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Emerging Sovereign Debt Markets NEWS

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Table of contents

ASIA

GCC Gulf Cooperation Council

Gulf's two largest economies follow Fed rate cuts on coronavirus concerns

03-Mar-2020

DUBAI, March 3 (Reuters) - **Saudi Arabia and the United Arab Emirates, the Gulf's two largest economies, cut key interest rates by 50 basis points on Tuesday, tracking an emergency move taken by the U.S. Federal Reserve to soften the impact of the coronavirus outbreak.**

The currencies of Saudi Arabia and the UAE are pegged to the dollar so those countries - as well as others in the Gulf - tend to follow the Fed's policy decisions almost unfailingly.

But the cuts come at a crucial time for the Gulf economies, where wealth is still tightly linked to oil prices - hit hard by the virus outbreak - and where crucial economic diversification efforts risk losing momentum.

They could provide stimulus to a struggling non-oil private sector, which both in Saudi Arabia and the UAE has started to feel the impact of the coronavirus on exports and tourism. The Fed's easing was its first emergency cut since 2008 at the height of the financial crisis.

The UAE central bank said that, effective on March 4, it was cutting interest rates on certificates of deposit and its repo rate for borrowing short-term liquidity by 50 bps.

The Saudi Arabian Monetary Authority said that, "in light of global developments", it was cutting its repo rate, used to lend money to banks, by 50 bps to 1.75% and its reverse repo rate, at which commercial banks deposit money with the central bank, by 50 bps to 1.25%.

With 90,000 cases and more than 3,000 deaths worldwide in 77 countries and territories, the virus outbreak has disrupted global supply chains, triggered cancellations of major public events and weighed on global markets on fears it could cause a recession.

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Bahrain

Bahrain central bank urges banks to ease debt terms, fees due to coronavirus

05-Mar-2020

DUBAI, March 5 (Reuters) - **Bahrain's central bank on Thursday urged banks and financing companies to consider re-scheduling or granting deferrals on credit installments in light of the coronavirus outbreak, according to a circular seen by Reuters.**

It also urged the financial institutions to reduce profit and interest rates, fees and commissions or other measures for customers affected by the outbreak, the central bank said in the circular.

On Saturday, the United Arab Emirates' central bank advised banks to take measures to mitigate the economic effects of the coronavirus outbreak, including rescheduling loans and reducing fees and commissions.

Bahrain has reported 55 confirmed cases of the new coronavrius, while the UAE has reported at least 27 cases. The other Gulf countries have all reported cases, many of which came from Iran, which is one of the countries worst-hit by the virus.

In Iran, 15 more people died in the past 24 hours, bringing the total deaths to 107 out of 3,513 confirmed cases, up by 591 from the day before.

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China

China's local gov't bond issuance slows, pace to quicken

03-Mar-2020

BEIJING, March 3 (Xinhua) -- **China's local governments issued fewer bonds in February but the pace is set to quicken as authorities allocated additional quotas for new sales as part of the more proactive fiscal policies to shore up the virus-hit economy, official data showed Tuesday.**

The value of local government bonds issued in February totaled 437.9 billion yuan (about 63 billion U.S. dollars), down from 785 billion yuan in January, according to the Ministry of Finance (MOF).

However, as the MOF granted more quotas for new issuance, bond sales are set to accelerate this month to fund projects and spur investments to mitigate economic impacts from the novel coronavirus outbreak.

So far, the MOF has allocated 1.85 trillion yuan worth of new local government bonds ahead of schedule this year to shore up the economy.

The MOF data also showed outstanding local government debt amounted to 22.53 trillion yuan by the end of February.

Enditem

Chinese local govt-backed bonds in favour even as virus hits their coffers

03-Mar-2020
By Samuel Shen and Noah Sin
SHANGHAI/HONG KONG, March 3 (Reuters) - **Yield-hungry Chinese investors are rushing into once-shunned local government financing bonds, betting that Beijing won't allow such state companies to fail when they're needed to help shore up the virus-hit economy.**
So-called local government financial vehicles (LGFVs) flourished following the 2008 global financial crisis as a means of financing China's infrastructure boom.
But the bonds fell out of favour as Beijing stepped up a crackdown on local government leverage in 2016 after banning authorities from offering implicit guarantees to LGFVs.
"The economy is a bad shape, so the government needs to step up infrastructure investment," said Xiaofang Liu, head of research at Shanghai Fengshi Asset Management. "That reduces the LGFVs' default risks as they're needed to finance such projects."
Seven provincial governments have announced infrastructure investment schemes worth 25 trillion yuan ($3.58 trillion), according to state broadcaster CCTV.
Yields of onshore three-year bonds sold by LGFVs with AA ratings dropped more than 40 basis points on average over the past month, more than the 19 basis-point decline in central government bond yields, according to official data.
Even bonds issued by LGFVs based in virus epicentre Wuhan, including Wuhan Hongshan Urban Construction Investment and Wuhan Real Estate Development and Investment Group, saw their yields plunge. **A Wuhan Real Estate bond that matures in April this year saw its yield fall over 50 basis points since February to 2.48%.**
Some LGFVs are already getting direct support from Beijing.
Nanyang Industrial Investment Group, in central Henan province, has obtained 500 million yuan of loans from state policy bank China Development Bank (CDB) to fight the virus. CDB is also granting 120 million yuan worth of emergency loans to the Ganzhou City Investment Group, another LGFV in Jiangxi Province.
An estimated 1.7 trillion yuan ($243.90 billion) of onshore LGFV bonds will mature in 2020, according to Moody's.
The ratings agency added that while the epidemic was negative for the credit quality of the bonds, Beijing's easing measures and investors' new preference for LGFV bonds meant they did not immediately face any refinancing risk.

STATE-PRIVATE SPLIT

Investors' renewed enthusiasm for state-backed bonds, however, has come at the expense of private companies, underscoring the challenges Beijing faces in pushing forward with long-term structural reforms including deleveraging its bloated state sector.
The switch to state-backed investments would also raise the cost for non-state borrowers, even as China's central bank has pumped in liquidity and cut key interest rates as part of its efforts to stem the economic impact of the coronavirus outbreak.
The top brass of LGFVs are "typically names that are strategically important, who will benefit from any government stimulus," said Avinash Thakur, Barclays' head of debt origination for Asia Pacific.
But their weaker peers may deserve more caution.
For other types of state-owned companies and financial institutions, "government support is very explicit," said Owen Gallimore, head of credit strategy at ANZ in Singapore.
"Their access to cheap and liquid funding is revealing. That support is far less certain with LGFVs."
Some local governments and LGVFs are already sitting on massive amounts of hidden debt, which S&P Global Ratings estimated in 2018 could be as high as 40 trillion yuan.

($1 = 6.9798 Chinese yuan renminbi)
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Foreign holdings of Chinese bonds hit record, boosted by index entry, sliding yields

04-Mar-2020

- **Foreign investors own record amount of government bonds**
- **China "attractive" as global yields slump - investors**
- **JPMorgan, Bloomberg Barclays indices add Chinese bonds**

By Noah Sin and Andrew Galbraith
HONG KONG/SHANGHAI, March 4 (Reuters) - **Foreign ownership of yuan-denominated Chinese government bonds rose to a record high in February as interest rates fell faster globally than in China and as benchmark indexes incorporated more of the market.**
International investors owned a record 1.34 trillion yuan ($193.35 billion) of government bonds at the end of February, according to Reuters calculation of China Central Depository and Clearing Co (CCDC) data released on Tuesday. Up 2.3% from January, it was the biggest monthly gain in 12 straight months of increases.
Kheng Siang Ng, Asia Pacific head of fixed income at State Street Global Advisors, attributed the jump in foreign ownership to a

slump in interest rates worldwide.
"Yields are very low everywhere else, they are negative in Japan, Germany," he said. "The interest rate (in China) is quite an attractive proposition to investors in Europe, North Asia."
Chinese bond yields also slid as Beijing took steps to ease financial strains on companies hurt by the coronavirus outbreak, cutting a key interest rate. China's 10-year government bond yield hit a fresh 3-year low of 2.75% on Monday.
But yields fell faster elsewhere. U.S. 10-year Treasury yields dived below 1% for the first time as the Federal Reserve made an emergency 50 basis points interest rate cut on Tuesday.
The difference between the two benchmarks is now at its widest since 2015, according to Refinitiv Datastream. Market players say that could continue to support interest in Chinese bonds as global investors seek higher returns.
"The economic recovery is likely to be gradual, more hockey stick-shaped than V-shaped. This means that China's bond yields will stay low and anchored for a while," said Wilfred Wee, portfolio manager at Investec Asset Management.
"We have been long China bonds since the start of the year due to attractive valuations, and remain so," he added.
Foreign flows into China's bond market have also been supported by the 20-month phased inclusion of Chinese government and policy bank bonds in the Bloomberg Barclays Global Aggregate Index, which began last April.
On Feb. 28, JPMorgan started adding Chinese government bonds in its Government Bond Index Emerging Markets (GBI-EM) series over 10 months. China is also on the watchlist to join FTSE Russell's World Government Bond Index in March.
Offshore ownership of policy bank bonds also hit a record at 536.41 billion yuan in February, according to CCDC data, up 6.8% from January, marking the biggest rise since July 2019.
In total, as of Feb. 29, offshore investors held 1.95 trillion yuan worth of Chinese bonds cleared by CCDC, the larger of China's bond market clearing houses.
Additional holdings data from Shanghai Clearing House was not yet available on Wednesday. Bonds cleared there have accounted for about 15% of total foreign holdings in recent months. It does not clear government or policy bank bonds.

($1 = 6.9304 Chinese yuan)
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China finance ministry to auction 37 bln yuan 30-year bonds on March 13

06-Mar-2020
SHANGHAI, Mar 6 (Reuters) **- China's Ministry of Finance said on Friday that it would auction 37 billion yuan ($5.3 billion) in 30-year bonds on March 13.**
After the auction, the bonds will be issued from March 13 to March 16 and start trading on the secondary market on March 18, the ministry said in a statement.

