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Emerging Sovereign Debt Markets NEWS

Number 35 Week 22 – 28 August 2020

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ASIA

Bahrein

Bahrain raises debt ceiling to 15 bln

dinars to finance public spending

24-Aug-2020

DUBAI, Aug 24 (Reuters) - **Bahrain's government has raised its debt ceiling to 15 billion dinars ($39.79 billion) from 13 billion dinars to help finance public spending, the cabinet said on Monday, as low oil prices and the coronavirus crisis have dented state revenues.**

The debt ceiling was also increased to pay for other expenditure and to cover debt instalments for the financial years 2020 through 2022, the cabinet said in a statement. Bahrain last raised its debt ceiling in 2017.

The small oil producer, which avoided a credit crunch in 2018 with a $10 billion aid package from its wealthy Gulf neighbours, bolstered its finances in May with a $2 billion bond issuance to help plug its budget deficit.

The slowdown in economic activity comes despite efforts to achieve the objectives of the fiscal balance program, the cabinet said, noting initiatives that have been achieved to enhance spending efficiency and reduce recurrent government expenditures.

The International Monetary Fund has forecast Bahrain's fiscal deficit will jump to 15.7% of gross domestic product this year from 10.6% in 2019.

($1 = 0.3770 Bahraini dinars)

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Bangladesh

Bangladesh, Costa Rica to enter ICE's World Sovereign Bond Index

25-Aug-2020

LONDON, Aug 25 (Reuters) - **Bangladesh and Costa Rica will join ICE's World Sovereign Bond index, effective from September 30, the index provider said on Tuesday.**

Bangladesh will have a weighting of 0.02% in the index and Costa Rica will have a 0.03% weighting. The changes were announced as part of an annual index review.

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China

China bond issuance reaches 4.7 trillion yuan in July

22-Aug-2020

BEIJING, Aug. 22 (Xinhua) -- **The value of bonds issued in China last month totaled 4.7 trillion yuan (about 680 billion U.S. dollars), according to data from the central bank.**

Treasury bond issuance stood at 900.6 billion yuan, while local government bond issuance reached 272.2 billion yuan, according to the People's Bank of China.

Financial bonds issued last month were valued at 859.2 billion yuan, and corporate debenture issuance came in at 846.6 billion yuan.

By the end of July, total bonds outstanding reached 109.4 trillion yuan, the data showed.

Enditem

China issues 16 batches of special bonds worth 1 trln yuan

26-Aug-2020

BEIJING, Aug. 26 (Xinhua) -- **China issued altogether 16 batches of government bonds for COVID-19 control this year, totaling 1 trillion yuan (about 144.76 billion U.S. dollars), a finance official said Wednesday.**

The bonds included 200 billion yuan of five-year bonds, 100 billion yuan of seven-year bonds and 700 billion yuan of 10-year bonds, said Wang Xiaolong, director of the Treasury Department, Ministry of Finance.

"The funds raised through the issuance of special bonds have been sent to local governments, and are being put into specific projects," Wang added.

As an extraordinary measure for an unusual time, China decided to issue 1 trillion yuan in government bonds for COVID-19 control this year, according to the annual government work report released in May.

The ministry will step up supervision over the use of the funds to ensure they are not withheld or diverted for non-designated uses, Wang said.

Enditem

China will release funds to local governments more quickly to boost

economy

26-Aug-2020 08:10:32

BEIJING, Aug 26 (Reuters) - **China will speed up the release of special funds to local governments to support the economy, vice finance minister Xu Hongcai told reporters on Wednesday.**

The government has said it would set up special transfer payments of 2 trillion yuan ($289.72 billion) from special treasury bonds and an increased budget deficit to local governments.

"The implementation of specific policies and measures will have a positive impact on investment, consumption as well as imports and exports," Xu told a briefing.

Of the 2 trillion yuan, 1.7 trillion yuan will be allocated to local governments after deducting 300 billion yuan for supporting tax and fee cuts this year, Xu said.

Local governments have spent 509.7 billion yuan, accounting for 30.5% of 1.674 trillion yuan in funds that have been actually allocated from the central government, he said.

Xu said he expected cities and counties that have already received the funds will speed up spending.

The authorities will punish officials who intercept and misappropriate the funds, or those who make false claims, Li Jinghui, a finance ministry official, told the same briefing.

China has set a 2020 budget deficit of at least 3.6% of GDP, up from last year's 2.8%. The government has finished issuing 1 trillion yuan in special treasury bonds.

China's economic recovery from the coronavirus crisis has been building up steam, thanks to pent-up demand, government stimulus and surprisingly resilient exports. But it lost some momentum in July.

($1 = 6.9032 Chinese yuan renminbi)

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India

RBI Buys a Record $12.8 b of US Treasuries in June

22-Aug-2020

The Reserve Bank of India (RBI) purchased a record $12.8 billion US Treasury papers in June, underscoring the central bank's accent on investment safety. A big chunk of the flow could be attributed to record high forex reserves, which are largely lying idle.

The currency market has not seen sharp swings for the past many weeks, requiring minimum intervention from the central bank.RBI did not immediately reply to ET's query. "The RBI investment is on the expected lines and a prudent one," said Madan Sabnavis, chief economist at CARE Ratings.

The investment is likely to increase as long as our forex reserves continue to rise. The RBI also does not need surplus reserves presently as there's hardly any volatility in the currency market requiring the central bank's intervention.

"With the latest tranche of investment, RBI now holds $182.

7 billion worth of US government securities in June compared with $169.9 billion in May, showed data compiled by ETIG. The total sum, too, hit a historic high.

India now ranks above Singapore in holding US securities. Taiwan, 11on the ladder, is just ahead of India. "RBI has been shoring up its forex reserves to record levels, said Rahul Bajoria, chief economist at Barclays Bank India.

It may have sought a short-term destination, which likely turned out to be USTs (US Treasuries)."The RBI has been buying dollars to expand its dollar reserves that swelled to $538 billion on August 7. In July, US 10-year Treasury bond yield was little changed at 0.

66% compared with 5.78-5.89% range for the local benchmark bond yield.

Benchmark bond yield rises 14 bps to cross 6% on rising retail inflation

22-Aug-2020

Mumbai

Higher retail inflation is pushing up bond yields again. The yield on the benchmark 10-year government bonds on Friday rose by 14 basis points to 6.09 per cent, the highest level since early May. The yield has been steadily rising over the last one month, in line with the rising retail inflation.

The rise in yields on Friday followed concerns raised by the members of Monetary Policy Committee (MPC) over the elevated inflation which was at 6.93 per cent in July. Notwithstanding large rate cuts to spur growth over the last year and a half, growth has steadily declined despite the 250 bps reduction in Repo rate to 4 per cent since February 2019. The MPC decided to stay on hold with regard to the policy rate and "remain watchful for a durable reduction in inflation to use the available space to support the revival of the economy".

Meanwhile on Friday, the central bank sold the 2050 bond for Rs 7,000 crore, the longest-maturity debt, at a cut-off yield of 6.7596 per cent. The 2034 bond of Rs 11,000 crore was sold at a yield of 6.4071 per cent. The RBI accepted Rs 2,000 crore extra in the 2034 sale. It also sold 2025 bond for Rs 12,000 crore at a yield of 5.3804 per cent. The RBI also announced the sale of Treasury Bills worth Rs 35,000 crore on August 26.

Indian govt asks states to borrow $32 bln to meet tax shortfall

27-Aug-2020
By Manoj Kumar
NEW DELHI, Aug 27 (Reuters) - **India's federal government on Thursday asked state administrations to raise $32 billion in loans, as part of a proposal to cover a shortfall in fiscal receipts that could see a surcharge on the country's luxury goods tax extended beyond 2022.**
The surcharge on luxury goods such as cars and tobacco products is part of the national goods and services tax (GST), introduced in 2017 to incorporate state-level taxes and whose receipts fell more than 40% year-on-year in the three months to June due to economic fallout from a coronavirus lockdown.
Under that 2017 agreement, the states were mandated to increase their share of fiscal receipts by 14% per year, while Prime Minister Narendra Modi promised to compensate states for five years if they failed to achieve that target.
The target has been missed, but receipts from the luxury tax surcharge that the federal government has used to compensate the states are also down, having dropped nearly 42% to 132.7 billion rupees in the June quarter.
Finance Minister Nirmala Sitharaman said she had asked her counterparts at state level during an online meeting to borrow up to 2.35 trillion rupees ($31.8 billion) from the market to help close the fiscal gap.
The states had asked for a week to consider the proposal, she told reporters.
Opposition-governed states said central government should do the borrowing.
Ajay Bhushan Pandey, revenue secretary at the finance ministry, said the states' tax shortfall in the fiscal year that began in April was estimated at 3 trillion rupees.
He said the proposed loans could be repaid by extending the luxury tax surcharge beyond its planned expiry date of 2022.
Pandey also said the federal government could support the states to raise up to 970 billion rupees in loans from the central bank at a preferential rate.
Opposing Sitharaman's plan, the finance minister of opposition-controlled Punjab, Manpreet Badal, said it would hit the state's receipts after 2022 as it would have to repay the loans from future tax collections.
($1 = 73.9160 Indian rupees)

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Underwriters rescue government bond auction second time in three weeks

28-Aug-2020
Mumbai
Mumbai, Aug. 28 -- **The auction of the 10-year government securities (G-sec) carrying a coupon rate of 5.77% on Friday to raise Rs.18,000 crore devolved almost fully. This is the second consecutive time when the 10-year paper failed to receive any interest from buyers, forcing the primary dealers to absorb the quantum.**
On 14 August, nearly Rs.4,650 crore of 10 year G-sec paper remained unsold despite banks sitting in excess liquidity.
On Friday's auction, primary dealers bought bonds worth Rs.17,980 crore, while only Rs.16.2 crore worth of bonds got sold to other market participants, RBI said in a press release.
The government had planned to sell Rs.18,000 crore of 2030 bonds at a lower cut-off yield of 6.1448% compared to estimated 6.22%
Separately, the government also sold Rs.3,000 crore of 5.09% 2022 bonds as planned at cut-off yield of 4.2349%, Rs.4,000 crore of FRB 2033 bonds at 4.8496% and Rs.5,000 crore of new 2060 bonds at 6.80% cutoff.
The yield on the 10-year bond closed at 6.14%, down 1 basis points from its previous close. Over the last four weeks, bond yields have increased by 36 basis points owing to concerns that consumer price inflation could exceed 10% in 3 months at a time when economic recovery is lagging.

