appear in the March 2 issue of IFR Magazine.)
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D Costa Rica

Mexico

S&P Lowers Mexico's Outlook To Negative From Stable

01-Mar-2019 23:36:40
March 1 (Reuters) - S&P Global Ratings:
S&P maintains Mexico's sovereign credit rating at BBB+; lowers outlook to negative from stable.
S&P says Mexico outlook revised to negative on potential for lower growth prospects; 'BBB+/A-2' foreign currency ratings affirmed.
S&P says Mexico's negative outlook reflects view that potentially higher contingent liabilities, lower GDP growth prospects could weaken financial profile.
S&P says recent shift in Mexico government policy to reduce private-sector involvement in energy sector, among others, could lead to higher contingent liabilities.
S&P says negative outlook on Mexico indicates an at least one-in-three possibility of a downgrade over the coming year.
S&P says Mexico's new strategy for energy sector places an added burden on the highly indebted Petroleos Mexicanos.
S&P says combination of Pemex's weak financial profile, more active role in energy sector could raise risk of higher contingent liabilities for Mexico.
S&P says based on past policies & more recent steps , assume that Mexican government will continue to provide financial, other types of support to Pemex.
S&P says sees new administration of president Obrador to implement economic policies, balancing economic, social priorities with need for macroeconomic stability.
S&P, on Mexico, says expect broad continuity in trade, exchange rate, monetary policies, but we expect some changes in the focus of fiscal policy.
S&P says the Mexican peso is a floating currency and, by our definition, is actively traded, which eases external financing needs for Mexico.
S&P says there is risk of Mexico's poorer-than-expected economic growth, greater centralization of political decision-making could weaken macroeconomic stability.

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Mexico faces possible downgrade in coming year, negative outlook -S&P

02-Mar-2019
MEXICO CITY, March 1 (Reuters) - **The Mexican government faces a one-in-three chance of having its credit rating downgraded over the coming year, as public finances struggle with mounting liabilities and slowing growth, rating agency Standard & Poor's said on Friday.**
The New York-based agency maintained the government's investment grade status at BBB+, but lowered its outlook to negative from stable in a new warning to President Andres Manuel Lopez Obrador's three-month-old government.
In a statement, S&P emphasized that Lopez Obrador's plans to reduce the private sector's role in the Mexican energy sector while boosting spending on cash-strapped national oil company Pemex raised concerns for government finances.
"The new strategy for the energy sector places an added burden on the already highly indebted government-owned energy company Petroleos Mexicanos," S&P said in the statement, referring to Pemex's official name.
"The combination of Pemex's weak financial profile and a more active role in the energy sector could raise the risk of higher contingent liabilities for the sovereign," it added.
The peso currency, which has reacted negatively to recent downgrades, had ceased trading for the weekend before S&P published their latest guidance on Mexico.
Pemex has faced mounting scrutiny from investors since its credit rating was cut two notches by Fitch Ratings in late January, putting it just one level above junk status.
The company's crude production has fallen for 14 consecutive years, and is expected to dip again this year to settle below 1.8 million barrels per day for the first time in decades.
The production slide has weighed on the government's fiscal health as it implicitly guarantees Pemex finances.
"The negative outlook indicates an at least one-in-three possibility of a downgrade over the coming year," S&P said.
Pemex's credit woes could extend to the government, requiring it to fund more rescue packages for the company and significantly raising borrowing costs.
The Mexican government relies on Pemex to provide around 15 percent of total tax revenue while the company struggles under the weight of nearly $106 billion in debt, the highest of any national oil company in Latin America.
Pemex has nearly $70 billion in unfunded pension liabilities.
S&P also flagged what it described as Mexico's "poorer-than-expected" economic growth and more centralization of decision-making under Lopez Obrador, arguing that it could weaken the macroeconomic stability of

Latin America's no. 2 economy.
Mexican quarterly growth slowed to 0.2 percent in the fourth quarter and a number of economic forecasters, including the central bank, have lately cut their projections for 2019.

