PDM NETWORK

MEF Dipartimento del Tesoro

OECD BETTER POLICIES FOR BETTER LIVES

WORLD BANK GROUP

Click the links below for more info:

>> PDM Network

>> Emerging Markets Weekly Newsletter

>> Bimonthly Newsletter

Emerging Sovereign Debt Markets NEWS

Number 1 Week 28 December 2019 – 3 January 2020

Table of contents

ASIA

Azerbaijan

Azerbaijan: In 2020, the Ministry of Finance will issue 5-year government securities

03-Jan-2020

The Ministry of Finance of the Republic of Azerbaijan is planning to issue government securities up to 850.0 million manat by 2020. Within the mentioned issue of 300.0 million manat state short-term (1 year and shorter) and 550.0 million manat medium-term (from 1 to 5 years) relevant documents confirming the issuance of domestic securities in the domestic financial markets, including the issue of government bonds has been registered with the state.

Taking into account the increased demand for long-term government securities by investors, the Ministry of Finance is planning to issue government bonds for 5 years for the first time since 2020. Thus, the implementation of the tasks set in the Strategy for medium and long-term public debt management in the Republic of Azerbaijan approved by the Presidential Decree No. 424 dated August 24, 2018, as well as the phased extension of government securities in the domestic market and more. The development of the securities market will be further accelerated by providing a benchmark for long-term securities.

According to the press service of the Ministry of Finance of the Republic of Azerbaijan, as in the current and previous years, information on trades on government bonds will be published quarterly, as well as the results of trades will be published on the official website of the Ministry immediately after the auction.

China

Henan issues first special bonds of 2020 as China frontloads issuance

02-Jan-2020

BEIJING/SHANGHAI, Jan 2 (Reuters) - **China's Henan province issued the country's first special bonds this year on Thursday, with the first batch of five-, 10- and 15-year bonds yielding 3.14%, 3.38% and 3.67%, respectively, sources told Reuters.**

The yields represent a premium of 25 basis points above the respective benchmarks, the minimum level permitted under current rules.

The bonds drew strong interest, with bid-to-cover ratios ranging between 12.95 and 27.31, the sources said. Last week, the province announced plans to issue 51.9 billion yuan ($7.45 billion) worth of special bonds.

Separately, Sichuan's provincial government is expected to issue special bonds on Thursday afternoon. The government said last week that it would issue 35.67 billion yuan in special bonds on Jan. 2.

The New Year's issuance comes as Beijing loosens rules around debt funding to allow local governments to frontload their bond programmes to expedite investment.

In the past, China only permitted local governments to issue local bonds after annual quotas were set China's parliamentary session in March.

But last year, regulators allowed regional and local governments to issue bonds as early as January to encourage investment and infrastructure construction to combat a slowing economy, hurt by weakening domestic demand and a trade war with the United States.

This year, China has allowed local governments to issue up to 1 trillion yuan of the 2020 local government special bonds quota early to avert a sharper economic slowdown.

Analysts have warned that a combination of short-term demand for cash ahead of the Lunar New Year holiday later this month, and banks' demand for cash for special bonds could lead to a liquidity gap of as much as 2.8 trillion yuan in late January.

On Wednesday, the People's Bank of China announced it would lower banks' reserve requirement ratios as of Jan. 6. The move is set to free around 800 billion yuan in funds to offset the risks of such a cash crunch and shore up a slowing economy.

($1 = 6.9664 Chinese yuan)
(Reporting by Xiaochong Zhang in Beijing and Andrew Galbraith in Shanghai; Editing by Sam Holmes)
((Andrew.Galbraith@tr.com; +86 21 2083 0079; Reuters Messaging: andrew.galbraith.thomsonreuters.com@reuters.net; Twitter: https://twitter.com/apgalbraith))

Chinese local govt debt issuance rises to $627 bln in 2019

02-Jan-2020

BEIJING, Jan 2 (Reuters) - **China issued 4.36 trillion yuan ($627 billion) in local government bonds in 2019, the finance**

ministry said on Thursday, up from 4.17 trillion yuan the previous year.
Net special bond issuance totalled 2.15 trillion yuan, in line with a target Beijing set in March.

($1 = 6.9588 Chinese yuan renminbi)
(Reporting by Beijing Monitoring Desk; Writing by Yawen Chen; Editing by)
((yawen.chen@thomsonreuters.com; +86 10 5669 2126; Follow me on Twitter https://twitter.com/ywchen1))

China encourages foreign bank underwriting of local government bonds

03-Jan-2020
SHANGHAI, Jan 3 (Reuters) - **China's Ministry of Finance said restrictions will be removed for foreign banks to participate in the underwriting of local government bonds, part of efforts to open up the country's financial market.**
The ministry said in a statement on its website that it would help its agencies nationwide to revise and improve underwriting rules for local government bond issuance.
Opening this business to foreign banks would help expand the sales channel and investor base of local government bonds, as well as promote yuan internationalization and China's bond market, the ministry said.
Several foreign lenders, including the China subsidiaries of Deutsche Bank and Bank of East Asia, have already participated in local bond underwriting in China, the ministry said.
Beijing has allowed Chinese local governments to step up bond issuance to finance infrastructure construction to stimulate the slowing economy.
Local governments issued 4.36 trillion yuan ($627 billion) of bonds in 2019, up from 4.17 trillion yuan the previous year.

