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Emerging Sovereign Debt Markets NEWS

Number 15 Week 7 – 13 April 2018

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ASIA

Bahrain

Bahrain central bank foreign assets hit six-month low as debt pressure mounts

10-Apr-2018

•Central bank resumes publishing reserves data on website
•Net foreign assets depleted by low oil prices
•Foreign asset position of other banks sharply negative
•Follows cancellation of part of international bond issue
•Growing speculation about fresh aid from neighbours

By Andrew Torchia

DUBAI, April 10 (Reuters) - **Foreign assets at Bahrain's central bank dropped to a six-month low in February, the bank said on Tuesday, less than two weeks after investors' concern about Manama's rising public debt caused it to call off part of an international bond issue.**

The figures may increase speculation among bankers in the Gulf that Bahrain's wealthier neighbours will soon extend new financial aid to it, in order to reduce the risk of instability that could affect their own economies.

The central bank's net foreign assets, which are

an indication of Bahrain's ability to defend its currency against any market pressure, declined to 604.8 million dinars ($1.60 billion) in February from 750.8 million dinars in January.
The data also showed net foreign assets at other banks in Bahrain continued to fall sharply, to a record low of minus 1.03 billion dinars in February from minus 922.6 million dinars in the previous month.
The reserves have been depleted by a current account deficit caused by low oil prices. Before 2014, when oil prices began to plunge, the central bank's reserves totalled close to 2 billion dinars.
Its net foreign assets are now equivalent to about 35 days' worth of imports. Some economists believe a safe level of reserves for emerging economies is about 90 days.
Bahrain also has investments abroad which it might liquidate if it needed hard currency.
The central bank had stopped publishing the monthly reserves data on its website for several months before it resumed doing so on Tuesday. It did not give a reason for the gap.
In late March, Bahrain sold $1 billion of Islamic bonds in the international market to help cover its state budget deficit, but scrapped plans for a conventional bond sale as it found the pricing demands of some investors too costly, banking sources said. Yields on its existing international bonds jumped.
Bahrain had in the past been able to borrow comfortably from international markets because investors think it could count on financial support from its Gulf neighbours in any crisis.
But in recent months, investors have become more concerned by Bahrain's mounting public debt level - estimated by the International Monetary Fund at 99 percent of gross domestic product this year - and the impact of rising U.S. interest rates on its debt.
Barclays bank said in a research note this week that other countries in the six-member Gulf Cooperation Council, especially Saudi Arabia, were now likely to intervene to prop up its finances by depositing funds at its central bank.
"In order to increase the reserve coverage of base money to close to 100 percent and of broad money supply to 20 percent, GCC countries would need to deposit $3.5 billion at the central bank," Barclays calculated.
Even with that aid, Bahrain's finances would remain under pressure, it added. "Reversing the trend in public debt, in our view, will require a medium-term package that would permanently reduce financing needs and extend access to international debt markets."
Official sources and bankers in the region have told Reuters that Bahrain has since last year been discussing the possibility of obtaining additional aid from neighbouring countries. Senior Bahraini officials declined to comment.

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China

Foreigners raise China bond holdings for 13th month in March to record high

09-Apr-2018
SHANGHAI, April 9 (Reuters) - **Foreign investors raised their holdings of Chinese bonds in March for a 13th consecutive month, boosting the proportion of Chinese bonds held by offshore institutions to an all-time high.**
Offshore holdings of all Chinese bonds in the interbank market rose by 28.2 billion yuan to 1.3 trillion yuan ($206.45 billion) in March, according to Reuters' calculations based on data from Shanghai Clearing House and China Central Depository and Clearing Co (CCDC), the country's primary bond clearing houses.
The purchases brought the proportion of outstanding Chinese interbank market bonds held by offshore institutions to 1.96 percent, a small fraction of the total market but the highest percentage to date.
Offshore holdings of Chinese bonds were nearly 67 percent higher in March than a year earlier, the data showed. The increase has been primarily driven by purchases of Chinese treasury bonds.
Overseas investors' holdings of Chinese treasury bonds rose by 21.2 billion yuan in March, or 3.1 percent, to 712.1 billion yuan. That represents 5.85 percent of outstanding government bonds, also the highest proportion to date.
In March, Bloomberg announced that the Bloomberg Barclays Global Aggregate Index will begin to include Chinese yuan-denominated government and policy bank securities in April next year. The inclusion will be phased in over a 20-month period.

($1 = 6.2970 Chinese yuan)
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China finance ministry to reopen 29 bln yuan of 30-yr bonds on April 20

13-Apr-2018
BEIJING, April 13 (Reuters) - **China's Ministry of Finance said on Friday it would reopen a March 19 issue of 30-year bonds, auctioning an additional 29 billion yuan ($4.61 billion) on April 20.**
The bonds will be issued from April 20 to April 23, and begin secondary market trading on April 25, the ministry said in a statement.

($1 = 6.2892 Chinese yuan)
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India

Fiscal's First Bond Sale Hints a Revival of Sentiment

07-Apr-2018

India's first federal bond sales in FY19 reflected a revival of sentiment in the debt market, with a clutch investors led by the country's largest insurer rushing to buy sovereign securities of longer maturities. The central bank, the government's merchant banker, sold Rs 12, 000 crore worth of bonds Friday for which the investor demand exceeded three and a half times. The Reserve Bank of India (RBI) received bids for more than Rs 43, 000 crore, show its data.

"There was enough demand for the bond auction as only a few players bought the bulk of the securities today, " said Vijay Sharma, senior executive vice president for fixed-income at PNB Gilts, which is engaged in the central bank's weekly auction of government bonds. LIC of India is said to have bid aggressively for long-term papers. For example, RBI sold a 33-year maturity sovereign bond that attracted 96 bids worth Rs 9, 209 crore as against the actual sale size of Rs 3, 000 crore.

Only one bidder received the entire lot. LIC could not be reached immediately for comments. Similarly, bids were much larger than the actual allotments, exceeding the availability about four times, for bonds with 10- and 15-year maturities.

The sale sizes were Rs 3, 000 crore, and Rs 1, 000 crore, respectively. "The auction response was encouraging barring a small hiccup in the delay in the auction results, " said Naveen Singh, head of government securities trading at ICICI Securities PD. "Some investors were seen aggressively bidding.

"Besides, there were some surprise elements that raised a few eyebrows in the debt market. "There was a surprise element in the year's first auction, particularly on the cut off yield on the longest paper" said PNB Gilt's Sharma. "There would have been unmet demand for the long-end bonds as the last few auctions of long dated bonds in January were cancelled by government, " he said.

The paper maturing in 2033 yielded (the cut-off one) at 7.40%, which was about 60-80 basis points higher than the average market estimate.

The government bond market has rallied after the RBI said its retail price gauge will climb slower than expected earlier.

Indian bond yields fell to their lowest in nearly four months Thursday after the central bank said it expects the price gauge to climb more slowly than estimated earlier, suggesting that Mint Street would decouple its rate action from the US Federal Reserve's current cycle of increases. The benchmark yield closed at 7.17% on Friday.

Indian Sovereign Bonds Fall For 4th Day As Crude Oil Prices Jump

11-Apr-2018

By Dharam Dhutia and Neha Dubey

NewsRise

MUMBAI (Apr 11) -- **Indian government bonds tumbled for the fourth session, as an uptrend in crude prices fuelled inflationary fears, while tepid appetite for long-tenure papers further weighed on the bearish mood.**

The benchmark 7.17% bond maturing in 2028 ended at 97.49 rupees, its lowest since Mar. 26, yielding 7.54% in Mumbai, against 98.55 rupees and a 7.38% yield at close yesterday. The 10-year yield has gained 41 basis points in the last four sessions, including a 16-basis-point jump today, the biggest single session gain since Feb. 1.

"Since crude oil prices sustained above the $70 per barrel level for two days we have seen heavy selling in bonds," said Yogesh Kalinge, vice president, AK Capital Services. "Bonds had extended rally after the monetary policy decision, but since then the foreign limit and higher state debt calendar for the quarter have dampened sentiment."

Kalinge expects the benchmark bond yield to trade in a 7.35%-7.50% band in the medium term.

Crude oil prices rose amid escalating geopolitical tensions in Syria, which may hurt supply from the Middle-eastern region. The benchmark Brent crude oil contract rose to $71.91 per barrel, highest since December 2014, against $71.04 yesterday's close. India imports about 80% of its crude oil requirements.

Traders now await local retail inflation data for March, due to release tomorrow. Inflation is expected to have eased to 4.30% on year in March from 4.44% in February, according to Reuters. India's Monetary Policy Committee, that had held rates earlier this month, targets inflation at 4%.

The rate-setting panel had last week lowered inflation forecasts for this fiscal year that started Apr. 1 and left rates unchanged. While the MPC's move boosted the local papers, a lower-than-expected hike in foreign investment limit and a higher-than-expected quantum of state debt borrowing in April-June weighed on appetite.

The selloff in India's government bonds may however pause for the time being, as the selling that was triggered by stop losses being hit is almost done now, traders said. "Most traders must be facing losses, but with stops already over, we may not see any large-scale selling from current levels," Abhishek Upadhyay, economist at ICICI Securities Primary Dealership said.

