IFR LATIN AMERICA CAPITAL MARKETS BRIEFING

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REGION BENCHMARKS

Bond	Mid-Market	Variation
Brazil23s	96	-50ct
Mex 22	106.5	-30ct
Boden 15	87.9	+5ct
Vene 22	117.25	-1.10

Source: Thomson Reuters

CDS BENCHMARKS

Contract	Level	Variation
Brazil 5-yr	123bp	-1bp
Mex 5-yr	93bp	-1bp
Arge 5-yr	2550bp	+25bp

Source: Thomson Reuters

MOST TRADED BONDS

Bond	Mid-Market	Variation
Cosan23	101.25	+2.40
Cosan2018	103.1	+3.50

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

New amortizing 2024s from HONDURAS are likely to be priced today, after being pushed back because of documentation issues as investors debated the pricing dynamics of a debut-making sovereign that had already seen two agencies lower its outlook to negative.

Also catching the eye of investors is how Honduras is defining pari passu clauses. It specifically cites Argentina's court battle against holdouts that have argued such provisions entitle them to pro-rata payments on their bonds.

In response to that case, the Central American debut issuer said: "To ensure clarity on this point, Honduras intends to take the position that the pari passu clause in the terms and conditions of the notes does not obligate it to pay public external indebtedness on a ratable basis."

Some see the move as added protection for a borrower facing tough economic conditions. In any case, Honduras may be the first of several sovereigns to insert such a clause in the wake of, what appears to be, a victory for holdouts in US courts.

"You'll see this in all bond prospectuses going forward," said an analyst. "It seems redundant if you have collective action clauses, but it may be a belt-and-suspender (braces) thing."

An investor echoed similar views. "This is sort of a non-issue since the bond also includes collective-action clauses, which obviate the problem that Argentina and the exchange bondholders now faced," he said.

However the assumption that collective-action clauses are sufficient to protect sovereign borrowers against a repeat of Argentina's case is not universal.

Some analyst believe that garnering the 75% of holders, as required in a collective action clauses, may become more difficult going forward, or at least on terms that are sustainable for the borrower. A simple clarification of what pari passu means could solve this problem.

"Honduras is taking this into account," said a Latin America strategist." It is completely rational. It doesn't surprise me that pari passu is now being narrowed in it its definition among new bond issuers."

This is after the issuer tested waters last week with whispers in the 7% area on possibly a US$500m–$750m transaction, although some were hearing that the Central American nation, rated B2/B+, had been eyeing a 6.50% yield for its debut issuance.

Whispers put Honduras fairly wide to most potential comps in Central America and the Caribbean. For instance, similarly rated DOMINICAN REPUBLIC at B1/B+, which had mandated for a new bond, had its 2021s trading at around 5.40% last week.

Honduras' debut status and somewhat lower rating, not to mention a negative outlook, may mean the Central American name will have to show some generosity to get the ball rolling.

Other Central American names are higher rated and trade at tighter levels. El Salvador, rated Ba3/BB–, and Guatemala, rated Ba1/BB, have 2023s and 2022s trading at around 4.90% and 4.30%–4.20%, respectively.

A regional bid should help, although recent revision by Moody's and S&P of Honduras' outlook to negative may put off investors. S&P predicts the central government deficit will reach 6% of GDP this year, pushing net government debt to over 30% of GDP. Moody's has debt stock at a moderate 35% of GDP, but has concerns about the uptrend in this area.

"Current government financing needs have increased domestic long-term interest rates upwards of 14% because of the shallow domestic capital markets," it said late last month.

A temporary loss of multilateral support has meant the government has had to rely more heavily on expensive funding in the local markets, which may explain why it has decided on an international bond.

Yet, while the country is poised to begin negotiations for a new IMF agreement, Moody's does not see this happening this year due to upcoming presidential election in November.

The listing will be in Luxembourg and the Reg S/144a bond will be governed under New York law. The bond will amortize in three equal payments on March 2022, 2023 and 2024. *Barclays* and *Deutsche Bank* are the leads.