($1=6.944 yuan)
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India

Coronavirus fall to have minimal impact on India's GDP: Report

04-Mar-2020
MUMBAI: **India's limited presence in global supply chain network could help India with only a marginal impact on its economy and could benefit from fall in global crude prices and fall in US treasury bond yields, according to Bloomberg Economics, a Market Intelligence wing of Bloomberg News.** The coronavirus is slowly spreading to the rest of the world which was largely concentrated in China, and is expected to have adverse economic consequences. If China's economy slows to 1.
2 per cent in January-March quarter, the GDP shock to India from the demand side could be about 0.4- 0.5 per cent, the report said.
But the rest of the world slows if China slows, particularly many South Asian and European economies." The Indian economy is relatively insulated "said Tom, Orlik, chief economist at Bloomberg Economics." It is not majorly integrated into the global supply chains and not a major exporter to the global markets.
Indian businesses could benefit from a fall in crude prices by way of lower fuel and input costs. Besides, the cost of overseas borrowing would also decline as the yields on US Treasury bonds fall, according to Orlik. Central banks globally are expected to ease policy in anticipation of a slowdown in the global economy.
The US Fed has already announced a 50 bps reduction of its key policy rates. The report looks at four different scenarios, assuming a limited impact on China in the first quarter, another one assumes the impact to continue in second quarter, another assuming crisis in high risk country and the fourth assuming all countries face a disruptive outbreak and that this prompts a GDP drop in all economies matching China's experience in the first quarter of 2020. Global growth grinds to a halt for 2020 as a whole -- a cost of $2.
7 trillion in lost output even if the pandemic passes and the level of world GDP recovers by the fourth quarter.

India Bonds Post Best Week in 8 Months on MPC Policy Easing Bets

06-Mar-2020
By Dharam Dhutia
NewsRise
MUMBAI (Mar 6) -- **Indian government bonds posted their best week in nearly eight months on expectations of domestic policy easing and the use of unconventional tools by the central bank in the wake of an emergency rate cut delivered by the U.S. Federal Reserve that pushed U.S. yields to record lows.**
The benchmark 6.45% bond maturing in 2029 ended at 101.89 rupees, the highest since its issuance on Oct. 4, while the benchmark yield ended at 6.18%, the lowest since Nov. 24, 2016, against 101.50 rupees and a 6.24% yield yesterday. The yield collapsed by 19 basis points this week, its biggest weekly fall since the week ended Jul. 12.
The Indian rupee was at 73.79 to dollar, down 2.2% this week, as risk sentiment weakened further due to the rapid spread of the coronavirus.
"Bonds have been gaining on widespread expectation of multiple action from the central bank and the MPC, and that too within the next few days," said Vijay Sharma, senior executive vice president at PNB Gilts. "Long-term repo operation along with a rate cut should help the market, and the central bank must also look for a cut in cash reserve ratio, while continuous depreciation in the rupee is the only negative factor that may lead to some reversal."
Investors made a bee-line for safe-haven U.S. Treasuries, pushing the 10-year yield to a record low of 0.6950% today, amid increased expectations that the Federal Reserve will follow its emergency 50-basis-points rate cut to fight the economic impact of the coronavirus with a larger cut later this month. According to CME FedWatch, 83% of traders now expect a 75-basis-points cut on Mar. 18.
Speculation about a likely interest rate cut in India as well as continuation of more long-term repos rose after central bank governor and MPC Chair Shaktikanta Das said there is room for cutting rates, and that liquidity measures to support the financial markets were an option. The MPC rate decision is scheduled on Apr. 3.
Earlier this week, Reuters had reported that the central bank may conduct one trillion rupees of more long-term repos from April. The central bank has already infused 750 billion rupees in the banking system through such repos and will conduct another three-year auction for 250 billion rupees on Mar. 9.
Foreign brokerages have increased their calls for further rate cuts to check the economic fallout of the coronavirus. Deutsche Bank sees an increased possibility of India's central bank delivering at least a 25 bps cut before the scheduled MPC meeting, and if that does not materialise, then a 40 bps cut on policy day. Citi expects a cut of 50 basis points in the March-June period.
The MPC may cut interest rates by as much as 65 basis points if the impact of the coronavirus is severe, Nomura said, with expectations of a 25 bps cut each in the April and June policy meetings. HSBC expects the MPC to cut the repo rate by 40 basis points in April-June, with the bulk of it likely in April itself.
India has now 31 confirmed cases of the coronavirus, of which three have been already discharged, while the remaining 28 cases were detected this week only. The coronavirus infection has claimed over 3,200 lives worldwide.
The benchmark Brent crude oil contract slipped further this week to below $50 per barrel due to demand concerns. The contract was last trading at $47.72, down by 5.3% for the week. India imports over 80% of its crude oil requirement.

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Fitch Says Indian Government Takeover of Yes Bank Highlights Systemic Risks

06-Mar-2020
March 6 (Reuters) - Fitch Ratings:

- **Fitch says Indian government takeover of yes bank highlights systemic risks**
- Fitch - there is risk that operating environment of Indian banking sector could suffer further impairment if government's efforts to tackle problems in yes bank fail to provide reassurance
- Fitch says believe there is a risk that RBI's yes bank takeover move could backfire if it prompts depositors to shift their money to institutions that are perceived to be safer

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Indonesia

Indonesia raises 17.5 trln rph from debt auction

03-Mar-2020
JAKARTA, March 3 (Reuters) -

- **Indonesia raised 17.5 trillion rupiah ($1.23 billion) in a biweekly bond auction on Tuesday, above an indicative target of 15 trillion rupiah, the Finance Ministry said in a statement**
- The weighted average yields of the bonds sold were higher than comparable bonds in the previous auction on Feb. 18
- Total incoming bids were 78.41 trillion rupiah, smaller than the 127.1 trillion rupiah in the previous auction

($1 = 14,275 rupiah)
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Indonesia c. bank has "many instruments" to support growth amid virus spread

04-Mar-2020
- **Instruments BI can use include policy rates, RRR**
- **End-Jan FX reserves level "more than enough"**
- **BI's baseline scenario is for "mild" virus impact**

By Gayatri Suroyo and Ed Davies
JAKARTA March 4 (Reuters) - **Indonesia's central bank has "many instruments" it can use to prop up growth in Southeast Asia's biggest economy, amid the risk of slowdown due to the spread of coronavirus, Governor Perry Warjiyo said on Wednesday.**
Warjiyo made the remarks in response to a question on whether Bank Indonesia (BI) had room to lower borrowing costs further after the Federal Reserve cut interest rates by 50 basis points to blunt the impact of the virus on the U.S. economy.
BI cut its benchmark policy rate last month, its fifth reduction since May, in response to the virus outbreak in China, Indonesia's biggest trade partner and a major source of investment and tourists.
"Our stance is clear, all measures are directed to support economic growth. But don't compare us with (central banks in) developed countries," Warjiyo told a media forum.
"They only have interest rates as their monetary instrument, we have interest rates, reserve requirement ratios, the exchange rate," he said, adding BI had scope to ease its "many instruments" to aid growth if needed at its March 18-19 meeting.
Earlier on Wednesday, Finance Minister Sri Mulyani Indrawati said investors were likely to get back into assets in countries with good economic prospects following the Fed rate cut, including Indonesia.
Indonesian financial markets have rebounded in recent days after stocks, bond prices and the rupiah exchange rate plunged last week amid outflows spurred by the coronavirus outbreak.
Indonesia had "more than enough" foreign exchange reserves to maintain market stability, the governor said.
Reserves as of the end of January stood at $131.7 billion, close to a record high and 20% more than a standard set by the International Monetary Fund to cover imports, offshore debt payments and capital reversal risks, Warjiyo said.
There have been more than 90,000 confirmed cases globally of coronavirus, including two in Indonesia, but Warjiyo predicted a "mild effect" on Indonesia's economy.
BI's baseline scenario is for economic growth dipping to 4.9% in the first quarter, then improving to near 5% in the second quarter, and then 5.1% and 5.2% in subsequent quarters.
The numbers are based on the virus slicing 0.4 percentage point off China's 2020 GDP growth, resulting in a 0.2 percentage point reduction in global growth, as well as some direct impact on Indonesia's tourism, trade and investment.
Indonesia's GDP growth last year was 5.02%, the weakest since 2016.
The worst impact on the economy would likely be felt from February to March, but a recovery would start in April, he said.
"It depends on the spread of the coronavirus. It will spread less in places that are getting warmer. That's why in the West ... and in Asia, activity will start to pick up in April," he said.

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Indonesia's forex reserves drop to $130.4 bln at end-Feb

06-Mar-2020
JAKARTA, March 6 (Reuters) - **Indonesia's foreign exchange reserves dropped by $1.3 billion to $130.4 billion at the end of February, data from the central bank showed on Friday.**
The country had foreign outflows in government bonds and stocks during the month linked to the coronavirus outbreak.
Still, Bank Indonesia Governor Perry Warjiyo said that Indonesia has "more than enough" foreign exchange reserves to maintain market stability.
The first drop in foreign exchange reserves since November was mainly caused by payments of government's foreign debts, the bank said in a statement.

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Lebanon

Lebanon must cooperate with IMF to secure funds

05-Mar-2020

BEIRUT, March 5 (Reuters) - **Lebanon must cooperate with the IMF to secure badly needed international aid, leading Druze politician Walid Jumblatt said on Thursday, calling for a "joint programme" with the Fund.**

Jumblatt, a major figure in Lebanese politics, also urged close cooperation with Hezbollah to assure the powerful Shi'ite Muslim group that IMF-backed reforms were no threat to Lebanon's sovereignty.

Jumblatt is the most influential figure yet in Lebanon to call for an IMF programme to deal with the long-brewing crisis that came to a head last year as capital inflows slowed down and protests erupted against the ruling elite.

Speaking to Reuters, Jumblatt said an IMF-backed programme was the only way for Lebanon to secure financial support.

"I just don't see any other way. Neither the Arabs nor the Americans nor even the French are ready to help us without the coordination of the IMF. This is my impression," he said.

The Lebanese government has requested IMF technical but not financial support. Jumblatt's party is not represented in the current government, which took office in January with backing from Hezbollah and its allies.

Hezbollah, a heavily armed group backed by Iran and designated a terrorist organisation by the United States, is opposed to an IMF programme.

Sheikh Naim Qassem, its deputy leader, last week described the IMF as a tool of U.S. interference.

Hassan Fadallah, a senior Hezbollah member of parliament, told Reuters this week Hezbollah was not against the IMF as an institution but opposed the kind of terms it typically imposes on countries, saying these would cause a "popular revolution".

Jumblatt said "a joint programme" must be found with the IMF. "They have ideas, we have ideas," he said.