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Venezuela

China warns of repeating history's mistakes with Venezuela

08-Mar-2019
BEIJING, March 8 (Reuters) - **The Chinese government's top diplomat issued a stern warning on Friday against interfering in Venezuela and imposing sanctions, saying history offered a clear lesson about not "following the same old disastrous road".**
China has repeatedly called for outsiders not to interfere in Venezuela's internal affairs and has stuck by embattled President Nicolas Maduro.
Most Western countries have recognised opposition leader Juan Guaido as Venezuela's legitimate head of state.
The United States has pledged to "expand the net" of sanctions against Venezuela, including more on banks supporting Maduro's government.
State Councillor Wang Yi, responding to a question on whether China still recognised Maduro or had had contacts with the opposition, said the sovereignty and independence of Latin American countries should be respected.
"The internal affairs of every country should be decided by their own people. External interference and sanctions will only exacerbate the tension situation, and allow the law of the jungle to once again run amok," Wang said at his annual news conference on the sidelines of China's parliament meeting.
"There's already enough of such lessons from history, and the same old disastrous road should not be followed."
China continues to support the Venezuelan opposition and government to seek a political solution via peaceful dialogue, to ensure its stability and the people's safety, Wang added.
U.S. Secretary of State Mike Pompeo tweeted on Friday Beijing time that Maduro's policies "bring nothing but darkness".
"No food. No medicine. Now, no power. Next, no Maduro," he wrote, referring to a major power outage in Venezuela on Thursday.
China has lent more than $50 billion to Venezuela through oil-for-loan agreements over the past decade, securing energy supplies for its fast-growing economy.
China has been stepping up its engagement in Latin America, to the concern of Washington, which has reacted particularly strongly to several nations there recently ditching diplomatic ties with self-ruled Taiwan in favour of China.
Last month, U.S. National Security adviser John Bolton requested cooperation with El Salvador to counteract what he called the "predatory" expansion of China. El Salvador abandoned Taiwan last year.
Wang said that China-Latin America relations had achieved great progress and were not aimed at any "third party".
Ties between the two sides were the correct choice and in both of their long-term interests and should not be subject to "warrantless and interference and criticism".

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AFRICA

Botswana

Moody's Says Botswana's Credit Profile Is Supported By Strong Balance Sheet, Low Debt

07-Mar-2019
March 7 (Reuters) - Moody's:
Moody's - Botswana's credit profile is supported by strong balance sheet and low debt; narrow economic base is a challenge.
Moody's, on Botswana, says small economy and reliance on diamond industry are credit challenges.
Moody's says Botswana faces medium- to long-term challenges to economic model, structural rigidities in labour and product markets.
Moody's says Botswana faces weak governance of state-owned enterprises.
Moody's says prospect of a significant and lasting erosion of fiscal reserves would put downward pressure on Botswana's rating.

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Egypt

Foreign holdings in Egyptian treasuries at $15.8 bln

06-Mar-2019
CAIRO, March 6 (Reuters) - **Foreign investors held $15.8 billion of Egyptian treasury bills and bonds at the end of February, the finance minister said on Wednesday, up from $13.1 billion in January.**
Foreign holdings of Egyptian treasuries stood at $23.1 billion at the end of March 2018 and $17.5

billion at the close of the last fiscal year which ended in June. They had fallen to $14 billion by the end of September after a turbulent summer for emerging markets.
"That's great news," said Allen Sandeep, head of research at Naeem Brokerage, adding it signals foreign investors' rebounding appetite for Egyptian debt.
"That could mean that net foreign currency liabilities of banks have narrowed even more since January."
The average yield on 91-day treasury bills issued on Tuesday was 17.78 percent, according to the central bank's website. The average yield for 182-day bills was 17.85 percent, for 273-day bills was 17.79 percent and for 364-day bills 17.72 percent, all issued on Tuesday.
The average yield was 16.46 percent on three-year bonds and 16.99 percent on seven-year bonds issued on Tuesday.
Deputy Finance Minister Ahmed Kouchouk has said the average yield for bonds issued between July and December was 18.5 percent, and 19.5 percent for treasury bills.

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Ivory Coast

Ivory Coast issues 2 bonds worth 125 bln CFA franc ($217 mln) in debt

04-Mar-2019
ABIDJAN, March 4 (Reuters) - **Ivory Coast has issued a 75 billion CFA franc ($130 million) seven-year bond with a 5.75 percent coupon and a 50 billion CFA franc ($87 million) ten-year bond with a 6 percent coupon, one of the lead managers of the operation told Reuters on Monday.**
The two bonds will be sold from Feb. 25 to March 15. in units of 10,000 CFA francs to investors across the region’s eight-nation CFA franc currency zone.

($1 = 574.2200 CFA francs)
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Kenya

Kenya in talks with IMF over new standby facility

05-Mar-2019
NAIROBI, March 5 (Reuters) - **Kenya is discussing a new standby credit facility with the International Monetary Fund after the expiry of a previous programme last year, the institution's representative to Nairobi said on Tuesday.**
The $989.8 million arrangement expired last September after the government failed to meet the fund's conditions for an extension, including the repeal of a cap on commercial lending.
"I can just confirm that discussions on a new programme are ongoing," Jan Mikkelsen told Reuters without offering more details.
The government is preparing to issue a $2.5 billion Eurobond and analysts say it would get better interest rates if it secured the standby credit arrangement with the IMF before it goes to market.

