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Emerging Sovereign Debt Markets NEWS

Number 2 Week 4 – 10 January 2020

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ASIA

Bahrain

Bahrain's sovereign wealth fund Mumtalakat hires banks for dollar sukuk

07-Jan-2020
DUBAI, Jan 7 (Reuters) - **Bahrain's sovereign wealth fund Mumtalakat has hired banks to arrange fixed income investor meetings ahead of a potential issue of U.S. dollar-denominated sukuk, or Islamic bonds, a document by one of the banks leading the deal showed.**
The fund has picked Citi, Gulf International Bank, HSBC, National Bank of Bahrain and Standard Chartered for meetings in London, Asia and the Middle East, starting on Thursday.
A seven-year issuance might follow, subject to market conditions, the document said.
The deal could be the first international debt sale by a Gulf borrower this year.
The regional debt markets have weakened following last week's killing by a U.S. drone of Iranian commander Qassem Soleimani, which has sparked fears of a military conflict in the region.
But a sukuk issuance might not be seen as a real test for regional issuers' ability to access international debt buyers despite market volatility, as sukuk generally benefit from large pent-up demand from regional Islamic investors.
Mumtalakat, rated BB-(minus) by Fitch, raised $600 million in sukuk last year, having obtained orders of around $4 billion for the debt sale.

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China

China encourages foreign-invested banks to underwrite local gov't bonds

07-Jan-2020
BEIJING, Jan. 7 (Xinhua) -- **Local governments will be guided to revise rules to allow foreign-invested banks underwriting bonds issued by them as part of the country's financial market opening-up, the Ministry of Finance said.**
Allowing foreign-invested banks to participate in underwriting local government bonds would help expand the issuance channel, investor base and the market's opening-up, the ministry said Monday in a statement on its website.
Foreign-invested banks include solely foreign-funded banks, Sino-foreign joint venture banks and Chinese branches of foreign banks.
Foreign-invested banks have already participated in underwriting bonds issued by the governments of Ningbo, Chongqing, Tianjin and Qingdao cities, as well as the government of Guangdong Province, the ministry said.

Enditem

Cash-in time on China debt for foreigners

09-Jan-2020
Foreign investors cut their holdings of Chinese debt last month for the first time since

February, taking profit from some of the year's top-performing notes.

Overseas funds sold a net 9.8 billion yuan (HK$10.9 billion) to own 2.2 trillion yuan of onshore bonds by the end of December, according to ChinaBond and Shanghai Clearing House data, which covers more than four-fifths of the market.

Short-term debt instruments known as negotiable certificates of deposit saw the biggest drop in ownership, followed by policy bank bonds.

The shift in market sentiment that started last month may have triggered the profit-taking, with stocks rallying around the world after Beijing and Washington progressed on a trade deal.

The selling came even though a stronger yuan increases the attractiveness of mainland-listed assets to overseas investors.

Purchases of Chinese government debt continued in December. Foreign investors now own more than 1.3 trillion yuan in sovereign notes, or about 8.5 percent of that market.

The Chinese Communist Party, meanwhile, has issued new rules for state enterprises, giving it greater control of companies that span industries from energy to banking and telecommunications.

Wholly or majority state-owned firms must "integrate party leadership into every part of company governance," rules on the central government website state. The regulation took effect at the end of December on a trial basis.

The rules formalize steps Beijing has been taking over the past few years to improve performance at state-owned companies.

The effort to strengthen party control of the companies started in 2015, with Beijing issuing guidance to establish party organizations into company bylaws.

President Xi Jinping stressed the legal role of those bodies in company management at a meeting in October 2016.

China lets local govts issue general purpose bonds early to spur investment

- **Local govts can issue 500 bln yuan in new general purpose bonds early**
- **Follows 1 trillion yuan front-loaded special bond quota**
- **Full-year quotas to be set at parliamentary session in March**
- **Early bond issuance, Lunar New Year, tax payments could cause liquidity squeeze - analysts**

SHANGHAI/BEIJING, Jan 9 (Reuters) - **China's finance ministry will allow local governments to front-load more than 500 billion yuan ($72 billion) in new general purpose bond issuance this year as it encourages investment to support a slowing economy, four sources told Reuters.**

The front-loaded bond quota is intended to be used up before March, the sources said. China sets its yearly quotas for local government bond issuance at its annual parliamentary meeting in March.

"The front-loaded 500 billion yuan in new issuance for general-purpose bonds was given as oral guidance, there is no formal document," one of the sources said, speaking on the condition of anonymity.

The source added that the market impact was likely to be minimal, as local governments were also allowed to front-load issuance last year. Local governments issued 580 billion yuan worth of new general-purpose bonds early in 2019.

Another source said that the front-loaded quota would not exceed 60% of last year's total new general-purpose bond issuance. Local governments issued 907.4 billion yuan worth of new general-purpose bonds in 2019.

The Ministry of Finance did not immediately respond to Reuters' faxed requests for comment.

The southwestern region of Guangxi is set to become the first local government to issue new general-purpose bonds in 2020 on Thursday. In a regulatory filing on Wednesday, the region said proceeds from its 1.1 billion yuan issuance would be used to fund water infrastructure projects.

Approval for early issuance of general-purpose bonds came after China said in November it would allow local governments to issue up to 1 trillion yuan in special bonds early using the 2020 quota.

The central province of Henan became the first local government to issue special bonds out of the 2020 quota on Jan. 2.

Analysts at BofA Global Research said they expect about half of the front-loaded special-bond quota to be used in January, and estimate China will raise its full-year special-bond quota to 3.15 trillion yuan from 2.15 trillion yuan in 2019.

Local government bond issuance could push the People's Bank of China (PBOC) to inject more liquidity into the banking system, despite already-low rates in the interbank market, the analysts said.

A combination of quarterly tax payments, local government bond issuance and short-term demand for cash ahead of the Lunar New Year holiday is expected to create a liquidity gap of as much as 2.8 trillion yuan later this month.

"We believe (the) PBOC will need to provide more short- and medium-term liquidity through January given the heightened liquidity demand," the analysts said.

($1 = 6.9447 Chinese yuan)
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India

India Bonds Rise Tracking Easing Oil Prices; GDP Estimate Awaited

07-Jan-2020
By Dharam Dhutia and Siddhi Nayak
NewsRise
Mumbai (Jan 7) -- **Indian government bonds ended higher for the first time in four sessions aided by a retreat in crude oil prices from recent highs, while traders now await the release of the first advance estimates of this fiscal year's economic growth.**
The benchmark 6.45% bond maturing in 2029 ended at 99.25 rupees, yielding 6.55% in Mumbai, versus 99.14 rupees and a 6.57% yield yesterday. The Indian rupee ended at 71.83 to the dollar, against 71.93 at previous close.
"A sharp reversal in the benchmark Brent crude contract back below $70 levels was a huge relief for the bond market, which along with hopes of fiscal prudence led to some buying," said Yogesh Kalinge, vice president at A.K. Capital. "However, large gains could not be sustained as most investors booked profits at current levels, as uncertainty over additional borrowing still persists."
The benchmark Brent crude contract was 0.6% lower at $68.50 per barrel, against $70.74 per barrel hit yesterday, which was also the highest in nearly four months, as fears arising from geopolitical tensions in the Middle East eased somewhat. The contract had jumped amid worries about retaliation by Iran to the killing of a top military commander by the U.S.
The first advance estimate of India's gross domestic product growth for this fiscal year that ends on Mar. 31 is due post market hours today and takes into account the figures available for the first nine months of the current fiscal.
ICICI Securities Primary Dealership pegs the number at 5.1%, with risks tilted towards a downward revision. The Reserve Bank of India had pegged economic growth at 5% in its December policy.
India's economic growth slumped to an over-six-year low of 4.5% in July-September, and is likely to slow further in the coming months.
The federal budget is due on Feb. 1, and Investors eye growth-supporting measures to revive the economy and support growth.
The federal government is aiming at a fiscal deficit of 3.3% of GDP this year, but the target is likely to be missed due to slowing growth and lower-than-expected divestment proceeds.
According to some media reports, the government is planning to cut its spending by around two trillion rupees in January-March to avoid a big fiscal slippage.
Bonds have priced in a fiscal slippage of up to 50 basis points this financial year and additional borrowing worth at least 500 billion rupees, traders said. Emphasis will now be on the government's fiscal deficit target for the next financial year, to be announced in the budget, they added.
Meanwhile, the RBI bought 11.11 billion rupees of the benchmark note out of its 100 billion rupees bond purchase at its third special open market operation yesterday. The RBI had bought 200 billion rupees of the benchmark note in two similar auctions in December, to soften bond yields and bring down term premia as concerns of additional borrowing persist.
DBS Bank expects the central bank to conduct one or two more such auctions before the Union Budget and sees the benchmark bond yield finding support around 6.50%.