"This needs also close cooperation and understanding with Hezbollah, that there is no danger to the sovereignty of Lebanon if the IMF deals with problems like power, electricity and other issues," he said.

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Editing by Mark Heinrich)
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Lebanese central bank tells dealers not to exceed official forex rate more than 30%

06-Mar-2020

BEIRUT, March 6 (Reuters) - **The Lebanese central bank told foreign exchange dealers on Friday they should not buy foreign currencies at prices more than 30% beyond the rates set by the central bank, seeking to bring down the price being paid for hard currency.**

The Lebanese pound, pegged against the dollar at the rate of 1,507.5 pounds for more than two decades, has slumped since the country descended into a financial crisis last October.

Based on the current peg, the central bank's instruction means currency dealers should not pay more than around 2,000 pounds for a dollar, compared with the 2,630 pounds one dealer said he was offering for a dollar on Friday.

The central bank said foreign currency dealers should refrain from any trade that did not stick to this percentage it had set. The decision applies for six months.

It marked the second attempt since January to control the price being paid for hard currency by foreign exchange dealers.

Lebanon’s union of exchange dealers said in January it had decided to set the rate at a maximum of 2,000 Lebanese pounds to the dollar in agreement with the central bank governor - a price that did not hold.

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Lebanon on verge of debt default, barring last-minute deal

06-Mar-2020

- **PM expected to make announcement on Saturday**
- **Government has a $1.2 bln Eurobond due on Monday**
- **Default would add to Lebanon's economic crisis**
- **Beirut wants to renegotiate some $31 bln foreign debt**

By Tom Perry and Laila Bassam

BEIRUT, March 6 (Reuters) - **Lebanon looks set to announce on Saturday it cannot make upcoming dollar bond payments and wants to restructure $31 billion of foreign currency debt, sources said, unless a last-minute deal with creditors is found to avoid a disorderly default.**

Debt default would mark a new phase in a financial crisis which has hammered Lebanon's economy since October, slicing around 40% off the value of the local currency and leading banks to deny savers full access to deposits.

Prime Minister Hassan Diab will announce Lebanon's decision on the Eurobonds after government meetings on Saturday, just two days before the heavily indebted state was due

to pay back holders of a $1.2 billion Eurobond due on March 9.
"Lebanon is heading tomorrow towards announcing it will halt payment, or its incapacity to pay the Eurobonds and the interest," a senior political source involved in government discussions on the matter told Reuters.
"The Lebanese government will do all it can to reorganise its relations with its debtors and to open the door for negotiations," the source said. "When we talk about restructuring, we are talking about all the (Eurobond) debt of $31 billion."
Parliament Speaker Nabih Berri, one of the most influential figures in Lebanon and an ally of the powerful Hezbollah group, said on Wednesday a majority of lawmakers backed not paying back the debt.
The senior source and three others familiar with the matter told Reuters last-minute contacts continued, but all expressed doubt a breakthrough was possible. A second senior political source said these efforts had aimed to avoid a disorderly default but there was little hope of a deal.
"They are trying but I don't think there's any hope," echoed a third source close to the government.
GRACE PERIOD?
Lebanon still has the option of invoking a seven-day grace period on the March 9 bond, which would allow more time for talks with creditors before a default. But the government has not said whether this will be used.
The March Eurobond dipped 1.7 cents to 57 cents in the dollar on Friday, according to Refinitiv data. That followed three consecutive trading sessions of strong gains on hopes of avoiding a default. The bond is trading at more than half the level of some longer-dated dollar issues.
Lebanon hired U.S. investment bank Lazard and law firm Cleary Gottlieb Steen & Hamilton LLP last week as advisers on the widely expected restructuring. "Naturally the negotiations are going to be hard," the senior political source involved in the government's discussions said.
Lebanon's financial crisis came to a head last year as capital inflows slowed and protests erupted over state corruption and bad governance.
Inflation has spiked higher in an economy which depends heavily on imports, adding to grievances that fuelled protests.
Lebanon's sovereign debt was estimated at around 155% of gross domestic product at the end of 2019, worth about $89.5 billion, with around 37% of that in foreign currency.
In a bid to control the price of the Lebanese pound, the central bank on Friday ordered currency dealers not to buy foreign currency at prices exceeding 30% of the official rate, effectively setting a cap of 2,000 pounds.
Shortly before the central bank announcement, a foreign exchange dealer said dollars were being bought at a price of 2,630 pounds. It marks the second attempt in less than two months to cap the dollar at 2,000 pounds.
The bulk of the March 9 Eurobond is held by foreign investors. But much of the rest of Lebanon's sovereign debt is held by the local banking sector.
"The main immediate ramification would be to render most local banks insolvent, which will trigger a domino effect through the financial flows channel leading to sharp output contraction, unemployment, and increased poverty rates," said Carlos Abadi, managing director of DecisionBoundaries, an international financial consulting firm.

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Oman

Moody's cuts Oman's rating by a notch to 'Ba2'

05-Mar-2020
March 5 (Reuters) - **Moody's downgraded Oman's credit rating deeper into junk territory on Thursday citing the Arab country's lower fiscal strength, evident in its higher government debt and weaker debt affordability** metrics than the ratings agency expected.
Moody's cut Oman's to 'Ba2' from 'Ba1' and changed the outlook to stable.
On Feb. 23, Oman's Sultan Haitham bin Tariq al-Said said the government would work to reduce public debt and restructure public institutions and companies to bolster the economy.
The small oil producing country has relied heavily on debt to offset a widening deficit caused by lower crude prices.
Moody's said that last March it expected Oman's government debt to peak under 60% of GDP by 2021, but the level was nearly reached already in 2019.
"Taking into account some, gradual, fiscal consolidation, Moody's now expects (Oman's) government debt to stabilize at around 67% of GDP in the next few years, contributing to a weaker fiscal strength assessment," the ratings agency said in a.
Moody's also said that Oman's debt will continue to increase in the next two years, despite expectation that the government will begin implementing a significant medium-term fiscal adjustment program in the next few months.
Stable outlook reflects the agency's assessment that Oman's credit metrics are resilient to moderately negative fiscal and oil price shocks at the Ba2 rating level, Moody's added.

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Saudi Arabia

Saudi economy grew 0.3% in 2019, below expectations

01-Mar-2020

DUBAI, March 1 (Reuters) - **Saudi Arabia's economy grew 0.3% in 2019, less than expected, because of a 3.6% drop in the oil sector, official data showed on Sunday.**

Saudi Arabia had officially forecast gross domestic product growth of 0.9% in 2019.

Despite the slower overall GDP growth, real economic growth in the non-oil sector increased by 3.3% last year, data from the General Authority for Statistics showed.

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South Korea

S. Korea unveils $9.8 bln stimulus to fight coronavirus

04-Mar-2020

By Cynthia Kim

SEOUL, March 4 (Reuters) - **South Korea announced a stimulus package of 11.7 trillion won ($9.8 billion) on Wednesday to cushion the impact of the largest outbreak of coronavirus outside China as efforts to contain the disease worsen supply disruptions and sap consumption.**

Finance Minister Hong Nam-ki said the supplementary budget, subject to parliamentary approval, will channel money to the health system, child care, and outdoor markets.

"As we understand that the economy is in a state of emergency, we are putting all our policy focus on minimising the economic fallout, especially for the vulnerable sectors, small- to medium-sized businesses and self-employed people," Hong told a news conference.

The flu-like virus, which originated in China, has killed more than 3,000 and roiled global financial markets as investors and policymakers brace for a sharp knock to world growth.

South Korea has the most cases of infections outside the mainland, weakening consumption and prompting Bank of Korea Governor Lee Ju-yeol to issue a warning last week that Asia's fourth largest economy could contract in the first quarter.

About a dozen brokerages from BofA Securities, Capital Economics to Goldman Sachs now see South Korea growing at a slower pace than last year's paltry 2.0%, which was the worst growth since the global financial crisis.

Of the 11.7 trillion won proposed, 3.2 trillion won will make up for the revenue deficit while 8.5 trillion won will be extra fiscal injection.

An additional 10.3 trillion won in treasury bonds will be issued this year to fund the extra budget.

The extra budget is slightly larger than the 11.6 trillion won package introduced during the 2015 Middle East Respiratory Syndrome outbreak.

The government aims to present a finalised supplementary budget to the National Assembly on Thursday.

Some 2.3 trillion won will be allocated to medical institutions and fund quarantine efforts, with another 3.0 trillion won going to small- to medium-sized businesses struggling to pay wages to their workers, and child care subsidies, the finance ministry said.

Loans will be made on relaxed terms to affected exporters while people who have lost their jobs will be re-trained.

Government debt will increase to 41.2 percent of GDP, or 815.5 trillion won, after the supplementary budget, the ministry forecasts, compared with 39.8 percent of GDP projected earlier.

($1 = 1,188.8400 won)
(Reporting by Cynthia Kim; Editing by Lincoln Feast.) ((Cynthia.Kim@thomsonreuters.com; 822 3704 5655; Reuters Messaging: cynthia.kim.thomsonreuters.com@reuters.net))

Treasury yields-downfall S. Korean bond yields tumble on Fed's rate cut

04-Mar-2020

Treasury yields-downfall

S. Korean bond yields tumble on Fed's rate cut

SEOUL, March 4 (Yonhap) -- **South Korean Treasury yield rates fell steeply on Wednesday following a surprise U.S. rate cut.**

The three-year Treasurys, which move inversely to prices, tumbled 7.9 basis points to 1.040 percent as of 10:43 a.m. from the previous session's close. The mark replaces the previous record low on Aug. 19, 2019, when the rate dipped to 1.093 percent amid Sino-American trade uncertainties.

The five-year government bond dipped 10 basis points to 1.110 percent, replacing the previous record low of 1.127 percent. The 10-year Treasurys contracted 3.5 basis points to 1.345 percent.

The 20-year and 30-year state bond yields fell 6.3 basis points and 5.5 basis points, respectively.

The South Korean bond yields declined quickly after the U.S. Federal Reserve cut interest rates by half a percentage point in an emergency

move to try to minimize the economic fallout from the coronavirus.
The Fed's move is raising possibilities of a key rate cut by the Bank of Korea (BOK). Last week, the BOK froze the benchmark interest rate at 1.25 percent.
The BOK cut its growth estimate for this year to 2.1 percent from 2.3 percent forecast three months earlier, citing the impact from the novel coronavirus and other downside risks.
On Wednesday, South Korea proposed an extra budget worth 11.7 trillion won (US$9.82 billion) to help minimize economic fallout from the coronavirus.