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South Africa

South Africa's gross spending up 1.6 percent in fourth quarter

05-Mar-2019
PRETORIA, March 5 (Reuters) - **South Africa's real gross domestic expenditure expanded 1.6 percent in the fourth quarter of 2018 after expanding by a revised 2.1 percent in the third quarter, the statistics agency said on Tuesday.**
Household expenditure increased by 3.2 percent in the third three months of the year after growing by 0.6 percent in the previous three months.
Government expenditure was up 0.6 percent after growing by 0.4 percent in the previous quarter.
Gross fixed capital formation contracted by 2.5 percent from a 0.7 percent contraction previously.

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Zambia

Zambia plans to swap Chinese debt from dollars to yuan

06-Mar-2019
LUSAKA, March 6 (Reuters) - **Zambia plans to swap its Chinese debt from dollars to yuan in a bid to ease pressure on foreign reserves, Finance Minister Margaret Mwanakatwe said on Wednesday.**
Zambia’s total external debt at the end of 2018 was $9.7 billion, including $3.1 billion owed to

China.
"Our intention is to swap the dollar into yuan so that we can try to somewhat mitigate exposure to the dollar," Mwanakatwe told journalists.
Discussions with China on the planned debt swap were likely to be held in late March, she added.
China was the largest importer of copper from Zambia, and the planned debt swap could benefit both countries, the minister said.
"It makes sense to see how best we can take advantage of this kwacha-yuan position," Mwanakatwe said.
Debt servicing costs are putting pressure on Zambia's central bank reserves, Bank of Zambia Governor Denny Kalyalya said during a monetary policy committee briefing last month.

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Zimbabwe

Zimbabwe central bank borrows $985 million from African banks

04-Mar-2019

- **Zimbabwe dollar reserves worth four weeks of imports**
- **Neighbouring Mozambique among lenders to Zimbabwe**
- **Government borrowing from central bank exceeds limit**
- **Miners seek to hold on to dollar earnings for longer**

By MacDonald Dzirutwe
HARARE, March 4 (Reuters) - **Zimbabwe's Reserve Bank has borrowed $985 million from African banks to purchase fuel and other critical imports with current reserves covering imports for just four weeks, underscoring the severity of dollar shortages, governor John Mangudya said.**
The southern African nation last month ditched a discredited 1:1 dollar peg for its surrogate bond notes and electronic dollars, merging them into a lower-value transitional currency called the RTGS dollar.
Mangudya said the central bank borrowed $641 million from the African Export and Import Bank, $152 million from Eastern and Southern African Trade and Development Bank, and $25 million from Mozambique's central bank, among others.
The loans, which would be repaid from future gold earnings, have a tenure of between three and five years and attract an interest of up to 6 percent above the Libor rate, Mangudya said.
Gold is Zimbabwe's single biggest mineral export earner, accounting for a third of its $4.2 billion earnings last year after a record output, central bank data shows.
"These loans are well structured facilities contracted last year. They will be paid from future (gold) export receivables," Mangudya told a parliamentary committee.
The central bank takes 45 percent of dollar sales from gold producers and half from other miners to fund imports like fuel and power and repay foreign loans.
But the miners only have 30 days to keep their dollar balances in local foreign currency accounts, after which they must sell them. The companies have asked the central bank to extend the period they may keep their dollars to 90 days, according to mining executives.

OVERDRAFT LIMIT

Unable to get funding from foreign lenders like the International Monetary Fund and World Bank due to arrears of more than $2.4 billion, Zimbabwe has looked to financiers from the continent and local banks to shore up its budget.
The central bank chief said Zimbabwe had just $500 million in reserves, enough to purchase four weeks' worth of imports.
Mangudya said government borrowing from the central bank reached $2.99 billion in December, about three times its permissible overdraft limit.
President Emmerson Mnangagwa's government has promised to curb borrowing in 2019 under reforms to revive the southern African economy, after the budget deficit soared last year following a spike in spending ahead of elections.
Finance Minister Mthuli Ncube told Reuters last week that the local RTGS dollar, Zimbabwe's new de facto currency, will be backed up with fiscal discipline and the government would allow it to fluctuate but would manage excessive volatility.
On the interbank forex market on Monday, one U.S. dollar fetched 2.5 RTGS dollars, the same rate as on Feb. 22 when the central bank sold some dollars to banks. That compares to a rate of 3.5 RTGS dollars per U.S. dollar on the black market.