Meanwhile, the government is considering overseas issuance of sovereign bonds and discussions regarding this are at an early stage, a senior finance ministry official said today.
"The final decision will be taken at the highest level," the official, who did not wish to be identified, said.
The government has been talking with the Reserve Bank of India on overseas listing of its bonds for long and a sovereign bond issue may be part of this plan.
Global risk sentiment improved after Chinese President Xi Jinping reiterated that China will take steps to open up its economy, easing the ongoing trade war fears. U.S. Treasury prices were little changed, with the 10-year yield at 2.76%.
India's federal government will sell four bonds worth 120 billion rupees on Apr. 13, and the auction will include 30 billion rupees of a new five-year bond. It sold 150 billion rupees of Treasury bills today at cutoff yields which were along the expected lines.
Traders also await the release of the minutes of U.S. Federal Reserve's March meeting later today. The Fed had hiked rates at this meeting.

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India Stocks, Rupee, Bonds, Swap, Call At Midday

13-Apr-2018
By Dipika Lalwani
NewsRise
MUMBAI (Apr 13) -- **STOCKS**
The benchmark BSE Sensex and the broader **NSE index were up 0.54% and 0.44%, respectively, tracking regional peers after easing geopolitical tensions improved risk appetite.** Private lenders ICICI Bank, Kotak Mahindra Bank and Reliance Industries led the gains, while tech heavyweight Infosys was also among the top gainers ahead of its earnings results due later today.
RUPEE
The Indian rupee was trading at 65.24/65.25, against 65.2550/65.2650 at previous close, as gains in local shares and a pause in crude oil price rally offset early losses stemming from overnight recovery in the greenback.
GOVERNMENT BONDS
India's benchmark 7.17% bond maturing in 2028 turned higher to 98.08 rupees, yielding 7.45%, against 97.95 rupees and 7.47% yield at previous close, amid likely short covering even as investors awaited the outcome of the weekly bond auction.
INTEREST RATE SWAPS
India's one-year swap rate was up one basis point to 6.44% from 6.43% at previous close, while the benchmark five-year swap rate was unchanged at 6.78%.
CALL MONEY
India's three-day call rate was trading at 5.95%/6.00%, against 5.80%/5.85% at its previous close for one-day loans.

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Indonesia

Indonesia raises 21.85 trillion rupiah in auction, above target

10-Apr-2018
JAKARTA, April 10 (Reuters) - **Indonesia raised 21.85 trillion rupiah ($1.59 billion) in a bond auction on Tuesday, above its indicative target of 17 trillion rupiah, the financing and risk management office at Finance Ministry said in a statement.**
The ministry sold T-bills maturing in July 2018 with a weighted average yield of 4.18995 percent, while those maturing in April 2019 were sold with a weighted average yield at 5.06980 percent.
On Tuesday's auction, the weighted average yield for bonds maturing in May 2023 was 5.92978 percent.
Bonds maturing in May 2028 were sold with a weighted average yield of 6.58989 percent, lower than 6.78994 percent in the previous auction on March 27.
The weighted average yield for debts maturing in May 2033 was 6.80995 percent.
Total incoming bids reached 37.72 trillion rupiah, with the highest bid-to-cover ratio at 2.89 for bonds maturing in May 2028.

($1 = 13,750 rupiah)
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Moody's upgrades Indonesia's sovereign rating in boost to Widodo's economic agenda

13-Apr-2018
•Moody's ratings for Indonesia now match Fitch's; S&P a notch below
•BI: the Moody's rating is the highest ever for Indonesia
•Reason for upgrade is effective and credible policy to support stability
By Gayatri Suroyo
JAKARTA, April 13 (Reuters) - **Moody's Investors Services on Friday upgraded Indonesia's sovereign credit ratings a notch**

above its lowest investment grade, citing effective policies to support broad economic stability, in a boost to President Joko Widodo's drive to rev-up growth.
Moody's said it now rates debts of Southeast Asia's largest economy at Baa2, up from the previous Baa3 with a stable outlook.
The move followed Fitch Ratings' upgrade in January to also one notch above the lowest investment grade. Indonesia's debts are now rated the same by the two rating agencies, while S&P still rates Indonesia at the bottom of its investment grade scale.
Bank Indonesia (BI) said this is the highest ever rating Moody's has given the country.
The Moody's decision bolsters President Widodo's ambitious multi-billion dollar effort to spruce up Indonesia creaking infrastructure - part of a broader goal to foster faster economic growth.
The nation could count on foreign investors to provide some of the financing, given a ratings upgrade could mean more capital inflows for a country as its default risk is considered lower.
Local securities firm Trimegah Securities said the upgrade "should improve sentiment on bonds, which may spill over to equity", while Mirae Asset Sekuritas advised its clients to buy large-cap stocks as the move could be positive for the share market.
The Jakarta benchmark stock index rose as much as 0.4 percent in early Friday trading, while the rupiah strengthened slightly to trade at 13,755 per dollar. Yield of benchmark 10-year government bond fell to 6.567 percent from 6.583 percent in the previous close.
Moody's attributed the upgrade to Indonesia's growing resilience and capacity to respond to shocks and complimented policies that it said were credible and effective.
The ratings agency said Indonesia has maintained strict adherence to its fiscal deficit legal limit and that government debt has been low. It forecast the government's debt to hover around 30 percent of GDP in the next few years, below the median of 39 percent for all investment grade sovereigns.
It also praised the central bank for getting inflation inside its target range for three years in a row and for adopting a flexible approach to currency intervention, while noting that the country's foreign exchange reserves were adequate.
The reserves were at record high of $132 billion at the end of January, but has since declined partly due to BI's intervention to stabilise the rupiah currency.
In response to Moody's move, BI Governor Agus Martowardojo said in a statement the central bank will remain vigilant to global risks and optimise monetary policy to safeguard stability.
However, Moody's said its stable outlook "incorporates downside risks from political challenges to the implementation of further broad economic, fiscal and regulatory reforms".
It said delays or reversals in reforms could happen, especially ahead of next year's elections.
Critics said there have been signs of populist policies creeping back with the announcement of price control measures, including for rice, fuel and electricity.
On Thursday, Finance Minister Sri Mulyani Indrawati told foreign correspondents that the government is committed to reforms.

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Israel

Israel posts March budget deficit of 4.4 bln shekels

10-Apr-2018
April 10 (Reuters) - **Israel posted a budget deficit of 4.4 billion shekels ($1.25 billion) in March, bringing the deficit so far in 2018 to 2.1 billion shekels, the Finance Ministry said.**
In GDP terms, the deficit in the past 12 months was 1.9 percent.
-- Income from taxes alone totaled 26.3 billion shekels in March, up 7.9 percent from March 2017. For the first three months of 2018, tax income has risen 6.2 percent.
-- Israel set a budget deficit target of 2.9 percent of GDP for 2018.

($1 = 3.5195 shekels)
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Lebanon

Lebanese PM says economic deals to be signed with Saudi Arabia

11-Apr-2018
BEIRUT, April 11 - **Lebanese Prime Minister Saad al-Hariri said on Wednesday he had held an "excellent" meeting with Saudi Crown Prince Mohammed bin Salman and expected Lebanon to sign economic deals with Saudi Arabia soon.**
"We will see very soon certain agreements that will be signed with Saudi Arabia vis-a-vis different sectors of the economy, whether it is industry, and tourism and services," Hariri said during a news conference in Beirut without giving further details.
"God willing in the coming few weeks this is what we are trying to work towards," he said.
Lebanon's relations with Saudi Arabia had plunged into crisis in November, when Hariri abruptly resigned from his post as prime minister during a visit to the kingdom.

Lebanese officials said at the time that Saudi Arabia had forced him to step down - which Riyadh denied. Hariri retracted his resignation after returning to Lebanon weeks later, following French intervention.

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Editing by Alison Williams)
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Pakistan

(HK) Pakistan: Sovereign returns for US$450m borrowing

12-Apr-2018
The Islamic Republic of Pakistan is back again with a US$450m one-year bullet facility, returning four months after completing its largest loan, sources said.
Credit Suisse and Industrial and Commercial Bank of China are the mandated lead arrangers and bookrunners of the deal, which carries an unspecified greenshoe.
The interest margin is 200bp over Libor.
Banks are invited to join as MLAs with US$30m or above for fees of 60bp, translating to a top-level all-in of 260bp. Lead arrangers coming in for US$20m–$29m receive 55bp for an all-in of 255bp, while arrangers taking US$10m–$19m earn 50bp for an all-in of 250bp.
The deadline for responses is April 20.
The pricing on the latest loan is same as that on a US$255m one-year loan Pakistan wrapped up in November. That borrowing paid top-level all-in pricing of 260bp based on an interest margin of 200bp over Libor.
Around the same time Pakistan completed a US$700m 10-year loan that paid a top-level all-in pricing in the low to mid-200s based on an interest margin of 225bp over Libor, the tightest pricing Pakistan paid on its seven previous loans that raised a combined US$2.255bn.
All seven previous loans since early 2014 carried short maturities of between 12 to 18 months and paid all-in pricing ranging from 260bp to 526.67bp.
The US$700m 10-year loan was able to achieve long tenor and tightest pricing for Pakistan thanks to a partial guarantee from the International Bank for Reconstruction and Development, a unit of the World Bank. The static guarantee from the IBRD for 60% of the amortising facility, or US$420m, throughout the 10-year tenor combined with the amortisation schedule meant a full IBRD cover after the fifth year from signing.
That loan carries zero risk weighting for lenders after the fifth year given the IBRD, as a unit of the World Bank, is a Triple A rated entity.
Earlier in June, Pakistan closed a US$650m one-year loan, which paid a top-level all-in pricing of around 265bp based on an interest margin of 200bp over Libor.