Indonesia

Indonesia raises 22 trillion rupiah in auction, above target

25-Aug-2020
JAKARTA, Aug 25 (Reuters)

- **Indonesia raised 22 trillion rupiah ($1.50 billion) in a bond auction on Tuesday, higher than its indicative target of 20 trillion rupiah, the financing and risk management office at the Finance Ministry said in a statement.**

- The weighted average yields of the bonds were below those achieved for comparable bonds at the previous auction on August 11. Today's incoming bids were 78.35 trillion rupiah, below the bids in the previous auction.

($1 = 14,640.0000 rupiah)

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Indonesia c.bank buys $1.2 bln gov bonds to fund pandemic relief

27-Aug-2020

JAKARTA, Aug 27 (Reuters) - **Indonesia's central bank on Thursday bought 16.98 trillion rupiah ($1.16 billion) of government bonds in a private placement deal and would rebate the interest, the country's finance ministry said in a statement.**

That was a second such transaction after Bank Indonesia (BI) agreed with the government to purchase $28 billion of bonds while relinquishing interest payment in July.

With Thursday's transaction, BI has bought a total of 99.08 trillion rupiah worth of bonds under the agreed scheme, or 24.9% of what it pledged to purchase for 2020.

($1 = 14,650.0000 rupiah)

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Israel

Israel central bank chief urges quick passage of 2021 budget

26-Aug-2020 11:50:45

JERUSALEM, Aug 26 (Reuters) - **Bank of Israel Governor Amir Yaron on Wednesday urged the government to quickly approve a budget for 2021 that would help the economy recover from the coronavirus pandemic.**

Failure to pass a budget had threatened to trigger a snap election but parliament on Monday ratified postponement of the budget's approval for 120 days to avoid plunging the country into its fourth election in less than two years.

Yaron told Army Radio that while averting a new election had removed an element of uncertainty, it was crucial that a budget be approved soon.

"The most important budget right now is for 2021, which will include many economic reforms ... will free up the bottleneck and bring the economy to a growth path," he said. "The Finance Ministry needs to help to make this happen as quickly as possible."

For months Prime Minister Benjamin Netanyahu and his main coalition partner, Defence Minister Benny Gantz, were at odds over whether a budget for just 2020 or one for 2020 and 2021 should be passed, with a second wave of COVID-19 infections fuelling an economic crisis.

Israel is using a pro-rated version of the 2019 budget although it has added more than 100 billion shekels ($29 billion) in stimulus funding.

Yaron said failure to pass a 2021 budget by the end of this year would mean the 2019 budget would also be used for next year and that it would be "very restrained and limited."

He said in the most optimistic scenario, Israel's economy would shrink 4.5% in 2020 and grow 6% in 2021 but those figures would be worse if Israel is forced into another lockdown, which costs Israel's economy about 5 billion shekels a week.

Finance Minister Israel Katz told Army Radio he intended to present the 2021 budget by Sept. 13 and that it would require spending cuts to the public sector.

($1 = 3.4011 shekels)

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Lebanon

Lebanese central bank can't use obligatory reserve to finance trade

25-Aug-2020

BEIRUT, Aug 25 (Reuters) - **The Lebanese central bank cannot use its obligatory reserve to finance trade once it reaches its minimum threshold, governor Riad Salameh was quoted as saying on Tuesday.**

In an interview with the French edition of the Saudi-owned Arab News, Salameh also said he supported a proposal by French President Emmanuel Macron to send experts from the French central bank to audit the Lebanese central bank.

An official source said last week Lebanon's central bank, Banque du Liban (BDL), could only subsidise fuel, wheat and medicine for three more months, as critically low foreign currency reserves dwindle.

The source said the bank would end the subsidies to prevent reserves from falling below

$17.5 billion.
Other sources had in July estimated that the reserves stood at some $18 billion, before the massive Aug. 4 Beirut port blast that killed at least 180 people and wrecked swathes of the city.
The aftermath of the explosion compounded a financial crisis that, since late 2019, has slashed the value of the Lebanese pound on the parallel market, hitting imports as dollars grew scarce. Inflation has soared and poverty has worsened.
The official pegged rate of 1,507.5 Lebanese pounds to the dollar has remained available to subsidise the key imports of fuel, wheat and medicine.
"BDL is doing its best, but it cannot use the banks' obligatory reserves to finance trade," Arab News cited Salameh as saying in comments published on Tuesday. "Once we reach the (minimum) threshold of these reserves, we are forced to stop financing. But we are in the process of creating others means of financing."
The intention is for depositors to recover their money, he said, adding that this could take time.
Lebanese banks have frozen savers out of their dollar deposits and blocked transfers abroad since late last year.

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Lebanese banks that can't raise capital must leave market

27-Aug-2020
By Laila Bassam and Ellen Francis
BEIRUT, Aug 27 (Reuters) - **Lebanese banks that cannot increase their capital by 20% by the end of February 2021 will have to get out of the market, Central Bank Governor Riad Salameh told Reuters on Thursday.**
Those leaving would do so by giving their shares to the central bank, Salameh added. He said he could not speculate how many of Lebanon's nearly 40 banks would exit the market.
"We hope all the banks will meet the criteria," he said in a phone interview. "But after February, those who do not will have to get out of the market...The deposits will be preserved because the bank will not be put into a bankruptcy situation."
The central bank's foreign currency reserves stand at $19.5 billion and obligatory reserve at $17.5 billion, he said.
Lebanon's cash-strapped banks have frozen savers out of their dollar deposits and largely blocked transfers abroad since late last year as the country sank into a financial meltdown on a scale it has never seen.
The central bank wants domestic banks to boost liquidity at their correspondent banks abroad, with which they do not have sufficient funds, Salameh said. The state, one of the world's most indebted, defaulted on its foreign currency debt in March, citing critically low reserves. Inflation and poverty have soared as the crisis wiped out the value of the local currency on the informal market.
With the country running out of dollars, the central bank has kept providing foreign currency for fuel, wheat and medicine imports at an official peg.
Salameh told Reuters he could not say how long the central bank could keep subsidising essential imports which is "depleting reserves".
He has been cited as saying the bank cannot use its obligatory reserve to finance trade once it reaches the threshold.
"We are not about to float the currency and therefore for the time being we are living with these two exchange rates," he said, adding that this decision also lies with the government.
A devastating explosion at Beirut port this month, which killed at least 180 people and wrecked swathes of the city, on top of a COVID-19 outbreak, has compounded woes.
Talks with the IMF, which Lebanon entered in May, had stalled in the absence of reforms and as a row emerged between the government, the banking sector and politicians over the scale of the country's vast financial losses.
Salameh said it was in Lebanon's interest to press ahead with negotiations to try to secure an IMF programme.
When asked whether he would answer calls by critics for his resignation over financial policies, he said: "We will see...It's easy to put the cause on me or on the central bank but I think it's a different story."

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Editing by Chizu Nomiyama, Angus MacSwan and Peter Graff)
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Lebanon inflation soars above 100% year-on-year in July

26-Aug-2020
BEIRUT, Aug 26 (Reuters) - **Lebanon's inflation rate soared to 112.4% year-on-year in July amid an economic meltdown, latest official data showed, even before this month's devastating Beirut port explosion compounded a deep financial crisis.**
Lebanon became the first country in the region to suffer from hyperinflation in July, according to Steve H. Hanke, Professor of Applied Economics at the Johns Hopkins University. Inflation in Lebanon, whose plight worsened since defaulting on its sovereign debt in March, had risen

89.74% year-on-year in June and 56.53% year-on-year in May, figures from the government statistics department showed.
The consumer price index rose 11.42% in July compared to the previous month.
An official Lebanese source said last week that the central bank could only subsidise fuel, wheat and medicine for three months, as critically low foreign currency reserves dwindle.
Banque du Liban governor Riad Salameh said in remarks on Tuesday that the central bank cannot use its obligatory reserve to finance trade once it reaches its minimum threshold.
Talks with the International Monetary Fund for a bailout have stalled over inaction on long-demanded reforms to tackle entrenched corruption and mismanagement and an internal row over the size of vast financial losses.

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Myanmar

ADB lends US$250m to Myanmar to combat virus

25-Aug-2020
The Asian Development Bank has provided a US$250m loan to help the Government of Myanmar respond to the coronavirus pandemic, according to a press release on August 21. The financing will help the country mitigate the impacts on people's health, livelihoods, and the economy, while also ensuring that the poor and vulnerable benefit from the country's economic recovery.
"ADB's quick-disbursing budget support will help the government provide social assistance to the poor, disadvantaged, and vulnerable groups, including those in conflict-affected areas; strengthen its healthcare system to better prevent and control the virus; and support workers and micro, small, and medium-sized enterprises, 30% of which are owned by women," said ADB president Masatsugu Asakawa. Despite the limited number of confirmed cases, Myanmar remains vulnerable to Covid-19, due to its limited public health system, a mobile population, crowded living conditions in urban centres, and limited water and sanitation infrastructure, ADB added.
In April, the government announced a US$2.5bn stimulus package to boost the healthcare system, extend cash support to 5.5 million vulnerable families and provide tax relief, tax credits, and other measures to businesses and workers. ADB's Covid-19 Active Response and Expenditure Support (CARES) Programme is funded through the Covid-19 pandemic response option (CPRO) under the multi-lateral lender's Countercyclical Support Facility.
The CARES Programme, ADB's first countercyclical support for Myanmar, builds on the organisation's ongoing programme in the country, including a US$6.6m health security project that ADB reprogrammed in April to support the government's early response to Covid-19.
An additional financing of US$30m is being considered to help implement the government's contingency plan for the health sector, including isolating suspected cases at designated hospitals, conducting contact tracing, and the purchasing of test kits, ventilators, and personal protective equipment.