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India predicts slower 5% growth, likely prompting budget stimulus

07-Jan-2020
By Manoj Kumar
NEW DELHI, Jan 7 (Reuters) - **India on Tuesday forecast 5% growth for the current financial year, the slowest pace in 11 years, which will likely prompt the finance minister to opt for extra fiscal stimulus when she presents the annual budget next month.**
The government is expected to announce tax concessions for individuals and increase spending on infrastructure after cutting corporate tax rates last year, officials and economists said.
Finance Minister Nirmala Sitharaman last week unveiled a plan to invest 102 trillion rupees ($1.4 trillion) in infrastructure over the next five years in a bid to make India a $5 trillion economy by 2025.
Annual economic growth slowed to 4.5% in the July-September quarter, the weakest pace since 2013, blamed on weakening demand and private investment, putting pressure on Prime Minister Narendra Modi to speed up reforms as five rate cuts have failed to help.
The financial year ends in March.
Gross domestic product is estimated to grow 5.0% in 2019/20, slower than the 6.8% growth of 2018/19, the Ministry of Statistics said in a statement.
Indian growth had slowed to 3.1% in 2008/09 after the global financial crisis.
"The slowdown in economic growth implies the government will have to come up with a fiscal stimulus in the budget," said N.R. Bhanumurthy, economist at National Institute of Public Finance

and Policy, a Delhi-based think-tank.
He said latest growth numbers would impact revenue estimates and government spending for the next financial year. Growth was likely to be around 6-6.5% in 2020/21, he said, following a steady a recovery.
Manufacturing is forecast to grow 2.0% in 2019/20, compared to 6.9% growth in 2018/19, the Ministry of Statistics said.
Construction is likely to grow 3.2% in 2019/20, compared to 8.7% the previous year, while the farm sector is forecast to grow 2.8%, compared to 2.9% a year earlier, the statement said.
Private economists expect growth to steadily pick up in the next fiscal year. Data so far this year points to a weaker-than expected activity, with global trade tensions and rising crude oil prices posing risks.
The unemployment rate rose to 7.7% in December from 7% a year earlier, data released by the Centre for Monitoring Indian Economy, a Mumbai-based think tank, showed.
The statistics ministry will release growth data for the October-December quarter on Feb. 28, along with revised full-year growth estimates.

($1 = 71.7550 rupees)
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Indonesia

Fitch Rates Indonesia's Foreign-Currency Bonds 'BBB (EXP)'

07-Jan-2020
Fitch Ratings-Hong Kong-January 07:
Fitch Ratings has assigned Indonesia's forthcoming US dollar and euro-denominated bonds an expected rating of 'BBB (EXP)'.
KEY RATING DRIVERS
The expected rating is in line with Indonesia's Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'BBB' with a Stable Outlook.
RATING SENSITIVITIES
The rating on the bonds would be sensitive to any changes in Indonesia's Long-Term Foreign-Currency IDR.
Fitch affirmed Indonesia's Long-Term Foreign-Currency IDR at 'BBB' with a Stable Outlook in March 2019 (fitchratings.com/site/pr/10066164). The Long-Term Local-Currency IDR is also 'BBB' with a Stable Outlook.

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Indonesia raises over $3 bln in dollar, euro bond sales

08-Jan-2020
JAKARTA, Jan 8 (Reuters) - **Indonesia has raised the equivalent of more than $3 billion from U.S.-dollar and euro-denominated bond sales, its finance ministry said on Wednesday.**
The Southeast Asian nation sold 10-year bonds with a 2.880% yield for $1.2 billion and raised another $800 million in sales of 30-year bonds with a yield of 3.550%, it said in a statement.
It also raised 1 billion euro ($1.11 billion) in sales of euro bonds with seven-year tenure and a 0.953% yield.
The yields for the 10-year dollar bonds and the euro bonds were the lowest for any Indonesian bond. The 30-year dollar bond's yield was below that of the previous sales, the finance ministry said.
The ministry credited this to stable market condition and strong investor sentiment at the beginning of the year. Pricing for the bonds was set on Tuesday.
Joint bookrunners for the transactions were Citigroup, Deutsche Bank, Goldman Sachs, Mandiri Sekuritas and Societe Generale. Danareksa Sekuritas and Trimegah Sekuritas acted as co-managers.
Indonesia plans to raise a total of 735.52 trillion rupiah ($52.97 billion) from the bond market in 2020, with about 15% to 20% in foreign currencies, a finance ministry official said previously.

($1 = 0.8981 euros) ($1 = 13,885 rupiah)
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Iraq

Iraq's bonds test 1-year low after Trump sanctions threat

06-Jan-2020
LONDON, Jan 6 (Reuters) - **Iraq's benchmark dollar bonds tested a one year low on Monday amid sharply escalating tensions across the region.**
The country's 2023 issue dropped as much as 4.1 cents on the dollar in early London trading, having seen its biggest fall since issuance on Friday following the U.S. killing of Iran's top military commander at Baghdad airport.
Iraqi militia leader Abu Mahdi al-Muhandis was also killed in the attack and Iraq's parliament called on Sunday for U.S. and other foreign

troops to leave the country following the moves. U.S. President Donald Trump hit back warning Iraq could be hit by sanctions "like they've never seen before".

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Israel

Israel posts 3.7% budget deficit in 2019, above 2.9% target

06-Jan-2020
JERUSALEM, Jan 6 (Reuters) - **Israel in 2019 posted a budget deficit of 52.2 billion shekels ($15 billion), or 3.7% of gross domestic product, the Finance Ministry said on Monday, exceeding an initial target of 2.9% of GDP.**
The deficit, which was 2.9% of GDP in 2018, has swelled over the past year under Prime Minister Benjamin Netanyahu and Finance Minister Moshe Kahlon, who cut taxes while spending heavily on cost-of-living subsidies and pay rises.
Israel's economy has been in a holding pattern since inconclusive elections last April and September. Limited in power, caretaker governments have been unable to rein in the gaping budget hole.
The political stalemate means it will be well into 2020 before a new annual budget is passed, triggering months of cutbacks. The third election in less than a year will be held on March 2.

($1 = 3.4737 shekels)
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Israel says to sell 10 and 30-year U.S. dollar denominated bonds

08-Jan-2020
JERUSALEM, Jan 8 (Reuters) - **Israel plans to move forward with the sale of 10-and 30-year U.S. dollar-denominated bonds after meetings this week with foreign investors, the Finance Ministry said on Wednesday.**
No details on the size and timing of the offering were immediately available.
Earlier this week, Israel appointed Bank of America Securities, Citigroup and Goldman Sachs as joint bookrunners for a potential benchmark-sized U.S. dollar-denominated debt offering of 10- and 30-year bonds.
Israel typically sells bonds every year, alternating between dollar and euro-denominated offerings. In January 2019, it sold 2.5 billion euros ($2.8 billion) in a dual-tranche issue split between 10- and 30-years, a record for Israel on foreign markets.
Israel, which sold $2 billion of 10- and 30-year bonds in 2018, prefers to issue early in the year in the belief pricing is better.