(Reporting by Samuel Shen and Andrew Galbraith; Editing by Kim Coghill)
((samuel.shen@thomsonreuters.com; +86 21 20830018; Reuters Messaging: samuel.shen.thomsonreuters.com@reuters.net))

India

How operation twist will affect debt mutual fund investors

30-Dec-2020
New Delhi, Dec. 30 -- **On 19 December, the Reserve Bank of India (RBI) announced an unusual set of operations-that it was selling government bonds maturing in 2020 and buying those maturing in 2029. RBI repeated this action on 26 December, to be conducted on 30 December.** RBI's initial action, now popularly called Operation Twist, was seen as the Indian version of an action undertaken by the US Federal Reserve in 2011 as part of its efforts to revive the economy hit by the global financial crisis.
Though the amount involved in Operation Twist-Rs.10.000 crore each in the two actions-is modest, many market participants feel such actions can have major implications for the debt markets and interest rates. This can, in turn, affect debt mutual funds because their returns increase when interest rates fall and vice-versa.
What to expect
Operation Twist involves the buying of long-dated bonds and selling of short-dated ones by RBI. This will do two things, said experts.
"It will lower the term premium and will benefit investors in longer maturity funds," said Dwijendra Srivastava, head, fixed income, Sundaram Mutual Fund. The term premium is the extra yield that bonds with a longer maturity pay out. This is because investors see longer-dated bonds as riskier and demand higher yields for holding them. For example, a three-year bond yield is around 6.5% but a 10-year bond yield is close to 7.5%. Operation Twist aims to reduce this spread, bringing down the cost of long-term borrowing.
"Operation Twist attempts to get yields of long-term bonds lower without any rate cuts," said Arvind Chari, head, fixed income and alternatives, Quantum Advisors Pvt. Ltd. RBI paused the rate cut cycle in its 5 December monetary policy. Lower rates raise the prices of these bonds and hence the returns of debt funds holding the bonds. These include medium-term, long term and government securities (gilt) funds.
The extent of the sensitivity of a fund to interest rate changes is measured by the modified duration. This gives the percentage change in a debt funds' value in relation to the percentage change in interest rates. For example, a modified duration of five means that a 1% fall in rates will cause a 5% jump in the value of the fund's portfolio, other things being equal.
Many hybrid funds also hold long-dated bonds and their returns are affected by rate changes. "If such moves continue, bond yields may fall by up to 20 basis points," said Srivastava. Investors in long-dated funds may benefit from a further fall in yields as a result of Operation Twist.
Over the past year, interest rates have fallen by a significant margin. The yield on the benchmark government of India bond has fallen by 7.30% to 6.60%, a drop of 0.70% (as on 24 December). This has caused a rally in long-dated funds. Gilt funds which invest in long-dated government bonds have delivered 10.12% over the past year compared to their five-year average return of 8.08%. At the same time, long-duration funds have delivered 12.12% compared to their five-year average return of 8.76%.
Within days of RBI's announcement of Operation Twist, yields on 10-year government bonds fell

from 6.75% (on 19 December) to 6.58% on 24 December. Long-duration funds, on average, rallied by 1.88% over the same period and gilt funds shot up by 1.10%. If RBI were to conduct more such operations, these categories of funds may see similar gains in the near future.

Risks to consider

Before jumping to buy long-dated debt funds, consider some risks.

First, the ongoing slowdown has hurt the government's tax collections, putting the fiscal deficit target of 3.3% in jeopardy. The fiscal deficit is the extent to which the government's expenditure exceeds its income. A higher fiscal deficit means that the government needs to borrow more. This, in turn, means higher interest rates in the economy, as the government competes with other borrowers. As a result, bond prices head lower and so do returns on debt funds.

Second, inflation was unexpectedly high in November 2019, rising to 5.26% from 4.62% in the previous month. RBI's target inflation band is 4-6% implying that higher inflation may force the central bank to be more cautious on easing interest rates.

The third risk is reading more into the RBI move than is warranted. "RBI's action has given the signal that long-term yields were too high. A kind of cap on yields has been placed. However, that does not necessarily mean that it wants to keep bringing yields down," said Mahendra Kumar Jajoo, head, fixed income, Mirae Asset Mutual Fund. "For that, traders would want to see a few follow-ups such as buy auction on long-dated securities," he added.

Chari said that investors can take a tactical view in investing in long bond funds. "But we don't see this as a structural bull run in the bond markets. The best of the bond gains is behind us," he added.

