IFR LATIN AMERICA CAPITAL MARKETS BRIEFING

REGION BENCHMARKS

Bond	Mid-Market	Variation
Brazil23s	95.4	+7.5ct
Mex 22	106.25	-10ct
Boden 15	89.2	+42.5ct
Vene 22	119.375	+12.5ct

Source: Thomson Reuters

CDS BENCHMARKS

Contract	Level	Variation
Brazil 5-yr	126bp	-1bp
Mex 5-yr	89bp	unch
Arge 5-yr	2530bp	-60bp

Source: Thomson Reuters

MOST TRADED BONDS

Bond	Mid-Market	Variation
Urbi 22	72	-200ct
Cemex 19	100.6	+27.5bp

Source: Thomson Reuters

DCM LEAGUE TABLE

Bank	Total US$(m)	No. of deals
JP Morgan	2,648.4	8
Citi	1,644.5	7
Deutsche Bank	1,144.4	5
BofA Merrill Lynch	1,130.4	6
Barclays	1,107.8	2

Source: Thomson Reuters

ECM LEAGUE TABLE

Bank	Total US$(m)	No. of deals
Credit Suisse	1,206.4	7
Itau Unibanco	885.6	3
Santander	585.4	2
BBVA	506.6	2
Banco BTG Pactual SA	373.1	4
Citi	234.4	1

Source: Thomson Reuters

PARAGUAY was poised to issue 10-year US$300m global depositary notes as soon as next month via *Citigroup*, Central Bank President Jorge Corvalan told IFR at the weekend on the sidelines of the IDB meetings in Panama.

Paraguay's intention to issue again, months after its debut bond earlier this year, underscores what benign conditions for off-the-run Latin American sovereigns and corporate issuers as investors continue to seek diversification and yield.

BOLIVIA, PANAMA and even ECUADOR, which selectively defaulted on its international debt in late 2008, were also advancing with plans to tap the international bond markets, said bankers in Panama City.

The spread differential between the 4.625% achieved on Paraguay's debut 10-year earlier this year and the 9.000% on the domestic curve would make a local currency transaction attractive for foreign investors, who had shown an increasing interest in accessing the landlocked country's local markets, Corvalan said.

"When we had our roadshow for the dollar bond, we kept being asked by investors how they could get into the local market," said Corvalan. "Although we have very open capital markets, the complicated part is the custody issues for which the GDN will be used to bridge the gap."

He added that, because the country's local currency, the guarani was appreciating, it was almost like a double yield. Paraguay issues every three months or so in the local market for liability management purposes with maturities of up to five years, but usually shorter.

So far, Peru has been the most high-profile LatAm sovereign to use GDNs, which are designed to help foreigners gain access to the local market without setting up accounts on ground. More recently, Mexican state-owned oil company Pemex became the first corporate to sell such instruments. However, the product has had mixed reviews, mostly because of its illiquidity.

The 4.625% final yield Paraguay achieved on its US-dollar 10-year in January was seen as an impressive result and defied some bankers' expectations for coming inside Bolivia's own 10-year, which, at the time, was trading around 4.80%-4.90%. Bolivia has also recently sent out RFPs as it prepares to return to the international capital markets.

The sovereign will now only issue in US dollars and guarani as it becomes more a established borrower in the international capital markets. It plans to issue bonds denominated in US dollars once every two years, with eyes on a deal as soon as January 2015.

Frank de Lima, Panama's economy and finance minister, told IFR at the IDB meeting that his country was studying the possibility of a liability-management operation to take out its existing 2015s and, perhaps, issuing a new bond with a tenor of up to 30 years. Given that interest rates would start to rise at some point, it would be prudent to tap the longer end of the curve now, he said.

Long absent from the dollar market, the sovereign has been focusing on developing its local curve, increasing domestic bonds as percentage of total debt from 8% in 2009 to about 24% today. It is now selling fixed-rate debt among local investors out to 10 years.

However, the cost of local market funding is still about 70bp more expensive than in a dollars, partly because of illiquidity. The sovereign is raising 10-year money locally at around 4.25%, while yields along that part of the dollar curve are around 3.50%.

The government was trying to remedy this and was talking to an international clearing house about setting up shop locally to give foreign investors easier access to domestic debt markets, de Lima said.