($1 = 0.8985 euros)
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Israel raises $3 billion in record U.S. dollar bond issue

08-Jan-2020
By Steven Scheer
JERUSALEM, Jan 8 (Reuters) - **Israel raised a record $3 billion in foreign debt on Wednesday in an offering that received huge demand from investors despite a year-long political stalemate and rising geopolitical tensions in the region.**
It sold $2 billion of 30-year U.S.-denominated bonds at 3.375%, or 115 basis points over comparable U.S. Treasuries, and another $1 billion of 10-year bonds at 2.5%, or 68 basis points over Treasuries -- the lowest-ever spreads for an Israeli international debt offering.
Demand for the issues, the Finance Ministry said, reached an all-time high of $20 billion and attracted more than 400 different investors from 40 countries including the United States, Britain and Germany. Among the buyers were central banks, pension funds, insurance companies and other entities that already hold Israeli securities.
The ministry said there was high demand from Asian institutional investors, including Japan and Hong Kong.
Accountant General Rony Hizkiyahu said the results reflected confidence among the world's largest investors in Israel's economy and its bonds.
"The level of issuance and the low cost achieved will constitute an important element in financing the government's activities in the coming year," he said, adding Israel was well established in global financial markets.
The killing of an Iranian general last week and Iranian missile strikes on Wednesday on military bases in Iraq housing U.S. troops have heightened concern about security in the Middle East.
Also, Israel will hold a third election in less than a year in March after the failure to form a governing coalition following inconclusive elections in April and September.
A 2020 state budget is unlikely to be approved until at least mid-2020, and the caretaker government is limited in its ability to enact economic policies.

Israel posted a budget deficit of 3.7% of gross domestic product in 2019, above a target of 2.9%, although its debt to GDP ratio dipped to 59.5%. Economic growth was 3.3% in 2019.

The dollar issue was the 13th for Israel, which typically taps global markets every year, alternating between dollar- and euro-denominated offerings. In January 2019, it sold 2.5 billion euros ($2.8 billion) in a dual-tranche issue split between 10 and 30 years - at the time a record for Israel on foreign markets.

Israel sold $2 billion of 10- and 30-year bonds in 2018, and prefers to issue early in the year in the belief that pricing is better.

Bank of America Securities (BofA), Citigroup and Goldman Sachs were joint bookrunners for the offering.

Standard & Poor's rates Israel's sovereign debt at "AA-", while Moody's Investors Service rates Israel at "A1" and Fitch Ratings at "A+".

($1 = 0.8985 euros)
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Lebanon

In rebuke to Lebanese leaders, UN says "irresponsible" to leave country without government

08-Jan-2020

- **Lebanon in deep economic, financial crisis**
- **Country has been without effective government since October**
- **Risks seen to rise further since Soleimani killing**

By Tom Perry

BEIRUT, Jan 8 (Reuters) - **Keeping Lebanon without a government is "increasingly irresponsible", a senior U.N. official said on Wednesday, in tough criticism of Lebanese leaders as their country sinks deeper into crisis without a rescue plan.**

Lebanon has been without a functioning government since Saad al-Hariri quit as prime minister in October after protests against the political elite over corruption, leaving the country adrift as a financial and economic crisis deepens.

Spiralling regional tensions since the killing of Iranian Major General Qassem Soleimani by the United States last week have added to the risks facing the heavily indebted state.

The Iran-backed Lebanese group Hezbollah, which is sanctioned by the United States and exercises major sway in Beirut, has said Iran's allies must help exact revenge.

"Given the situation and developments in the country and the region it is increasingly irresponsible to keep Lebanon without an effective and credible government," U.N. Special Coordinator for Lebanon Jan Kubis said in a Twitter post.

"I urge the leaders to move without any further delay."

Lebanon's worst economic crisis since the 1975-90 civil war has seen the Lebanese pound slump amid a shortage of dollars and banks tightly control access to cash and block transfers abroad.

Former economy minister Nasser Saidi said last week Lebanon needs an international bailout of up to $25 billion to help avert a potential economic collapse.

The World Bank warned in November the poverty rate could rise to 50% if economic conditions worsen.

After weeks of disputes over the next government, Hariri bowed out of talks with adversaries last month, leading Hezbollah and its political allies to designate Hassan Diab, a former education minister, to form the cabinet.

A political source familiar with the negotiations said there had been "some movement" and a technocratic cabinet was still on course. A second source said government formation efforts were "back on track".

Parliament Speaker Nabih Berri said a new government was needed to reassure the people.

Christian politician Samir Geagea, a staunch Hezbollah critic, said Lebanon faced "a real catastrophe" and officials had wasted three months.

Diab did not win the support of Geagea or Hariri, who is aligned with Western and Gulf Arab states. Analysts say his political backing from Hezbollah could complicate efforts to secure foreign aid.

Iran's Supreme Leader Ayatollah Ali Khamenei said Hezbollah was acting as the hands and eyes of Lebanon.

"There is still a significant risk that Lebanon gets caught in the cross hairs between the U.S. and its allies and Iran," said Jason Tuvey, senior emerging markets economist at Capital Economics.

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Mongolia

Mongolia's debt forgiveness plan violates 2017 bailout deal -IMF staff

10-Jan-2020

ULAANBAATAR/WASHINGTON, Jan 10 (Reuters) - **A plan by the Mongolian government to repay 776 billion tugriks ($283 million) of debt held by its elderly citizens is not in line with the pledges it made in 2017 to secure a**

bailout deal from the International Monetary Fund, IMF staff said on Friday.
President Khaltmaa Battulga, a populist businessman and former wrestler elected in 2017, said during his New Year address last week that the government would pay off all "pension-backed loans" this year.
He said the move is aimed at "relieving elderly people who dedicated their lives to the development and prosperity of Mongolia of their debt pressures."
The president said the costs of the programme would be covered by raising production at the Salkhit silver mine, which was seized by the state from private Chinese investors during a special military operation at the end of 2018.
The plan was approved by Mongolia's parliament on Thursday. The central bank has already ordered commercial banks to stop issuing new pension loans from Jan. 1.
"The government's proposal to cancel pension-backed loans is not consistent with the authorities' goals under the IMF-supported program agreed in 2017," said Geoff Gottlieb, the IMF's mission chief in Ulaanbaatar, in a statement emailed to Reuters.
"It increases already high public debt by 2% of GDP to help one narrow part of the population, regardless of their financial need," he said, adding that the off-budget spending by the central bank causes inflation, puts pressure on the exchange rate and also "raises concerns about governance and proper parliamentary oversight".
Battulga's office did not immediately respond to requests for comment on Friday.
Mongolia secured a $5.5 billion economic stabilisation package from the IMF and other partners in 2017 in a bid to head off an economic crisis brought about by plummeting foreign investment, declining commodity export revenues and a collapse in its currency, the tugrik.
As part of the deal, the government agreed to cut spending and raise taxes in a bid to balance its books. It also pledged to implement fiscal reforms in order to maintain budget discipline, and to improve the way it regulates the banking and finance sector.
The IMF staff statement said authorities have made "considerable progress" in restoring growth and reducing vulnerabilities. "This would be a regrettable setback in that progress," it said.

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Philippines

Success of Premyo Bonds marked by upsized issuance, larger prizes to be raffled out in 2020

06-Jan-2020
The National Government, through the Bureau of the Treasury (BTr), has successfully raised P4.961 billion from the first-time sale of Premyo Bonds, or over 65 percent higher than the initial issue size of P3 billion.
The three-week-long offer period of Premyo Bonds was met with remarkably strong demand from the investing public, including individuals and eligible institutions who make investments on behalf of their individual members, according to the BTr.
In advanced economies, the capital markets are as deep-rooted as the economy is inclusive, said Finance Secretary Carlos Dominguez III about the issuance. Regardless of what their day jobs are, ordinary citizens help drive up the savings and investment rates by participating in financial products. The man-on-the-street is involved in market decisions that make the economy what it is."
Dominguez pointed out that this type of bond float now forms part of the government's proactive financing strategy and supports President Duterte's goal of financial inclusion for all Filipinos.
Dubbed "Invest Pa More, Panalo Pa More Premyo Bonds Para Sa Bayan," this prize bond float received wide participation among small savers and Overseas Filipino Workers (OFWs) with its offer of cash and other rewards on top of income from a safe investment, the BTr said.
The use of both onsite and online purchasing platforms enhanced the ease of access. Of all online transactions, more than 44 percent were investments of P53.000 and below, indicating that the Premyo Bonds successfully reached retail investors.
Those who purchased the Premyo Bonds will earn 3 percent per annum to be paid quarterly for one year.
For a minimum investment of only P500, investors have a chance to win up to P1 million every quarter. Non-cash rewards in the form of condo units and a house and lot will also be given away to the winners of the top case prize of P1 million.
Winners will receive these rewards net of all applicable taxes, fees and charges.
Investors who were previously unbanked, without access to financial services and vulnerable to predatory lending practices, opened bank deposit accounts to participate in the Premyo Bonds.
The BTr said that as of 13 December 2019, more than 1,700 new bank accounts were opened. This partial figure indicates how the Premyo Bonds and similar products can contribute to financial inclusion in the country by encouraging