RBI's Operation Twist holds out some relief to investors in long-dated debt funds and the National Pension System, the debt funds in which tend to hold long-maturity bonds. However, investors may not want to position themselves for similar actions in the future. The ballooning fiscal deficit poses a key risk to long-term bond yields.

Above all, investors' asset allocation must be tailored to their risk appetite and goals. Investors with time horizons of three years or less should stick to short-duration, money-market or liquid funds, depending on their precise requirements. Tactical calls, if any, are a secondary concern and should be taken with great caution. Published by HT Digital Content Services with permission from MINT.

India's current account improves as trade deficit shrinks

31-Dec-2020

By Swati Bhat

MUMBAI, Dec 31 (Reuters) - **India's current account deficit narrowed in the September quarter of the fiscal year as the trade deficit shrank, central bank data showed on Tuesday, but the momentum may not be sustainable.**

The current account deficit declined to 0.9% of gross domestic product in the second quarter of the fiscal year ending March 2020 from 2.9% in the same period a year ago. On a quarterly basis, it shrank from 2.0% of GDP in the June quarter.

The deficit measures the difference between the value of a country's imported and exported goods and services.

"The contraction ... was primarily on account of a lower trade deficit at $38.1 billion as compared with $50.0 billion a year ago," the Reserve Bank of India said in the release.

The trade deficit stood at $12.12 billion in November compared with $16.67 billion a year earlier, trade ministry data showed earlier this month.

The "trade deficit is lower primarily because imports have fallen at a faster rate than exports due to weak manufacturing activity and lower imports of raw materials and capital goods," said Rupa Rege Nitsure, chief economist at L&T Financial Services.

Data last month showed annual economic growth slowed to 4.5% in the September quarter, its weakest pace since 2013.

The current account deficit stood at $6.3 billion in the September quarter versus $19 billion a year ago. The merchandise trade deficit narrowed to $38.1 billion from $50.0 billion, the central bank said.

Balance of payments, the difference between the current account and capital account, stood at a surplus of $5.1 billion in the September quarter compared with a deficit of $1.9 billion a year ago, data showed. However, the narrowed from $14 billion seen in the June quarter.

Net inflow on account of external commercial borrowings stood at $3.2 billion compared with $2.0 billion last year. Net foreign direct investment was largely unchanged at $7.4 billion.

Private transfer receipts, mainly representing remittances by Indians employed overseas, rose to $21.9 billion, up 5.2% from a year ago, the data showed.

"Both the critical components of foreign exchange reserves - exports and FDI - have not shown any improvement Y-O-Y. On the other hand, portfolio inflows (hot money) and ECBs (debt capital) have increased significantly. This kind of improvement is not sustainable," L&T's Nitsure said.

(Reporting by Swati Bhat, editing by Larry King)
((swati.bhat@thomsonreuters.com;

twitter.com/swatibhat22; +91-22-68414381; Reuters Messaging: swati.bhat.thomsonreuters.com@reuters.net))

Indian States' Fiscal Deficit Seen at 3% in FY20 - India Ratings

01-Jan-2020
By Dharam Dhutia
NewsRise
MUMBAI (Jan 01) -- **India states' aggregate fiscal deficit to touch 3% of GSDP this FY, higher than 2.6% as per budgets and 2.9% last FY, India Ratings says in note.** "This fiscal slippage will originate from a decline in tax revenue, lower nominal GDP and higher expenditure," Devendra Pant, chief economist and head public finance, says. "States' share in central taxes has been budgeted to grow 13.98% yoy in FY20. However, it contracted 2.7% yoy in FY20 (April-October), exerting pressure on state's fiscal deficit," he adds. Overall shortfall in states' revenue could touch INR390.32 billion in FY20; states due to borrow INR2.09 trillion via bonds in January-March.

- By Dharam Dhutia; Dharam.Dhutia@newsrise.org; 91-22-61353300
- Edited By Mrigank Dhaniwala
- Send Feedback to feedback@NewsRise.org

RBI to Raise 30 K crore to Help Govt Pay Debt

03-Jan-2020
Mumbai: **The Reserve Bank of India (RBI) will raise 30, 000 crore by selling cash management bills (CMB), or short-term sovereign papers, as the government will need funds to meet immediate debt obligations.** The CMBs will mature on March 17.The RBI will also buy longer maturity bonds while selling shorter duration papers for10, 000 each, seeking to bring yields down in line with the policy rate.
"CMBs will help the government to meet immediate repayment requirements especially when the fisc is running in deficit" said Naveen Singh, head of trading at ICICI Securities PD. "Traders expected the third instalment of Operation Twist, but the surprise was more securities on the buy side, which will make the yield drop more broad based instead of the market focusing only the benchmark paper, " he said. Government bonds worth 61, 000 crore came up for redemption Thursday when investors received the money back with interest, show data from RBI.
Similar maturities are falling due next two weeks for74, 000 crore. Fiscal deficit pegged at 3.3% of GDP is likely to be breached for the FY20.
This time, the central bank will buy three series of long duration papers maturing in the next four, six and nine years for10, 000 crore and sell equivalent debt maturing this calendar year. Mint Street first conducted such open market operation on December 19 last year. Since then, the yields declined 25 basis points.