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Thailand

Thailand outlines $3.2 bln stimulus to alleviate coronavirus impact

06-Mar-2020

- **To offer soft loans, cash handouts, tax benefits**
- **Virus cutting foreign tourist numbers by 50% - official**
- **GDP growth may be just 0.5% this year - research centre**

By Kitiphong Thaichareon
BANGKOK, March 6 (Reuters) - **Thailand on Friday outlined a stimulus package, estimated to be worth more than $3.2 billion, to mitigate the impact of the coronavirus outbreak on activity in an already-flagging economy.**
Southeast Asia's second-largest economy is growing at its weakest pace in years due to soft exports and investment. The epidemic continues to hit tourism, which was a bright spot.
The package, approved by the economic cabinet, includes cash handouts, soft loans and other financial assistance, and tax benefits, Finance Minister Uttama Savanayana told reporters after a meeting of economic ministers.
"It's a temporary, broad-based package to help various groups," he said.
The value of the package was not given on Friday, but Uttama earlier said it would be worth more than 100 billion baht ($3.17 billion) and would seek approval from the whole cabinet on March 10.
Financial support for businesses includes soft loans at 2% interest rates, debt moratorium and delayed debt repayments, and lower utilities expenses and other costs, Uttama said.
The government will give 2,000 baht each to low-income earners, farmers and independent workers, he said.
It will offer higher tax benefits on some long-term fund investments to support the stock market.
Measures to help airlines will be considered later, said Kobsak Pootrakool, secretary to the economic cabinet.
He said first-quarter economic performance would not be good, with the epidemic currently slashing foreign tourist numbers by about 50%.
Thailand's economy grew 2.4% last year, the weakest in five years. Growth this year is likely to be much lower, with Kasikornbank's research center predicting it at just 0.5%, the lowest since 2009.

($1 = 31.53 baht)
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EUROPE

Albania/North Macedonia

Albania, North Macedonia ready for EU membership talks

02-Mar-2020
BRUSSELS, March 2 (Reuters) - **Albania and North Macedonia have done enough to merit starting negotiations to join the European Union, the EU's executive said on Monday, opening the way for France to lift its freeze on the aspirations of the two Balkan states.**
French President Emmanuel Macron, who blocked the opening of talks with Skopje and Tirana in October, said last month he was willing to allow them to begin membership talks if the European Commission gave them a positive review in March.
On releasing progress reports on Monday, Enlargement Commissioner Oliver Varhelyi said that the two countries had reformed their economies, judicial systems and other areas of state to prepare for meeting EU standards.
"The Commission stands firmly by its recommendations to open accession negotiations with Albania and North Macedonia," Varhelyi said in a statement. "I hope that the member states will take a positive decision in the coming weeks."
EU member governments are set to decide later this month. Approval would lead to a summit of EU leaders and all six western Balkan candidate countries - Serbia, Kosovo, Montenegro, Albania, Bosnia and North Macedonia - in Zagreb in May.
It may go some way to assuaging concerns in the EU about growing Chinese and Russian influence in the six states and a sense that the bloc is failing to transform the countries scarred by the 1990s Balkan wars into market economies.
Macron had refused to approve the start of so-called accession negotiations at a summit in October, saying the process of admitting new members needed to change.

The Commission in February suggested reforms to the accession process along the lines of a French proposal made in November, giving EU governments more say and making it easier to stop or reset negotiations and freeze funds.
Denmark and the Netherlands, who supported Macron, are expected to drop their resistance as well, EU diplomats said.

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Belarus

Belarus postpones Eurobond issue while coronavirus affects markets

05-Mar-2020
MOSCOW/MINSK, March 5 (Reuters) - **Belarus has postponed a Eurobond issue due to instability in financial markets caused by concern about the spread of the coronavirus, the Interfax news agency cited a source as saying on Thursday.**
The Belarusian finance ministry said last week that it was considering issuing a U.S. dollar-denominated Eurobond due in 2035 and a euro-denominated Eurobond due in 2026 or in 2028.
The ministry declined to comment on the Interfax report.

(Reporting by Maxim Rodionov and Andrei Makhovsky; writing by Tom Balmforth; editing by Susan Fenton)
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Bosnia

Bosnian region raises $12.3 mln via 6-mo T-bills at flat yield

02-Mar-2020
SARAJEVO, March 2 (Reuters) - **Bosnia's autonomous Serb Republic raised 22 million Bosnian marka ($12.3 million), below its 23 million marka target, via an auction of six-month treasury bills on Monday to help finance maturing debt, the Banja Luka Stock Exchange said in a statement.**

($1 = 1.782 marka)
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Bulgaria

Bulgaria's gross foreign debt rises 2.9% to 34.1 mln euro at end-2019

02-Mar-2020
SOFIA (Bulgaria), March 2 (SeeNews) - **Bulgaria's gross foreign debt totalled 34.1 billion euro ($37.8 billion) at the end of 2019, up by an annual 2.9%, the central bank said.**
The gross foreign debt at the end of 2019 was equivalent to 55.8% of the projected 2019 gross domestic product (GDP), the Bulgarian National Bank said in a statement on Friday.
At the end of December, Bulgaria's external debt was 0.7% lower compared to a month earlier.

($ = 0.9029 euro)

Bulgaria's economy grows by 3.4% in 2019

05-Mar-2020
SOFIA, March 5 (Reuters) - **Bulgaria's economy expanded by 3.1% on an annual basis in the fourth quarter of 2019 bringing the full year economic growth at 3.4%, below government's expectations, the statistics office said on Thursday.**
The finance ministry has expected the small and open economy to have grown by about 3.6% last year. It sees economic growth at 3.3% this year, mainly due to weaker demand in the euro zone, Bulgaria's key trading partner.
The statistic office revised down gross domestic product data for the first three quarters of 2019 after legal changes had allowed companies to delay detailed reporting of imports of bourse-traded goods like oil last year.
The economic growth in the third quarter year-on-year was revised down by 0.5 percentage points to 3.2%, while growth in the second quarter was revised to 3.5% from 3.8%.

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Czech Republic

Czech central bank says Q4 GDP data confirmed marked slowdown

03-Mar-2020
PRAGUE, March 3 (Reuters) - **Following is the full text of the Czech central bank's comments on fourth-quarter GDP data released on**

Tuesday:
"According to the CZSO's estimate released today, gross domestic product adjusted for price, seasonal and calendar effects rose by 1.8% year on year in 2019 Q4. In quarter-on-quarter terms, economic activity increased by 0.3%. In 2019 as a whole, the Czech economy expanded by 2.4%.
The annual growth of the Czech economy in 2019 Q4 was 0.1 percentage point below the CNB's forecast. The only slightly lower-than-expected GDP growth overall is a result of contrary deviations of the individual expenditure components from the forecast.
In contrast to the expected slight drop, gross capital formation rose significantly year on year due to both fixed investment and change in inventories. Household consumption also grew faster than forecasted.
By contrast, a significantly negative contribution of net exports fostered lower-than-forecasted GDP growth. Exports of goods and services declined markedly, whereas total imports increased somewhat.
The forecast, meanwhile, had expected both sides of foreign trade turnover to be broadly flat year on year. Government consumption also grew at a slower pace compared with the forecast.
The released data confirm that Czech economy slowed markedly at the end of 2019. According to the current CNB forecast, growth in economic activity will gradually accelerate again this year due to a gradual recovery of external demand.
GDP growth will continue to be driven in 2020 and 2021 mainly by rising consumption expenditure of Czech households. This will reflect continued, albeit gradually slowing, growth in their income. Fiscal policy will contribute to domestic demand growth via a rise in public sector pay, pensions and other social benefits.
Government investment expenditure will also increase, supported by drawdown of EU funds. The downturn in private investment, caused by the slowdown in euro area economic growth, will drop out this year.
The recovery in external demand will also be reflected in a positive contribution of net exports to growth. As a result, economic growth will accelerate gradually and moderately this year and the next."

(Reporting by Robert Muller)
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Estonia

S&P Says Estonia Outlook Revised To Positive on Strong Economic Growth and External Performance; 'AA-/A-1+' Ratings Affirmed

29-Feb-2020
Feb 28 (Reuters) -
- **S&P says Estonia outlook revised to positive on strong economic growth and external performance; 'AA-/A-1+' ratings affirmed**
- S&P says revising our outlook on Estonia to positive from stable and affirming the 'AA-/A-1+' sovereign credit ratings
- S&P says Estonia's external performance remains strong, with resilient net services exports outweighing goods and primary income deficits

((Reuters.Briefs@thomsonreuters.com))

Hungary

Hungary central bank accepts 228 mln euros worth of bids for liquidity swaps

02-Mar-2020
BUDAPEST, March 2 (Reuters) - **Hungary's central bank has accepted total bids worth 228 million euros from commercial banks for its swaps providing forint liquidity at a Monday tender, in line with its offer, the National Bank of Hungary said on its Reuters page.**
Bids were the highest for the 1-month swaps at 517 million euros. It provided 57 million euros each of the one-month swaps, of 3-month and 6-month swaps, and also of the 12-month tenor.

(Reporting by Krisztina Than)
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Hungary central banker sees no coronavirus impact on monetary policy

02-Mar-2020
BUDAPEST, March 2 (Reuters) - **It is hard to predict the economic impact of the coronavirus in Hungary, central bank Deputy Governor Mihaly Patai said on Monday, adding that for now he did not expect the spread of the virus to have an impact on monetary policy.**
"Right now my view is that the coronavirus has no impact on monetary policy and I hope this will remain the case over the long run as well," Patai told a news conference in response to a question about possible action by global central banks.

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Kosovo

Kosovo to sell 30 mln euro of 3-yr T-notes on March 10

04-Mar-2020
PRISTINA (Kosovo), March 4 (SeeNews) – **Kosovo's finance ministry will offer 30 million euro ($33.4 million) worth of three-year Treasury notes at an auction on March 10.**
At the last auction of three-year T-notes held in November, the finance ministry sold 20 million euro worth of government securities, in line with plan. The average weighted yield fell to 1.17%, from 1.40% at the previous auction of three-year T-notes held in July, according to finance ministry data.