unbanked Filipinos to start saving and investing.
Because of the good reception of Premyo Bonds, the issue size was increased from the initial P3 billion to close to P5 billion, and the total prize pool was likewise increased from the initial P3 million to P4.5 million to be raffled out quarterly.
Instead of one winner of P1 million, 10 winners of P100.000 and fifty winners of P20.000, there will be more winners: one winner of P1 million, 15 winners of P100.000 and 100 winners of P20.000 per quarter. From 61 winners, there will now be a total of 116 winners per draw.
According to National Treasurer Rosalia De Leon. The Premyo Bonds were intended to build on the momentum from the recent issuances of Retail Treasury Bonds, or RTBs, in which we saw an increasing trend of participation from individual investors. By designing the Premyo Bonds to include a cash and non-cash reward mechanic, our aim was to entice more individuals and institutions to directly invest in government securities.
?By way of a proactive financial literacy campaign and enhancing access via over-the-counter and online channels, we hope to promote financial inclusion by educating investors not only about the economics of smart investing, but also about our individual roles as Filipinos in contributing to nation building by participating in government securities,? De Leon said.
'The National Government, via issuances like Premyo Bonds, reaffirms its commitment to the Filipino people to bring innovative and high-quality investment securities to enhance the ability of Filipinos to reach their aspirations and share in the success of the country', she added.
Proceeds from the Premyo Bonds, which are now part of the National Government's proactive financing strategy, will help fund the country's health and educational programs, among others.
To introduce Premyo Bonds, the BTr and its partner banks conducted roadshows in key cities across the country and financial literacy sessions abroad to inform and educate the investing public on the features and mechanics of the bonds.
As a result of this initiative, about 90 percent of the initial issue amount was already taken up by individual investors during its first two weeks of offer.
The good reception was also supported by the online facility, which was initially launched during the RTB Tranche 22 issuance.
As compared to the initial online offering in the RTB 22 issuance, there were 13 times more online investors in the Premyo Bonds and there was a 6 times increase in total volume of investments made online.
This issuance also expanded the retail investor base of the National Government overseas, with online orders coming in from 12 countries, excluding the Philippines, three times that of what was reached in the RTB 22 issuance.
Premyo Bonds were made accessible via online purchase using the facilities of Land Bank of the Philippines (LandBank), Development Bank of the Philippines (DBP) and First Metro Securities Brokerage (FMSB), a member of the Metrobank group and a newcomer to online placement for government securities.
The DBP and LandBank were the Joint Lead Issue Managers for the first Premyo Bonds offering, with BDO Capital and Investment Corporation (BDO-CIC), China Bank Capital Corporation (CBCC), and First Metro Investment Corp. (FMIC) as Joint Issue Managers. (DOF)

Qatar

Qatar central bank sells 600 million riyals of T-bills

07-Jan-2020
DUBAI, Jan 7 (Reuters) - **Qatar's central bank sold 600 million riyals ($164.84 million) of Treasury bills in an auction, it said in a statement on Tuesday.**
A total of 300 million riyals worth of three-month T-bills were sold at 1.53%, 200 million riyals worth of six-month T-bills were sold at 1.56% and 100 million worth of nine-month T-bills were sold at 1.53%.

($1 = 3.6400 Qatar riyals)
(Reporting by Asma Alsharif; Writing by Davide Barbuscia; Editing by Alison Williams)
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EUROPE

Albania

Albania sells 1.4 bln leks (11.3 mln euro) of 6-mo T-bills

07-Jan-2020
TIRANA (Albania), January 7 (SeeNews) – **Albania's finance ministry said on Tuesday it sold six-month Treasury bills worth a total of 1.4 billion leks ($12.7 million/11.3 million euro) at an auction on January 7, in line with its plan.**
The average yield on the six-month Treasury bills edged up to 1.50%, from 1.48% at the last auction held on August 13, 2019, the finance ministry said in a statement.

(1 euro = 120.544 leks)

Bosnia

Bosnia's Serb Republic to sell 15.3 mln euro of 6-mo T-bills on Jan 20

10-Jan-2020

SARAJEVO (Bosnia and Herzegovina), January 10 (SeeNews) – **Bosnia's Serb Republic will offer 30 million marka ($17.0 million/15.3 million euro) of six-month Treasury bills at an auction on January 20, the entity's finance ministry said on Friday.**

The T-bills will mature on July 20, 2020, the finance ministry said in a filing to the Banja Luka Stock Exchange (BLSE).

At the last auction of six-month Treasury bills, held on April 22, 2019 the Serb Republic sold 20 million marka worth of government paper. The yield was 0%, compared to 0.0993% achieved at the previous 6-month T-bills auction held on January 21.

The Serb Republic is one of two autonomous entities that form Bosnia. The other one is the Federation.

(1 euro = 1.95583 marka)

Bulgaria

Bulgaria to auction 102.3 mln euro of T-bonds on Jan 13

07-Jan-2020

SOFIA (Bulgaria), January 7 (SeeNews) - **Bulgaria will offer 200 million levs ($114 million/102.3 million euro) worth of five-year treasury bonds at an auction scheduled for January 13, the Bulgarian National Bank (BNB) said on Tuesday.**

The bonds carry an annual coupon of 0.01% paid semi-annually, the central bank said in a statement.

(1 euro = 1.95583 levs)

Hungary

Hungary's central bank renews currency swap deal with China's central bank

10-Jan-2020

BUDAPEST, Jan 10 (Reuters) - **A bilateral forint-renminbi currency swap agreement between the National Bank of Hungary and the People's Bank of China has been renewed for three years and its total amount has been doubled, the Hungarian central bank said in a statement on Friday.**

The agreement, which the NBH says functions as a safety net, was originally concluded in 2013.

"In line with China's growing share of world economy and the Chinese renminbi's increasingly significant role in the international monetary system, the previous total amount of 10 billion (yuan) has been raised to 20 billion," the NBH said.

"In case of the potential use of the swap agreement, the renminbi assets will be included in the NBH's FX reserves."

(Reporting by Krisztina Than)
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Last year closed with stable public finances and a major reduction in sovereign debt

10-Jan-2020

Last year, the budget continued to fully assure the resources required for the financing of public duties on the part of the state and the realisation of the Government's economic and social policy goals. According to preliminary estimates, the deficit to GDP ratio of public finances remained well under the level required by the European Union for the eighth year in succession, thanks to which the debt rate produced its most dynamic reduction of the past two decades.

The wage increases that are continuing as a result of the six-year wage agreement, the increase in the number of people in employment, the dynamic increase in consumption, the government measures introduced in the interests of whitening the economy and the elements of the Economy Protection Action Plan already introduced last year are expected to have resulted in a rate of growth of around 5% for the whole of the year. As a result, an additional 603.7 billion forints (EUR 1.82 billion) in consumer tax (VAT) revenues, 247.2 billion forints (EUR 746.8 million) in personal income tax revenues, 466 billion forints (EUR 1.4 billion) in pension, health insurance and job market contributions, and 64.5 billion forints (EUR 194.6 million) in additional excise duty revenues flowed into the state treasury compared to 2018. While the budget saw an influx of 1468.6 billion forints (EUR 4.43 billion) in European Union revenue, total expenditure on development projects was 1556.8 billion forints (EUR 4.69 billion). In 2019, major domestic funding was provided for the Modern Cities Programme and the Modern Village Programme, the modernisation of the road and rail system, and to improve the competitiveness of enterprises.