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Philippines

Philippines posts $1.2 bln budget deficit in February

11-Apr-2018
MANILA, April 11 (Reuters) - **The Philippine government's budget balance swung back to a deficit in February, on robust spending growth, the Bureau of the Treasury said on Wednesday.**
The government posted a budget gap of 61.7 billion pesos ($1.19 billion) in February, which compares with the 10.2 billion pesos surplus the month before. That brought the shortfall in the first two months of the year to 51.5 billion pesos.
The government has programmed a budget deficit of 523.6 billion pesos, or 3 percent of gross domestic product, for 2018, up from the 350.6 billion pesos deficit recorded last year.

($1 = 51.9490 Philippine pesos)
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Qatar

Qatar follows Saudi's lead

12-Apr-2018
By Robert Hogg
LONDON, April 12 (IFR) - **After Saudi Arabia elbowed its way into the primary on Tuesday, it is now the turn of Qatar to market a triple-tranche deal that participants reckon is starting off cheap.**
The sovereign is marketing 2023s at Treasuries plus 170bp area, 2028s at 200bp area and 2048s at 230bp area.
"They certainly look attractive," said one investor who thinks the five-year offers the best entry point. "The big problem for Qatar is the Gulf bid will be much smaller for them than compared to the Saudi Arabia recent issue."
A banker away calculated new issue concessions on offer of around 50bp on the five and 10-year.
"Initial reaction is it looks pretty cheap at these numbers," he said. "The long bond is on the tighter side, although that's not a complete surprise as it has the Taiwanese listing which will help demand."
A second banker thought the levels were a touch tighter on all the bonds, about 40bp-45bp back

of fair value.
"Negatively, they've been affected by Saudi Arabia because Saudi priced attractively with IPTs 40bp-45bp back. That has prevented Qatar from starting tighter," he said.
On the other hand, the banker said, there would be a positive halo for Qatar's trade given that Saudi's new bonds have traded well on the break.
Uday Patnaik, head of emerging market debt at asset manager LGIM, thinks the 30-year looks the most interesting and said that Qatar will be hoping to issue around US$9bn.
"I suspect Qatar will have to offer a bit more given the Saudi deal earlier this week," he said. "However, the bigger issue right now in the region is the potential US-led airstrikes in Syria and the reaction from Russia. As a result, I suspect we will see more Middle East issuers try and issue before conditions potentially escalate."
Al Khaliji, Barclays, Credit Agricole, Credit Suisse, Deutsche Bank, Mizuho, QNB Capital and Standard Chartered are joint leads and books.

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Qatar order books over US$32.5bn

12-Apr-2018
LONDON, April 12 (IFR) -
*** Order books over US$32.5bn including JLM, pre-rec. Slight skew to 30yr. IPTs unchanged (1.12pm)**
The State of Qatar, acting through its Ministry of Finance, is marketing a US dollar sovereign bond in three tranches.
The sovereign has set initial price thoughts of Treasuries plus 170bp area for a five-year tranche, plus 200bp area for a 10-year and plus 230bp area for a 30-year.
The benchmark 144A/Reg S issue is expected to price today and comes with expected ratings of Aa3/AA-/AA-.
It is Qatar's first foray into the international bond markets since a spat with its Gulf neighbours erupted last year.
Al Khaliji, Barclays, Credit Agricole, Credit Suisse, Deutsche Bank, QNB Capital and Standard Chartered Bank are bookrunners on the five-year and 10-year tranches.
Deutsche Bank Taipei branch and Standard Chartered Bank (Taiwan) are bookrunners on the 30-year piece.
The five-year and 10-year notes will be listed on Luxembourg Stock Exchange, while the 30-year paper will be listed on both Luxembourg Stock Exchange and Taipei Exchange.
Al Khaliji, Barclays, Credit Agricole, Credit Suisse and QNB Capital are structuring agents.
Qatar was last in the bond market in June 2016, when it raised $9 billion from a similar, three-tranche issue at five, 10 and 30 years. (6.50am)

(Reporting by Robert Hogg)

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Qatar raises $12 bln in jumbo bond despite blockade

12-Apr-2018
•Largest emerging market placement by a sovereign this year
•Placement comes as Emir meets Trump in Washington
•Saudi Arabia also issued jumbo bond this week
By Davide Barbuscia and Dmitry Zhdannikov
DUBAI/LONDON, April 12 (Reuters) - **Qatar raised $12 billion in a bond issue on Thursday, the largest placement by an emerging market sovereign this year, marking a successful comeback to the international debt markets despite a 10-month-long rift with its Gulf neighbours.**
The issuance will be seen as a big success for Doha amid a boycott imposed by Saudi Arabia, the United Arab Emirates, Bahrain and Egypt, which severed diplomatic and transport ties with Qatar in June, accusing it of supporting terrorism.
Doha denies the charge and says the pressure is aimed at stripping it of its sovereignty.
Saudi Arabia launched a rival $11 billion bond during the same week, in a move seen as an attempt to absorb demand from the market and force Qatar to offer higher yields to attract interest.
But the sale in the tiny Gulf state and major gas exporter was heavily oversubscribed.
"The overall success of the issue clearly reflects the strength of the Qatari economy and the confidence the state enjoys from international investors," a Qatari government official said when asked about the outcome of the bond placement.
U.S. President Donald Trump said this week ties with Qatar were working “extremely well” as he welcomed Qatari Emir Sheikh Tamim bin Hamad al-Thani to the White House for bilateral talks.
The meeting marked a major turnaround for Qatar as Trump has previously accused Qatar of sponsoring terrorism.
On Thursday, Qatar raised a triple-tranche U.S. dollar-denominated bond with orders estimated to have exceeded $52-53 billion.
Qatar gave initial price guidance earlier on Thursday, with the five-year tranche marketed at around 170 basis points (bps) over U.S. Treasuries, the 10-year at 200 bps over Treasuries and the 30-year at around 230 bps over.
It then tightened the guidance to final spreads of 135 bps over U.S. Treasuries for $3 billion in five-year notes, 170 bps over the benchmark for $3 billion in 10-year notes and to 205 bps over for $6 billion in 30-year paper.
Al Khaliji, Barclays, Crédit Agricole CIB, Credit Suisse, Deutsche Bank, Mizuho Securities, QNB Capital and Standard Chartered Bank were joint lead managers and joint bookrunners.

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Saudi Arabia

Saudi Arabia beats Qatar to market with $11 billion bond

12-Apr-2018

Saudi Arabia is set to raise $11 billion with a triple-tranche dollar bond, while Qatar is meeting global investors ahead of its first appearance in the debt markets since the beginning of a diplomatic crisis last year. The Saudi deal is Riyadh's fourth international public bond sale.

The kingdom has established itself as one of the top global debt issuers after it began selling international sovereign bonds in 2016 with a $17.5 billion debut sale, the largest bond ever issued across emerging markets.

The proceeds from the bonds are being used to help fill a budget deficit caused by low oil prices. Saudi Arabia, acting through the ministry of finance, surprised the market earlier on Tuesday when it announced its plan to complete the transaction within the day and without a bond roadshow.

According to several fund managers and bankers, the timing of the Saudi deal could complicate Qatar's planned bond. "Issuing now, Qatar will get a lower order book, which will put them in a less competitive place to issue from," which means Qatar may have to offer generous pricing to attract large demand, said a fund manager.

Saudi Arabia, along with the United Arab Emirates, Bahrain and Egypt, has been locked in a diplomatic dispute with Qatar since June last year, with the former countries accusing Qatar of funding terrorism, an assertion Doha denies.

"Tensions obviously remain between the two states, and I guess there will be some competition herein about pricing and size of any deal," said Timothy Ash, senior emerging markets sovereign strategist at BlueBay Asset Management.

Saudi Arabia has marketed seven-year, 12-year and 31-year notes. It set the size of the seven-year notes at $4.5 billion, and the spreads at 140 basis points over US Treasuries. The size of its planned 12-year notes has been set at $3 billion, with spreads at 175 basis points over US Treasuries, while it plans to raise $3.5 billion in 31-year notes at 210 basis points over the UST benchmark, a document from one of the banks leading the deal showed.

Combined order books for the debt issue went up to over $50 billion earlier on Tuesday. Initial price guidance for the seven-year notes was in the 170 basis points area over US Treasuries, for the 12-year notes in the 200 bps area over UST and in the 235 bps area over UST for the 31-year paper. The initial guidance was generous, fund managers said.

Mohieddine Kronfol, chief investment officer of Global Sukuk and MENA fixed income at Franklin Templeton Investments, said it was 30 to 40 basis points wide of the current yield curve, with the longest leg on offer looking more attractive, followed by the seven-year notes and the 12-year notes.