Oman

Oman 2020 budget projects modest rise in spending, deficit at 8% of GDP

01-Jan-2020
By Tuqa Khalid
DUBAI, Jan 1 (Reuters) - **Oman's government expects to increase spending this year by 2% to 13.2 billion rials ($34.38 billion), but its fiscal deficit will remain high at 8% of gross domestic product (GDP), its state news agency said on Wednesday.**
The government expects a deficit of 2.5 billion rials in 2020, slightly lower than the 2.8 billion rials projected in the 2019 budget.
Oman recorded a deficit of 1.9 billion rials in the first 10 months of 2019, according to government data.
Some 80% of the 2020 deficit will be funded through foreign and domestic borrowing, while the remainder will be funded by drawing from reserves, the state news agency ONA said.
Revenues are estimated at 10.7 billion rials, assuming an average oil price of $58 per barrel this year. Revenues are up 6% from last year's budget projection.
Oil prices have been recovering recently, as the price of Brent Crude Futures settled at $66 per barrels on Tuesday, according Refinitiv data. Brent gained about 23% in 2019.
OPEC nations and producers outside the exporting group in late 2019 agreed to deepen crude output cuts by 500,000 barrels per day until March 2020 to support prices, but the move could weigh on growth and oil revenues for oil producers in the Gulf.
Rated junk by all three major rating agencies, Moody's, Fitch and S&P, Oman has relied heavily on borrowing over the past few years to spur growth and refill its coffers – depleted because of lower oil prices.
Moody's said in a statement in March that Oman could face external vulnerability as wide fiscal deficits will contribute to wide current account deficits, perpetuating Oman's dependence on steady inflows of external financing.

($1 = 0.3840 Omani rials)
(Reporting by Tuqa Khalid, editing by Louise Heavens)
((Tuqa.Khalid@thomsonreuters.com; +971521047568))

Pakistan

Pakistan reserves increase $582 mln to $11,489.4 mln week ending Dec 27

02-Jan-2020

KARACHI, Pakistan, Jan 2 (Reuters) - **Pakistan's foreign exchange reserves increase $582 million to $11,489.4 million in the week ending Dec 27, compared to $10,907.3 million in the previous week, the central bank said on Thursday.**

During week ending December 27, State Banks reserves increase by $582 million, central bank said on Thursday.

This increase is attributed to bilateral and multilateral inflows including proceeds of $452.4 million recivied from IMF under EFF program, the central bank added.

(Reporting by Syed Raza Hassan)
((raza.hassan@thomsonreuters.com))

Pakistan/United Arab Emirates

UAE fund allocates $200 mln to support economic projects in Pakistan

02-Jan-2020

DUBAI, Jan 2 (Reuters) - **The de facto United Arab Emirates ruler, Abu Dhabi Crown Prince Sheikh Mohammed bin Zayed al-Nahyan, instructed the Khalifa Fund for Enterprise Development to allocate $200 million to support small and medium economic projects in Pakistan, state news agency reported on Thursday.**

The Crown Prince is in Islamabad where he met Prime Minister Imran Khan, and the two discussed "regional and international issues of mutual interest as well as ways to enhance bilateral ties," according to Sheikh Mohammed's tweet earlier in the day.

(Reporting by Tuqa Khalid, Editing by William Maclean)
((Tuqa.Khalid@thomsonreuters.com; +971521047568))

Thailand

Thailand to sell up to $4.7 bln of govt bonds in January-March

30-Dec-2020

BANGKOK, Dec 30 (Reuters) - **Thailand plans to sell up to 142 billion baht ($4.71 billion) of government bonds in January-March as part of a debt-restructuring effort, the finance ministry said on Monday.**

The baht-denominated bonds, to be sold domestically, will have maturities of between five and 47 years, the ministry said in a statement.

That compares with up to 144 billion baht of government bond issues planned for the previous quarter.

($1 = 30.13 baht)
(Reporting by Satawasin Staporncharnchai
Writing by Orathai Sriring
Editing by Kim Coghill)
((orathai.sriring@thomsonreuters.com; +662 0802309; Reuters Messaging: orathai.sriring.thomsonreuters.com@reuters.net))

EUROPE

Bosnia

Bosnia approves slight rise in Q1 financing as it prepares state budget

30-Dec-2020

SARAJEVO, Dec 30 (Reuters) - **Bosnia's new central government on Monday approved 241 million marka ($138.03 million) in temporary financing for the first quarter of 2020, up 1.5% on the previous quarter, as it prepares the state budget.**

Lawmakers endorsed the new government a week ago after a 14-month deadlock, opening the way for a resumption of reforms needed to become a candidate for EU membership and for talks on a new deal with the International Monetary Fund.