In addition to the above measures, resources provided for the realisation of various social goals may be highlighted, and particularly the launch of the Family Protection Action Plan, the most popular measure of which, the baby shower subsidy, was utilised by 47 thousand families, while over three thousand families applied for and received the car purchasing subsidy for large families. Furthermore, the Home Creation Scheme (CSOK) also continued in an expanded form: so far, the Village CSOK programme has contributed to enabling five thousand families living in small settlements to acquire their own home. Last year, pension services once again retained their purchasing power, and thanks to the performance of the economy pensioners received a utility charge voucher in addition to the highest ever pension premium paid out to date. In addition, state salaries were increased in several fields, including a single end of year bonus for members of the armed services in recognition of their efforts.

The central subsystem of public finances ended December with a deficit of 452.7 billion forints (EUR 1.37 billion), resulting in a deficit of 1219 billion forints (EUR 3.67 billion) for the whole year. Of this, the central budget and the social security fund ended the year with a deficit of 1023.8 billion forints (EUR 3.01 billion) and 234.8 billion forints (EUR 708 million), respectively, which separate state funds achieved a surplus of 39.4 billion forints (EUR 119 million). Precise figures regarding the balance of the government sector based on EU methodology will be available once data on the local government subsystem and the business data of the related enterprises become available, and based on the Central Statistical Office's indices to be published in March following the necessary methodological corrections.

Lithuania

DBRS Morningstar Confirms Republic of Lithuania at A, Trend Changed to Positive

10-Jan-2020
Date of Release: January 10, 2020
DBRS Morningstar Confirms Republic of Lithuania at A, Trend Changed to Positive
Industry: Sovereigns
DBRS Ratings GmbH (DBRS Morningstar) confirmed the Republic of Lithuania's Long-Term Foreign and Local Currency - Issuer Ratings at A. At the same time, DBRS Morningstar confirmed the Republic of Lithuania's Short-Term Foreign and Local Currency - Issuer Ratings at R-1 (low). The trends on all ratings are changed to Positive.

KEY RATING CONSIDERATIONS

The positive trends reflect DBRS Morningstar's view that the Lithuanian economy continues to improve its economic resilience. The country has a diversified economic structure and remains among the euro area's top growth performers. GDP growth has been stronger than expected, at 3.6% in the third quarter of 2019 on a seasonally adjusted annual basis, as private consumption, industry and construction performed well. The weak external environment could pose downside risks to growth, particularly for a small and open economy like Lithuania, but economic resilience has increased, fiscal policy is disciplined and the debt-to-GDP ratio is moderate. **The A ratings are underpinned by Lithuania's sound fiscal position and its low public debt ratio.** DBRS Morningstar views Lithuanian membership of the OECD in 2018 as a credit strength; meeting OECD standards and benchmarks, for example, underpin sound governance. Euro system membership since 1st January 2015 is another key credit strength. Progress with the reform agenda, including measures that reduce the tax burden on low income earners and narrow the employers' tax wedge, as well as efforts to improve tax compliance, further support the ratings. Credit challenges relate to structural factors including income inequality; the need for further productivity improvements; a still low investment rate; the declining and ageing population; and economic informality.

RATING DRIVERS

Factors for an upgrade include: (1) continuation of a prudent fiscal approach (2) additional measures to improve Lithuania's long-term fiscal sustainability, and (3) active government policies to raise the supply of skilled workers.

Negative rating drivers include: (1) a return of significant macroeconomic imbalances, particularly if accompanied by high credit growth or private sector dis-savings or (2) a material deterioration in the public debt metrics.

RATING RATIONALE

Economy continues to grow without the emergence of external imbalances following growth of 4.1% in 2017 and 3.5% in 2018, the Lithuanian economy is projected to grow by 3.7% in 2019, driven by robust investment and consumption growth. Recovering European Union (EU) funds and high capacity utilization are providing support to investment growth. In addition, increasing employment and high wage growth underpin private consumption growth. The country will remain a net beneficiary of EU structural funds, with planned EU net inflows rising to 5.4% in 2020, up from 4.2% of GDP in 2017. The Central Bank forecasts growth to moderate to 2.5% this year as the impact of a weaker external environment takes its toll and consumption growth is expected to slow. The likely shrunken EU budget for Lithuania in 2021-2027 could have negative implications for Lithuania's economic development, but over time as financial markets deepen, Lithuania will most likely adjust to become more self-reliant with respect to infrastructure-type project funding. Wage growth is highly linked to policy changes such as the higher minimum wage and to skills shortages, despite an improving net migration balance. Income per capita adjusted for purchasing power parity is still only slightly above two-thirds of the euro area average. Future improvement is partially contingent on productivity gains.

Since 2009 Lithuania's external position has strengthen significantly, shifting its current account position from a 15% deficit in 2007 to a small surplus in 2017. The current account surplus increased to 1.6% of GDP in 2018 from 0.9% the year before, supported by strong exports of services and a positive secondary income balance. From a stock perspective, a net international investment liability position of 60% of GDP in 2009 has decreased to 28% at end-September 2019.

A Good Fiscal Management Track Record, But Ageing Population and Other Factors Weigh on Fiscal Position

Since 2014 Lithuania has maintained its budget position in surplus due to favorable economic conditions and strong revenue growth. The solid budget position was also underpinned by expenditure ceilings and an independent fiscal council - the fiscal framework allows for effective counter-cyclical policy. As a euro system member, Lithuania also benefits from the European Commission's (EC) economic governance and fiscal frameworks. **The general government budget position remained in surplus in 2018 at 0.7% of GDP and is forecast to have declined to 0.1% in 2019 due to the 2018 and 2019 reform package.** The 2018 and 2019 tax and pension reforms are a step towards addressing the country's structural challenges, including the high labor tax wedge and income inequalities. According to the 2020 Budget the headline surplus is estimated at 0.2% of GDP.

Lithuania has one of the fastest ageing populations in the EU. To illustrate the demographic challenge, the old-age dependency ratio (15-64) is expected to rise to 63.9% in 2060 from 29% in 2016 according the European Commission. To help combat the challenge, the government implemented a reform in 2012 that gradually increases the retirement age for both men and women to reach 65 years in 2026, from 63.5 years for men and 62 years for women in 2017. **Another key government challenge is fighting tax evasion from Lithuania's informal economy, measured as one of the largest relative to the size of its economy among EU countries.** The practice of under reporting business income and of unreported envelope wages remains pervasive and obstructs a more efficient allocation of resources. Statistics Lithuania published official estimates of the non-observed economy at 14% of GDP in 2016. According to the IMF, when comparing revenues with the economy's tax capacity, Lithuania's tax collection level is estimated at 61% against 77% for central European economies in 2014.

Public debt vulnerabilities to external shocks are mitigated by a low public debt ratio and strong debt management strong economic growth and improved fiscal conditions have placed debt on a downward trend. The debt to GDP ratio has been declining since 2015, when it reached its peak at 42.6% of GDP ratio, with the Ministry of Finance projecting the ratio to decline to 36.4% in 2019 and 35.1% in 2020. With its small and open economy, Lithuania's public debt ratio, albeit currently low, is vulnerable to external shocks. However, Lithuania still has one of the lowest debt ratios among European countries, at 34.2% in 2018 compared with the Euro Area average of 85.1%.

With just EUR 115.6 million of short-term central government debt at end-October 2019, the government applies a conservative debt management strategy of extending debt duration in a low yield environment. The weighted-average term to maturity of central government debt was 6.7 years at end-October 2019. **Almost all central government foreign debt is fixed rate and all the debt is in euros. Several debt controls are in place, including limits for municipalities' borrowing and debt, while the Social Security Funds (Sodra) can only borrow with the permission of the Ministry of Finance.**

Risks to Financial Stability Appear Contained

Most of the Lithuanian banking sector is foreign-owned, therefore, spillovers from vulnerabilities in parent banks is a persistent risk. That said, the financial sector is well capitalized and highly liquid. Nordic-Baltic cooperation is also being strengthened. While mortgage growth is high, at an annual growth rate of 8.3%% as of November 2019, DBRS Morningstar views the credit recovery consistent with extended catch-up following the significant crisis-related de-leveraging. The loan-to-deposit ratio has more than halved from 200% before the crisis. Moreover, private sector debt is relatively low. The debt-to-GDP ratio of non-financial corporations amounted to 43.29% and the household debt-to-GDP ratio was 23.08% in Q3 2019. The Bank of Lithuania has a counter-cyclical capital buffer (CCyB) of 1% in place in a period described as moderate systemic risk and among other factors credit and real estate market activity is high.