Citi, GIB Capital, Goldman Sachs International, HSBC and Morgan Stanley have been appointed as global coordinators for the issue. Bank of China, Industrial and Commercial Bank of China, JPMorgan Chase & Co and Mitsubishi UFJ Financial Group are working as joint lead managers.

The National/Gulf base

Saudi's $11 billion bond largely covers dollar funding for 2018

12-Apr-2018

•This week's bond issue attracted massive $52 billion of orders
•Followed $16 billion syndicated loan refinancing
•Riyadh will focus on domestic issues for rest of year
•But international sukuk issue possible to keep market presence
•Market conditions determined issue's timing before Qatar

By Davide Barbuscia

DUBAI, April 12 (Reuters) - **Saudi Arabia has largely covered its hard currency funding needs for 2018 by completing this week's $11 billion international bond issue, the head of the kingdom's debt management office said.**

Riyadh has become one of the biggest emerging market debt issuers since it started borrowing internationally in 2016 to finance a state budget deficit caused by low oil prices.

This week it issued its fourth international bond in tranches of seven, 12 and 31 years, attracting massive investor orders of $52 billion. That followed last month's $16 billion syndicated loan refinancing, which expanded the original facility by $6 billion.

Fahad al-Saif, speaking by telephone late on Wednesday, noted that together, the two exercises raised a net $17 billion -- in the range of the $16 billion-$18 billion that Riyadh initially planned to borrow internationally this year.

As a result, Riyadh will focus on raising money domestically for the rest of this year, Saif said. It has said it wants about 65 percent of its debt to be domestic and 35 percent foreign, plus or minus 10 percent.

"We still have the local portion to finance. As you're aware we are obliged to find the best place to fund our issuances, and I think the

focus from now going forward is the local market development."
Saudi Arabia has borrowed 18 billion riyals ($4.8 billion)domestically so far this year with monthly issues of riyal-denominated Islamic bonds, and plans to raise about 60 to 70 billion riyals in total in 2018, subject to market conditions, Saif said.
This month the Saudi stock exchange began listing domestic government bonds in a move that is expected to facilitate riyal issuance by encouraging secondary market trade.
But Saif said Riyadh would not neglect the international market because it was keen to ensure a stable yield curve. "We are very committed on being a regular issuer, a responsible borrower in this market."
He added, "We are focused on liquidity, and when I say liquidity I very much mean balancing between supply and demand, and obtaining further investor diversity.
"We are very much focused on secondary market behaviour, on how exactly each point of the curve behaves, and we want our curve to become stable, reliable, and to become a benchmark for the region."
While the kingdom has no immediate plan to make an international issue of Islamic bonds, it might do so in the second half of 2018 to maintain its presence in the sukuk area and provide supply to sharia-compliant investors.
The potential sukuk issue would be smaller than Saudi Arabia's previous international sukuk transaction, which was $9 billion, Saif said.
Riyadh issued its latest international bond a few days before a planned global issue by Qatar, which would be Doha's first foreign bond sale since Saudi Arabia and allies cut diplomatic and transport links with Qatar last June, accusing it of backing terrorism, a charge which Doha denies.
Some bankers and fund managers told Reuters that by absorbing some demand in the market, the Saudi issue might complicate Qatar's funding plan, potentially forcing Doha to offer higher yields.
Asked if Qatar was a consideration in the timing of the Saudi deal, Saif said it was determined by market conditions.
"We are a sophisticated debt management office. We looked into market volatility, supply, reverse inquiries, and we looked into all of these circumstances."
Saif said the decision to issue maturities of seven, 12 and 31 years – while the common standards for large transactions are five, 10 and 30 years – was due to discussions with investors.
"We had empty buckets into these points and actually we wanted to add more points to continue building our yield curve where investors and other issuers can use the Saudi curve as a benchmark."

($1 = 3.7500 riyals)
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Sri Lanka

(HK) Sri Lanka: Sovereign eyes US$1bn loan on back of larger bond

12-Apr-2018
The Government of Sri Lanka is seeking a US$1bn-equivalent loan in a separate fundraising from a US$2.5bn bond it priced on Tuesday, sources said.
The sovereign had sent out a request for proposals for the loan with a minimum maturity of three years with an original deadline for responses of April 6. The deadline has now been extended to around April 20.
The loan can de denominated in US dollars, euros or yen.
It follows the US$2.5bn two-part bond Sri Lanka printed on Tuesday. The bond is split equally into a five-year portion priced to yield 5.75% and a 10-year piece yielding 6.75%. Citigroup, Deutsche Bank, HSBC, JP Morgan and Standard Chartered were the bookrunners.
The Democratic Socialist Republic of Sri Lanka's latest loan comes nearly nine months after it closed a US$1bn three-year facility in July last year. A dozen banks joined the deal in general syndication.
Bank of Baroda, Qatar National Bank, State Bank of India, Deutsche Bank, Indian Bank and Sumitomo Mitsui Banking Corp were the original mandated lead arrangers and bookrunners of the amortising facility, which was increased from US$450m. The deal paid a top-level all-in pricing of 250bp based on an interest margin of 200bp and a two-year average life.
That loan too had followed a US$1.5bn 10-year bond Sri Lanka raised at 6.20% in May last year.

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Sri Lanka parliament suspension has no impact on $2.5 bln bond deal

13-Apr-2018
COLOMBO, April 13 (Reuters) - **The suspension of Sri Lanka's parliament will have no impact on a $2.5 billion sovereign bond deal concluded this week, central bank chief Indrajit Coomaraswamy told Reuters on Friday.**
Sri Lanka's president suspended parliament late on Thursday until May 8, days after a failed no-confidence motion attempt against the prime minister and the defection of several ministers

forced a cabinet reshuffle.
Sri Lanka raised a record $2.5 billion from the sale of two tranches of sovereign bonds.
Prices of the new dollar bonds dropped in secondary trading after the president suspended parliament, just a day after the bonds had been priced.
Sri Lanka's 2023 or five-year bonds dropped 0.75 points to a price of 99.4, yielding 6.0 percent, while its 2028 or 10-year bonds fell 1.2 points to 99.6, yielding 6.9 percent. Both were priced at par.
The settlement for the bond deal is due on April 18.
Two sources close to the deal had said the suspension of parliament had created an uncertainty over the sale.
"The decision will impact only the parliament business and there is no impact on the sovereign bond deal," Coomaraswamy told Reuters.
The central bank said separately in a statement that during the suspension, no motions or questions can be tabled in parliament and any prior actions by parliament remain valid.
The central bank sold $1.25 billion of 5-year bonds at a coupon rate of 5.75 percent and another $1.25 billion in 10-year bonds at a coupon rate of 6.75 percent.

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EUROPE

Albania

Albania to sell 8.2 bln leks (63.1 mln euro) of 1-yr T-bills on April 24

13-Apr-2018
TIRANA (Albania), April 13 (SeeNews) – **Albania's finance ministry will offer 8.2 billion leks ($77.8 million/63.1 million euro) of one-year Treasury bills at an auction on April 24, according to data posted on the website of the country's central bank.**
The finance ministry raised 9.7 billion leks at the last auction of one-year government securities held on April 3. The average weighted yield edged down to 2.39% from 2.47% at the previous auction held in March.

(1 euro = 128.750 leks)

Czech Republic

Czechs face halt to 4.5 bln euros EU funds programme

10-Apr-2018
PRAGUE, April 10 (Reuters) - **The European Commission has temporarily halted an EU funds programme worth 113 billion crowns (4.46 billion euros) for the Czech Republic after an audit detected several errors, the Czech Industry Ministry said on Tuesday.**
The funds are aimed at enterprise and innovation and the halt is estimated to last several months, a ministry spokeswoman said.
The errors were discovered by a Finance Ministry audit.
The fund has been running since 2015 and previous financing decisions are not impacted, the spokeswoman said.
EU development funds have contributed to state budget surpluses in recent years and are a boost for investment in the country's export-reliant economy, which grew 4.6 percent in 2017.

($1 = 20.5570 Czech crowns)
(1 euro = 25.3369 Czech crowns)
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Hungary

Hungary posts 345.3 bln forint March budget deficit

09-Apr-2018
BUDAPEST, April 9 (Reuters) - **Hungary's 2018 budget deficit widened by 345.3 billion forints ($1.36 billion) to 871.9 billion forints in March, the Economy Ministry said on Monday, affirming its 2.4 percent of gross domestic product full-year deficit target.**
The gap was widened by the financing of European Union-sponsored projects as well as spending on urban development projects, the ministry said. It said one-off pre-election food vouchers provided to pensioners also lifted the deficit.
Revenues from value-added and personal income tax rose compared with the first quarter of 2017, it said.

($1 = 253.8700 forints)
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Hungary, China finalising loan terms of Belgrade rail link

11-Apr-2018

BUDAPEST, April 11 (Reuters) - **Hungary is finalising the terms of a loan from China's Exim Bank to be used to finance the Hungarian stretch of a high-speed railway link between Budapest and Belgrade, a government official said on Wednesday.**

The project is part of Beijing's One Belt, One Road initiative intended to open new foreign trade links for Chinese firms.

Budapest expects the double-track rail link to cost 550 billion forints ($2.19 billion) with construction to start in late 2020.