Earlier this month, parliament adopted a budget for statewide institutions for 2019 after delays of more than a year because of wrangling over the formation of the new central government, whose powers are relatively weak.

The institutions had been kept afloat through temporary financing arrangements covering each quarter of 2019, with the government working in a caretaker capacity.

Newly elected Prime Minister Zoran Tegeltija said that a 2020 budget was in the drafting stage and was expected to be passed before the end of February.

Bosnia is made up of two autonomous regions - the Serb Republic and the Federation dominated by Bosniaks and Croats - which are linked by the central government.

($1 = 1.7460 marka)
(Reporting by Maja Zuvela; editing by Nick Macfie)
((maja.zuvela@thomsonreuters.com; +387 33 295 485; Reuters Messaging: maja.zuvela.thomsonreuters.com@reuters.net))

Bosnian govt approves 140 mln euro

EIB loan deal for Corridor Vc construction

30-Dec-2020

SARAJEVO (Bosnia and Herzegovina), December 30 (SeeNews) - **B**

The proceeds of the loan will be used to finance the planned construction of two new sections of European transport Corridor Vc - Poprikuse-Nemila and Tarcin-Ivan, which will have a length of 12 kilometres combined, the Council of Ministers said in a statement.

The 25-year loan will have a six-year grace period and will be used by Bosnia's Federation entity, the state-level government said. The Federation is one of two entities that make up Bosnia and Herzegovina, with the other being the Serb Republic.

The EIB loan contract is now pending approval by Bosnia's tripartite presidency.

The estimated total value of the project is 294 million euro. The remaining 154 million euro will come from loans from the European Bank for Reconstruction and Development (EBRD), grants from the Western Balkans Investment Framework (WBIF), and Bosnia's own funding, the government said.

Corridor Vc has a total length of 700 km and connects the Adriatic port of Ploce in Croatia with Budapest in Hungary via Bosnia. Its length in Bosnia is some 340 km.

($=0.892711 euro)

Bulgaria

Bulgaria expects to end 2019 with fiscal shortfall of 1% of GDP

31-Dec-2020

SOFIA, Dec 31 (Reuters) - **Bulgaria expects to end 2019 with a fiscal deficit of 0.96% of gross domestic product, outperforming its target for a 2.1% shortfall, the finance ministry said on Tuesday.**

Sofia was targeting a one-off deficit of 2.1% of GDP mainly due to a $1.26 billion fighter jet deal it signed with the United States, but better tax collection and some spending cuts helped reduce the anticipated shortfall.

Bulgaria, a small and open economy, hopes to join the Eurozone's obligatory two-year "waiting room", the ERM-2 mechanism, by next April, and it aims to balance its fiscal books in 2020 and keep it that way by 2023.

The finance ministry sees the economy growing 3.6% this year and by 3.3% in 2020.

Bulgaria's consolidated fiscal programme recorded a surplus of 1.3 billion levs ($746 million) or 1.1% of GDP through November, the ministry said.

Government revenues at the end of November were 39.9 billion levs, up 4 billion levs from the same period last year. Spending in the first 11 months was 38.6 billion levs, up 10.9% on the year, finance ministry data showed.

The fiscal reserves, held under a currency regime pegging the lev to the euro, stood at 10.5 billion levs at the end of November.

($1 = 1.7421 leva)
(Reporting by Tsvetelia Tsolova
Editing by Gareth Jones)
((tsvetelia.tsolova@thomsonreuters.com; +359-2-93-99-731))

Croatia

Croatia sells less then planned at T-bill auction

30-Dec-2020

ZAGREB, Dec 30 (Reuters) - **Croatia's Finance Ministry raised 1.43 billion kuna ($215 million) on Monday at an auction of one-year treasury bills, below a target of 1.8 billion kuna, ministry data showed on Monday.**

The yield of 0.06% was unchanged from the previous auction on Dec. 3, when the ministry sought to sell bills worth 1.3 billion kuna, and surpassed its target, raising 1.76 billion kuna.

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

After the auction, Croatia's short-term local currency debt fell to 17.19 billion kuna from 17.81 billion kuna.

($1 = 6.6473 kuna)
(Reporting by Maja Zuvela; Editing by Susan Fenton)
((maja.zuvela@thomsonreuters.com; +387 33 295 485; Reuters Messaging: maja.zuvela.thomsonreuters.com@reuters.net))

Czech Republic

Czech PM would allow higher 2020 budget deficit if slowdown worsens

01-Jan-2020

PRAGUE, Jan 1 (Reuters) - **The Czech government could allow the 2020 central state budget deficit to grow beyond a planned 40 billion crown ($1.77 billion) gap to boost investments if a slowdown worsens, Prime Minister Andrej Babis told Czech Television on Wednesday.**

Babis' government is planning higher spending in the 2020 budget for pension and public sector salaries and new investment while keeping the deficit target unchanged from 2019.

Overall public finances, which include the budget along with regional governments and the health insurance system, should end in a slight surplus, according to Finance Ministry forecasts.