Notwithstanding the Stable Political Environment, Unexpected Geopolitical Shifts in Europe Could Pose Significant Risks

Presidential elections last May delivered a changed leadership, as Dalia Grybauskaitė's presidency since 2009, was term limited. Her successor Gitanas Nausėda is expected to maintain policy continuity. DBRS Morningstar is of the view that EU and NATO membership are likely to provide a broadly stable political environment for Lithuania, but unexpected geopolitical shifts in Europe could pose significant risks. Parliamentary elections are scheduled for October this year. Usually no single party wins an outright majority, so coalitions are needed. Successive multi-party government coalitions have helped to promote stable policies and institutions. DBRS Morningstar views that the recent decision by the Seimas of Lithuania to lower the current election threshold to 3 percent is likely to lead to a more fragmented parliament in the upcoming election. For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments.

Malta

Fitch Affirms Malta at 'A+'; Outlook Positive

10-Jan-2020
Fitch Ratings-Frankfurt am Main-January 10:
Fitch Ratings has affirmed Malta's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A+' with a Positive Outlook.
KEY RATING DRIVERS
Malta's ratings are supported by euro area membership and institutions stronger than the majority of 'A' rated peers. Malta outperforms the 'A' median on the World Bank human development and governance indicators, although its scores on the 'voice and accountability' and 'control of corruption' subcomponents have been slipping in recent years. Despite unfolding corruption allegations and a recent rise in political volatility, which could further affect governance scores, the Positive Outlook reflects an expectation of sustained high economic growth from diverse sources in the medium term and a firm downward trajectory for gross general government debt/GDP driven by sound fiscal performance.
Malta's Prime Minister, Joseph Muscat, announced his resignation on 1 December 2019 in a televised speech. This followed weeks of mounting public anger over developments in the investigation into the October 2017 killing of journalist Daphne Caruana Galizia, which included allegations of corruption involving other members of the government. The demonstrations have been focused on the outgoing prime minister's alleged involvement in the scandal while the ruling Labour Party continues to enjoy sizeable public support. The party will hold internal elections for the new party leader (and prime minister) on 11 January 2020. General elections are due in 2022.
Fitch estimates economic growth to have reached 4.9% in 2019, down from 7.0% in 2018 but significantly higher than the 'A' forecast median (3.0%), propelled by strong public consumption and a recovery in public investment. Foreign demand will contribute positively despite the mild forecast slowdown in Malta's trading partners. GDP growth is forecast to edge down to 4.5% in 2020 and 4.2% in 2021, with projects supported by EU structural funds concluding ('A' forecast median of 2.8% for 2020-2021). Revisions of population growth have led to lower GDP per capita projections, but Fitch believes Malta's per capita income will continue converging to the EU average.
Fitch believes that Malta will continue upholding its fiscal rules targeting a balanced budget in structural terms (net of International Investment Programme receipts) and ensuring that expenditure growth does not exceed the economy's potential growth rate. Although the government ran a small deficit in 1H19, as public works projects boosted capital investment and intermediate consumption spending, Fitch expects the general government to have ended 2019 with a surplus of 1.1% of GDP (compared with a forecast fiscal balance for the 'A' median of -1.2% of GDP). We expect the surplus to slightly decrease to 1.0% in 2020, owing to a small fiscal loosening projected in the 2020 budget.
Malta's debt structure and dynamics remain favourable and Fitch expects general government debt to reach 43.0% of GDP at end-2019, edging down to 37.3% of GDP at end-2021. The average maturity (8.4 years, end-November 2019) is almost double the 'A' forecast median for end-2019. Interest payments are projected to further decrease to 3.3% of GDP in 2019, below peers' forecast median (4.7%). Government guarantees at 8.3% of GDP at end-2Q19 are relatively large but on a clear downward trend.
There has been little evidence of overheating despite strong growth. According to Eurostat data, nominal wage growth jumped to 3.1% joy in 3Q19 (1.0% in 3Q18), propelled by a rise in public wages, but this was offset by previous quarters of sluggish growth in salaries (average of 1.4% to end of 3Q19). This helped keep inflation to a 12-month average of 1.5% in November. Fitch projects inflation will average 1.3% in 2019, from 1.7% in 2018, before rising to an average of 1.8% in 2020-2021. The unemployment rate has continued falling, averaging 3.3% in 3Q19, below 2018's average of 3.7%. Fitch expects the unemployment rate to stabilise at 3.4% in 2020-2021 ('A' historical median of 6.4%), as a slowing economy and structural rigidities in the labour market, particularly skills shortage, become more evident.
Fitch projects Malta's current account balance to average 9.9% of GDP in 2019 ('A' forecast median of 2.2%), in line with 2017-2018 values and despite the eurozone slowdown. The current account surplus narrowed to 8.5% of GDP in 1H19 from 11.3% in 2018, propelled by a one-off jump in imports in 1Q19 owing to a relatively low level of imports in 1Q18. **Malta has one of the largest net international investment positions in the EU, forecast at 65.1% of GDP at end-2019 ('A' median of 13.7%), and this is expected to continue increasing in the coming years.** Malta will remain a large net external creditor position at the end of 2019 (132.2% of GDP, peers' median of -8.2%), distorted by its large banking sector.
The Council of Europe's anti-money laundering body (Moneyval) published its report in

September 2019, highlighting the need for Malta to improve the execution of its newly revamped money-laundering framework. **The report also acknowledged that the authorities have demonstrated a broad understanding of the vulnerabilities within the banking system.** Given the size of the banking sector in Malta (hovering around 330% of GDP in 3Q19 for domestic and offshore banks), the recent increases in the Financial Intelligence Analysis Unit and Malta Financial Services Authority budgets, as well as the new supervisory procedures introduced in July, are welcome developments and have resulted in a surge in administrative penalties being enforced (EUR3.7 million in 1H19 from EUR60.000 in 2016).

Financial soundness indicators are strong and improving. Return on equity for domestic banks (11.6% at 2Q19) and return on assets (1.0%) remain at high levels. The NPL ratio continues to be on a firm downward trend, edging down to 3.3% at 2Q19 from 4.2% at 2Q18. The share of loans to non-residents (17.5%) remains high and a risk factor, but they appear to have stabilised around the 15%-20% range for the past few years. Credit growth to the private sector remains high at 6.6% in November 2019 (eurozone average of 3.2% in August 2019), driven by fast household credit growth (9.8%).

We expect banks to retain strong CET1 buffers (16.6% at end-2Q19) and cautious capital distribution policies ahead of the likely increase in risk-weighted assets under updated regulations. Fitch revised Bank of Valletta's Outlook to Negative in October, and affirmed its IDR at 'BBB'. Malta's banking system scores 1 on Fitch's Macro-Prudential Risk Monitor.

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

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

Fitch's sovereign rating committee adjusted the output from the SRM to arrive at the final LT FC IDR by applying its QO, relative to rated peers, as follows:

- External Finances: -1 notch, to reflect the small and highly open nature of the Maltese economy, which makes it vulnerable to external shocks, and the large size of recorded FDI inflows together with a high ratio of debt-to-equity, which flatter external financing metrics.

RATING SENSITIVITIES

Developments that could individually or collectively result in positive rating action include:

- Continued decline in government debt/GDP.
- Confidence that Malta can sustain high GDP growth supporting a convergence of GDP per capita with that of higher rated sovereigns.
- Further progress in addressing key weaknesses in banking supervision and the business environment.

Developments that could individually or collectively result in negative rating action include:

- Crystallisation of material contingent liabilities or a shock to the banking sector that requires fiscal support.
- Serious external shock that could affect growth and government debt dynamics.