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Zimbabwe central bank denies new currency rate being fixed

07-Mar-2019

- **Exchange rate unchanged since Feb. 22**
- **Government official sees room for further devaluation**
- **Central bank heads sees fuel shortages ending this month**

HARARE, March 7 (Reuters) - **The head of Zimbabwe's central bank denied on Thursday that it had fixed the exchange rate of the country's new transitional currency, whose value it said it would let the market decide.**
Zimbabwe ditched a discredited 1:1 dollar peg for its dollar-surrogate bond notes and electronic dollars on Feb 20, merging them into a

transitional currency called the RTGS dollar.
The value of that currency, which authorities said they would float, has held unchanged at 2.5 to the U.S. dollar since Feb. 22.
The country's economy has been crippled by a cash crunch and plans to allow ordinary Zimbabweans to exchange bond notes and electronic dollars for U.S. dollars at banks have yet to be implemented.
On the black market, the RTGS rate was 3.8 to the dollar on Thursday, compared to 3.5 last week.
Concerns that the government is resisting moves to allow a further devaluation of the RTGS dollar has discouraged those holding U.S. dollars from selling them at the prevailing rate.
"We have not fixed the exchange rate and we will not fix it," Central Bank Governor John Mangudya told a parliamentary committee.

'MARKET MANIPULATION'

Ministry of finance secretary George Guvamatanga saw room for a further RTGS dollar devaluation, which he said the market would determine.
He told the committee that volumes traded on the black market were thin and that if rates on the forex interbank market rose too high, very few businesses could afford to buy dollars.
"We know between the two of us, where that exchange rate should be and where it should end but we will allow the market to get there," Guvamatanga said.
John Robertson, a Harare-based economist, said the currency market was still being manipulated.
"What they are trying to do is to ensure stability but market forces may decide otherwise," he said.
The central bank has allowed mining companies and other exporters to sell their dollars on the interbank market, thereby seeking to create a pool of dollars to pay for vital imports such as drugs, electricity and fuel.
Mangudya said Zimbabwe imported fuel worth $173 million in January and February through credit lines from foreign banks, which was enough to cover local demand during the period.
He said the fuel shortages that have been experienced since the start of the year were caused by some dealers failing to raise enough money to buy U.S. dollars for fuel imports and delays in supplies following payments.
On Tuesday, the government allowed mining companies and some other businesses to import their own fuel. Mangudya said supplies should normalise this month. Such promises have previously failed to end shortages.

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MENA: Middle East and North Africa

Mena syndicated loans outpaced bond issuance in 2018

06-Mar-2019
Times of oman

The Mena syndicated loan issuance in 2018 outpaced bonds at US$133 billion compared to US$89.5 billion, according to research released by Debtwire, a provider of high value news, data and analysis on global debt markets.
The largest bond issued in 2018 was by the Government of Qatar, at US$12billion, and the largest syndicated loan was a US$16 billion refinancing by the Government of Saudi Arabia, according to data from Debtwire.
"Loan volumes were boosted by opportunistic refinancing activity, and several mega deals such as Saudi Arabia's US$16 billion club loan and its sovereign wealth fund, the Public Investment Fund's US$11 billion syndicated facility," Elias Lambrianos, CEEMEA Deputy Editor at Debtwire, said.
"The withdrawal of bond plans by several issuers during the fourth quarter also paved the way for loans to surpass bonds in 2018. In 2019, the perennially active Mena region could be the great hope for debt capital market bankers, although most remain cautious," he added.
The Gulf Cooperation Council (GCC) dominated Mena loans and bonds volume in 2018 with 81 per cent and 91 per cent, respectively. However, North Africa loan volume more than doubled from 2017, squeezing out market share from GCC and 'Others' (comprising Iraq and Iran). This was the result of an increase by 10 deals in Egyptian loan activity, adding US$16 billion to the region and 91.5 per cent to North African activity. Despite bond market volumes decreasing in the region by 28 per cent year on year, North Africa's market share was relatively stable from 2017, at 8 per cent.
Across the region, the most prolific borrower type for bonds was sovereigns, contributing US$55 billion, or 61.5 per cent. This represented a 33.2 per cent decrease on a year-on-year basis. Corporates accounted for a quarter of loan market issuance at US$33.6 billion, or 25.3 per cent, representing a 32 per cent increase compared to 2017. Saudi Arabian sovereign issuance occupied a substantial portion of total loan and bond market activity, contributing 30.8 per cent and 37 per cent respectively.