The ministry predicts growth slowing to 2.0% in

2020 from 2.5% seen in 2019.
Babis told the state broadcaster that a bigger central state budget gap would be allowed if more investment was needed.
"If the economy slows and the private sector does not invest as much as before, then we will have to compensate for that," Czech TV cited him as saying.
The economy has maintained growth, driven largely by strong domestic consumption, but it is predicted to lose some steam next year as weakness abroad, especially in its main trading partner Germany, dents exports.
The Czech Republic has been one of the best fiscal performers in the European Union in recent years. But spending rises from Babis' government have been criticised by many economists and the opposition for leaving little wriggle room in budgets during times of downturn.
The budget showed a 38.6 billion crown deficit at the end of November, the deepest gap for the 11-month period since 2014. Finance Minister Alena Schillerova has said the full-year deficit could end at around 30 billion crowns.
The ministry is due to release 2019 budget data on Friday.

($1 = 22.6620 Czech crowns)
(Reporting by Jason Hovet;
Editing by Alison Williams)
((jason.hovet@thomsonreuters.com; +420 224 190 476; Reuters Messaging: jason.hovet.thomsonreuters.com@reuters.net))

Romania

Romania says records 11-month budget gap of 3.6%/GDP

30-Dec-2020
BUCHAREST, Dec 30 (Reuters) - **Romania's consolidated budget deficit widened to 3.6% of gross domestic product at the end of November from 2.8% a month earlier, the finance ministry said on Monday.**
In nominal terms, the deficit stood at 37.0 billion lei ($8.67 billion) at the end of November. Budget revenue totalled 289.3 billion lei, or 27.8% of GDP. Spending was 326.4 billion lei.
The government had revised its deficit target for this year to 4.4% of GDP, significantly above the European Union's ceiling of 3%, as a result of underperforming budget revenue and higher social spending enforced by a previous leftist cabinet.

($1 = 4.2670 lei)
(Reporting by Radu Marinas)
((radu.marinas@thomsonreuters.com; +40 21 527 04 33))

Romania to issue 5 bln lei (1.05 bln euro) of domestic debt in Jan

31-Dec-2020
BUCHAREST (Romania), December 31 (SeeNews) - **Romania's finance ministry intends to auction 5 billion lei ($1.2 billion/1.05 billion euro) worth of government securities in January, including 615 million lei in non-competitive offers.**
The finance ministry plans seven auctions of government securities with residual maturities ranging from 3 to 15 years and an auction of one-year Treasury bills, it said in an issuance plan published in the Official Gazette on Monday.
The ministry planned to place 5.95 billion lei worth of government securities in December. It overshot its target by selling 5.53 billion lei and 416 million euro (1.98 billion lei) worth of government paper.
Since the beginning of 2019, the finance ministry has sold roughly 60 billion lei and 1.6 billion euro ($563 million) worth of domestic debt paper.
It also tapped foreign markets for 5 billion euro worth of 2026, 2031, 2034 and 2049 Eurobonds.

(1 euro=4.7785 lei)

Serbia

Serbia to borrow 2 bln euro on global bond markets in 2020

30-Dec-2020
BELGRADE (Serbia), December 30 (SeeNews) – **Serbia plans to borrow 2 billion euro ($2.2 billion) through the sale of government securities on the global markets next year, finance minister Sinisa Mali has said.**
The borrowing through the issuance of domestic government debt is envisaged at about 312 billion dinars, Mali said in a press release on Friday.
Serbia's local currency debt is likely to enter one of the JP Morgan Indices for Emerging Markets in the first half of 2020, after being placed on the watchlist in the first quarter, Mali said.
Moreover, Serbia plans to offer 12-year dinar-denominated bonds and 20-year euro-denominated securities in the first quarter of 2020, he added.
"Given that the latest Eurobond yielded 1.25%, I think the conditions are such that we should borrow," Mali explained.
In November, Serbia sold 550 million euro worth of ten-year Treasury notes listed on the London Stock Exchange (LSE). The T-notes were added to a 1.0 billion euro issue of government securities first auctioned in June and were sold at an average yield of 1.25%, down by 37 basis

points.

($ = 0.89288 euro)

Slovakia

Slovak end-December budget deficit at EUR 2.2 bln

02-Jan-2020
BRATISLAVA, Jan 2 (Reuters) - **The Slovak central government budget deficit reached 2.20 billion euros ($2.46 billion) at the end of December, wider than the 1.18 billion euro deficit posted a year ago, the Finance Ministry said on Thursday.**
Total revenue reached 15.83 billion euros at the end of December, while expenditure was 18.03 billion euros. Tax revenue stood at 12.34 billion euros, up from 11.97 billion euros a year ago.
Revenue from EU transfers reached 2.13 million euros, down from 2.17 billion euros at the end of December 2018.