"We are in the process of finalising the terms," Economy Ministry State Secretary Agnes Hornung told a forum on Chinese-Hungarian business relations.

The main loan terms were agreed upon last year under terms more favourable than market terms, Hornung said.

The loan is expected to cover 85 percent of the cost of the rail link in Hungary.

The line will carry Chinese goods that arrive by sea at the Greek port of Piraeus to other parts of Europe.

Serbia began work on the China-funded rail line in November with completion expected in 2023.

($1 = 0.8076 euros)
($1 = 251.55 forints)
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Hungary central bank offers 50 bln forints worth of IRS at tender

12-Apr-2018

BUDAPEST, April 12 (Reuters) - **Hungary's central bank has offered a total of 50 billion forints ($198.33 million) worth of fixed-rate 5-year and 10-year interest rate swaps to banks on Thursday, the bank said on its NBHO Reuters page.**

The bank offered 10 billion forints of 5-year interest rate swaps at 0.46 percent, and 40 billion forints worth of 10-year IRS at 1.17 percent. Results will be announced at 1230 GMT.

The amounts and rates are unchanged from a tender held two weeks ago. The swaps are part of the bank's monetary policy tools announced in November.

($1 = 252.1 forints)
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Kosovo

Kosovo sells 25 mln euro of 6-mo T-bills

12-Apr-2018

PRISTINA (Kosovo), April 12 (SeeNews) – **Kosovo's central bank bank said on Thursday the finance ministry has raised a planned 25 million euro ($30.9 million) at an auction of six-month Treasury bills.**

The average weighted yield on the government securities was 0.17% at Tuesday's auction, unchanged in comparison with the previous auction of six-month T-bills held on October 10, according to figures posted on the website of Kosovo's central bank.

($ = 0.80833 euro)

Montenegro

Montenegro to cut govt debt to 56.5%/GDP in 2020

11-Apr-2018

PODGORICA (Montenegro), April 11 (SeeNews) - **Montenegro's finance ministry has said it aims to reduce public debt to gross domestic product (GDP) ratio to 56.5% in 2020.**

The public debt of Montenegro is expected to rise to 67.5% of GDP in 2018 from 62.0% last year, due to the costs to be incurred for the construction of the Bar-Boljare motorway, the finance ministry said in a strategy for public debt management in the period 2018-2020 period posted on its website.

In 2019, Montenegro's public debt is expected to decline to 62.8% of GDP, the finance ministry said.

The government plans to invest 190 million euro ($235 million) in the construction of the Smokovac-Matesevo section of the motorway in 2018 and a further 203.7 million euro next year. The funding is already available and will be withdrawn from a credit extended by Exim Bank, the ministry noted.

A debt of 182 million euro will be repaid in 2018, while in 2019 and 2020 debt payments will total 573 million euro and 760 million euro, respectively.

Montenegro's parliament said last month it adopted a revision of the 2018 state budget envisaging a rise in budget deficit to 139.14 million euro ($171.14 million), equivalent to 3.16% of the planned gross domestic product (GDP).

($ = 0.808225 euro)

Poland

Poland's Glapinski sees no reasons to change rates in next two years

11-Apr-2018

WARSAW, April 11 (Reuters) - **Poland's central bank Governor Adam Glapinski said on Wednesday he currently saw no reason to change the level of interest rates over the next two years.**

"I would risk saying that over the next two years I see no clouds that would force us to change the level of interest rates, apart from an unexpected development," Glapinski told a news conference.

Glapinski also said there are no reasons to think about policy tightening, adding that a moment may come that action in the opposite direction would be advisable.

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Romania

Romania's Jan-Feb trade deficit widens to 1.66 bln euros

10-Apr-2018

BUCHAREST, April 10(Reuters) - **Romania's trade deficit widened by roughly a third on the year in the first two months of the year to 1.66 billion euros ($2.04 billion), the National Statistics Board said on Tuesday.**

February's shortfall stood at 883 million euros compared with 654 million euros in February of last year.

The statistics board said Jan-Feb CIF (cost/insurance/freight) imports were roughly 12.5 billion euros, up 13.9 percent on the year, while exports were roughly 10.9 billion euros, up 11.6 percent.

($1 = 0.8125 euros)

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Romania sells 280 mln lei (60 mln euro) of 2024 T-notes, yield falls

12-Apr-2018

BUCHAREST (Romania), April 12 (SeeNews) - **Romania's finance ministry on Thursday raised 280 million lei ($74 million/60 million euro), below target, through the sale of Treasury notes maturing on April 29, 2024, central bank data showed.**

The average accepted yield fell to 4.18% from 4.20% achieved at the last auction of government securities of the same issue held in March, the data indicated.

Demand for the T-notes, which carry an annual coupon of 3.25%, fell to 435 million lei from 576 million lei at the auction in March.

The issue will be reopened on Friday when the finance ministry hopes to raise 75 million lei in a non-competitive tender.

Romania's finance ministry plans to auction 3.82 billion lei worth of government securities, including 420 million lei in non-competitive offers in April.

Since the beginning of 2018, the finance ministry has sold roughly 11 billion lei and 252 million euro worth of domestic debt and has raised 2 billion euro on international markets from the sale of 2028 and 2030 Eurobonds.

(1 euro=4.6617 lei)

Russia

Russian sovereign Eurobonds fall after fresh U.S. sanctions - Reuters News

09-Apr-2018

LONDON, April 9 (Reuters) - **Russian sovereign dollar bonds fell across the curve on Monday, after fresh sanctions by the United States targeting Russian companies and their owners to punish Moscow for its alleged meddling in the 2016 U.S. election.**

Russia's September 2043 eurobond was down 1.3 cents to 112.2 cents, according to Tradeweb, a five-day low. The March 2029 issue was down 0.7 cents to 98.7 cents.

The latest move is aimed at seven Russian oligarchs and 12 companies they own or control, plus 17 senior Russian government officials. They freeze the U.S. assets of the people and companies named and forbid Americans in general from doing business with them.

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Russian debt extends losses, CDS rise to 8-mth high

10-Apr-2018

LONDON, April 10 (Reuters) - **Selling of Russian debt intensified on Tuesday with issues from names such as Gazprom and NLMK falling, while the cost of insuring exposure to Russian debt jumped to an eight-month high in the wake of U.S. sanctions.**

Washington moved on Friday to impose major sanctions against Russian businessmen and their companies to punish Moscow for its alleged meddling in the 2016 U.S. election and other "malign activity".

"It seems as if markets were taken a bit by surprise by the scope and the size of the sanctions," said Per Hammarlund, chief emerging markets strategist at SEB. "People are reassessing their unquestioned positive attitude to Russia."
Russia's 2043 sovereign dollar bond fell 4 cents to around 105.6 cents according to Tradeweb, while the June 2027 eurobond was down 2.5 cents to 94.9 cents.
The average bond yield spread of Russian sovereign bonds over safe haven U.S. Treasuries on the JPMorgan EMBI Global Diversified index jumped 26 basis points (bps) to 236 bps.
Corporate names also came under pressure, with Gazprom's August 2037 dollar bond down over 5 cents to 109 cents, according to Tradeweb, while NLMK's September 2024 issue fell 1.3 cents to 93.3 cents.
Russia five-year credit default swaps rose 20 bps from Monday's close to 158 bps, according to IHS Markit data, their highest since early August.

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Russia's external debt up to $525 bln as of April 1

12-Apr-2018
MOSCOW, April 12 (Reuters) - **Russia's total foreign debt rose to $524.9 billion as of April 1 compared with $518.9 billion at the beginning of 2018, central bank data showed on Thursday.**
The increase was due mainly to the issuance of sovereign Eurobonds, the central bank said.

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Serbia

Serbia sells 3.3 bln dinars (28 mln euro) of 5-yr T-notes

10-Apr-2018
BELGRADE (Serbia), April 10 (SeeNews) – **Serbia's finance ministry said on Tuesday it raised 3.3 billion dinars ($34.4 million/27.9 million euro) at an auction of five-year Treasury notes in a reopening of the issue, well below its target of 53.2 billion dinars.**
The yield amounted to 4.15%, equal to the one achieved at the previous auction of the issue held on March 27, the finance ministry said in a statement.
The government debt paper matures on January 25, 2023.

(1 euro = 118.154 dinars)

Turkey

Turkey 5-year credit default swaps at 4-1/2 mth high-IHS Markit

10-Apr-2018
LONDON, April 10 (Reuters) - **The cost of insuring exposure to Turkish sovereign debt rose on Tuesday to a 4-1/2 month high, driven up by investor worries about high inflation, the current account and geopolitical tensions related to Syria.**
Turkish five-year credit default swaps rose to 212 basis points (bps) according to data from IHS Markit, the highest level since mid-November, and up 5 bps from Monday's close.
The lira has also weakened to another record low against the dollar.