KEY ASSUMPTIONS

- Fitch assumes that in case of need the Maltese government would only be predisposed to support the core domestic banks, while being unlikely to support international banks and non-core domestic banks.
- The global economy performs in line with Fitch's December 2019 Global Economic Outlook.

ESG Considerations

- Malta has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and a key rating driver with a high weight.
- Malta has an ESG Relevance Score of 5 for Rule of Law, Institutional Regulatory Quality and Control of Corruption as World Bank Governance Indicators have the highest weight in Fitch's SRM and recent corruption-related political scandals have the capacity to feed into future governance scores; this is highly relevant to the rating and a key rating driver with a high weight.
- Malta has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore relevant to the rating and a rating driver.
- Malta has an ESG Relevance Score of 4 for Creditors Rights as willingness to service and repay debt is relevant to the rating and a rating driver, as for all sovereigns.

Malta; Long Term Issuer Default Rating; Affirmed; A+; RO: Pos;
Short Term Issuer Default Rating; Affirmed; F1+;
Local Currency Long Term Issuer Default Rating; Affirmed; A+; RO: Pos;
Local Currency Short Term Issuer Default Rating; Affirmed; F1+;
Country Ceiling; Affirmed; AAA, senior unsecured;
Long Term Rating; Affirmed; A+

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North Macedonia

North Macedonia to sell 500 mln denars (8.1 mln euro) of 1-yr T-bills on Jan 14

10-Jan-2020

SKOPJE (North Macedonia), **January 10 (SeeNews) – North Macedonia's finance ministry will offer 500 million denars ($9.0 million/8.1 million euro) worth of one-year Treasury bills at an auction on January 14, the central bank said.**
The issue bears an interest rate of 0.6%, the central bank said in a tender notice.
The central bank will sell the government securities on behalf of the finance ministry through a volume tender, in which the price and interest rate are fixed in advance and primary dealers only bid with amounts.

(1 euro = 61.08 denars)

Romania

Romania's president signs budget into law-PM

06-Jan-2020
BUCHAREST, Jan 6 (Reuters) - **Romania's president Klaus Iohannis on Monday signed the 2020 budget bill, with a deficit target of 3.6% of gross domestic product, into law on Monday, the prime minister said.**
"We have a budget. We welcome president's move to sign the state and the social security budget into law," Ludovic Orban told reporters before a cabinet meeting.
The liberal minority government had fast-tracked the budget through parliament. Fast-tracking bills is quicker but leaves the government vulnerable to potential no confidence votes. No censure motion was filed by the opposition.
The government had revised its deficit target for last year to 4.4% of GDP, significantly above the European Union's ceiling of 3%, as a result of underperforming budget revenue and higher social spending enforced by a previous leftist cabinet.

($1 = 4.2670 lei)
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Romania's Jan-Nov trade deficit widens to 15.51 bln euros

09-Jan-2020
BUCHAREST, Jan 9 (Reuters) - **Romania's foreign trade deficit widened by roughly 15% on the year during January-November of last year to 15.51 billion euros ($17.23 billion), the National Statistics Board said on Thursday.**
The November shortfall was 1.491 billion euros, compared with 1.97 billion euros in October and 1.56 billion euros in the same month of 2018.
The statistics board said January-November CIF (cost/insurance/freight) imports were 79.69 billion euros, up 4.1% on the year, while exports were 64.18 billion euros, up 1.7%.

($1 = 0.8999 euros)
(Reporting by Luiza Ilie)
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Russia

Russian Eurobonds fall amid Middle East tensions

10-Jan-2020
MOSCOW. Jan 10 (Interfax) - **Prices for most Russian Eurobonds issues fell in the two weeks from December 30 to January 10 amid rising tensions in the Middle East, however they stopped doing so as those tensions eased following remarks by U.S. President Donald Trump.**
US Treasuries, which grew in price at the very beginning of the year as the conflict escalated, swung down towards the end of the first ten days of January as demand for safe-haven assets decreased.
As a result sovereign spreads widened slightly exceed for Russia's benchmark 2030 bond issue.
In the December 30-January 10 period as a whole, the benchmark Russia-30 bond fell 0.1% in price to 114.04%. Spread between these and three-year US Treasuries narrowed 2 basis point to 95 bps.
The 2043 bond fell 1.52% in price, with yield up 11 bps to 3.75% per annum; the 2042 bond fell 1.48% - spread between these and UST with the same maturity widened 14 bps to 168 bps; and 2047 fell 1%, yielding 3.805%, up 6.5 bps.
The 10-year Eurobond maturing in 2027 fell 0.05% to 109.34% with yield practically unchanged at 2.85%; the 2026 bond fell 0.07% to 111.81%, with yield rising 0.5 bps to 2.72%; and the 2023 bond was down 0.1% to 109.12% with spread widening 2 bps to 68 bps.
The Russian Eurobond market could correct down slightly in the coming week, amid an anticipated downturn for the international capital markets, when profit could be taken following the official signing, expected January 15, of phase one of the trade deal between the United States and China, the Interfax Center for Economic Analysis said.
Also, news regarding the Middle East could continue to weigh on markets: the situation there has stabilized somewhat following comments by U.S. President Donald Trump, but an escalation of the conflict between the United States and Iran is possible at any moment.

Pr mz

Slovenia

Slovenia places new 1.5 bln euro 10-year bond issue

08-Jan-2020
LJUBLJANA (Slovenia), January 8 (SeeNews) – **Slovenia's finance ministry said it has issued a new 1.5 billion euro ($1.7 billion) 10-year government bond to refinance the bond maturing on January 27 and reduce interest expenditures, as the offer was oversubscribed.**
"The bond carries a coupon of 0.275%, which is by 3.85 percentage points lower than the coupon rate of the maturing bond," the finance ministry said in a statement late on Tuesday.
Investor interest was strong, with the order book exceeding 11 billion euro at the time of closing, the finance ministry said.
The bonds were sold at a price of 99.793%.
Barclays, BNP Paribas, Goldman Sachs International Bank, HSBC, JP Morgan and UniCredit Banka Slovenija acted at joint lead managers of the issue.
Nearly a third of investors (28%), came from the UK and Ireland, followed by Germany and Austria with 14% and Slovenia with 13%.
In terms of institutional distribution, fund managers bought 52% of the bond issue, followed by pension funds/insurers with 18% and banks/treasuries with 14%.
By placing the bond Slovenia's government has fulfilled almost entirely its budget financing quota for 2020 set at 1.58 billion euro, the finance ministry said.

($=0.89530 euro)

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LATIN AMERICA AND CARIBBEAN

Moody's Says Most Latin American Governments Will Reduce Fiscal Deficits in 2020

07-Jan-2020
Jan 7 (Reuters) -

- **Moody's says negative 2020 outlook for Latin America and the Caribbean amid rising social discontent and low growth**
- Moody's says most Latin American governments will reduce fiscal deficits in 2020, or maintain them at levels similar to 2019
- Moody's - rising social pressures, lower growth outlook will weigh on Latin American, Caribbean sovereigns' ability to implement credit positive policies
- Moody's says favorable financing conditions in 2020 will help contain borrowing costs in a number of Latin American countries
- Moody's, on 2020 outlook for Latin America & Caribbean, says political constraints on fiscal consolidation will prevent material narrowing of deficits

((Reuters Messaging: Reuters.Briefs@thomsonreuters.com))

Argentina

S&P Says Argentina Long-Term Ratings Raised to 'CCC-' From 'CC'; Outlook Negative

07-Jan-2020
Jan 7 (Reuters) - S&P Global Ratings:

- **S&P says Argentina long-term ratings raised to 'CCC-' from 'CC'; outlook negative**
- S&P says raised its long-term foreign and local currency sovereign credit ratings on A
- S&P, on Argentina, says S&P misapplied criteria "post-default ratings methodology: when does S&P global ratings raise a rating from 'D' or 'SD'?" in ratings announcement on Dec. 30
- S&P says misapplied criteria by assigning 'cc' sovereign rating to Argentina on emergence from 'SD', which is inconsistent with S&P's criteria

((Reuters.Briefs@thomsonreuters.com))

Argentina prevails vs hedge fund in GDP-linked securities lawsuit

08-Jan-2020
By Rodrigo Campos
NEW YORK, Jan 8 (Reuters) **- A U.S. district judge dismissed a lawsuit filed by New York-based hedge fund Aurelius Capital against Argentina, related to an alleged payment shortfall under securities offerings linked to the South American country's gross domestic product.**
As part of the negotiation of a previous default, Argentina issued securities that would trigger a higher payment if GDP, or GDP growth, exceeded a certain amount.
Aurelius claims that Argentina's growth exceeded this trigger in 2013, although the country claimed it did not.
In a document filed on Tuesday, senior U.S. District judge Loretta Preska said Aurelius used data not contemplated in the contract to base its claim of higher GDP growth.