($1 = 0.8933 euros)
(Reporting by Mirka Krufova; Editing by Robert Muller)
((prague.newsroom@thomsonreuters.com) (+420 224 190 477) (Reuters Messaging: mirka.krufova.thomsonreuters.com@reuters.net))

Turkey

Turkey slashes January domestic borrowing by $1.6 bln

31-Dec-2020
ANKARA, Dec 31 (Reuters) - **Turkey's Treasury on Tuesday slashed its domestic borrowing amount for January by almost 10 billion lira ($1.68 billion) to 15 billion lira, according to its three-month domestic borrowing strategy.**
In its borrowing strategy a month earlier, the Treasury had set the January domestic borrowing amount at 24.4 billion lira. On Tuesday, it also said it planned a 2.83-billion lira payment for the transfer of state lender Vakifbank's shares to the Treasury on February 11.
The Treasury also said it would resort to buy-back auctions as part of its active debt management strategy.

($1 = 5.9477 liras)
(Reporting by Nevzat Devranoglu; Writing by Tuvan Gumrukcu; Editing by Jonathan Spicer)
((tuvan.gumrukcu@tr.com; +90 312 292 7021; @tuvangumrukcu; Reuters Messaging: tuvan.gumrukcu.thomsonreuters.com@reuters.net))

LATIN AMERICA AND CARIBBEAN

Argentina

S&P raises Argentina's foreign currency rating to "CC" from "SD"

30-Dec-2020
Dec 30 (Reuters) - **Global ratings agency Standard & Poor's raised Argentina's long-term foreign currency rating to "CC" from "SD" (selective default), saying the default on short-term dollar-denominated paper on Dec. 19 has effectively been "cured".**
S&P had downgraded Argentina to "SD" on Dec. 20 after the administration of President Alberto Fernandez unilaterally extended the maturity of all short-term dollar-denominated paper on Dec. 19, and the ratings agency said it constituted as a default.
S&P maintained Argentina's outlook at negative, citing further restructuring of sovereign debt in coming months.

(Reporting by Devbrat Saha and Shubham Kalia in Bengaluru)
((Devbrat.Saha@thomsonreuters.com; within U.S. +1 646 223 8780, outside U.S. +91 80 6749 1130))

Argentina issues $1.3 bln in Treasury Bills

02-Jan-2020
BUENOS AIRES, Jan 2 (Reuters) - **Argentina's new government announced the issuance of $1.326 billion of dollar-denominated Treasury Bills, to be directly subscribed by the central bank, according to a decree in the official Gazette on Thursday.**
The issuance of the 10-year debt comes as the country's new Peronist President Alberto Fernandez looks to pay off creditors and stave off a damaging default.
Argentina, hit by a debt crisis since last year, is facing tough restructuring negotiations with creditors including the International Monetary Fund (IMF) over around $100 billion in sovereign debt which it is struggling to service.
The Treasury Bills will expire on Dec. 30 2029 with interest payable semi-annually. The rate will depend on the interest accrued by the central bank's foreign reserves and capped at the annual LIBOR rate minus one percentage point, the decree said.
A recently passed law to help revive Argentina's economy, Latin America's third largest, allows the government to issue up to $4.571 billion in similar dollar denominated bills.

(Reporting by Hernan Nessi;
Writing by Adam Jourdan;
Editing by Andrew Cawthorne)

((adam.jourdan@thomsonreuters.com; +54 1155446882; Reuters Messaging: adam.jourdan.thomsonreuters.com@reuters.net))

Brazil

Brazil's primary deficit shrinks again, now smallest in over a year

30-Dec-2020
By Jamie McGeever
BRASILIA, Dec 30 (Reuters) - **Brazil's public sector finances improved further in November, central bank figures showed on Monday, as the deficit as a share of the overall economy shrank to its smallest in over a year and the national debt fell for the third straight month.**
The primary deficit for the consolidated public sector, before interest payments are factored in, fell to 1.24% of gross domestic product in the 12 months to November from 1.25% the month before, the smallest shortfall in 13 months.
In hard cash terms, that translated into a deficit of 89.49 billion reais in the 12 months to November, compared with 89.78 billion reais registered in the same period a year ago.
Brazil's right-wing government has made restoring public finances to health one of its top economic priorities, mostly via severe budget freezes and cuts, and pushing through landmark legislation to reform the social security system.
At the start of the year the government projected a primary deficit of more than 130 billion reais for 2019, but the latest Treasury forecasts were that it will be somewhere between 60 and 80 billion reais.
In nominal terms, after interest payments are accounted for, Brazil's nominal deficit last month was 53.2 billion reais, the central bank said, bringing the accumulated deficit over the past 12 months to 458.8 billion reais, or 6.36% of GDP.
The central bank's aggressive interest rate cuts this year have helped reduce interest payments on government debt. In the 12 months to November, interest payments totaled 369.3 billion reais or 5.12% of GDP, compared with 385.6 billion reais or 5.61% of GDP in the same period a year ago.
Brazil's national debt as a share of GDP shrank to 77.7% from 78.3% in October, according to the central bank. That is the lowest since February and marks the third month in a row of decline, a trend not seen since 2011.
These figures suggest Brazil's debt is no longer on track to exceed the 80% of GDP threshold that many analysts said had looked inevitable when it touched a record 79.7% of GDP in August this year.
Earlier this month, S&P Global Ratings revised the outlook on Brazil to positive from stable, citing the government's continued implementation of measures to reduce its deficit.