($ = 0.89712 euro)

Moldova

Moldova central bank officials detained over $1 bln fraud

05-Mar-2020
By Alexandar Tanas
CHISINAU, March 5 (Reuters) - **Moldova has detained two current and two former senior central bank officials on suspicion of involvement in a $1 billion theft in 2014-2015 that shook the nation, authorities said on Thursday.**
The disappearance of that money from three banks - Banca de Economii, Banca Sociala and Unibank - plunged the impoverished former Soviet republic into economic and political crisis and was dubbed locally the "theft of the century".
"In the morning, I sanctioned the ... detention of these individuals. These events have long been prepared," Moldova's Prosecutor General Alexander Stoeanoglo told reporters.
The four were named as central bank vice-presidents Aereliu Cincilei and Ion Sturzu, ex-bank president Dorin Dragutanu and ex-bank vice-president Emma Tabirta. Cincilei was taken in his office while Sturzu was on holiday, the bank said.
"We are confident that the NBM (National Bank of Moldova) was an institution that was directly involved in crimes related to the theft of $1 billion," Stoeanoglo added.
Representatives for the four could not be immediately reached for comment.
With the scandal seeing the equivalent of an eighth of Moldova's gross domestic product stolen, there were street protests, the International Monetary Fund and European Union froze aid, the leu currency plunged and inflation soared.
The central bank said in a statement that it had for years collaborated with investigators, making materials, documents and specialists available. "NBM will continue to cooperate fully," it added.
In 2017, businessman Veaceslav Platon was sentenced to 18 years in prison for money-laundering and fraud linked to the scandal. Former Prime Minister Vlad Filat was also jailed in connection with the scam before being released last year.

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Montenegro

Moody's Changes Outlook on Montenegro's Rating to Stable from Positive

06-Mar-2020
March 6 (Reuters) - Moody's:
- **Moody's changes outlook on Montenegro's rating to stable from positive, affirms b1 rating**
- Moody's says key driver for change in outlook is Montenegro's exposure to fiscal risks related to four-stage bar-boljare highway project completion
- Moody's, on Montenegro, says visibility regarding funding of the remaining three sections of the highway project is impaired

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North Macedonia

North Macedonia sells 8.1 bln denars (129.7 mln euro) of govt paper

03-Mar-2020
SKOPJE (North Macedonia), March 3 (SeeNews) **– North Macedonia's finance ministry sold 8.1 billion denars ($144.0 million/129.7 million euro) worth of government securities at auctions on March 3, the central bank said on Tuesday.**
The finance ministry sold 7 billion denars of one-year T-bills and 1.1 billion denars of 5-year T-bonds, the central bank said in a statement.
The central bank sells government securities on behalf of the finance ministry through volume tenders in which the price and coupon are set in advance and primary dealers bid with amounts.

(1 euro = 61.43 denars)

Poland

Poland's state budget surplus was 3.4 bln zlotys in January

29-Feb-2020
WARSAW, Feb 29 (Reuters) - **Poland's state budget surplus was in excess of 3.4 billion zlotys ($866.4 million) at the end of January, the Finance Ministry tweeted on Saturday.**
Poland's ruling nationalist Law and Justice (PiS) party last month adopted a 2020 state budget that assumes no deficit according to Polish methodology.
Under the European Union method of calculating public finances, the general government deficit will amount this year to 1.2% of gross domestic product, well below the bloc's ceiling of 3%.
The ruling party says it will be able to balance the budget as a result of its measures to tackle tax evasion. However, some analysts say the 2020 budget is built on a promise of one-off revenues and that some of them may not materialise.

($1 = 3.9243 zlotys)
(Reporting by Marcin Goclowski; Editing by Mike Harrison)
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Romania

Romanian macroeconomic indicators and interest rate forecasts

06-Mar-2020
BUCHAREST, March 6 (Reuters) - **The median forecast of a Reuters poll of analysts puts Romanian inflation at 3.1% year-on-year at the end of February, down from January's 3.6%.**
Analysts expect inflation to fall to 3.0% at the end of this year, within the central bank's 1.5%-3.5% target and in line with its latest inflation forecast for this year.
All seven analysts expect the central bank to hold its benchmark interest rate at 2.50% throughout this year.
They see economic growth slowing to 3.0% this year from 4.1% in 2019.

(Reporting by Luiza Ilie)
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Slovakia

Slovakia to offer 2030, 2031 bonds in March

03-Mar-2020
PRAGUE, March 3 (Reuters) - **Slovakia will offer two bonds coming due in 2030 and 2031 at an auction on March 16, the country's debt management agency ARDAL said on Tuesday.**
The indicated amount in the competitive round of the auction is seen at 100 million euros for each of the bonds, ARDAL said in a monthly report.
A non-competitive round offering the same paper will follow the next day.
ARDAL also said it would auction on March 23 an indicated amount of 200 million euros of Treasury bills that mature in January 2021.

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Slovenia

Slovenia reduces public debt to 66.4% of GDP in 2019

05-Mar-2020
LJUBLJANA, March 5 (Reuters) -**Public debt was expected to be cut further to 62.1% of GDP this year and 58.6% in 2021, the ministry said in a statement.**
The forecasts were made based on government expectations that Slovenia's economic growth will reach 3% this year and 2.7% in 2021, up from 2.4% in 2019.
But most analysts believe that GDP growth of export-oriented Slovenia will be well below 3% this year due to global trade conflicts and the spread of the coronavirus.
Slovenia has so far reported two cases of coronavirus, the first being confirmed on Wednesday.
The final figure for 2019 public debt will be released by the statistics office on March 31.
The ministry also said payments of interest on sovereign debt will be reduced to 752 million euros this year and 697 million in 2021 from 785 million euros last year.

($1 = 0.8940 euros)
(Reporting by Marja Novak; editing by Nick Macfie)
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Turkey

Turkish Feb cash balance deficit $8.97 billion

06-Mar-2020

ISTANBUL, March 6 (Reuters) - **The Turkish government's cash balance recorded a deficit of $8.97 billion in February, while the primary balance, which excludes interest payments, showed a surplus of $3.92 billion, data showed on Friday.**

(Reporting by Ali Kucukgocmen and Ezgi Erkoyun; Editing by Jonathan Spicer) ((ali.kucukgocmen@thomsonreuters.com, @alikucukgocmen; +902123507067; Reuters Messaging: Reuters Messaging: ali.kucukgocmen.thomsonreuters.com@reuters.net))

Turkey and other emerging markets face coronavirus rating pressure

06-Mar-2020

- **S&P sees B-grade country ratings vulnerable to coronavirus**
- **Turkey has various pressures: tourism, high dollar debts**
- **Pressures on Italy's growth should not impact rating**

By Marc Jones

LONDON, March 6 (Reuters) - **Turkey, other lower-rated emerging markets and some oil producers will face the biggest pressure on credit ratings from the coronavirus, one of S&P Global's top sovereign analysts said on Friday.**

The number of global infections has surpassed 100,000, while widespread shutdowns and travel restrictions are raising concerns of a potential global recession.

Credit rating agency S&P has been among those cutting growth forecasts in recent days and Frank Gill, its senior director of Europe, Middle East and Africa sovereign ratings, said certain countries' ratings could also be vulnerable.

"It is not good news for anyone, least of all emerging markets," he told Reuters. "Where this could cause most distress is the speculative grade countries in the single B space."

The main issue is whether countries will be able to cope with a major increase in cases, especially if they have less advanced healthcare systems, or if they depend heavily on tourism or plunging commodities like oil.

Another worry is if domestic currencies tumble, making it more costly to pay debt borrowed in major currencies like dollars.

"We are looking at Turkey very closely," Gill said.

S&P currently has the country on a B+ rating with a stable outlook, but Turkey's large tourism sector which accounts for around 13% of its economy, was one of the bright spots last year and "this coronavirus epidemic is clearly going to weigh on any tourism economy in 2020".

The country's banks also have a lot of refinancing to do over the next 12 months. At $61.5 billion, that is roughly 8% of Turkey's GDP. "That is a lot," Gill said.

Turkish companies have around $74 billion in external debt including trade credits and though the government itself only has around $5 billion to refinance this year, there are three large state-owned banks which would need support in a crisis.

"When you see pressure on the lira, that immediately weighs on creditworthiness of the private sector. So that is not great news."

Oil-producing countries with higher extractions costs, like Oman, are also at risk because of the near 30% plunge in crude prices this year.

However, Italy, which has Europe's biggest outbreak of the virus and the heaviest debt load of the region's heavyweight economies, should be able to ride it out, he said.

S&P expects it to see an economic contraction of 0.3% this year but also to recover in 2021. Its borrowing costs have also been coming down rapidly.

"We don't see this (virus) as really changing the story on Italy's debt profile or their ability to refinance themselves."

"So there is no immediate read-across right now to the rating ... But there is enormous uncertainty unfortunately."

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Ukraine

IMF made "very good progress" in discussions in Ukraine

29-Feb-2020

Monetary Fund said on Saturday it had made good progress in talks with the Ukrainian authorities and that the discussions would continue in the coming days.

The IMF has given conditional approval for a new loan programme to Ukraine worth $5.5 billion but its disbursement depends on Kiev's performance on reforms. The IMF also wants parliament to pass a special law on banking.

"The IMF staff team that visited Kyiv made very good progress in discussions on legislation to support growth and ensure stability, and discussions will continue in the coming days," the statement said.

(Reporting by Matthias Williams Editing by Ed Davies) ((matthias.williams@thomsonreuters.com))

Government Debt in January 2020: The lowest borrowing rate in Ukraine's history

03-Mar-2020

The beginning of 2020 was perhaps the most successful in terms of Ukraine's involvement in the state budget. In January, the Ministry of Finance held three auctions for the placement of government bonds, which resulted in UAH 18.5 billion being attracted to the state budget. At the last auction on January 28, yields on only three-month securities exceeded 10%. T-bills with a maturity of 1, 2 and 7 years cost 9.91%, 9.86% and 9.79% respectively.

At the end of January, Ukraine completed a successful placement of Eurobonds worth 1.25 billion euros with a yield of 4.375%. It is the lowest in the history of Ukraine borrowing rate on publicly traded securities in foreign markets and one of the lowest coupons among countries with a credit rating "B". For the first time in history, Ukraine has issued Eurobonds not at a premium with respect to quotations on the secondary market, but at a discount of 25 basis points.

Expenditures of the state budget on repayment of the national debt in January 2020 amounted to UAH 31.6 billion, and of services - UAH 4.4 billion.