"The relevant contractual terms clearly and plainly indicate that the calculations material to Aurelius's breach of contract claim must rely on enumerated economic metrics produced by the Argentinian government," Preska wrote.
"Aurelius is stuck with the enumerated metrics and, accordingly, the Republic of Argentina's motion to dismiss is GRANTED."
The lawsuit for more than $80 million was filed almost a year ago in Manhattan.
The judge's decision to dismiss was without prejudice, meaning Aurelius could file an amended complaint. Lawyers for Aurelius were not immediately available to comment.
Lawyers for Argentina did not immediately respond to a request for comment.
Argentina's new government, in power for less than a month, is preparing to restructure its debt, the bulk of which is owed to the International Monetary Fund.

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Brazil

Brazil's Bolsonaro to propose new reform to Congress in February

06-Jan-2020
BRASILIA, Jan 6 (Reuters) - **Brazil's President Jair Bolsonaro told journalists on Monday that his administration will likely submit to the Congress in February a reform to reduce the size of the government, aiming to cut public spending.**
Bolsonaro added the reform will focus mainly on new hires of public servants, which are likely to lose the job stability currently offered to employees of state-owned companies.
The so-called administrative reform aims at curbing growth of mandatory federal expenditures by changing the rules for new public sector employees.

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AFRICA

Moody's Says Negative 2020 Outlook for Levant and North Africa Reflects Political Tensions and Slower Reform Pace

08-Jan-2020 19:19:58
Jan 8 (Reuters) - Moody's:

- **Moody's says negative 2020 outlook for Levant and North Africa reflects political tensions and slower reform pace**
- Moody's says weak global growth to exacerbate subdued domestic demand & reduce benefits of competitiveness reforms in Morocco, Egypt, Tunisia & Jordan

((Reuters.Briefs@thomsonreuters.com))

WAEMU: West African Economic and Monetary Union

Fitch Ratings: WAEMU Currency Reforms Unlikely to Affect Sovereign Ratings

10-Jan-2020
Fitch Ratings-Hong Kong/London/Singapore-January 10: **The currency reforms in the West African Economic and Monetary Union (WAEMU) announced by Cote d'Ivoire's President, Alassane Ouattara, on 21 December 2019 are mainly symbolic, as the peg to the euro will be maintained and the currency will continue to benefit from a convertibility guarantee, says Fitch Ratings.**
As a result, the changes to the currency do not fundamentally alter the external liquidity risks of the two Fitch-rated WAEMU members, Benin (B/Positive) and Cote d'Ivoire (B+/Positive).
The reforms will take effect once agreements are formally signed, which is planned later in 2020. They comprise three elements: the West African CFA franc will now be called the 'eco' in the WAEMU; the regional central bank, Banque Centrale des Etats d'Afrique de l'Ouest (BCEAO), will no longer have to deposit at least 50% of its international reserves on its 'operations account' at the French Treasury; and France will no longer be a member of the board of directors or the monetary policy committee at the BCEAO, or of the regional banking commission.
The agreement will maintain the peg to the euro at the same parity level (ECO655.957 per EUR1), and the convertibility to the euro guaranteed by the French Treasury. It is likely that there will be minor technical changes to the set-up of the convertibility guarantee, without changing its purpose or core functioning. Fitch believes the convertibility guarantee helps limit external liquidity risks. However, as under the previous system, the guarantee does not protect against a sustained deterioration of external solvency, for example due to excessive region-wide current account deficits.
The transfer of all of the WAEMU's foreign-exchange reserves to the BCEAO does not fundamentally change the region's liquidity risks. Fitch considers the BCEAO's reserve reporting as credible, and expects economic policies to continue to support the current level of

international reserves. There is, nonetheless, a risk that the BCEAO may be affected by the loss of its current access to preferential interest rates on its deposits at the French Treasury. We believe that more substantial changes to the exchange-rate regime, such as a departure from the peg, are only a long-term possibility.

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Egypt

Egypt's foreign reserves increased to $45.42 billion in December

07-Jan-2020

Foreign reserves rose to $45.42 billion in December, up from $45.354 billion in November, the Central Bank of Egypt said on Sunday.

Reserves have climbed sharply after Egypt adopted an economic reform programme in 2016.

Foreign exchange reserves in Egypt are foreign assets controlled by the CBE, made of gold or a foreign currency.

They can be used for special drawing rights and marketable securities denominated in foreign currencies, like treasury bills, government bonds, corporate bonds and equities and foreign currency loans.

Kenya

Kenya plans to refinance or exchange commercial debt with cheaper options

06-Jan-2020

NAIROBI, Jan 6 (Reuters) - **Kenya plans to refinance or substitute commercial loans with cheaper options from friendly nations or development financiers, its acting finance minister said on Monday.**

The East African nation wants to avoid raising more debt from overseas capital markets, after a borrowing binge in recent years including Eurobond offerings, a package of Chinese loans and syndicated commercial loans.

The government was committed to bringing its debt, which has risen to above 62% of gross domestic product, to a more sustainable level, said minister Ukur Yatani.

"I also intend to restructure debt stocks by refinancing or substituting commercial elements with concessionary ones," he wrote in an opinion piece published in the local Daily Nation newspaper.

Yatani, who is the labour minister, was given the finance portfolio on an acting basis last July. He has since vowed to stamp out rampant wastage of public funds and to curb government spending.

"I can only visualise a better 2020," he said.

Kenya is enjoying a stable foreign exchange rate, low inflation and its current account deficit has fallen.

But the country is still suffering from a general sense of economic malaise, concerns over mounting debt, sluggish revenue growth, corruption scandals, a slowdown in economic output and job losses.

The previous finance minister, Henry Rotich, was charged with corruption related to a contract for the construction of two dams. He has denied the charges and the case is ongoing.

"Corruption continues to drag Kenya behind," Yatani wrote, pledging to foster more transparency in the management of debt, the budget and expenditure.

Economic growth slowed to 5.1% in the third quarter of last year from 6.4% growth in same period a year earlier.

Yatani urged national government agencies and local authorities to speed up the payment of pending bills to suppliers after businesses complained of delays which have contributed to the slowdown and the job cuts.

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EMERGING MARKETS

Investors pump $30.7 bln into emerging market stocks and bonds in December

07-Jan-2020

LONDON, Jan 7 (Reuters) - **Portfolio managers ploughed $30.7 billion into emerging market stocks and bonds in December as monetary easing by major central banks and progress in Sino-U.S. trade talks pushed investors to buy riskier assets, the Institute of International Finance said.**

That took total flows to equities and debt in developing markets this year to $310 billion, easily surpassing 2018 flows of $194 billion when crises in Turkey and Argentina put some investors off, the IIF said. However, 2019 still fell short of the $375 billion emerging markets attracted in 2017.

In December, emerging market equities attracted healthy inflows of $12.9 billion. Chinese stocks accounted for $10.1 billion, meaning markets outside the world's second largest economy attracted positive flows for the first time since July.

January 2019 - lifted by signs Beijing and Washington were getting close to a Phase 1 trade deal, news that also sent Wall Street to record highs.

"Nevertheless, we remain cautious about the long-term strength of non-China equity flows due to positioning overhang and secular stagnation in EM," IIF economist Jonathan Fortun wrote in a note to clients.

Emerging market debt, meanwhile, attracted $17.8 billion in the last month of 2019, the IIF said.

Healthy flows to Latin American bonds helped boost the fixed-income total as flows to debt markets in emerging Europe stagnated and bond investors took money out of Africa, the Middle East and Asia.

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