This year, the republic is looking to raise about US$500m in either the international or the local markets, with another US$700m coming from multilaterals.

The republic's last public international foray was in January 2011 when it made a debut in the Japanese market, achieving significantly cheaper funding than its core dollar market.

PERU continued to focus on increasing its sole-denominated debt in the local market as its funding needs diminished, said Carlos Linares Penaloza, the country's general director of public indebtedness and treasury.

"Currently, we have 50% of our debt in soles versus total debt," said Penaloza. "Our goal is to get that ratio to 65% soles versus total debt."

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The country is in the process of prepaying debt to multilaterals. "We have raised almost (US$800m equivalent) in the local market in order to prepay on World Bank and IDB debt," he said.

Peru's debt to GDP now stands at 19.8% and the sovereign is targeting 15%. "Our plan is to stabilise that," said Penaloza. "´We are aware that, at some point, we will need to issue in dollars again in order to keep our dollar curve strong and stay relevant in the market."

Bankers are also heading to ECUADOR to pitch the sovereign, which is moving closer to its first bond issue since it defaulted in late 2008, according to someone at the sidelines of the IDB meeting.

However, the government will first have to reach an agreement with holdouts of its defaulted outstanding 2012s and 2030s if it wants to avoid a repeat performance of the troubles that Argentina faces.

On the corporate side, Peru's ALICORP priced Friday a US$450m 10-year at 99.836 with a 3.875% coupon to yield 3.895% or 190bp over Treasuries, the tight end of revised guidance of the plus 200bp area and inside initial thoughts of very low 200s.

Books reached a healthy US$4bn at the peak as investors, who, generally, like the Peru story, bought the debut trade.

The LatAm consumer product company, rated Baa2/BBB, is mostly being compared with other credits in the food sector, such as Mexico's Bimbo, which is rated Baa2, but, unlike Alicorp, has a presence in the US.

Its bonds due 2022 were trading anywhere between 150bp and 160bp over. Some analysts were also looking at the 2018s of Sigma Alimentos (BBB–), which were trading at a spread of 230bp over Treasuries.

Bank of America Merrill Lynch, *JP Morgan* and *BCP* were leads. Settlement is on March 22 2013, while maturity falls on March 20 2023.

Meanwhile, the CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION is preparing to launch a Dim Sum bond after going on roadshows in Asia, according to treasurer Jose Felix Magana.

The frequent issuer is considering a tenor of at least three years in a broadly distributed renminbi offering rather than a private placement.

The three-year tenor suited its maturity profile, but "the main issue is the swap", he said. "We need to swap back into dollars. Demand is stronger than supply and that is a good thing." Standard Chartered is thought to have been mandated for the issue.

BTG PACTUAL starts Asian investor meetings via itself, *Standard Chartered* and *Citic*, amid expectations that it could try its hand at a more broadly distributed renminbi bond offering.

The Brazilian bank has already made several forays in this market, but only through private placements to a handful of investors.

In Peru, state-owned development bank COFIDE was planning a return to the international bond markets in the second half of the year, said CEO Jorge Luis Ramos Felices.

An issue of paper of over 10 years for up to US$500m is likely, although the borrower will first go to the syndicated loan markets to refinance a US$185m bank loan maturing in June. It will also tap multilaterals for US$200m more and refinance that through the bond. RFPs are likely to be sent out in May. "We will try to rotate banks," he said.

The borrower was last in the market in February 2012, when it priced US$400m 10-year at 98.437, with a coupon of 4.75% to yield of 4.95%, or Treasuries plus 311.1bp over. Bookrunners were Deutsche Bank and JP Morgan. The deal was rated BBB/BBB.

TRANSPORTADORA DE GAS DEL PERU is heard mandating *Bank of America Merrill Lynch*, *JP Morgan* and *Morgan Stanley* on its inaugural issue in the international bond markets.

Timing is likely to be later in the year as the borrower is in the documentation process. The company has been active in the domestic bond markets, but has never tapped international investors.

TGP has the concession to distribute gas from Peru's Camisea project. It is a consortium with shareholders that include Tecgas, Pluspetrol, Hunt Oil, Sonatrach, Grana y Montero, SK and Suez-Tractebel.