Over the reporting period, the aggregate government and government guaranteed national currency debt in national currency increased by 4.04% to UAH 2,079.02 billion, while in foreign currency equivalent it decreased by 1.1% to USD 83.43 billion. USA. An important factor influencing the fluctuation of the public debt was the devaluation of the hryvnia against the dollar. US (according to the National Bank of Ukraine in January 2020 amounted to 5.2%).

In order to reduce the impact of exchange rate fluctuations on the state debt, the Ministry of Finance, by implementing the Public Debt Management Strategy, has consistently reduced the share of government debt denominated in foreign currency and the previous year, thanks to an increase in national currency borrowings, the Ministry of Finance increased the share of national debt denominated in UAH from 33% to 41%. According to the objective set by the Ministry of Finance, at the end of 2024 such share should exceed 50%.

In order to ensure the stability of public finances and given the relatively high cost of borrowing from Ukraine, cooperation with international financial institutions and partner countries remains a priority for the Ministry of Finance.

Fitch Affirms Ukraine at 'B'; Outlook Positive

06-Mar-2020

March 6 (Reuters) -

- **Fitch affirms Ukraine at 'b'; outlook positive**
- Fitch, on Ukraine, says downside risks to growth outlook have increase due to uncertainty of impact of covid-19 on global growth and commodity prices

((Reuters.Briefs@thomsonreuters.com))

LATIN AMERICA AND CARIBBEAN

Argentina

Investors fear IMF negotiations will let Argentina off the fiscal hook

02-Mar-2020

By Hugh Bronstein and Cassandra Garrison

BUENOS AIRES, March 2 (Reuters) - **A new program being discussed by Argentina and its biggest lender, the International Monetary Fund, could set up private bondholders for heavy losses without requiring the spending cuts needed to make the country solvent, investors say.**

Argentina and the IMF announced last month they would start Article IV consultations - allowing the Fund to inspect Argentina's accounts - as a stepping stone to a possible new program that would replace a defunct $57 billion loan agreement struck by the previous government in 2018.

An IMF technical team is due in Buenos Aires this week to meet with economy ministry officials and review the left-leaning government's economic plans.

The negotiations with the Fund are part of a broader restructuring of about $100 billion in debt that Argentina's government says it cannot pay unless given time to revive stalled economic growth.

Analysts and bondholders said discussions on a new program between President Alberto Fernandez's government and the Fund are better than the alternative of having Argentina unilaterally impose terms without IMF feedback.

But so far, the Fund has not challenged Argentina's refusal to impose fiscal austerity on an economy in recession.

That is stirring unease among investors - who are hoping the new program will include measures to rein in spending - as they brace for hefty "haircuts," or reductions in principal payments on their bonds.

"Our view is that the capacity for Argentina to

service its debt is a lot higher than what the government claims and they should be aiming for a higher fiscal surplus," said Steffen Reichold, portfolio manager at Stone Harbor Investment Partners, which holds some Argentine debt.
"Many people have raised this point. We've raised it to IMF. This will be a key issue in the discussions once Argentina makes its first offer," he said.
Economy Minister Martin Guzman has stressed two points in talks with the IMF and comments to Congress: the government, in office since December, will not keep paying debts it considers unsustainable and fiscal austerity would only hinder Argentina's repayment capacity by worsening the economy.
Guzman insists that growth, not fiscal surpluses, should be first on the agenda as he tries to steer Latin America's third-biggest economy toward solvency. Wall Street, aware of Argentina's decades-long history of financial mismanagement, wants to see close IMF supervision.
"The market would like to see the Fund use its institutional credibility and expertise to encourage the authorities to strengthen their fiscal stance and embrace structural reforms," said Goldman Sachs emerging markets analyst Alberto Ramos.
"But it seems the IMF will not do that. The Fund seems happy with Argentina's lack of commitment to significantly improve the medium-term fiscal picture and deal with its perennial fiscal imbalances," Ramos said.

'MEANINGFUL CONTRIBUTION'

The last IMF mission to Argentina ended on Feb. 19. At that time, the Fund said Argentina's debt situation was unsustainable and urged Buenos Aires to draft a definitive plan to restore debt sustainability, including a "meaningful contribution from private creditors."
President Fernandez - initially deeply skeptical about continued involvement with the IMF - has set a March 31 deadline to deal with the country's public debt, and the Economy Ministry has published a timeline for the process.
Some analysts, however, doubt the deadline is realistic.
"It's a fantasy," said Mariano Marco del Pont, chief of trading at Silver Cloud Advisors in Buenos Aires.
Carlos de Sousa, lead emerging markets economist at Oxford Economics, said it was unlikely Argentina and the IMF would agree on a new program before the year ends.
"IMF loan maturities don't start coming due until the second half of 2021, so there's no rush to agree on a new program," De Sousa told Reuters.
The last time Argentine did a big bond restructuring was in 2005 and 2010. That deal, done without the IMF's endorsement, resulted in years of lawsuits that kept the country in default until 2016. Guzman has said he wants to avoid that this time around by striking a collaborative agreement with holders.
It will not be easy. Bond prices are already showing expectations of a 40% to 50% haircut, depending on bond maturity and whether the debt is governed by local law, Marco del Pont said.
The big question, analysts said, is whether the IMF will sign off of on a program that contains no push to cut spending in order to ensure the government's ability to repay its debts.
"The IMF will ask for tougher measures for Argentina and the government should take them if it wants the fund's support," Marco del Pont said.
"There is a great uncertainty and the clock is ticking," he said. "I would be very cautious."

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Argentina issues 35.438 bln pesos in 2020 debt

02-Mar-2020
BUENOS AIRES, March 2 (Reuters) - **Argentina issued 35.438 billion pesos billion pesos ($569.2) million) in debt on Monday in local currency Treasury notes and bonds maturing in 2020 as it seeks funds to ease its debt load amid rising default fears.**
The economy ministry said it had awarded the debt after receiving a total of 118 purchase orders for 43.181 billion pesos.
An auction for a 2021 bond was declared "deserted," the economy ministry said in a statement.

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IMF says Argentine talks 'productive' as visit ends; but details scarce

05-Mar-2020
BUENOS AIRES, March 5 (Reuters) - **An International Monetary Fund team currently in Argentina has held "productive" talks with local officials, a spokesman said on Thursday, though there was little detail on concrete progress about reaching a deal over the country's debt crisis.**
The IMF spokesman said a team in Buenos Aires would complete its trip on Friday and return to Washington to push forward with technical work.
"Exchanges have been and remain very productive," he said in written comments sent to Reuters. "We will communicate more details

about next steps once we have more information."
The IMF, which extended a $57 billion credit facility to Argentina in 2018, has said the South American country's debt levels are unsustainable and that its many private creditors will likely need to take losses amid restructuring talks.
Reaching a deal with the IMF over repayments to the fund will be crucial for Argentine President Alberto Fernandez, who wants to strike an agreement with bondholders by the end of March, an ambitious time frame.
Argentina is facing billions of dollars in foreign currency debt repayments this year, which Fernandez says the country cannot currently make until the grains exporting powerhouse is given time to revive stalled economic growth to raise funds.

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Barbados

Central Bank of Barbados - The Impact of the Debt Restructuring

02-Mar-2020

Barbados' public sector debt stock accumulated rapidly between 2008 and 2017. Inclusive of arrears for tax refunds and payments for goods and services, debt exceeded $14.8 billion at September 2018, compared to approximately $7 billion in 2007. This increase raised the debt ratio above sustainable levels as Government diverted spending towards servicing debt, even as Barbados suffered multiple credit rating downgrades and reduced access to international capital markets. At the same time, the international reserves deteriorated as the Central Bank funded external debt repayments while its reserve buffers fell due to a combination of weak earnings and subdued private capital inflows.
In June 2018, the new administration announced its intention to restructure the public sector debt in order to create fiscal space and facilitate the rebuilding of the international reserves. All debt obligations were rescheduled with the exception of bilateral and multilateral liabilities as well as savings bonds.
The restructuring was addressed in two phases. First, Government concluded a domestic debt exchange in November 2018 for its Barbados dollar-denominated debt and that of several state-owned enterprises (SOEs). The principal balances of bondholders were protected, except for the Central Bank of Barbados and the National Insurance Scheme, both of which suffered losses in their principal values. In addition, intra-public sector arrears were eliminated along with the lifting of some guarantees on contingent liabilities. These actions resulted in a reduction of the stock of domestic debt from 128 percent to 90 percent of GDP by December 2019.
Secondly, having instituted a moratorium on payments on its commercial U.S. dollar-denominated debt, Government exchanged some of these instruments for new bonds in December. The restructured debt, inclusive of capitalised arrears, included Government's Eurobonds and its Credit Suisse facility. The new bonds, issued with an effective reduction of 26.3 percent in the aggregate sum of all outstanding liabilities as of October 1, 2019, totalled US$563.1 million. The agreement provided for staggered upfront payment of the capitalised interest equivalent to US$40 million, the first tranche of which was made in December.
Key characteristics of the new external long-term bond include a final maturity date of October 2029, a five-year grace period on repayments of original principal, buybacks, equal semi-annual principal amortisations commencing in April 2025, a fixed annual coupon of 6.5 percent and a natural disaster clause which would enable Government to capitalise interest and defer principal maturities due on the new bonds for two years in the event of a natural disaster. A similar clause is included in the domestic restructured bonds and is intended to facilitate relief in the event of a natural disaster.
Bond prices for Barbados' debt, which fell below 50 percent of their initial issue value when the debt restructuring was announced, have risen since the reform program and the debt exchanges. By year-end, Barbados' credit rating by Standard and Poor's had risen from default to B-. The new bonds were being quoted at or close to par rather than the discounts of between 10 to 30 percent that existed under the pre-default environment.
The debt-to-GDP ratio now stands at 119.5 percent and the restructurings carry the attendant benefits of longer maturities and lower average coupon debt for both the domestic and international bonds. The annual interest to revenue ratio for FY2020/21 is estimated at 10.3 percent, compared to 26.9 percent in FY2017/18. The favourable impact on cash flows is evidenced by the projected debt service to revenue ratio of 25.5 percent in FY 2020/21 compared to 61.7 percent in FY 2017/18.
Achieving Government's commitment to placing the debt on a downward trajectory that would reduce the debt ratio to 60 percent by 2033 is premised on sustained fiscal discipline, lower interest costs, a resumption of economic growth and the gradual retirement of debt. These improvements should provide the platform for future upgrades in Barbados' credit ratings, create a more investor friendly environment and contribute to the resumption of sustainable growth.