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Ukraine

Ukraine central bank keeps rates on hold, warns it needs IMF funds

12-Apr-2018
By Natalia Zinets
KIEV, April 12 (Reuters) - **Ukraine's central bank left its main interest rate at 17 percent on Thursday, as expected, but warned that an improving outlook for inflation could be undermined if the International Monetary Fund delays in disbursing loans.**
Over the past six months, the bank has kept monetary policy tight to curb stubbornly high inflation linked to higher food and oil prices and to government-backed increases in workers' wages and pensions.
The latest rate decision was in line with the consensus of a Reuters poll of analysts and follows a fall in annual consumer price increases to 13.2 percent in March from 14 percent in February.
"After four hikes of the key policy rate, the current monetary conditions are sufficiently tight to bring inflation back to its mid-term target," the central bank said in a statement.
The bank kept its inflation forecast for 2018 unchanged at 8.9 percent and raised its reserves forecast to $21.6 billion from $20.5 billion.
But it warned that all its expectations hinged on Ukraine sticking with its $17.5 billion programme with the IMF, which has expressed concern about perceived backtracking on reforms and delays in implementing policies to

tackle corruption.
"The main risk to the said macroeconomic forecast is that there may be no progress in implementing structural reforms, which is required for maintaining macroeconomic stability and receiving loans from the IMF," the central bank said.
Deputy Governor Dmytro Sologub said the bank expected Ukraine to get the next tranche of loans in the third quarter, not in the first half, when it was originally expected.
Ukraine has received $8.4 billion so far from the IMF, helping it recover from a two-year recession following the 2014 annexation of Crimea by Russia and the outbreak of a Russian-backed insurgency in its industrial east.
But the need for further financing is acute as Ukraine faces peak payments on its foreign currency-denominated debt in 2018-2020.
"Any delays in taking the required steps to revive cooperation with Ukraine's official lenders narrows the country's opportunities to receive financing required for making public debt repayments," the central bank said.
There is a shrinking window for Ukraine to pass IMF-backed reforms ahead of presidential and parliamentary elections that will take place in 2019 at the latest. The current IMF programme also expires in March next year.

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LATIN AMERICA AND CARIBBEAN

Fitch Says Latin America On A Cyclical Recovery In 2018

09-Apr-2018
April 9 (Reuters) - Fitch:
Fitch says Latin America on a cyclical recovery in 2018.
Fitch, on Latin America, says modest growth in commodity-producing countries highlights persisting challenges in productivity & economic diversification.
Fitch, on Latin America, says "slow growth, corruption, legislative gridlocks, and in some cases a rise in crime have frustrated voters in many countries".
Fitch, on Latin America, says government debt burden is still increasing in several countries.

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Argentina

Argentina sells $2.3 billion in Treasury notes

11-Apr-2018
BUENOS AIRES, April 11 (Reuters) - **Argentina sold $2.3 billion in Treasury notes to refinance maturing debt, the Finance Ministry said in a statement on Wednesday.**
The government sold $500 million in dollar-denominated 196-day notes with a nominal annual interest rate of 2.99 percent, for which it received $845 million in orders, and $350 million in 364-day notes with a nominal annual interest rate of 3.5 percent, for which it received $697 million in orders.
It sold 30 billion pesos ($1.49 billion) in peso-denominated 182-day notes at a nominal annual interest rate of 24.91 percent, for which it received 39.14 billion pesos in orders.

($1 = 20.1450 Argentine pesos)
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Brazil

Fitch Says Brazil State Debt Reduction Plan Lacks Fiscal Solution

09-Apr-2018
April 9 (Reuters) - Fitch:
Fitch says brazil state debt reduction plan lacks fiscal solution.
Fitch says extension of law that allowed Brazilian states to renegotiate debt they owe to federal government will make debt service payments more manageable.
Fitch says believe pension expenses likely to continue to rise above inflation, pushing up operating expenditure for Brazilian states.
Fitch says many Brazilian states may not be able to stay in the debt reduction plan as it requires them to reign in operating expense growth.

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Moody's revises Brazil outlook to stable, citing spending cuts

10-Apr-2018
BRASILIA, April 9 (Reuters) - **Ratings agency Moody's Investors Service on Monday revised the outlook for Brazil's sovereign rating from negative to stable, in a vote of confidence that the winner of this year's elections will deliver an unpopular agenda of cuts to government spending.**
In a statement, Moody's analysts said faster-than-expected economic growth was also likely

to support austerity efforts, which have failed to bring the government's debt metrics to levels consistent with similar-rated peers.
"Moody's expects the incoming administration to resume efforts to approve further reforms that will be needed, in particular to social security, to comply with the constitutionally-mandated spending ceiling," the statement said.
The more optimistic tone came just days after the imprisonment of former President Luiz Inacio Lula da Silva, who has railed against the government's belt-tightening efforts and leads polling ahead of an October presidential vote.
Lula turned himself in to police on Saturday to begin serving a 12-year sentence for a bribery conviction, impeding his efforts to return to power.
Brazil's Finance Ministry attributed the improvement in Moody's outlook to belt tightening led by the government's economic team in the last two years and said the debate on structural changes needs to evolve.
The ministry "reaffirms its commitment to fiscal consolidation and recuperation of economic activity and jobs," it said in a statement.
Brazilian markets fell on Monday as traders feared Lula supporters could still turn to an anti-austerity candidate in a wide-open field of candidates, many of whom are appealing to voters' anger after a painful downturn and sweeping corruption scandal.
But Moody's cited a consensus among political leaders about the costs of abandoning fiscal responsibility, particularly due to a constitutional amendment limiting growth of public spending passed by President Michel Temer's administration.
Moody's kept Brazil's rating at Ba2, two notches below investment-grade status. Faster-than-expected fiscal changes could spur an upgrade, while "a re-emergence of political dysfunction" or "stalled reform momentum" may trigger a downgrade, Moody's said.

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Brazil may review 2019 fiscal deficit target lower

11-Apr-2018
BRASILIA, April 10 (Reuters) - The Brazilian government is still discussing the parameters of its 2019 budget proposal and may even review its fiscal deficit target lower, Planning Minister Esteves Colnago said on Tuesday.
In his first news conference after taking office, Colnago said the government will be "prudent" when deciding whether to maintain or change the deficit target. The government had said last year it would target a 139 billion real ($40.8 billion)deficit before interest rate payments in 2019.
($1 = 3.41 reais)
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Brazil loosens 2020 fiscal target, sees GDP growth slowing

12-Apr-2018
BRASILIA, April 12 (Reuters) - **The Brazilian government on Thursday loosened its 2020 fiscal target and predicted that gross domestic product growth would slow after hitting a 2019 peak.**
The government set targets of a primary deficit of 139 billion reais ($41 billion) for the central government in 2019, 110 billion reais in 2020 and 70 billion reais in 2021, confirming an earlier report by Reuters.

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Mexico

Moody's Changes Outlook On Mexico's Ratings To Stable From Negative; A3 Ratings Affirmed

12-Apr-2018
April 11 (Reuters) - Moody's:
Moody's changes outlook on Mexico's ratings to stable from negative; a3 ratings affirmed.
Moody's says affirmed Mexico's foreign currency and local currency issuer ratings, foreign and local currency senior unsecured ratings at a3.
Moody's says outlook change driven by structural reforms adopted since 2013 that have increased Mexican economy's resilience to shocks.
Moody's says believe that while risk of failure to NAFTA negotiation has not been eliminated completely, it has materially receded.

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Mexico places samurai bonds at historically low cost

12-Apr-2018
MEXICO CITY, April 12 (Reuters) - **The Mexican government has issued co-called samurai bonds, debt denominated in Japan's yen currency, at a historically low cost, a spokesman with the finance ministry said on Thursday.**
The size of the trade totaled 135 billion yen ($1.26 billion) with maturities of five, seven, 10

and 20 years, and included the participation of 95 investors, the ministry said.
Demand for the debt issuance reached 180 billion yen, making it 30 percent oversubscribed, it added.
The statement confirmed details reported by Thomson Reuters IFR earlier on Thursday.

($1 = 107.2800 yen)
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Panama

Panama launches US$1.2bn 32-year bond: lead

09-Apr-2018
By Davide Scigliuzzo
NEW YORK, April 9 (IFR) - **The Republic of Panama has launched a new US$1.2bn 32-year bond to refinance some of its maturing debt and finance its general budget, according to one of the lead managers.**
The Central American country is set to price the new bond at a spread of 150bp over US Treasuries, or some 25bp tighter than the level initially eyed.
The bond has final maturity in 2050 but the principal amortizes in equal installments during its last three years to maturity, bringing the bond's average life to 31 years.
The sovereign's smooth sailing through the credit markets was seen as a positive sign by some Latin America bankers, given a recent spike in market volatility over fears of a global trade war.
Some corporate borrowers out of the region have had to offer generous new issue concessions to get their deals over the line recently, while others have opted to put their transactions on ice after completing meetings with investors.
"We haven't had sovereign in a while but corporate deals have been pricing with 40bp (new issue) concession," said one banker, who argued Panama's new deal ended up offering a concession of around 15bp over the country's 2047s.
Citigroup and Deutsche Bank are the bookrunners on Panama's new issue, which is expected to price later on Monday and is rated Baa2/BBB/BBB.