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(Editing by Prakash Chakravarti)

North Korea

North Korean hackers ramp up bank heists

26-Aug-2020
By Christopher Bing
Aug 26 (Reuters) - **North Korean hackers are tapping into banks around the globe to make fraudulent money transfers and cause ATMs to spit out cash, the U.S. government warned on Wednesday.**
A technical cybersecurity alert jointly written by four different federal agencies, including the Treasury Department and FBI, said there had been a resurgence in financially motivated hacking efforts by the North Korean regime this year after a lull in activity.
"Since February 2020, North Korea has resumed targeting banks in multiple countries to initiate fraudulent international money transfers and ATM cash outs," the warning reads.
U.S. law enforcement titled the hacking campaign "Fast Cash" and blamed North Korea's Reconnaissance General Bureau, a spy agency, for it. They described the operation as going on since at least 2016 but ramping up in sophistication and volume recently.
Over the last several years, North Korea has been blamed by U.S. authorities and private sector cybersecurity companies for hacking numerous banks in Asia, South America and Africa.
"North Korean cyber actors have demonstrated an imaginative knack for adjusting their tactics to exploit the financial sector as well as any other sector through illicit cyber operations," Bryan Ware, a senior cybersecurity official at the U.S. Homeland Security Department, said in a prepared statement.
Cybersecurity experts and foreign policy analysts have said these types of hacking operations are conducted to help fund the North Korean

government, which is cash-strapped due to expansive sanctions continuously placed on it by the U.S. and other western countries.
"The continued attacks are proof of the reliance the regime has on these funds, along with being a testament to their technical ability and determination," said Vikram Thakur, a technical director for U.S. cybersecurity firm Symantec.

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South Korea

S.Korea c.bank keeps interest rates at record low of 0.5%, as expected

27-Aug-2020
SEOUL, Aug 27 (Reuters) - **South Korea's central bank kept its key policy rate unchanged on Thursday, holding fire in the face of rising home prices, even as a resurgence in the coronavirus risked causing further damage to Asia's fourth-largest economy.**
The Bank of Korea's monetary policy board held the benchmark interest rate at the current record low of 0.50%, as expected by all 26 analysts in a Reuters poll.
The BOK is walking a tight rope as it tries to balance the need for more stimulus for a virus-hit economy with the risk that further rate cuts could encourage more cheap borrowing and worsen a home buying frenzy. Governor Lee Ju-yeol will hold a news conference at around 0220 GMT, which will be livestreamed via YouTube.

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S.Korea c.bank cuts 2020 GDP outlook, open to more stimulus to fight virus fallout

27-Aug-2020

- **S.Korea c.bank holds key rate at 0.5% as seen by all 26 analysts**
- **BOK cuts 2020 GDP outlook to -1.3% vs -0.2% seen previously**
- **Says cautiously open to more rate cuts, considering other tools**

By Cynthia Kim and Joori Roh
SEOUL, Aug 27 (Reuters) - **South Korea's central bank kept interest rates steady on Thursday, but sharply downgraded its 2020 growth outlook and kept the door open for more monetary stimulus to support an economy hard hit by the coronavirus pandemic.**
The Bank of Korea kept the seven-day repurchase rate at a record low of 0.5%, in an unanimous and widely expected decision, after 75 basis points of rate cuts this year.
It said gross domestic product would likely shrink 1.3% in 2020 - the biggest contraction in more than two decades - from a previous forecast for a 0.2% decline.
Governor Lee Ju-yeol said monetary policy needed to be "actively" used if the downturn worsened, reiterating the central bank was open to more rate cuts and was willing to expand the use of other monetary tools.
"There is room to respond with rate cuts," Lee told a press conference livestreamed via Youtube.
"That said, as base rate is at a considerably low level we will need to be cautious on that by reviewing the expected impact as well as adverse effects."
He said the central bank was open to increasing bond purchases and carrying out open market operations but was, for now, not considering yield curve controls - a policy adopted by some central banks to hold down long-term interest rates.
"The negative growth of 1.3% outlook was somewhat shocking, (I) didn't think (the BOK) would be this drastic," said Yoon Yeo-sam, an economist at Meritz Securities.
September futures on three-year treasury bonds initially rose, but later retreated as Lee sounded cautious about the possibility of more rate cuts.
The BOK is walking a tight rope as it tries to balance the need for more stimulus with the risk that further rate reductions may encourage more cheap borrowing and worsen a home buying frenzy. Property prices have risen rapidly, particularly in Seoul, despite several cooling measures.
The pandemic pushed South Korea's export-led economy into its worst recession in over 20 years and analysts worry this could drag into the third quarter as the government considers imposing the highest level of physical distancing.
Lee expected exports to rebound in the second half of the year but only gradually as global demand still recovers from the coronavirus fallout.
South Korea had been more successful than others in containing the virus, managing to avoid a full-blown lockdown, but suffered a setback this month with a church outbreak which spread to a political rally. The policy review comes as the government and opposition are debating a fourth extra budget to bolster the 277 trillion won ($233.82 billion) worth fiscal stimulus pledged this year.
($1 = 1,184.6800 won)

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Thailand

Thai cabinet approves more measures to spur domestic tourism

25-Aug-2020
BANGKOK, Aug 25 (Reuters) - **Thailand's cabinet on Tuesday approved more stimulus measures to support domestic tourism to recoup some of the losses from the absence of global travel after the coronavirus pandemic shut borders, a government official said.**
The government will increase benefits contained in an earlier package including subsidies for hotels, flights and bus tickets, deputy government spokeswoman Rachada Dhnadirek told a briefing.

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Thai 14-day c.bank bond yield 0.48216 pct at auction

28-Aug-2020
BANGKOK, Aug 28 (Reuters) - **An auction of 45 billion baht ($1.4 billion) of 14-day central bank bonds fetched an average accepted yield of 0.48216 percent on Friday, the Bank of Thailand said.**
The accepted yield range was 0.4700-0.5000 percent and the bid-to-cover ratio was 1.62.
($1=31.24 Baht)

Reporting by Bangkok Newsroom; (+662 6489729)

United Arab Emirates

Abu Dhabi tightens guidance, gets over $23 bln demand for three-part bonds

25-Aug-2020
DUBAI, Aug 25 (Reuters) - Abu Dhabi tightened the price guidance on Tuesday for a three-tranche U.S. dollar-denominated bond offering and received more than $23 billion in orders for the debt sale, a document showed.
The notes due in 2023 were tightened to 70-75 basis points (bps) over U.S. Treasuries from around 95 bps earlier in the day. The tranche due in March 2031 was tightened to 110-115 bps from around 135 bps and the bonds due in 2070 were tightened to 2.75-2.8% from around 3%.

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EUROPE

Euro zone bond yields extend falls after Fed rolls out new strategy

27-Aug-2020
LONDON, Aug 27 (Reuters) - **Government bond yields across the euro zone fell on Thursday, extending earlier falls after the U.S. Federal Reserve unveiled an aggressive new strategy to restore the United States to full employment and lift inflation back to healthier levels.**
Under the new approach, the Fed will seek to achieve inflation averaging 2% over time, offsetting below-2% periods with higher inflation "for some time," and to ensure employment does not fall short of its maximum level. Ten-year euro zone bond yields were last down 5-6 basis points across the board, falling in line with U.S. Treasury yields. Germany's 10-year Bund yield was last down almost 6 bps on the day at -0.47%.
Sterling meanwhile rallied versus a broadly weaker dollar, while European shares also firmed briefly. A broad measure of European stocks were last trading flat on the day.

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Belarus

Belarus has to pay $1.6 bln in foreign currency debt in 2020

25-Aug-2020 11:53:19
MINSK, Aug 25 (Reuters) **- Belarusian Finance Minister Yuri Seliverstov said on Tuesday the country still had to pay $1.6 billion in foreign currency debt this year and that it would fulfill**

its debt obligations despite a shortfall in its budget, the Belta state news agency reported.
Seliverstov added that he expected a budget shortfall of 3-4 billion Belarusian roubles in 2020.
Earlier on Tuesday a member of the board at the Belarusian central bank told Reuters it would not introduce capital controls to prevent the depreciation of the Belarusian rouble.

(Reporting by Andrei Makhovsky; Writing by Gabrielle Tétrault-Farber; Editing by Katya Golubkova)
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Belarus dollar bonds rally to 10-day high on loan refinance hopes, after Putin comments

27-Aug-2020
LONDON, Aug 27 (Reuters) - **Belarus's sovereign dollar-denominated bonds rallied more than 2 cents to a ten-day high on Thursday after leader Alexander Lukashenko said the country was in talks with Russia on refinancing a $1 billion loan.**
The 2027 issue added 2.2 cents to trade at 98.72 cents in the dollar, its highest since Aug. 17, Tradeweb data showed. The 2026 and 2031 issues nearly matched those gains.
Lukashenko also said all of the country's gold reserves had been returned home but did not give details, state news agency Belta reported, as well as that while there might be occasional shortages of cash at exchange points, authorities would not allow the Belarusian rouble to collapse. Russian President Vladimir Putin said in earlier comments that Russia saw no need for now to use its forces in Belarus over the political crisis following the disputed Aug. 9 presidential election and that Moscow felt the situation was normalising,

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Bulgaria

Bulgaria's gross foreign debt edges down 0.3% y/y at end-June

28-Aug-2020
SOFIA (Bulgaria), August 28 (SeeNews) - **Bulgaria's gross foreign debt fell by an annual 0.3% to 34.1 billion euro ($40.5 billion) at the end of June, the central bank said on Friday.**
The gross foreign debt at the end of June was equivalent to 60.1% of the projected 2020 gross domestic product (GDP), the Bulgarian National Bank said in a statement.
At the end of June, Bulgaria's external debt was 0.1% higher compared to the end of 2019.