Brazil

Brazil central bank to intervene in FX swaps market on Thursday

04-Mar-2020
BRASILIA, March 4 (Reuters) - **Brazil's central bank on Thursday will auction up to $1 billion foreign exchange swaps contracts, it said on Wednesday, the latest FX market intervention in the face of the real's 12% slide this year to a series of record lows against the dollar.**
Thursday's sale will be the central bank's sixth intervention in the swaps market in recent weeks, as a wave of downward revisions to this year's economic growth and interest rate outlook has pushed the real as low as 4.56 per dollar.

(Reporting by Jamie McGeever)
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Brazil's low growth 'not normal,' keeps Treasury secretary from sleeping soundly

05-Mar-2020
By Marcela Ayres
BRASILIA, March 5 (Reuters) - **Brazil's economy is experiencing severe difficulties, Treasury Secretary Mansueto Almeida said on Thursday, adding that its low growth is not normal for a developing country and is keeping him from sleeping soundly at night.**
The economy's weakness is the source of growing frustration across all segments of society, but the best way to boost confidence and activity is to press ahead with the government's reform agenda, he said.
"As a country, we are experiencing enormous difficulties. I do not sleep soundly, I am very concerned, we still have very low growth," Almeida said at an event in Brasilia, a day after figures showed that the economy grew 1.1% last year, the slowest in three years.
Echoing reaction from Economy Ministry officials to Wednesday's gross domestic product figures, Almeida doubled down on the need to get the public accounts in order and implement the Government's wider reform agenda.
Almeida said the political will in Brasilia to pass major reforms across a wide range of areas including public sector, taxes, and central bank independence, is strong, even though the process may be slower than he would like.
"Some people say: 'but Congress is dragging its heels.' Congress is not dragging its heels, Congress debates, Congress has its ways, Congress has its timetable," Almeida said.
Although "everyone" supports fiscal discipline, Almeida said, the government must still find a way to increase public investment, particularly in education. Balancing the books is the best way to create the fiscal space to provide public services and increase public investment, he insisted.
Local media on Wednesday reported influential lower house speaker Rodrigo Maia criticizing the government's fiscal policy, saying that the country will suffer if all the government does is "cut, cut, cut."
Almeida noted that it is not normal for Brazil, with a tax burden close to 34% of GDP, to have public investment equivalent to less than 2.5% of the public sector. But he warned that if tax receipts fall short of expectations, then the government will have to implement more spending freezes.

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Colombia

Colombia's current account deficit grew to 4.3% of GDP in 2019

02-Mar-2020
BOGOTA, March 2 (Reuters) - **Colombia's current account deficit grew to 4.3% of gross domestic product in 2019, due to higher outflows of foreign investment and a negative trade balance, the central bank said on Monday.**
The deficit amounted to $13.8 billion and exceeded the deficit in 2018, which was 3.9% of Gross Domestic Product.
The increase in the deficit is due to the outflow of profits and dividends of companies with foreign investment, as well as the negative trade balance recorded in 2019, owing to higher growth in imports.
However, foreign direct investment last year rose 25.6% to $14.5 billion, compared to 2018, the central bank said in a statement.
Some 31.9% of investment destined for Latin America's fourth-largest economy went to the mining and oil industries, while 20.6% was designated for financial and professional services. The commerce and hospitality sector received 14.7%, and manufacturing got 10.7%.

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Costa Rica

Costa Rica's debt plans will illuminate Latin America risk appetite

02-Mar-2020

Costa Rica's public debt officials may soon find themselves looking fondly back to a golden age of access to the international debt capital markets.

It was time when the country's deals were met with huge international appetite, it could issue $1.5 billion in fresh debt, launched with no new issue premium thanks to $7.6 billion in orders - and then the bonds would promptly trade up in secondary.

That was all the way back in November.

Downgrade

Things can change quickly. First, Moody's downgraded the country to B2 on Monday and, by doing so, threw a harsh light on the terrible state of the public finances.

Costa Rica's fiscal problems are long-standing, but the lead banks on the November deal - Citi and HSBC - were able to put a gloss on the fiscal weakness by pointing to a new value-added tax, the establishment of a fiscal rule and some added flexibility to public sector wages and mandatory spending.

However, the downgrade takes the legs out from any lingering optimism that these reforms would be sufficient: the spiralling cost of debt - combined with the quickly rising stock of debt - is more than outweighing any positive effect of the fiscal reform.

According to the Institute of International Finance (IIF), Costa Rica's primary fiscal deficit will narrow this year to 1.3% and to 0.8% next year, from 2.8% last year.

However, that good work is undone by the jump in interest payments, with the total fiscal deficit - including interest payments - expected to be 6.4% this year and 5.7% next year.

While these are improvements on last year's 7.0%, it's still a hefty deficit and will see total debt rise to 59% of GDP this year from 53% last year. The IIF predicts it will hit 69% by 2023.

Politicians seem incapable or unwilling to push fiscal reform further or faster, as a high and rising rate of unemployment (12.4% in December) and modest economic growth (2.1% last year) combine with the spectre of the popular protests that spread through the region last year.

Debt schedule

Costa Rica isn't helped by its heavy debt schedule - 43% of public debt is due in the next five years. This will make access to the international capital markets a necessity.

However, as the IMF gathers in Argentina to try to re-order that country's unsustainable debt burden, the question will be whether the frenzied chase for yield - that has propelled volumes and suppressed interest rates for Latam debt - will be countered by a more sober analysis of the credit worthiness of sovereign issuers.

It should be noted that in November there were plenty of investors sounding the warning that the deal was a sign of froth in the markets - they were just drowned out in the scramble for yield.

And so, when Costa Rica comes to the market later this year - and come it must - it will be a fascinating read on the appetite for not just Costa Rica debt but for Latin American debt more generally.

Mexico

Mexico to speed up spending, spur private investment to counter coronavirus shock

04-Mar-2020 01:09:41

MEXICO CITY, March 3 (Reuters) - **Mexico's government plans to speed up public spending and is urging the private sector to boost investment to help counter the economic pain caused by the global coronavirus outbreak, Finance Minister Arturo Herrera said on Tuesday.**

"What we have to do is take advantage of all the fiscal (tools) that we have, and all the investment opportunities at hand," Herrera told a news conference alongside other officials.

The government of President Andres Manuel Lopez Obrador said it is in close contact with the Bank of Mexico, the country's central bank, to coordinate a suitable response to the impact of the fast-spreading virus on the economy.

Herrera said he had already spoken to Bank of Mexico Governor Alejandro Diaz de Leon.

The U.S. Federal Reserve cut interest rates earlier on Tuesday in a bid to shield the world's largest economy from the impact of the coronavirus.

"This is something that more or less had been expected," Herrera said, referring to the U.S. rate cut.

Herrera argued Mexico needed to be cautious about taking on new debt because of its higher real interest rates.

"The Mexican government's room for maneuver is quite different," he said, pointing to the difference in borrowing costs between the United States and Mexico.

The Fed cut rates on Tuesday by a half percentage point to a target range of 1.00% to 1.25%, while the Bank of Mexico's benchmark interest rate stands at 7.0% after policymakers cut it by 25 basis points last month.

"What (Herrera) is trying to say is that we can't borrow because it's very expensive given the situation," said Jonathan Zuloaga, an analyst at financial consultancy Columbus de Mexico.

"Mexico has long had the highest real interest rate of any emerging country with a significant financial market."

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AFRICA

Angola

Fitch Says Downgrades Angola to 'B-' Outlook Stable

06-Mar-2020
March 6 (Reuters) - Fitch:

- **Fitch says downgrades Angola to 'B-'; outlook stable**
- **Fitch says downgrade of Angola's ratings reflects impact of lower oil production and lower oil prices and sharper than expected kwanza depreciation**
- Fitch says Angola's solid progress on reforms has not been sufficient to arrest deterioration in public, external finances
- Fitch says has downgraded Angola's long-term foreign-currency issuer default rating to 'B-' from 'B'
- Fitch, on Angola, says expect downward pressure on kwanza to continue in 2020
- Fitch says expect that Angola will continue to meet performance criteria, structural benchmarks of its IMF programme
- Fitch says angola government's ongoing privatisation efforts could result in removing significant external liabilities from government's balance sheet

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Cape Verde

S&P Says Cape Verde 'B/B' Ratings Affirmed, Outlook Stable

29-Feb-2020
Feb 28 (Reuters) -

- **S&P says Cape Verde 'B/B' ratings affirmed; outlook stable**
- S&P, on Cape Verde, says risks still exist around brexit, and there is a possibility of further disruption to travel tied to covid-19 virus

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Kenya

Kenya's central bank to buy $100 mln per month to boost reserves

03-Mar-2020
By Duncan Miriri
NAIROBI, March 3 (Reuters) - **Kenya's central bank said it plans to buy $100 million a month between March and June to increase reserves and will also purchase a minimum $1 million from banks at prevailing rates in each deal.**
The bank has bought dollars in the past through open market operations, but it does not usually disclose the target amount or any other details.
New developments across the globe, including a significant drop in oil prices, have opened a window for a more formal dollar purchase programme, the Central Bank of Kenya (CBK) said in a statement seen by Reuters.
"This would bolster CBK's preparedness to deal with heightened global volatility and uncertainties," it added.
Traders reacted angrily to the move, saying the central bank's intervention could distort the foreign exchange market, due to the anticipated spike in demand for dollars.
"They should have bought dollars discreetly," said a market participant who did not wish to be named.
The shilling has been one of the most stable frontier currencies this year.
But on Tuesday it fell to its lowest in three months after the CBK announcement, trading at 102.00 per dollar at 0745 GMT, a level last touched in early December, and down from 101.35 at the start of trading.
"They (banks) are pricing higher to sell to the regulator at a higher price... it's speculation, a one shilling move in a few hours does not make sense," said a currency trader at a bank.
Razia Khan, head of research for Africa at Standard Chartered in London, said the announcement by CBK displayed its confidence in the stability of the exchange rate.
"It also shows a good deal of forward thinking, anticipating some of the demand on foreign exchange reserves that will occur in the future," she said.
Traders said the move by the CBK could have partly been driven by the government's growing need for dollars to pay interest on the country's outstanding dollar bonds.
The central bank's foreign exchange reserves dropped to $8.41 billion last Friday, equivalent to 5.11 months worth of import cover, from $8.51 billion the previous week.
The drop reflected an interest payment to the holders of the outstanding sovereign bonds, market participants said, but the central bank said the reserves were adequate, standing well above the required four months of import cover.
The East African nation imported petroleum products worth $3.31 billion last year, at an average price of $66.5 per barrel, the central

bank said.
That average price has now dropped to $51 per barrel, offering significant savings and opportunity to increase reserves, it added.
"These purchases will be conducted while ensuring that they do not introduce volatility and instabilities in the foreign exchange market," the bank said.