Meanwhile, SURINAME may be the next new sovereign to be introduced to the buy-side, as bankers pitch one of the few countries left in the region to have stayed clear of the international bond markets.

A recent resolution to debt arrears with the US, as well as strong fiscal numbers, are

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likely to be a boon for a foreign offering that is already heard to be on the cards.

The former Dutch colony has been on DCM bankers pitch circuits for quite some time, but it has drawn more interest of late as the credit story improves and the market has shown a greater receptiveness to off-the-run sovereigns like Bolivia and Paraguay, which both made their debuts over the last year.

"Suriname has done a lot lately to get its books in order. The debt ratios look favorable," said an analyst. "It is a backwater, but there has been a bit of a commodity boom. They have some oil, gold and bauxite."

It is also hoped that offshore oil-and-gas fields will prove to have deep deposits, potentially kick starting a boom in that sector, as well.

Bankers say they have talked to the government about a possible bond issue, with some mentioning the distribution of an RFP. "We are aware of the Suriname RFP, but [we] did not pitch," said one.

Indeed, according to Moody's, the government is likely try its hand this year at raising US$400m in the international bond markets to finance an equity investment in a mining venture with Newmont and to expand an existing mine with Iamgold Corp. It does note, however, that this will add 40% to the government's total debt stock and more than double the nominal stock of external debt.

Just last year, both Fitch and Moody's upgraded the sovereign to BB– and Ba3, citing prudent fiscal management and low budget deficits relative to peers. "It has good debt ratios and very low debt-to-GDP [ratio]," said a DCM banker. "If it was to do funding, it would look good."

Last year, it also resolved about US$32m in bilateral debt arrears with the US, improving its links with external creditors. "The government had been pursuing for years a resolution of bilateral loans arrears that reached nearly 10% of GDP in the previous decade," Moody's wrote in December.

Equities

SEMPRA MEXICO, a unit of US-based Sempra Energy, plans to launch soon an IPO that could reach US$500m in size, with pricing expected at the end of this month or early April.

Sempra, which has an agreement to construct a natural gas pipeline with Pemex, will be the first energy company to list on the Mexican stock exchange.

"There is a push to break up the monopoly that Pemex has in the country, and this along with [President Nieto's] Pact for Mexico, are seen as moves in that direction," said an ECM banker.

Citi Banamex, *BBVA Bancomer* and *Credit Suisse* are heard mandated on the trade. Sempra is looking to float 15%–20% of shares in the IPO. Proceeds will be used for general corporate purposes and growth.

On February 12, Sempra printed its debut in the local markets, raising a total of Ps5.2bn (US$410m). It priced a Ps1.3bn five-year bond at TIIE plus 30bp and a Ps3.9bn 10-year fixed-rate bond at par to yield 6.3%. Leads were Credit Suisse, *Deutsche Bank* and *Santander*.

TERRAFINA FIBRA, which has the backing of Prudential, is expected to price a US$700m equivalent REIT on March 19, according to an ECM banker close to the trade. *Citigroup* and *Goldman Sachs* are bookrunners, while HSBC is a junior bookrunner.

On Tuesday, FIBRA INN will look to price a Ps3.5bn (US$270m) IPO, making it Mexico's fourth REIT ahead of Terrafina at No 5. *Credit Suisse* and *Santander* are the international joint bookrunners, and also local leads alongside *Actinver*.

Meanwhile, BRAZIL HOSPITALITY GROUP is considering a R$500m (US$250m) follow-on offering. *Bradesco*, BTG Pactual, *Espirito Santo*, *Goldman Sachs* and *Itau* are heard to be bookrunners.

LATIN AMERICA DCM PIPELINE

Issuer	Size (US$m)	Tenor (years)	Leads
Tanner	300	5	BAML
Cosan	400	10NC5	Brad/BTG/Itau/MS
Honduras	TBD	TBD	Barcap/DB