($ = 0.841286 euro)

Czech Republic

Czechs to auction up to CZK 10 bln in bonds in September

24-Aug-2020
PRAGUE, Aug 24 (Reuters) - **The Czech Finance Ministry will offer up to 10 billion crowns ($453.49 million) worth of domestic government bonds in four primary auctions in September as borrowing eases after record issuance in the first half of the year, the ministry said on Monday.**
The ministry confirmed the maximum expected nominal value of bonds sold in auctions in the third quarter was planned at 30 billion crowns - a fraction of the hundreds of billions raised in second-quarter debt sales. The ministry added it would also offer up to 10 billion crowns worth of short-term Treasury bills through one auction scheduled for September. It confirmed the expected nominal value of T-bills sold in the third quarter was 50 billion crowns excluding roll-over.
($1 = 22.0510 Czech crowns)

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Czech ruling parties propose hefty $3.4 bln income tax cut, denting budget

28-Aug-2020
PRAGUE, Aug 28 (Reuters) - **Czech ruling parties agreed on Friday to slash personal income tax by a hefty $3.4 billion annually from next year, putting a another dent into the already battered state budget in an election year.**
Prime Minister Andrej Babis said the government planned to bring the effective income tax rate down by a quarter to 15% from 20.1% for most employees by changing an arcane tax calculation system.
The change will cost the budget 74 billion crowns ($3.36 billion) in lost revenue, around 1.3% of gross domestic product, Babis said.
Separately, Babis's ruling ANO party and the

centre-left Social Democrats, which both attract mainly older voters, agreed to pay a one-off 5,000 crown benefit to the 3 million of the country's 10.7 million population who receive retirement, disability or other types of pension benefits, costing a further 15 billion crowns.
Babis rejected opposition accusations that the government was buying voters ahead of an election planned for next autumn, and said the country as one of EU's least indebted states -- with public debt of just under 31% of GDP last year -- had ample room to raise debt in a time of crisis.
"This is no corruption, no bribe," he said. "This is an exceptional time. There has never been a situation when economies shut down like this," he told a news conference.
The government has boosted spending plans this year to support the economy, and plans a record 500 billion crown central state budget deficit, which contains the bulk of public sector spending. The original plan had been 40 billion.
Babis said that the budget would end substantially better than the plan despite the pension benefit, reflecting the view of private sector economists.
Next year's budget proposal is still being drafted.
As part of the tax plan, high-earning employees making more than four times the average salary will pay marginal income tax of 23%, which replaces a current tax surcharge paid from the same threshold.
The proposals are subject to approval by parliament where the minority government needs to negotiate wider support.
($1 = 22.0040 Czech crowns)

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Hungary

Hungary's 2020 budget deficit could reach 7-9% of GDP

24-Aug-2020
BUDAPEST, Aug 24 (Reuters) - **Hungary's budget deficit could reach 7% to 9% of GDP this year due to a deeper-than-expected recession and costs linked to the coronavirus pandemic, the Finance Ministry said on Monday.**
That would be the highest deficit in Hungary since 2006, when the gap widened to above 9% under a previous Socialist-led government. It is also much higher than the government's earlier revised target of 3.8% for this year released in May. The ministry said that due to measures taken so far and expected further steps aimed at offsetting the negative impacts of the pandemic on the economy, "a modification of the budget deficit target is warranted."
Hungary's economy shrank by an annual 13.6% in the second quarter, faster than analysts' forecasts.
Prime Minister Viktor Orban, a nationalist who has been in power for more than a decade, said on Friday that his government would draft a two-year plan to boost the economy by the middle of next month.
Finance Minister Mihaly Varga flagged last month that the economy could shrink by around 5% this year.
David Nemeth, an economist at K&H Bank, said the government was likely planning fresh tax cuts and a possible extension of the wage support programme to help the economy.
He said financing the deficit was unlikely to be a problem, as bond auctions have been going well, and the central bank also has room to increase its bond purchases, while another euro bond issue could also be on the cards.
In May the debt agency increased its 2020 target to 4 billion euros ($4.7 billion) worth of foreign bond issuance, plus half a billion euros worth of international loans. Hungary has already issued 2 billion euros' worth of euro bonds and a green euro bond.
($1 = 0.8448 euros)

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Hungary cbank to extend bond purchases to maturities over 10 years

25-Aug-2020
BUDAPEST, Aug 25 (Reuters) - **Hungary's central bank will buy more government bonds already this week in addition to Tuesday's auction purchases, deputy Governor Barnabas Virag told an online briefing on Tuesday.**
He said the bank would extend purchases to bonds with maturities over 10 years.

(Reporting by Krisztina Than and Gergely Szakacs)
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Hungary cbank has no more room for cuts in short-term rates

25-Aug-2020

BUDAPEST, Aug 25 (Reuters) - **Hungary's central bank has no room to cut short-term rates further, deputy Governor Barnabas Virag told an online briefing after the bank kept interest rates on hold at its meeting earlier on Tuesday.**
Virag also said inflation was expected to remain near recent levels in coming months.

(Reporting by Krisztina Than and Gergely Szakacs)
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Hungary to boost debt issuance to finance budget deficit

26-Aug-2020
By Krisztina Than
BUDAPEST, Aug 26 (Reuters) - **Hungary plans to finance this year's increased budget deficit by boosting forint-denominated government bond sales, the debt management agency AKK said on Wednesday.**
The Finance Ministry said on Monday that the budget deficit could reach 7% to 9% of GDP this year due to a deeper-than-expected recession and costs linked to the COVID-19 pandemic. This has forced the debt agency to modify its issuance plan as the deficit target of the 2020 budget increased to 3.6 trillion forints from 1.89 trillion.
Hungary's economy shrank by an annual 13.6% in the second quarter, faster than analysts' forecasts. Prime Minister Viktor Orban, a nationalist who has been in power for more than a decade, has said his government would draft a two-year plan to boost the economy next month.
The AKK said it has raised planned forint-denominated bond sales at auctions by 948 billion forints to 4.345 trillion forints ($14.55 billion) for the whole of this year. Of this increased issuance, 438 billion forints worth of bonds had already been issued by mid-August, it said.
The AKK also raised planned domestic bond issuance to retail investors, but said its target for 4 billion euros worth of foreign currency denominated bond sales for 2020 remained unchanged.
Hungary has already issued forex bonds worth 3.5 billion euros this year and the AKK said it planned to cover most of the remaining 500 million euros ($590.65 million) from a yen-denominated Samurai bond issue.
It said its strategic goals of extending the maturity of Hungary's debt and keeping foreign-currency debt at a low level remained unchanged.
On Tuesday, the central bank said it would increase the amount of its weekly government bond purchases in the long segment of the Hungarian bond market.
($1 = 298.6800 forints)
($1 = 0.8465 euros)

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Hungary hires banks for Samurai, including green tranche

28-Aug-2020
TOKYO, Aug 28 (IFR) - **Hungary, rated Baa3/BBB/BBB/A– by Moody's/S&P/Fitch/JCR, has mandated Daiwa, Nomura and SMBC Nikko as joint bookrunners for a potential Samurai transaction, including a green portion, following a virtual roadshow held in the week of July 13.**
The transaction is expected to be launched in the near future, subject to market conditions.
The green tranche or tranches will be in line with Hungary's Green Bond Framework, with a second party opinion obtained from CICERO.
The sovereign last visited the Samurai market in March 2018, when it sold a ¥30bn (US$281m) three-year bond, also via Daiwa and SMBC Nikko.
It has already issued €3.5bn of foreign currency bonds this year under a €4bn plan that was increased from the original €1bn target as Hungary's budget deficit has grown because of the economic fallout from the coronavirus. Hungary's debt management agency AKK plans to source most of the remaining €500m from a Samurai bond issue, Reuters reported on Wednesday.

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Lithuania

Government debt may exceed 50% of GDP in 2021

27-Aug-2020
Obzor, 27 Aug 2020, online:- **Lithuania's government debt may reach 49.8% of the GDP in 2020 and 50.3% in 2021, the National Audit Office (LRVK) forecasts. In 2025, the country's government debt may rise to 54.5% of the GDP.** Jurga Ruksenaite, director of LRVK's budget policy monitoring department, warned that a large debt may limit the government's ability to conduct a countercyclical fiscal policy during the next economic crisis. Lithuania's government debt amounted to 36.9% of the

GDP at the end of 2019.

Montenegro

Montenegro sells 5.0 mln euro of 182-day T-bills

26-Aug-2020

PODGORICA (Montenegro), August 26 (SeeNews) - **Montenegro sold 6.8 million euro ($8.0 million) worth of 182-day Treasury bills at an auction held on August 25, the central bank said.**

The average annual yield on the issue edged up to 1.10% from 1.09% achieved at the most recent previous auction of 182-day Treasury bills held on August 17, the central bank said in a statement on Tuesday.

The government securities will mature on February 24, 2021.

($ = 0.846373 euro)

Poland

Poland's deficit may fall sharply in 2021

25-Aug-2020

WARSAW, Aug 25 (Reuters) - **Poland's state budget deficit may fall in 2021 to 33-50% of the 109 billion zloty ($29.32 billion) planned for this year, Finance Minister Tadeusz Koscinski said on Tuesday.**

"Next year's deficit will be connected with this year's. The stabilization rule states it may be one third or half of this year's deficit," he told public radio.

($1 = 3.7172 zlotys)

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Poland's finance ministry sees 2021 deficit at 82.3 bln zlotys

27-Aug-2020

By Anna Koper

WARSAW, Aug 27 (Reuters) - **Poland's budget deficit is expected to come to 82.3 billion zlotys ($22.1 billion) next year, the finance ministry said on Thursday, as the country emerges from the economic fallout of the coronavirus pandemic.**

Earlier this month the government accepted a revision to the 2020 budget that forecasts a deficit of 109.3 billion zlotys, having previously planned the first balanced budget in three decades. "The draft 2021 budget accepted today is another stage in the plan to get back on the path of growth following the global lockdown caused by COVID-19," Finance Minister Tadeusz Koscinski said in a statement.

The general government deficit, according to European Union methodology, will be around 12% of gross domestic product (GDP) in 2020, falling to 6% of gross domestic product in 2021, the finance ministry said.

"Next year, we expect the vast majority of budget expenditures to be incurred from the state budget and at the moment we do not expect an increase in the COVID countermeasure fund ... it will be a continuation of what we started this year, not opening new streams," Deputy Finance Minister Piotr Patkowski said.

Income is expected to be 403.7 billion zlotys while expenditure will be 486 billion zlotys.

Deputy Finance Minister Sebastian Skuza said the draft 2021 budget assumed income from a 5G auction of about 1.9 billion zlotys.

Skuza also said the 2021 budget did not assume that there would be income from the reform of Poland's pension system.

($1 = 3.7240 zlotys)

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Romania

Romania sells below target 89 mln lei (18 mln euro) 2034 T-bonds, yield falls

24-Aug-2020

BUCHAREST (Romania), August 24 (SeeNews) - **Romania on Monday sold a less than planned 89 million lei ($22 million/18 million euro) worth of Treasury notes issue maturing on October 11, 2034, central bank data showed.**

The average accepted yield for the tender fell to 4.37% from 4.38% achieved at the previous auction of government securities of the same issue held in July, the data indicated.