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Mali

Moody's Says Mali's Credit Profile Balances Robust Growth and Prudent Fiscal Policy against Weak Institutions

02-Mar-2020
March 2 (Reuters) - Moody's:

- **Moody's says Mali's credit profile balances robust growth and prudent fiscal policy against weak institutions**
- Moody's says Mali's general government debt is moderate and efforts to control spending continue
- Moody's says elevated political risks in Mali related to the security situation also constrain the sovereign's credit profile

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Nigeria

Nigeria's Senate approves Buhari's $22.7 billion loan request

05-Mar-2020
By Camillus Eboh
ABUJA, March 5 (Reuters) - **Nigeria's upper house of parliament has approved foreign borrowings of $22.7 billion requested by President Muhammadu Buhari, the Senate President said on Thursday.**
About $17.06 billion of the total loans will be provided by China's Eximbank, while the World Bank, African Development Bank, Islamic Development Bank and German Development Bank are in the mix of the new borrowings tied to projects.
Nigeria has been borrowing abroad to fund projects after a 2016 recession caused largely by low global oil prices hurt its spending plans, but debt service costs have been rising.
The country also plans to sell a $3.3 billion eurobond this year to refinance an existing maturity and part-fund its 2020 budget of 10.59 trillion naira ($35 billion), which is a 17% rise over last year's.
"Let me emphasize here that we are going to follow very strictly how this loans are applied," Senate President Ahmed Lawan said. "The loans will have positive influence on the GDP of this country."
Africa's largest economy has struggled to shake off the effects of the contraction that ended in 2017 and has been grappling with low growth since. It grew 2.27% in 2019 from 1.91% the previous year, supported by a favourable oil price.
Buhari asked parliament in November to approve the borrowings, which are tied to infrastructure and other projects, after a similar request was rejected three years ago.
During Buhari's first term, the executive was embroiled in a power tussle with the legislature that slowed government, including confirmation of appointments. Buhari won a second term in February and some of his party loyalists in parliament were re-elected.
Finance Minister Zainab Ahmed said on Wednesday the government was concerned about the impact of the coronavirus outbreak on world oil prices, which are now trading below Nigeria's budget assumption. This could trigger a midterm budget review, she said.

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South Africa

S. Africa's current account deficit narrows to lowest in nearly a decade

05-Mar-2020
PRETORIA, March 5 (Reuters) - **South Africa's current account deficit narrowed to 1.3% of gross domestic product (GDP) in the fourth quarter of 2019 from a shortfall of 3.7% in the third quarter, central bank data showed on Thursday.**
The deficit was the lowest since a small surplus of 0.4% in the final quarter of 2010, and well shy of the 3.5% shortfall for the quarter forecast by economists surveyed by Reuters.
The trade balance showed a wider surplus of 102.5 billion rand ($6.68 billion) in the fourth quarter, more than double the revised 44 billion rand surplus in the previous three months.

($1 = 15.3415 rand)
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Moody's cuts South Africa's 2020 GDP growth forecast after coronavirus

06-Mar-2020

JOHANNESBURG, March 6 (Reuters) - **Ratings agency Moody's on Friday cut its 2020 growth forecast for South Africa to 0.4% from 0.7%, one of several countries it saw as having lower growth prospects in a new report because of the coronavirus outbreak.**

"The global spread of the coronavirus is resulting in simultaneous supply and demand shocks," Moody's said in a global research report.

Moody's is the last of the major international agencies to keep an investment grade rating on South Africa and is scheduled to review that assessment this month.

"We expect these shocks to materially slow economic activity, particularly in the first half of this year. We have therefore revised our 2020 baseline growth forecasts for all G-20 economies."

South Africa on Thursday confirmed its first case of coronavirus in a citizen who had visited Italy.

Since the coronavirus outbreak began in the central Chinese city of Wuhan in December, it has infected almost 100,000 people worldwide and killed more than 3,000, mostly in China.

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Sudan

Sudan says needs foreign currency for strategic commodities despite Gulf aid

05-Mar-2020

CAIRO/KHARTOUM, March 5 (Reuters) - **Sudan is in dire need of foreign currency to continue buying strategic commodities, especially wheat, after its reserves of the grain dipped to a mere seven days in December, Finance Minister Ibrahim ElBadawi said on Thursday.**

Bread shortages, caused by difficulties in raising hard currency to import wheat, triggered the mass protests which led the military to end 30 years of rule by Islamist president Omar al-Bashir in April.

The country has since received shipments of wheat and gasoline as aid from its allies in the Gulf, the United Arab Emirates and Saudi Arabia, but has had to make extra purchases to cover its needs amid a crippling lack of foreign currency.

In December, its central bank struggled to secure $28 million needed to clear a 50,000 tonne cargo of wheat in port and had to turn to Al-Fakher, a little-known private company founded in 2015, to secure the funds in exchange for Sudanese pounds, ElBadawi told a news conference in Khartoum.

The funds were conditioned upon the purchase of local gold for export, ElBadawi said, which the company did by selling an initial 155 kg.

"We were in dire need of that ship to provide wheat to cover the country's needs until the end of December, when our remaining wheat reserves were no more than seven days," he said.

The civilian government Elbadawi is part of has taken over for three years under a power-sharing deal with the military.

It has drawn slightly more than half of $3 billion in support for imports of wheat and fuel offered by its two Gulf allies in April, he told Reuters in November, with the remaining funds expected to be disbursed this year.

Sudan also continues to subsidize bread and fuel, an added strain on the government's finances, and has said it aims to continue bread subsidies but to improve how they are targeted.

In crisis since losing most of its oil wealth with the secession of the south in 2011, the country has experienced an acute shortage of foreign currency. The dollar rose to almost twice the official rate against the Sudanese pound on the black market this week.

(Reporting by Mahmoud Mourad and Nadine Awadalla in Cairo and Khalid Abdelaziz in Khartoum;
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GLOBAL

World Bank plans financial and technical aid package to help with coronavirus

03-Mar-2020

WASHINGTON, March 3 (Reuters) - **The World Bank said it would announce a package of financial and technical support later on Tuesday to assist with the health and economic impacts of the global coronavirus outbreak.**

World Bank President David Malpass and Muhammad Pate, the bank's global director for health, nutritition and population, would announce the measures in a telephone conference at 2:30 p.m. EST, the Bank said in a statement.

The International Monetary Fund and the World Bank said on Monday they stood ready to help member countries deal with the coronavirus outbreak, including through emergency funding.

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IMF chief says virus spread will hold 2020 global growth below last year

04-Mar-2020

WASHINGTON, March 4 (Reuters) - **The continued spread of the coronavirus will push 2020 global growth below last year's levels, International Monetary Fund Managing Director Kristalina Georgieva said on Wednesday, adding that the IMF will again revise its forecasts downward in the coming weeks.**

The IMF in January had estimated 2019 global growth at 2.9% and 2020 growth at 3.3%. In February, the Fund said the outbreak could shave 0.1 percentage point from 2020 growth.

"Growth this year will fall below the level of last year," Georgieva told a news conference in Washington, but declined to say whether the virus crisis could push the world into a recession.

"It is the duration of the outbreak that at this time is difficult to predict," she said, adding that the effectiveness of mitigation measures would play a key role in determining the economic impact.

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Moody's Says Coronavirus Will Hurt Economic Growth in Many Countries through First Half Of 2020

06-Mar-2020

March 6 (Reuters) - Moody's:

- **Moody's says coronavirus will hurt economic growth in many countries through first half of 2020**
- Moody's says revised 2020 baseline growth forecasts for all g-20 economies as they expect supply & demand shocks from coronavirus to materially slow economic activity
- Moody's says longer coronavirus outbreak affects economic activity, the demand shock will dominate and lead to recessionary dynamics
- Moody's says lowered 2020 forecast for china's growth to 4.8% from previous estimate of 5.2%
- Moody's says for the us, we now expect real GDP to grow by 1.5% in 2020, down from our previous estimate of 1.7%
- Moody's says global spread of coronavirus is resulting in simultaneous supply & demand shocks

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EMERGING MARKETS

Emerging markets hit by $25 bln outflow since mid-Feb as Fed fails to stem virus woes

05-Mar-2020

LONDON, March 5 (Reuters) - **Emerging markets have been hit by $25 billion in outflows since mid-February, with the recent rate cut from the U.S. Federal Reserve failing to stem the exodus, preliminary data from the Institute of International Finance (IIF) showed on Thursday.**

Concerns about the spread of the coronavirus has triggered a sell-off in riskier assets, with the data showing Indonesia, South Korea and Thailand among those particularly hard hit.

In an emergency move to shield the U.S. economy from the impact of the outbreak, the U.S. central bank on Tuesday cut rates by a half percentage point to a target range of 1.00% to 1.25%.

"The reaction of EM non-resident portfolio flows to the surprising rate cut by the Fed was lukewarm," said IIF economist Jonathan Fortun. "While typically the transmission mechanism of G-3 monetary policy to EMs is quick, this time around the story is a little different."

For the past year and a half, the risk threatening flows to emerging markets was coming from the United States and China, said Fortun, adding that investors were also spooked by the weakness among emerging markets to manage the virus and the reaction of developed markets to the uncertainty the outbreak created.

A total of $18.5 billion of the outflow since Feb. 16 related to equities, with $6.5 billion flowing from debt, the data showed.

"Emergency cuts are typically motivated by some scary thing - such as this virus - which can lead to short-term selling in EM," said Jan Dehn, emerging markets investment manager Ashmore Group's head of research.

"Now, the interesting question is what happens after the initial kneejerk pullbacks in 'risky' markets are over. Clearly, lower yields are good for bonds everywhere, including EM, and any short-term selling will have pushed up spreads so EM bonds become extra attractive in every respect."

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