($1 = 4.04 reais)
(Reporting by Jamie McGeever
Editing by Mark Heinrich)
((jamie.mcgeever@thomsonreuters.com; +55 (0) 11 97189 3169; Reuters Messaging: jamie.mcgeever.reuters.com@reuters.net))

AFRICA

Egypt

Egypt's central bank to auction $800 mln of one-year T-bills on Jan 6

30-Dec-2020
CAIRO, Dec 30 (Reuters) - **Egypt's central bank will auction $800 million of one-year dollar-denominated T-bills on Jan. 6, the bank said in a statement on Monday.**
The offer will be settled on Jan. 7 and the T-bills will mature on Jan. 5, 2021, the bank said.

(Reporting by Aidan Lewis)
((Aidan.Lewis@tr.com; +20-1001174410))

Ghana

Ghana wants to join new West African currency but ditch euro peg

29-Dec-2020
ABIDJAN, Dec 29 (Reuters) - **Ghana's government said it is determined to join a West African currency that will replace the France-backed CFA franc as soon as next year in eight regional countries, but it urged members of the currency union to ditch a planned peg to the euro.**
Ghana's adoption of the new currency, which is called the eco, would make it the bloc's largest economy, ahead of neighbour Ivory Coast.
Ghana is not part of the West African Economic and Monetary Union (UEMOA) of mostly former French colonies that uses the CFA franc and has its own currency, the cedi.
Ivory Coast President Alassane Ouattara and French President Emmanuel Macron announced this month that West Africa's monetary union had agreed to cut some financial links with Paris that have underpinned the region's common currency since its creation soon after World War Two.
Under the deal, African countries in the bloc will not have to keep half of their reserves in the French Treasury and a French representative will no longer sit on the currency union's board.
"We, in Ghana, are determined to do whatever

we can to enable us (to) join the Member States of UEMOA, soon, in the use of the eco, as, we believe, it will help remove trade and monetary barriers," President Nana Akufo-Addo's office said in a statement.
However, the statement indicated that Ghana opposed plans to keep the eco pegged to the euro, urging regional authorities to work quickly toward "adopting a flexible exchange rate regime".
The countries due to change from the CFA franc to the eco are Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo - all former French colonies except Guinea-Bissau.
The group is aiming to have the new currency up and running by the end of 2020.

(Reporting by Ange Aboa; Writing by Aaron Ross; Editing by Nick Macfie and Alison Williams)
((Aaron.Ross@thomsonreuters.com; +221 77 569 1702))

GLOBAL

Dollar share of global currency reserves highest for a year in Q3-IMF

31-Dec-2020
By Saqib Iqbal Ahmed
Dec 31 (Reuters) - **The dollar's share of currency reserves reported to the International Monetary Fund rose in the third quarter to its highest level in a year, while the yen's share of reserves grew to the largest in two decades, IMF data showed.**
Reserves held in dollars totaled $6.75 trillion, or 61.78% of allocated reserves, in the third quarter, compared with $6.78 trillion, or 61.49%, in the second quarter.
This was the greenback's largest share of overall reserves since the third quarter of 2018 when it was 61.93%.
Total allocated reserves fell to $11.66 trillion in the third quarter from $11.74 trillion in the previous quarter.
Global reserves are assets of central banks held in different currencies, primarily used to support their liabilities. Central banks sometimes use reserves to help support their respective currencies.
The dollar remains the world's dominant reserve currency but central banks around the globe have in recent years made a push to diversify their reserves away from the U.S. currency.
"I do think that the dollar will continue to very gradually cede some of its power and central banks will continue to diversify away from it, but the greenback will remain the predominate currency for settling international trade so it will continue to represent the bulk of reserves for the long term," said John Doyle, vice president for dealing and trading at Tempus Inc in Washington.
While the dollar share of foreign exchange reserves increased, the euro's share fell to 20.07%, its smallest share since the third quarter of 2017.
The yen's share of global allocated FX reserves rose to 5.60% in the third quarter to largest share since 2000, data showed.
The share of allocated currency reserves held in yuan, the Chinese currency also known as renminbi, rose to 2.01% percent, the highest since the IMF began reporting its share of central bank holdings in the fourth quarter of 2016.

(Reporting by Saqib Iqbal Ahmed; Editing by Catherine Evans and Alex Richardson)
((saqib.ahmed@thomsonreuters.com; @SaqibReports; +1 646 223 6054; Reuters Messaging: saqib.ahmed.thomsonreuters.com@reuters.net))