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Uruguay

Uruguay offers 2055 bonds, seen 235 points above U.S. Treasury notes

12-Apr-2018
MONTEVIDEO, April 12 (Reuters) - **Uruguay offered on Thursday a 2055 dollar bond with price guidance of 235 basis points above equivalent U.S. treasury bonds, Thomson Reuters service IFR and the Uruguayan government said.**
Uruguay's largest-duration dollar bond ever was expected to place later on Thursday. It said in February it would issue $2.7 billion in bonds in 2018.
The country stayed out of international bond markets last year, issuing only peso bonds.
Uruguay also offered to repurchase bonds from 2022, 2024, 2025 and 2023, according to a filing with the U.S. Securities. BBVA Securities Inc, Citigroup Global Markets Inc. and HSBC Securities Inc. are managing the deals.
Uruguay has investment grade credit ratings on the low end of the scale from all three major agencies.

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Venezuela

Amid Venezuela default, Goldman receives 'hunger bond' payment

10-Apr-2018
CARACAS, April 10 (Reuters) - **Despite being in default on most of its debt, Venezuelan state oil company PDVSA has made a $90 million interest payment on a bond largely purchased by Goldman Sachs Group Inc last year in an operation that generated backlash in the crisis-stricken nation, finance industry sources said on Tuesday.**
Opposition leaders in Venezuela, which is suffering from malnutrition and hyperinflation, at the time accused Goldman of giving President Nicolas Maduro a financial lifeline through the $2.8 billion deal.
They added that the operation, which provided Goldman a yield of around 50 percent, would fuel hunger in Venezuela by depriving the government of foreign exchange to import food - leading the securities to be dubbed "hunger bonds."
PDVSA completed the payment in recent days, according to the sources, who asked not to be identified. PDVSA in December said it had initiated the payment.
PDVSA and Goldman did not immediately respond to requests for comment.
News of payment on the PDVSA 2022 was first

reported by the Wall Street Journal on Tuesday.
Maduro's government has halted almost all foreign debt payments, leaving Venezuela and PDVSA in default on around $40 billion in bonds, according to Thomson Reuters data.
The U.S. government has barred its citizens from buying newly issued Venezuelan debt, which has effectively locked the country out of financial markets.
Leftist Maduro says the country is victim of an "economic war" led by the opposition with the help of United States.

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AFRICA

Egypt

Egypt begins marketing dual-tranche euro bond offering

09-Apr-2018
By Robert Hogg
LONDON, April 9 (IFR) - **The Arab Republic of Egypt has opened books on a dual-tranche euro-denominated bond offering, according to a lead.**
The sovereign (rated B3/B-/B) has started marketing notes due April 2026 at low 5% area.
Bonds due April 2030 are being marketed at 6% area.
The bookrunners are Banca IMI, BNP Paribas, Deutsche Bank and Standard Chartered.

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Egypt sets price guidance for debut euro-denominated bond

09-Apr-2018
DUBAI, April 9 (Reuters) - **Egypt has set the price guidance of its debut euro-denominated bond sale in the 5 percent area for a planned eight-year tranche and in the 5.875 percent area for a 12-year tranche, a document from one of the banks arranging the offering showed on Monday.**
Initial price guidance earlier on Monday was in the low 5 percent area for the eight-year and in the 6 percent area for the 12-year tranche.
Combined orders for the transaction were in excess of 4.7 billion euro, evenly split across the two maturities on offer, according to the document.
Egypt, rated B3 by Moody's, B-(minus) by S&P and B by Fitch, has mandated Banca IMI, BNP Paribas, Deutsche Bank, and Standard Chartered Bank to arrange the transaction.

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Egypt sets final guidance for dual-tranche offering

09-Apr-2018
By Robert Hogg
LONDON, April 9 (IFR) - **The Arab Republic of Egypt has set final guidance for a dual-tranche bond offering that could raise up to €2bn, according to a lead.**
The sovereign (rated B3/B-/B) is now marketing the notes due April 2026 at 4.75%-4.875%.
After an initial low 5% area proposed pricing was earlier revised to 5% area.
The bonds due April 2030 are being marketed at 5.625%-5.75%. This tranche was originally marketed at 6% area, before pricing was revised to 5.875% area.
Both the eight and 12-year legs are set to price within the ranges.
The combined order books are over €7.2bn, evenly split.
The bookrunners are Banca IMI, BNP Paribas, Deutsche Bank and Standard Chartered.

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Egypt to raise a maximum of 2 billion euro with planned bond

09-Apr-2018
DUBAI, April 9 (Reuters) **- Egypt will raise up to 2 billion euro with its planned dual-tranche bond, which is expected to price later on Monday, a document from one of the banks arranging the debt offering showed.**
The debt sale - Egypt's first public bond denominated in euro - received orders in excess of 7.2 billion euro, split evenly across the proposed eight-year and 12-year tranches.
Final price guidance for the bonds was set at 4.75-4.875 percent for the eight-year paper, and at 5.625-5.75 percent for the 12-year, with the notes expected to price within those ranges.

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Ghana

Ghana to court Japanese bond investors

08-Apr-2018

ACCRA, April 8 (Reuters) - **Government officials from Ghana will meet investors in Japan this week as the West African nation seeks to diversify its range of sovereign bondholders, the finance ministry said on Sunday.**

Ghana, which exports cocoa, gold and oil, plans to issue up to $2.5 billion of sovereign debt, including a $1 billion Eurobond by the end of this month.

Finance Minister Ken Ofori-Atta has previously said he is weighing the option of issuing a yen-denominated Samurai bond.

He and other officials, including a deputy governor of the central bank, will travel to Japan, the ministry said in a statement.

"To broaden and expand the investor base of Ghana's bonds, the finance minister and the deputy governor will hold strategic meetings with portfolio and asset managers where they hope to whip up appetite for Ghanaian instruments," it said.

The officials will also meet with the Japan Bank for International Cooperation during the April 9 to 14 trip.

Africa has seen a rush to market by governments seeking to issue bonds ahead of anticipated Federal Reserve interest rate increases. Nigeria, Kenya, Senegal and Ghana's neighbour, Ivory Coast, have all issued foreign currency bonds this year, though none tapped Asian markets.

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Ghana 'on course' for yen debut

13-Apr-2018

By Takahiro Okamoto

TOKYO, April 13 (IFR) - **Ghana is on track to issue its first yen bond as it looks to broaden the investor base for its debt, Finance Minister Ken Ofori-Atta said on Friday.**

Ofori-Atta said during a visit to Tokyo that he was building new relationships in Japan but said it was "too soon" to confirm a timeframe for the yen issuance.

"Definitely we are on course to doing something," he told IFR.

Government officials from Ghana, which is already planning a US$1bn Eurobond, are visiting Japan this week to boost bilateral trade and economic relations and court new investors for its debt.

"To broaden and expand the investor base of Ghana's bonds, the Finance Minister and the Deputy Governor [of the Bank of Ghana] will hold strategic meetings with portfolio and asset managers where they hope to whip up appetite for Ghanaian instruments," the ministry of finance said in a statement.

Ofori-Atta said the Japan visit was not specifically tied to a yen offering, acknowledging that it will take time for Japan's conservative investors to become comfortable with Ghanaian risk. The finance minister is focusing on building up relationships with private-sector partners before it issues yen bonds, and is looking to tie its funding to specific projects in areas such as construction, telecom, transportation and energy.

Ghana may consider Green bonds, he said, to fund solar and metro rail projects in Accra. Ofori-Atta told IFR that he had meetings with SoftBank and many other Japanese firms.

"We have had meetings with everyone – banks, Japan Bank for International Cooperation, everyone – for them to begin to senstise," he said.

Ghana's parliament in March approved plans to issue a Eurobond of US$1bn by the end of April to finance the 2018 budget, and ministers have already visited Hong Kong and Singapore to drum up support.

Japanese bankers say B3/B–/B rated Ghana would need a JBIC guarantee in order to sell bonds in Japan. Ofori-Atta acknowledged this as "a must" for the country's first yen issue.

"All of that takes some time, but I think opportunities here are very good, and we should build up relationship," he said.

Ghana, which exports cocoa, gold and oil, is in its final year of a US$918m credit deal with the International Monetary Fund under which it is aiming to reduce the budget deficit, inflation and public debt, which hit 68% of GDP last year.

(This story will appear in the April 14 issue of IFR Asia magazine. Reporting by Takahiro Okamoto; Editing by Steve Garton)
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Kenya

Kenya's GDP growth to rebound to 5.5 pct in 2018

11-Apr-2018

By George Obulutsa

NAIROBI, April 11 (Reuters) - **Kenya's economy will grow 5.5 percent this year compared with an estimated 4.8 percent last year, thanks to better weather and less political risk after last year's presidential election, the World Bank said on Wednesday.**

A severe drought in the first quarter, political turmoil due to a disputed and then re-run presidential election and sluggish private sector credit growth all helped cut 2017 economic output growth to the lowest in five years, from 5.8 percent the previous year.

The finance ministry expects growth to rebound to 5.8 percent this year but pressure to curb the government's fiscal deficit could cause it to scale back ambitious infrastructure projects, weighing economic output.

"The dissipation of political uncertainty and the recovery in the global economy is supporting a rebound in business sentiment," the World Bank said in its latest report on the Kenyan economy.

The country's crop growing areas have been enjoying good rains since last month, boosting expectations of improved harvests. Farming is the biggest sector.