Demand for the T-notes, which carry an annual coupon of 4.75%, fell to 214.3 million lei from

634.5 million lei at the previous auction.
The issue will be reopened on Tuesday when the finance ministry hopes to raise 45 million lei in a non-competitive tender.
The ministry intends to sell 3.45 billion lei worth of government securities in August, including 450 million lei in non-competitive offers.
Year-to-date, the ministry has sold some 47 billion lei and 150 million euro worth of government bills and bonds and has tapped foreign markets for 6.3 billion euro of 2026, 2030, 2032 and 2050 Eurobonds.
It also sold 10-year dollar-denominated bonds worth $1.3 billion and $2 billion of 30-year bonds on the external market.
(1 euro=4.8402 lei)

Romania sells above target 430 mln lei (89 mln euro) in 2023 T-bonds, yield falls

27-Aug-2020
BUCHAREST (Romania), August 27 (SeeNews) - **Romania sold on Thursday 400 million lei ($105 million/89 million euro) worth of Treasury bonds maturing on October 25 2023, above initial target, central bank data showed.**
The average accepted yield fell to 3.25% from 3.38% achieved at the previous auction of government securities of the same issue held earlier this month, the data indicated.
Demand for the T-notes, which carry an annual coupon of 4%, rose to 1.113 billion lei from 887.1 million lei at the previous auction.
The issue will be reopened on Friday when the finance ministry hopes to raise 60 million lei in a non-competitive tender.
The ministry intends to sell 3.45 billion lei worth of government securities in August, including 450 million lei in non-competitive offers,
Year-to-date, the ministry has sold some 47.4 billion lei and 645 million euro ($763 million) worth of government bills and bonds and has tapped foreign markets for 6.3 billion euro of 2026, 2030, 2032 and 2050 Eurobonds.
It also sold 10-year dollar-denominated bonds worth $1.3 billion and $2 billion of 30-year bonds on the external market.
(1 euro=4.8424 lei)

Romania budget deficit jumps to 4.7%/GDP at end-July

26-Aug-2020
BUCHAREST, Aug 26 (Reuters) - **Romania's consolidated budget deficit widened to 4.7% of gross domestic product in the first seven months from a gap of 4.17% at the end of June, as the new coronavirus pandemic led to a surge in spending, the finance ministry said on Wednesday.**
In nominal terms, the deficit stood at 49.68 billion lei ($12.13 billion). Revenues amounted to 175.15 billion lei, or 16.6% of GDP, down 2.7% on the year. Spending stood at 224.83 billion lei, up 13.4% on the year. Investment spending, including EU funds, was up 29.1% on the year.
The European Union state ran a deficit of 1.8% of GDP in the first seven months of last year. The government estimates the deficit will reach 8.6% of GDP this year.
($1 = 4.0964 lei)

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Romania/ECB extend repo line deal by 6 months to mid-2021

28-Aug-2020
BUCHAREST, Aug 28 (Reuters) - **Romania's central bank (BNR) and the European Central Bank have agreed to extend a framework arrangement to provide euro liquidity to the BNR via a repo line by six months until the of June 2021, it said on Friday.**
The extension was needed "to address possible euro liquidity needs in the presence of market dysfunctions due to the COVID-19 shock," the BNR said in a statement.
It said that under the repo line, it would be able to borrow up to 4.5 billion euros from the ECB.

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Russia

Russian Eurobonds correct down as appetite for risk cools

25-Aug-2020
MOSCOW. Aug 25 (Interfax) - **Most Russian Eurobond prices are correcting down moderately on Tuesday following yesterday's growth, as appetite for risk cools.**
US Treasuries are little changed and sovereign spreads are widening somewhat.
Russia's benchmark 2030 bonds were down 23

basis points from previous closing by 6:15 p.m. Moscow time at 115.09% with yield at 1.83% per annum, up 7 bps. Three-year US Treasuries were down 1.5 bps from previous closing at 102.255%, with yield at 0.15%, up 1 bp. Spread between Russia-30 and UST3 widened 6 bps to 168 bps.
Russia's 2043 bond was down 79 bps at 143.21% yielding 3.21%, up 4 bps; the 2042 bond was down 99 bps at 138.17%, yielding 3.17%, up 5 bps; the 2026 bond was up 3.5 bps at 115.49% with yield at 1.89%, down 1 bp; and the 2023 bond fell 4.5 bps in price to 111.035% yielding 1.185%, up 1 bp.
The 30-year bond maturing in 2047 was down 135 bps to 137.45% with yield practically up 6 bps at 3.17%; and the 10-year bond maturing in 2027 was down 1.5 bps at 113.27%, yielding 2.15%, practically unchanged.

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Russia’s Finance Ministry completes offering of federal loan bonds

26-Aug-2020
MOSCOW, August 26. /TASS/. **The Russian Finance Ministry completed the offering of Series 24021 floating coupon federal loan (OFZ) bonds worth 85.2 bln rubles ($1.12 bln) at the auction, the Ministry said on Wednesday.**
The weighted average price for the issue of Series 24021 OFZ bonds mature on April 24, 2024 totaled 98.6311% of the par value. The demand at the auction reached 297.4 bln rubles ($3.93 bln).

Russian Eurobonds correct up, spreads narrow

27-Aug-2020
MOSCOW. Aug 27 (Interfax) - **Most Russian Eurobond prices are correcting up on Thursday after several days of decline triggered by mounting geopolitical risks and global debt market instability.**
US Treasuries were practically unchanged and sovereign spreads narrowed somewhat.
Russia's benchmark 2030 bonds were unchanged from previous closing by 6:15 p.m. Moscow time at 114.75% with yield at 1.91% per annum, down 1 basis point. Three-year US Treasuries were down just under 1 bps from previous closing at 102.25%, with yield at 0.145%, practically unchanged. Spread between Russia-30 and UST3 narrowed 1 bps to 176.5 bp.
But Russia's 2043 bond was up 48 bps at 142.18% yielding 3.26%, down 2.5 bps; the 2042 bond was up 12 bps at 136.92%, yielding 3.235%, down 0.5 bps; and the 2026 bond was up 5 bps at 115.26% with yield at 1.93%, down 1 bps.
The 30-year bond maturing in 2047 was up 38 bps to 136.59% with yield down 2 bps to 3.205%; and the 10-year bond maturing in 2027 was up 13 bps at 113.18%, with yield down 2 bps at 2.16%.
The 2023 bond fell in price, by 6 bps to 110.8% yielding 1.25%, up 1.5 bps.

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Serbia

Serbia sells 3.5 bln dinars (29.7 mln euro) of 2025 T-notes

25-Aug-2020
BELGRADE (Serbia), August 25 (SeeNews) – **Serbia's finance ministry said on Tuesday it sold 3.5 billion dinars ($35.1 million/29.7 million euro) of five-and-a-half-year Treasury bonds in a reopening of the issue.**
The yield came in at 2.6%, the same as the yield achieved at the previous successful auction of the 100 billion dinars issue, held on July 21, the ministry said in a statement.
Demand for the government debt paper, which matures on July 30, 2025, stood at 3.5 billion dinars.
(1 euro = 117.949 dinars)

Slovakia

Slovak current account shows surplus of 401 million euros in June

25-Aug-2020
PRAGUE, Aug 25 (Reuters) - **Slovakia's current account showed a surplus of 401 million euros ($473.50 million) in June after a revised balanced result in May, the central bank said on Tuesday.**
The May figure was revised from an originally reported deficit of 101 million euros.

($1 = 0.8469 euros)

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Turkey

Turkish Treasury borrowed 547.5 mln lira in sukuk issue

25-Aug-2020
ISTANBUL, Aug 25 (Reuters) - **Turkey's Treasury said on Tuesday it had issued to banks a 547.5 million lira ($74.04 million) fixed yield sukuk with four years maturity.**
The sukuk carries a six-month periodic rent rate of 6.80%, the treasury said earlier.
($1 = 7.3949 liras)

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Turkish cenbank: indicators suggest sustained rise in inflation trend

27-Aug-2020
ISTANBUL, Aug 27 (Reuters) - **Leading indicators for August suggest a sustained rise in the trend of inflation, the Turkish central bank said on Thursday in the minutes of last week's policy-setting meeting, where it left its key rate on hold.**
The bank said tightening steps in liquidity policies have led to an increase in loan and deposit rates, and loan growth has started to decelerate. As well as keeping the policy rate unchanged the bank decided to continue with liquidity measures.

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LATIN AMERICA AND CARIBBEAN

Argentina

New Argentine IMF deal 'solely' to repay $44 bln already owed to fund

27-Aug-2020
By Hugh Bronstein
BUENOS AIRES, Aug 27 (Reuters) - **Argentina is seeking a new deal with the International Monetary Fund solely to pay back around $44 billion that it had received under an ill-fated stand-by lending agreement in 2018, the country's representative at the fund said on Thursday.**
Sergio Chodos, IMF executive director for the Southern Cone and Argentina's representative at the fund, told Reuters the government would not seek new financing.
"Argentina's intention is to seek IMF financing for the sole purpose of full repayment of the $44 billion that is still owed to the fund," he said in a telephone interview.
Argentina, set to wrap up a $65 billion debt deal with bondholders this week, is also opening talks for a new IMF deal.
Of the $57 billion promised when the 2018 deal was signed by the previous administration, as part of an unsuccessful attempt to halt a run on the local peso and avoid what would be the country's ninth sovereign bond default, $44 billion had been disbursed before the current government canceled the pact.
Argentina is not expected to seek debt relief, or a "haircut" from the fund, while private creditors have agreed to receive less than originally promised when they bought bonds the government says it cannot honor without worsening what is already expected to be a 12.5% economic contraction this year.
"The crisis that affects our country today was deepened by a quick agreement with the IMF in 2018, that was unsustainable," Argentine Economy Minister Martin Guzman and central bank chief Miguel Angel Pesce wrote in a letter to IMF head Kristalina Georgieva on Wednesday.

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Argentina steps toward next debt tango, with the IMF

26-Aug-2020
By Adam Jourdan and Cassandra Garrison
BUENOS AIRES, Aug 26 (Reuters) - **Argentina, set to wrap up a $65 billion debt deal with creditors this week, has formally initiated talks to negotiate a new deal to replace its record standby agreement with the**

International Monetary Fund as it looks to escape from recession and default.

In a letter to IMF head Kristalina Georgieva on Wednesday, Argentina's Economy Minister Martin Guzman and central bank chief Miguel Angel Pesce requested formal talks that would lead to a new program to succeed the "canceled and derailed 2018 stand-by arrangement."

"The crisis that affects our country today was deepened by a quick agreement with the IMF in 2018, that was unsustainable, and carried out with its back to society," Guzman tweeted, adding it was vital to reschedule debt maturities with the fund.

The IMF agreed to float cash-strapped Argentina a $57 billion financing program two years ago, the biggest in the fund's history, under the previous administration of Mauricio Macri. Around $44 billion of that has already been lent.

Georgieva said in a statement that she had held a "very constructive and positive conversation" with Argentina's center-left Peronist President Alberto Fernandez and that the IMF was ready to "support Argentina in these challenging times."

Argentina's letter detailed the depth of its economic crisis and its efforts to prevent a further fall in output and employment, lower inflation and restore debt sustainability as it faces an estimated economic contraction of 12.5% this year.

"We are determined to restart the process of pursuing a consistent fiscal path once the effects of the pandemic disappear," it said.

Argentina's previous government faced a cash crunch two years ago after Macri's austerity drive, which included cuts to energy subsidies. Vendors raised consumer prices to help cover rising energy costs, fueling inflation. Argentina earlier this month reached a preliminary agreement with creditors to restructure around $65 billion in foreign debt. Bondholders have until Aug. 28 to accept the offer, though all three major creditor groups have supported a deal.

In a separate statement, the government said Fernandez told Georgieva by phone that a new agreement should focus on economic recovery and solving pressing social problems.

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Argentine government 'confident' in $65 billion debt deal as deadline passes

28-Aug-2020
By Cassandra Garrison and Jorge Iorio
BUENOS AIRES, Aug 28 (Reuters) - **Argentina's debt restructuring deadline passed on Friday after four months of tense talks, multiple delays and amendments since an initial low-ball offer in April, with bondholders expected to strongly back a $65 billion proposal.**

An official source told Reuters the government was confident of high acceptance. Local publication Infobae, citing senior official sources, said the proposal had received support from holders of more than 90% of the bonds.

"In the government they are confident of high acceptance," an official source told Reuters on Friday afternoon shortly before the deadline, requesting anonymity to discuss the private process. The person added that the official results would likely not be announced until Monday as scheduled, though that decision lay with center-left President Alberto Fernandez and Economy Minister Martin Guzman.

The cutoff for accepting the proposal closed at 5 p.m. Eastern Time (2100 GMT) on Friday. The new bonds are scheduled to be issued on Sept. 4 if a full deal is struck, though it remains to be seen if there are any holdouts on certain bonds.

The Infobae report said preliminary information indicated that the government still had to reach thresholds on some series of older, so-called Exchange bonds, which need higher levels of creditor consent.

The main three creditor committees holding a large chunk of the bonds backed a deal earlier this month, bolstering confidence that the government would get the required level of support to allow a full deal to go ahead without holdouts.

A deal is key to pulling Argentina out of default and reviving the economy, already in its third straight year of recession. Guzman's next step will be renegotiating a failed $57 billion deal with the International Monetary Fund.

"After circling around each other for the better part of 2020, we have finally reached 'D-Day'," said Patrick Esteruelas, head of research for Emso Asset Management in New York.

He added it was "highly unlikely" that legal thresholds on the bonds needed for a deal would not be reached.

A person with direct knowledge of the negotiations told Reuters this week that participation was "very good," though the final result would only be known once the deadline had passed.

Argentina's government made a breakthrough with its main creditor groups - the Ad Hoc Group, Argentina Creditor Committee and the Exchange Bondholder Group - on Aug. 4, when all three agreed to support an amended offer. That helped push up Argentina's sovereign bond prices, though they have slipped back over recent weeks in thin trading, affected by broader concerns about the country's tough economic outlook. They dipped an average of 0.3% on Friday and 3% for the week.

The bonds include so-called "Exchange" bonds, involved in a previous restructuring, which have tougher legal clauses. The other "Macri" bonds were issued during the

previous administration of conservative President Mauricio Macri.
Argentina needs support from holders of 85% of the Exchange bonds, and over 66.67% on the Macri bonds, though individual bond series can have lower levels of support.
"It is estimated that adherence will be high, but it's still to be seen what percentage is reached in relation to the activation thresholds of the collective action clauses," financial services firm Puente said in a note.
"Investors will pay special attention to this detail, to get an idea on whether the swap can be made 100% binding on all the various series of bonds."

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Brazil

Brazil testing lower bound on rates but care needed

24-Aug-2020
By Jamie McGeever and Marcela Ayres
BRASILIA, Aug 24 (Reuters) - **Brazil is testing the lower-bound limit on interest rates, but great care is needed if that level is to be crossed given the potential negative effects on the banking system and financial markets, central bank president Roberto Campos Neto said on Monday.**
Speaking in a live online debate hosted by newspaper Estadao, Campos Neto said the economy still requires huge stimulus but said that any room for further reduction in the benchmark Selic rate from its current record low 2% is small.
He reiterated his view that the so-called "effective lower bound" on interest rates is higher in emerging markets than in developed economies, and is historically even higher in Brazil.
"We understand that we need to extraordinarily high stimulus, but we also understand that there is a limit to emerging markets and how low you can go (on rates)," Campos Neto said.
"We are not saying that the minimum level cannot be crossed, but we are experimenting (with it) and we are saying that we must be very careful," he said.
The central bank left the door open for further easing when it lowered its benchmark Selic rate by 25 basis points to 2.00% earlier this month.
Campos Neto also said on Monday he is open to transferring some of the central bank's currency-related profit to the treasury, but warned that this must not be seen as direct financing.
The real has lost almost 30% of its value against the dollar so far this year, resulting in hundreds of billions of reais of paper profit for the central bank on its large stash of international reserves.
Campos Neto said some funds will be transferred to the cash-strapped treasury, but also said that it must carefully considered and that the central bank must retain a decent "cushion" to help cope with future bouts of market volatility.

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Brazil ups debt ceiling to accommodate crisis spending, increases short-term borrowing

28-Aug-2020
By Jamie McGeever
BRASILIA, Aug 28 (Reuters) - **Brazil's Treasury on Friday raised the public debt ceiling for this year to account for a surge in emergency spending to combat the COVID-19 crisis, outgoings that will increasingly be covered by short-term borrowing.**
The total stock of federal debt is now expected to end the year between 4.6 trillion and 4.9 trillion reais, the Treasury said in a statement, up from the previous parameters of between 4.5 and 4.75 trillion reais.
In a statement, the Treasury said the rise was a result of the higher issuance following the "inevitable" surge in government financing needs due to the COVID-19 pandemic.
The average maturity of the overall public debt was also revised down between 3.5 and 3.8 years from 3.9 to 4.1 years.
"Yes, the new average maturity is short, but this is not a big problem because we can lengthen it again in the future," Jose Franco, sub-secretary for public debt at the Treasury, told reporters in an online news conference on Friday.
"The biggest problem is the share maturing in 12 months."
The Treasury said the share of debt maturing in the next 12 months will rise to between 24% and 28% of the total from 20% to 23%.
Much of that will be in fixed-rate debt, the share of which will rise to between 30% and 34% of the total from 27% to 31%, Treasury said.
Franco said the market is liquid enough but investors are demanding liquidity and cash-like assets, and are steering clear of five-year bonds, never mind 10-year debt.
Figures on Friday showed Brazil's federal public debt stock fell 1% in July to 4.34 trillion reais

($80 billion) from June, while the domestic debt stock fell 0.8% to 4.12 trillion reais.
On Thursday, official approval was granted for the central bank to transfer 325 billion reais to the Treasury to help pay down the record debt load and ease the increasing funding strain.
($1 = 5.41 reais)

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Brazil central bank to transfer 325 bln reais to Treasury to ease debt, liquidity strains

28-Aug-2020
By Jamie McGeever
BRASILIA, Aug 27 (Reuters) - **Brazil's National Monetary Council (CMN) on Thursday approved the immediate transfer of 325 billion reais ($58.3 billion) to the Treasury from the central bank to help pay down the public debt and ease growing strains on its ability to refinance debt.**
The funds are part of the central bank's 478.5 billion reais profits accrued in the first half of this year, mostly due to currency effects, and will help bolster the Treasury's cash buffers that have been hit by the COVID-19 pandemic.
Under a 2019 law, the transfer is permitted in times of "severe liquidity restriction" to borrow or pay debt. Treasury and central bank officials said this transfer reflects the extraordinary market conditions recently.
The CMN is Brazil's highest economic policy body and includes the economy minister and central bank president.
Treasury Secretary Bruno Funchal said there has been a "very significant increase" in debt maturing in the next 12 months as a share of total debt, the main red flag of short-term financing risk. That is now up to 23% or maybe more, from 18.7%, he said.
With Brazil's total debt stock exceeding 4 trillion reais, that would indicate more than 900 billion reais maturing in the next 12 months.
Many parts of the Brazilian interest rate and yield curves have steepened recently, making the Treasury's debt management more difficult and expensive. It has had to issue much more short-term debt, which increases refinancing risks.
Jose Franco, sub-secretary for public debt at the Treasury, would not be drawn on what the Treasury's cash buffer is right now. But he said the aim is always to keep it above three months' worth of refinancing needs.
The 325 billion reais will help give the Treasury more breathing space, but this does not mean less issuance, and expenditure will definitely not rise, Franco said.
"The Treasury will not be obliged to go to the market and roll over debt at any price, as our liquidity reserves will be strengthened further," he said in an online press conference.
Funchal said the Economy Ministry had proposed a 445.2 billion transfer, and that the initial 325 billion could be increased at a later date if conditions warranted.
Earlier this year the Treasury had indicated it would seek up to 500 billion reais. But central bank President Roberto Campos Neto said last week that the bank must not be seen to be directly financing the government.
($1 = 5.57 reais)

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Chile

Moody's downgrades Chile to negative outlook amid social and pandemic pressures

25-Aug-2020
SANTIAGO, Aug 25 (Reuters) - **Moody's downgraded Chile's outlook to negative on Tuesday due to economic hits from the coronavirus pandemic and social pressures, but the ratings agency maintained its A1 rating.**
Moody's said the world's largest copper producer's debt-to-GDP ratio has been rising since 2010, a trend that has accelerated since 2014. It said it now expects the ratio to rise from 21% in 2016 to 39% in 2021, constituting a "key credit concern".
It said social protests over inequality that started in October 2019 and the global coronavirus pandemic and associated economic shock would put pressure on Chile's commitment to fiscal prudence.
"For Chile, the shock transmits mainly through weaker economic growth and increased demands for social programs that could translate into a larger spending base relative to government's revenue over time," it said. "Shifts in policy priorities due to social tensions may also erode policy effectiveness, a source of credit strength historically."
Both Fitch and Standard & Poor's downgraded Chile's outlook to negative in March and April respectively.

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Colombia

Colombian businesses ask government for up to $13.1 bln to stave off collapses

24-Aug-2020

BOGOTA, Aug 24 (Reuters) - **Colombian businesses on Monday asked the government to secure a loan from the central bank for between 30 trillion and 50 trillion pesos ($7.84 billion to $13.1 billion) to bail out companies at risk of collapse due to the impact of coronavirus.**

Proposals include a rescue package in which companies could issue bonds for future conversion to shares, as well as a capitalization program under which the government would take part ownership of businesses, Colombian Business Association President Bruce Mac Master said.