But the World Bank said higher oil prices, reduced government investment in infrastructure and still-weak credit growth could curb some of the optimism.

Kenya capped commercial lending rates in September 2016 at 4 percentage points above the central bank's benchmark rate, which now stands at 9.5 percent, in an attempt to limit the cost of borrowing for businesses and individuals.

The central bank said last month the cap probably cut last year's estimated economic growth rate by 0.4 percentage points because it limits credit to small and medium businesses who are deemed too risky by lenders.

The World Bank said its forecast was premised on the potential resolution of the cap issue and a reversal of the decline in credit to the private sector.

Private sector investment's impact on growth had fallen to -0.7 percentage points of gross domestic product in the four years to 2017, from 1.3 percentage points in the four years to 2013, the bank said in the report.

It attributed the drop to the higher government spending, investor nerves over last year's election and the decline in private sector credit that was made worse by the presence of interest rate caps.

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South Africa

World Bank raises South Africa growth forecasts but warns of weak potential

10-Apr-2018

- **Economic growth seen recovering under Ramaphosa**
- **World Bank raises 2018 GDP forecast to 1.4 pct**
- **Warns reducing inequality key to further gains**

By Alexander Winning

JOHANNESBURG, April 10 (Reuters) - **The World Bank raised its forecasts for the South African economy on Tuesday but warned that growth potential would remain weak without concerted efforts to reduce inequality and stimulate competition.**

The World Bank now sees gross domestic product growing by 1.4 percent this year, up from its September forecast of 1.1 percent, supported by improved business and consumer confidence after Cyril Ramaphosa replaced Jacob Zuma as head of state in February.

But South Africa will struggle to raise growth much beyond 2 percent without policy interventions to improve skills among the poor and tackle monopolies, it said.

"There has been a smooth and seamless political transition, which is important. And there have been gains in the trust of people and businesses," said Paul Noumba Um, World Bank country director for South Africa.

"That said, inequality, poverty and unemployment are big challenges. South Africa is the most unequal economy in the world today," he told a news conference in Johannesburg.

The World Bank's predictions are more pessimistic than those of the finance ministry, which is targeting growth of at least 1.5 percent in 2018, and ratings agencies such as S&P Global.

The World Bank forecast growth of 1.8 percent next year and 1.9 percent in 2020 but said that would be insufficient to meaningfully reduce poverty or dent the 27 percent unemployment rate.

Under Zuma's watch, unemployment rose and the economy stagnated as businesses were reluctant to invest, and South Africa has consistently failed to achieve the government's growth target of 5 percent.

Sebastien Dessus, the World Bank's programme leader for South Africa, said reaching 5 percent growth was not realistic in the near term. He highlighted better education, fighting corruption and restoring policy certainty in mining as factors which could boost the economy.

World Bank country director Noumba Um said that if South Africa could achieve 3 percent growth, "that would be a significant achievement."

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Zambia

Zambia says its foreign debt is not more than officially stated

11-Apr-2018

LUSAKA, April 11 (Reuters) - **Zambia's $8.7 billion foreign debt has not been understated and those saying it is higher should produce evidence, the ministry of finance said on Wednesday, following market speculation that the debt could be more than double the official figure.**

Zambia, Africa's second-biggest copper producer, has held talks with the International

Monetary Fund over an aid programme but the IMF rejected its debt management plans in February.
Finance Ministry spokesman Chileshe Kandeta said in response to a query that the government has evidence showing that the debt amounts to $8.7 billion.
"If anyone has creditor/debtor details indicating that it is higher, let them produce empirical evidence," Kandeta said, referring to the debt.
Gregory Smith, Renaissance Capital's sovereign debt strategist, said in an April report the government appears unwilling to reduce its new loans and infrastructure contracts.
"Since Mozambique's hidden debts became apparent there has been concern about where else this might happen. Based on several online media stories, Zambia has been singled-out as a potential source of hidden debt," Smith wrote in the report.
"But there is no hard evidence to suggest the probability is higher there than for other sovereigns of similar credit ratings."
Debt-ridden Mozambique, one of the world's poorest countries, is struggling to repay loans of more than $2 billion that were not approved by parliament.
The discovery in 2016 of the undisclosed loans prompted the International Monetary Fund and foreign donors to cut off support, triggering a currency collapse and leading to a default.
Zambia's economy is expected to grow by more than 4 percent this year helped by the mining, agriculture and construction sectors, Finance Minister Margaret Mwanakatwe said last week.
Mwanakatwe said the government would complete a detailed debt sustainability exercise within two weeks before re-opening discussions with the IMF.
Zambia will rearrange loans from Chinese companies and instead look to borrow directly from the Asian giant's government in a bid to satisfy IMF conditions and unlock a potential $1.3 billion loan from the multilateral lender.

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EMERGING MARKET

Emerging markets take "golden opportunity" to issue long-term debt

09-Apr-2018
•Emerging market 30-year plus debt trebles in five years
•Share of long-dated debt rises again in 2018
•Last opportunity before rate hikes impair market
By Karin Strohecker and Abhinav Ramnarayan
LONDON, April 6 (Reuters) - Emerging market governments are selling long-dated foreign currency bonds like never before, data shows, taking advantage of what one banker called the last golden opportunity to lock in long-term debt at low rates.
With the world's major central banks pumping trillions of dollars into the economy and pushing yields to record lows across the developed world, many investors have resorted to buying longer-dated and more risky debt to pick up returns.
This has presented emerging market countries with an opportunity to sell more longer term debt, and they have taken it.
The total value of emerging market debt with maturities of 30 years or later trebled in the five years to end-2017, to $191 billion, including a 100-year bond by serial defaulter Argentina, according to Thomson Reuters data.
As the overall amount of debt being sold has grown, the share of longer-dated issuance has also risen within it, the data showed.
Accounting for less than 5 percent of debt sold in 2016, longer-dated bonds made up nearly 8.5 percent of issuance in the first quarter of 2018.
Fund managers and bankers say governments are rushing to sell this type of debt ahead of an expected rise in borrowing costs, with the U.S. Federal Reserve expected to hike rates at least three times in 2018.
"This is a last golden opportunity to get these deals away. It is a no-brainer," said one London-based syndicate banker who focuses on emerging markets within Europe, Middle East and Africa. "Certainly I am advising my clients to press the button if the price is right."
This year, more frontier market issuers -- a subsection of developing economies designated less developed and riskier -- have joined the long bond bonanza, with Kenya and Senegal each selling 30-year bonds for the first time.

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GLOBAL

IMF chief optimistic on growth, but warns against trade protectionism

11-Apr-2018
•Global economy should steer clear of trade protectionism-Lagarde
•Import restrictions hurt everyone, especially poorer consumers
•Says WTO's rules are in danger of being "torn apart"
HONG KONG, April 11 (Reuters) - **The International Monetary Fund (IMF) is optimistic on the outlook for global growth but warned darker clouds are looming due to fading fiscal stimulus and rising interest rates, the fund's Managing Director, Christine Lagarde, said on Wednesday.**
In a speech in Hong Kong, Lagarde said the top priorities for the global economy are to steer clear of protectionism, guard against financial

risk and foster long-term growth.
The IMF chief was speaking as a trade conflict between the United States and China is creating significant uncertainty for businesses and their global supply chains.
"History shows that import restrictions hurt everyone, especially poorer consumers," Lagarde said.
"Not only do they lead to more expensive products and more limited choices, but they also prevent trade from playing its essential role in boosting productivity and spreading new technologies."
The best way to tackle global imbalances is to use fiscal tools or structural reforms, she said, adding that the World Trade Organization's rules were in danger of being "torn apart", which would be "an inexcusable, collective policy failure."
Policymakers need to commit to a level playing field and resolve disputes without using exceptional measures, she said.
"There are threats, there are counter-threats, there is an attempt to open a dialogue - we should support that dialogue attempt as much as we can," Lagarde said. "The impact of those threats is minimal on both sides. What is not minimal is the way in which confidence can be undermined."
The reality for 2018 and 2019 was that momentum would eventually slow due to fading fiscal stimulus, rising interest rates and tighter financial conditions, Lagarde said.
New analysis by the IMF showed that global debt had reached an all-time high of $164 trillion, 40 percent higher than in 2007, with China accounting for just over half of that increase.
Lagarde said economies needed to reduce government deficits, strengthen fiscal frameworks and place public debt on a gradual downward path.
"Strengthening financial stability by increasing buffers in corporate and banking sectors is key, especially in large emerging markets such as China and India," she added.
Housing markets in major cities worldwide were increasingly moving in tandem, with Lagarde warning that could amplify any financial and macroeconomic shocks coming from any one country.
Asked about the IMF's view on the Hong Kong dollar's peg to the U.S. dollar, Lagarde said the fund believed the pegging mechanism is consistent with the fundamentals of the financial hub's economy.
The Hong Kong dollar was pegged to the greenback in 1983. The peg has forced the former British colony to import ultra-loose monetary policy from the U.S in recent years, with rock bottom interest rates in Hong Kong having helped to fuel soaring real estate prices.
The IMF chief was speaking after attending the Boao Forum in China where she said that a global economic recovery was taking root.

(Reporting by Anne Marie Roantree and Venus Wu; Editing by Jacqueline Wong and Sam Holmes)

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