"We're in an extraordinary situation which requires us to throw everything we have at it," Mac Master said at the group's annual congress. "We should play with everything we've got."

Colombia's companies regulator said in April the number of businesses declaring insolvency could double in the coming months due to the decline in economic activity in the wake of coronavirus.

"It is much better to save companies than to try to find new investments; it's cheaper and we must try to do it," Mac Master said.

According to the Bogota and Cundinamarca chapter of the National Federation of Retailers some 58,000 businesses in the capital have shut down indefinitely, equal to 31%, while another 40% of retailers' sites are currently closed.

Mac Master also called for an increase in state subsidies to support companies to make payroll, buy-back programs and tax exemptions for the most desperate sectors.

The government raised the possibility it could acquire stakes in companies in June, but has yet to publish further details.

The central bank has directed billions of dollars in liquidity measures to Colombia's banks for providing loans to businesses laid low by the spread of COVID-19, as well as cutting the benchmark interest rate by 200 basis points to a record low of 2.25%.

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Ecuador

Ecuador, IMF reach preliminary agreement on $6.5 bln facility

28-Aug-2020

NEW YORK, Aug 28 (Reuters) - **The International Monetary Fund and the Ecuadorian government reached a staff-level agreement over a 27-month Extended Fund Facility (EFF) arrangement for about $6.5 billion, the IMF said Friday in a statement.**

IMF staff will present a report to the Fund's management for approval, setting the stage for a decision by the IMF's Executive Board.

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Mexico

Mexico's economy could fall as much as 12.8% in 2020

26-Aug-2020

MEXICO CITY, Aug 26 (Reuters) - **Mexico's central bank on Wednesday said economic growth could contract by as much as 12.8% or as little as 4.6% in 2020, depending on what path Latin America's second largest economy takes as it faces the fallout from the coronavirus pandemic.**

Gross domestic product in the second quarter declined the most since the Great Depression, despite partially recovering in June from the depths, data showed earlier in the day.

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AFRICA

Botswana

Botswana govt says no guarantee on De Beers sales deal by end-2020

25-Aug-2020

- **Negotiations have resumed between govt, De Beers**
- **De Beers sales add 70% to annual govt revenue**
- **Firm holds 90% of total diamonds sales in Botswana**

By Brian Benza

GABORONE, Botswana, Aug 25 (Reuters) - **The Botswana government said there was no guarantee that it would be able to renew a new 10-year sales agreement with De Beers before the end of December, when the current one expires, as the coronavirus pandemic has delayed negotiations.**

"The ideal situation would be to end the talks by December but there are no guarantees that will happen," said Mmetla Masire, Permanent Secretary in the Ministry of Minerals told Reuters in an interview late on Monday.

The deal is necessary for the Debswana Mining Company, jointly held by the world's biggest producer De Beers and the Botswana government, as it provides the country with around two-thirds of its foreign exchange and makes up a fifth of its GDP.

For De Beers, a new deal would mean another 10 years of clarity on the terms of its revenue stream from a country from where it sources 70% of its diamonds and 90% of its sales.

The wealth from diamond mining has helped transform the country from primarily a agri-based economy to one of Africa's richest countries.

A delay would set back President Mokgweetsi Masisi's efforts to boost a fledgling diamond polishing and cutting industry and create jobs in a country of 2.2 million with high unemployment.

Masire said the government had resumed talks for a new deal, but travel restrictions have kept the progress slow.

In 2011, De Beers agreed a deal to transfer its global sightholder sales, which accounts for 90% of its total diamond sales, from London to Gaborone, creating thousands of jobs and investment in the southern African country.

Botswana's government would want a higher allocation of diamonds produced by Debswana for sale from the current 15% agreed in 2011, or get a larger share of rough stones, said Avi Krawitz, an analyst from Israel-based diamond information provider Rapaport.

"This will be a sticking point for De Beers," he said.

Masire declined to divulge specific terms being negotiated in the talks.

De Beers, a subsidiary of Anglo American Plc, is an important business division for its parent contributing a fifth of its revenue. De Beers has not responded to an emailed request for comment sent on Monday.

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Nigeria

Nigeria's economy shrinks 6% in second quarter on oil crash, pandemic double whammy

24-Aug-2020

- **Oil sector contracted by 6.63%**
- **Nigeria is Africa's largest economy**
- **Government says economy may shrink by up to 8.9% this year**

By Alexis Akwagyiram

LAGOS, Aug 24 (Reuters) - **Nigeria's economy contracted by 6.1% in the second quarter of 2020 from a year earlier, the statistics office said on Monday, with lockdowns in its two main cities and low oil prices taking their toll.**

The West African country - Africa's largest economy and the continent's top oil producer - reported its first coronavirus case in late February. Lockdowns were imposed for just over a month in the commercial hub Lagos and the capital Abuja, ending in early May.

"The decline was largely attributable to significantly lower levels of both domestic and international economic activity during the quarter, which resulted from nationwide shutdown efforts aimed at containing the COVID-19 pandemic," the statistics office said.

Crude oil production was 1.81 million barrels a day in the second quarter, compared with 1.98 in the same 2019 period. A global oil price crash due to reduced demand from the pandemic saw the oil sector shrink by 6.63% in the second quarter.

The non-oil sector declined by 6.05%, which the statistics said was the first decline in real non-oil GDP growth in nearly three years.

Nigeria's economy was already grappling with sluggish growth before the pandemic in the wake of a 2016 recession. The International Monetary Fund has said it sees Nigeria's GDP falling 5.4% this year, while the government expects the economy to shrink by as much as 8.9%.

"Given that lockdown measures have been loosened in recent months and oil prices have picked up, Q2 might be the trough of this year's recession in Nigeria," said John Ashbourne, global emerging markets economist at Fitch Solutions.

The World Bank has warned that Nigeria potentially faces its worst financial crisis in four decades due to the crash in oil prices and the pandemic. However, the bank is also unlikely to approve a much-needed $1.5 billion loan for Nigeria due to concerns over desired reforms, sources familiar with the talks told Reuters this month.
Inflation in Nigeria rose to 12.82% in July, its highest level in more than two years, and the unemployment rate stood at 27.1% in the second quarter, according to data released earlier this month.

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Nigeria says Q3 and Q4 GDP to reflect further economic slowdown

26-Aug-2020
ABUJA, Aug 26 (Reuters) - **Nigeria expects the third and fourth quarters to reflect the continued effects of a slowdown, after the economy contracted by 6.1% in the second quarter, the presidency said on Wednesday.**
Nigeria, Africa's largest economy and top oil producer, faces its worst crisis in four decades due to low crude prices, and the impact of the novel coronavirus pandemic, which hurt demand for its main export commodity.
"It is anticipated that while the third and fourth quarters will reflect continued effects of the slowdown, the fiscal and monetary policy initiatives being deployed by government in a phased process will be a robust response to the challenges posed by the COVID-19 pandemic," said a statement issued by the presidency.
Policymakers face a raft of challenges. Inflation rose to 12.82% in July, its highest level in more than two years, and the unemployment rate stood at 27.1% in the second quarter.
Nigeria's economy was already grappling with sluggish growth before the pandemic following a 2016 recession. The International Monetary Fund has said it sees Nigeria's GDP falling 5.4% this year, while the government has said the economy may shrink by as much as 8.9%.

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South Africa

South Africa's rand nearly flat after two-day rally

26-Aug-2020
JOHANNESBURG, Aug 26 (Reuters) - **South Africa's rand was mostly unchanged in early trade on Wednesday, after two days of gains driven by bumper risk appetite on global markets.**
At 0650 GMT, the rand traded at 16.8550 versus the U.S. dollar, 0.1% weaker than its previous close.
Traders awaited local inflation data around 0800 GMT for clues about price dynamics in Africa's most industrialised economy.
Economists polled by Reuters predict the consumer price index likely rose to 3.1% in July from 2.2% a month earlier, moving further away from a more than 15-year low struck in May.
South Africa's central bank has cut interest rates by 300 basis points since the start of the year in response to fading price pressures and a weak economic outlook because of the COVID-19 pandemic.
But many economists now expect rates to remain on hold at their current level of 3.5% into next year. NKC Research analysts said in a note that favourable global market sentiment was shielding the rand from "a brittle fiscal position and worsening debt burden".
Government bonds were little changed, with the yield on the 2030 instrument 0.5 basis point higher at 9.295%.

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South Africa's budget deficit widens to $8 bln in July

28-Aug-2020
JOHANNESBURG, Aug 28 (Reuters) - **South Africa recorded a budget deficit of 134.53 billion rand ($8.06 billion) in July compared with a shortfall of 99.10 billion rand in the corresponding period last year, Treasury data showed on Friday.**
The tables below show revenue and expenditure for fourth month of the 2020/21 fiscal year (April to March), compared with the previous financial year.
These are also expressed as a percentage of the 2020/21 revised budget and the preliminary outcome for 2019/20.
($1 = 16.6828 rand)

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Uganda

Uganda's Fiscal Rules during the COVID-19 Pandemic

24-Aug-2020
Posted by Enock Bulime

There is considerable uncertainty about the effects of the COVID-19 pandemic for Uganda's fiscal policy and public debt. The government has rescheduled some debt repayments and obtained debt forgiveness thus reducing the pressure to borrow. The current projected fiscal deficit (including grants) to GDP for 2020/21 is 8.6 percent and the projected public debt to GDP in NPV terms is 33.5 percent. Unfortunately, due to the COVID-19 effects, the fiscal deficit and the public debt could be higher than projected due to disruptions in domestic revenue mobilisation, low economic activity and expenditure increases, tax rate reductions, and tax deferrals to mitigate the impact of the pandemic. For example, the cost of emergency expenditure increases is estimated at XXX, equivalent to YYY percent of GDP, and tax reductions/deferrals could add a further ZZZ to the government's borrowing requirement.

This upward pressure on borrowing could put Uganda's fiscal rules to the test and increase the public's concern about the government's readiness to undertake such actions. In other words, does the government have a credible fiscal strategy? The Charter for Fiscal Responsibility (CFR) for 2016/17-2020/21 represents the government's fiscal strategy to ensure that the fiscal balance (government revenues minus government expenditures) and the total public debt level is sustainable over the medium term and in the long run. Therefore, the government's fiscal actions during the present crisis as in normal times should be guided by the CFR.

Based on the CFR, the government has adopted two fiscal rules including (i) reducing the fiscal balance (including grants) to a deficit of 3 percent of GDP by 2020/21, and (ii) maintaining the public debt in net present value (NPV) terms below 50 percent of GDP by 2020/21. Fiscal rules are long lasting constraints on fiscal policy aimed at providing a credible commitment to fiscal discipline. These numerical targets are useful in reducing the budget deficit bias (the tendency for governments to run perpetual budget deficits) and ensuring fiscal and debt sustainability. **However, the current fiscal pressures raise concerns about whether these fiscal anchors (rules) will be steady and credible guides to fiscal policy.**

Current fiscal pressures do not imply that the CFR need to be abandoned as a policy tool. The Charter provides an escape clause permitting the government to deviate from the pre-announced path for fiscal policy in case of (i) a natural disaster, (ii) an unanticipated severe economic shock and (iii) any unforeseen event that cannot be funded under the Public Financial Management Act, 2015 (as amended) or using prudent fiscal policy mechanisms. The government can thus deviate from the fiscal objectives or rules, while ensuring fiscal and debt sustainability.

During this fiscal storm, moreover, the fiscal anchor that will hold or guide fiscal actions is the debt rule because the current debt to GDP ratio in NPV terms is far below the target. The fiscal balance rule will not guide fiscal actions because the deficit is expected to increase beyond the expected target in order to contain the effects of the pandemic. This suggests that the ladder to fiscal and debt sustainability is now more slippery, but it has not been kicked away. Therefore, the pandemic is exposing the dangers of commitments based on numerical targets rather than on strategically reducing government expenditures and changing social norms that perpetuate borrowing.

The fiscal balance rule, though ineffective now, could have delivered better fiscal and debt sustainability outcomes once adhered to because of its constraining effect on the size of the fiscal deficit (a flow) that eventually feeds into the public debt (a stock). However, the debt rule, though effective, will result in more debt because the government has more headroom to borrow. Therefore, the government needs to beware of the risks associated with the debt rule as a fiscal anchor, because, if followed blindly, it will lead to more debt, which could prove unsustainable when the present storm, like others, is past and runs out of rain.

This article is part of a series related to the Coronavirus Crisis. All of our articles covering the topic can be found on our PFM Blog Coronavirus Articles page.

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Note: The posts on the IMF PFM Blog should not be reported as representing the views of the IMF. The views expressed are those of the authors and do not necessarily represent those of the IMF or IMF policy.

Zambia

IMF says central banks must be independent after change of Zambia's governor

24-Aug-2020

LONDON, Aug 24 (Reuters) - **The International Monetary Fund said on Monday central banks' independence must be maintained, in a statement in response to a change of Zambia's central bank governor.**

Zambian President Edgar Lungu on Saturday dismissed central bank governor Denny Kalyalya and replaced him with former deputy finance minister Christopher Mphanza Mvunga.

"Without credible institutions and sound policies, sustained economic growth and much needed improvements in living standards will not be possible," the IMF said.

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EMERGING

EMERGING MARKETS-Mexican peso up as inflation rises; other Latam FX, stocks gain

24-Aug-2020

- **Mexican peso extends gains to fifth straight session**
- **Mexican rates to fall more than most expect -analysts**
- **Brazil' real up 0.1%; Chile's peso jumps 1%**
- **Brazil's coronavirus spread appears to level off -WHO**
- **Colombia unveils plan to boost foreign investment**

By Susan Mathew

Aug 24 (Reuters) - **Latin American currencies rose on Monday, with Mexico's peso extending gains to a fifth straight session, as the dollar weakened ahead of major events this week and on rising base metal prices.**

The greenback lost ground against major rivals ahead of the Republican National Convention, at which U.S. President Donald Trump will seek to reboot his election campaign. Eyes will also be on Federal Reserve Chair Jerome Powell's address on Thursday about the U.S. central bank's monetary policy framework review.

Global sentiment, meanwhile, got a lift after the U.S. Food and Drug Administration approved the use of blood plasma from patients who have recovered from COVID-19 as a treatment option. Main stock indexes in Latin America rose between 0.1% and 0.7%. Argentina's Merval, however, lost 1.4%.

Mexico's peso was up 0.1% after annual inflation in the first half of August increased to 3.99%, above expectations, to the upper end of the central bank's target range.

The data "will probably prompt the central bank to slow the pace of its easing cycle. But with inflation set to drop back over the coming months, we still think interest rates will fall by more than most expect this year," Capital Economics wrote in a note.

Brazil's real rose steadily from three-month lows. The World Health Organization on Friday said the coronavirus crisis appears to be leveling off, if not easing, in the world's second biggest COVID-19 hot spot. Brazil had registered more than 3.6 million cases as of Sunday.

On Monday, Brazil's lower house speaker Rodrigo Maia said the country's congress will focus on the government's spending ceiling rule and tax and administrative reforms for the remainder of this year, and expects other key economic reforms to be passed next year.

The real has been facing increased pressure amid a slew of ministerial resignations and worries about the country's fiscal position.

Chile's currency led gains in the region, up 1%, as copper prices rose, while the Colombian peso was flat. Colombia's government on Friday launched an effort to attract $11.5 billion in non-energy related foreign investment between now and 2022, in a bid to create jobs. The plan includes tax incentives and bureaucratic simplifications.

In Argentina, approval by creditors of its debt restructuring offer is being eyed ahead of a Friday deadline. Investors are now looking for macroeconomic reforms and International Monetary Fund support to regain confidence.

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EMERGING MARKETS-Mixed messages for Asia in Fed's new strategy

28-Aug-2020

- **Singapore shares set to snap two-day losing streak**
- **Outlook for lower long term U.S. rates buoy Asia FX**
- **Spike in COVID-19 infections hits Indonesian markets**

By Shriya Ramakrishnan

Aug 28 (Reuters) - **Asian currencies edged up on Friday as investors bet that the U.S. Federal Reserve's new strategy to lift inflation and spur growth will keep its interest rates lower for longer, supporting rate differentials with the region's higher-yielding emerging markets.**

Taiwan's dollar again led gains, up more than half a percent, while the Philippine peso rose around 0.3%, while South Korea's won and the Singapore dollar were more subdued, edging up around 0.1%.

"Powell's speech is bearish for the USD over the medium to long term because U.S. real interest rates will have room to fall further into negative territory," said Joseph Capurso, head of international economics at CBA.

The broader message from the Fed of more efforts to boost growth pushed U.S. 10-year bond yields higher, however, providing some support to the dollar and keeping a lid on flows into riskier Asian assets.

Yields on long-dated government bonds for Thailand and Indonesia were up 7.5 and 6.4 basis points (bps) each, and both the Indonesian rupiah and Malaysian ringgit traded lower on the day.

"If the U.S. curve steepens by more than 50-75 bps from here, the impact on Asian markets could be material," said Duncan Tan, interest rates strategist at DBS.

"In that scenario, we would likely see reallocation of global capital away from Asia and to the U.S., leading to higher rates and weaker currencies in Asia."

In Indonesia, the rupiah weakened 0.2% and stocks slipped as the country reported its biggest daily spike in coronavirus infections.

Singapore shares rose 1.8% following overnight gains on Wall Street, while Thai shares were up about half a percent.

South Korea's export-focused KOSPI also recovered from a more than 1% fall in the previous session. Facing a surge in new coronavirus cases, the government decided to extend current social distancing measures instead of moving to tougher restrictions, easing concerns about further economic fallout.

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GLOBAL

GLOBAL MARKETS-Shares, dollar climb as Fed lays out new inflation strategy

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- **MSCI's global index climbs to new highs**
- **S&P 500, Nasdaq also at new records on inflation push**
- **Dollar gains as Fed pushes new strategy, as expected**

By Herbert Lash

NEW YORK, Aug 27 (Reuters) - **A gauge of world equity markets and the dollar rose on Thursday after the Federal Reserve said it would roll out an aggressive new strategy that aims to boost employment and allow inflation to run a bit faster for longer than in the past.**

Yields also gained on longer-dated government bonds as Fed Chair Jerome Powell laid out a policy that will seek to achieve inflation averaging 2% over time and offset below -2% periods with higher inflation "for some time."

The Fed also aims to ensure employment doesn't fall short of its maximum level, a new approach Powell said reflected an appreciation "that a robust job market can be sustained without causing an unwelcome increase in inflation."

The dollar rebounded after initially falling and gold prices also flipped, retreating from early gains in reaction to comments from Powell that investors had widely expected.

"Ultimately, this just means interest rates are going to stay very, very low for even longer than we expected," said Esty Dwek, head of global market strategy at Natixis Investment Managers in Geneva.

"It's lower for even longer and the market was pretty much anticipating this," Dwek said.

The dollar index rose 0.138%, spot gold prices fell 1.37% to $1,926.66 an ounce while advancing shares outnumbered declining stocks on Wall Street as the S&P 500, the Nasdaq and MSCI's global equity benchmark all set new highs.

MSCI's benchmark for global equity markets rose 0.18% to 585.08, but Europe's broad FTSEurofirst 300 index closed down 0.57% at 1,438.26.

On Wall Street, the Dow Jones Industrial Average rose 0.92%, the S&P 500 gained 0.55% and the Nasdaq Composite added 0.38%.

"The market will probably take some time to digest the implications," said Nancy Davis, chief investment officer at Quadratic Capital Management LLC in Greenwich, Connecticut.

"But I believe that a higher willingness to let inflation run above 2% should hurt long-end bonds and inflation expectations probably should increase," she said.

Powell's remarks on achieving full employment, one of the Fed's dual mandates, came as new data suggested the labor market recovery was stalling as the COVID-19 pandemic drags on and financial aid from the government dries up.

The number of Americans filing new claims for unemployment benefits hovered around 1 million last week, while the U.S. economy suffered its sharpest contraction in at least 73 years in the second quarter, two government entities said.

While the 10-year U.S. Treasury note rose 4.7

basis points to 0.7341%, it remained within a range it has mostly held since March, when the Fed flooded the market with liquidity to drive down market rates.
Safe-haven 10-year German bund yields rose to their highest since early July at -0.384%.
The euro was last down 0.08% at $1.1820.
Spot gold prices fell 1.37% to $1,926.66 an ounce.
Oil prices fell as a massive hurricane in the Gulf of Mexico made landfall in the heart of the U.S. oil industry, forcing oil rigs and refineries to shut down.
Brent crude futures fell $0.42 to $45.22 a barrel.
U.S. crude futures slid $0.28 to $43.11 a barrel.

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