IFR LATIN AMERICA CAPITAL MARKETS BRIEFING

REGION BENCHMARKS

Bond	Mid-Market	Variation
Brazil23s	95	-40ct
Mex 22	105.9	-35ct
Boden 15	88.8	-40ct
Vene 22	118	-1.25

Source: Thomson Reuters

CDS BENCHMARKS

Contract	Level	Variation
Brazil 5-yr	120bp	-6bp
Mex 5-yr	92bp	+3bp
Arge 5-yr	2630bp	+100bp

Source: Thomson Reuters

MOST TRADED BONDS

Bond	Mid-Market	Variation
Alicorp23	100.1	+20ct
Cemex 19	101.1	+40ct

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

Panamabased trade finance bank BLADEX is preparing to return to the international bond markets some time late this year, Gregory Testerman, the bank's executive vice president for treasury and capital markets, has told IFR.

The borrower has yet to mandate banks, but is considering tenors of three, five and seven years, or even a retap of its existing 3.75% 2017. Size could be anywhere between US$200m and up to US$400m, although discussions about the offering are at a preliminary stage.

Bladex had an unusually active year in the capital markets in 2012, raising around US$800m equivalent through a syndicated loan, a debut foray in the Mexican market and its first international bond deal in about 10 years, according to Testerman.

Last year, it priced an upsized US$400m five-year bond at 99.271 with a 3.75% coupon to yield 3.912% or Treasuries plus 287.5bp. Bank of America Merrill Lynch and Credit Suisse acted as bookruners. That bond has been trading at around 2.95%–3.00%.

This was part of an effort to diversify Bladex's funding base after learning from its experiences during the global financial crisis in 2009 when short-term funding sources dried up.

Bladex's short-term loan portfolio made it easier for the bank to tackle such pressures, but establishing a more diverse and less-volatile funding base has been a goal ever since. This in part involved attracting more deposits from central banks, but it also encouraged Bladex to widen its net farther among other types of investors.

In the past, Bladex was a frequent issuer in the capital markets, matching small bond offerings with equally small loans. However, with investors increasingly putting a premium on liquidity and, hence, larger deals, the bank was forced to change its borrowing strategy.

"We used to match every loan to an asset," said Testerman. "Now, we pool by maturity, allowing us to go to the market less often."

The issuer also is also looking at issuance in local currency, which allows it to come to market with the smaller deals that fit better with its lending activity. Such currencies include Colombian, Chilean and Mexican pesos, as well as the Thai baht and the Malaysian ringgit.

Brazilian shipbuilder OSX is heard on the road with *Pareto Securities* looking to raise US$265m for the construction of FPSO OSX-3, according to market sources.

Last March, it priced a US$500m three-year bond at par to yield 9.25% with the same bank. A flexible call structure on those bonds starting in month 15 was attractive for the company, which essentially saw the issue as bridge financing before it could tap a longer-term loans to fund the construction of the FPSO OSX3 as its moved closer to production and built an operational track record.

The decision to mandate Norwegian shops Pareto and *DNB* was seen as a way of diversifying the company's investor base, given their expertise in leading energy related high-yield bonds. OSX is part of Brazilian entrepreneur Eike Batista 's EBX Group, which has been under pressure recently as its OGX oil-and-gas company falls short of production expectations.

Meanwhile, CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION was contemplating a CNT issue, a bond offering denominated in renminbi, but focused mostly on Taiwanese investors, said Treasurer Jose Felix Magana.

Taiwan is a shareholder in the bank and Cabei has issued in its local market nine times since 1997, raising about US$1.3bn there over that period, according to Magana, providing some of the reasoning behind issuing a renminbi bond that is settled in Taiwan's local markets.

Cabei is holding a roadshow in Asia ahead of a possible Rmb300m–Rmb500m (US$48m–$80m) three-year. It is also expected to price a US$20m 25-year bond this week in the El Salvadoran market via *Citigroup*. The same bank recently led a €50m 20-year offering for Cabei that locked in a 3.25% coupon.

Cabei has a strategy of tapping a variety of currencies with long-term tenors, but in small sizes as this better matches with assets and allows the borrower to tap markets that know the credit well. The borrower is also looking at possible issues in ringgit and Dominican pesos

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Now, firmly a Double A credit after Fitch upgraded this month, development bank CAF is developing relationships with the top-rung SSA investors, who previously were unable to buy its bonds, according to Gabriel Felpeto, director of financial policies and international issuance.

The bank's credit quality has improved rapidly over the last eight months, with four upgrades over that period, and it now hopes to position itself as supranational credit. "This opens us to another set of investors," he said.

Many of these accounts are central banks or official institutions from Asia. If such buyers take a shine to the new Double A rated bank, CAF hopes eventually to tap this new funding pool at attractive pricing levels. "This investor base tends to want shorter tenors, particularly five-years," he added.

If the borrower is successful in cultivating relationships in this new funding pool, the goal is to come to market with a five-year bond in either dollars or euros. The bank tested the waters in this market with a US$300m three-year FRN that came in January at three-month Libor plus 85bp.

Another possibility is a foray in the Australian-dollar market, which is not only a traditional stomping ground for SSA investors, but also for Asian buyers, who like the higher rates.

This year CAF needs to raise US$2bn–$2.5bn this year, with about US$450m already covered. The goal is to come to market with one benchmark transaction per year, but Swiss francs, as well as local currency forays are possibilities.

Meanwhile, with external funding needs covered this year, URUGUAY was focusing on reducing its cost of carry through multilateral contingent credit lines and developing a local debt market that was becoming increasingly popular among foreign accounts, said head of public credit Azucena Arbeleche.

Uruguay became the first sovereign to pre-pay IDB loans and participate in the bank's new resource reallocation program that allows government to access contingent credit lines, Arbeleche said.

This made sense not only because the rates on the loan were above the sovereign's cost of funding, but also because a contingent credit line reduces the carry costs as coupon payments are not required until it is drawn. "It is better not to pay a coupon and that gets rid of the [cost of carry]," she said.

Uruguay now has about US$2bn of contingent credit lines from a variety of multilaterals. This comes as the government seeks to facilitate local-market entrance for foreign investors, who already hold about 25% of outstanding local government debt. The Central Bank is currently working on a central custody system, with the idea of linking it with Euroclear.

As for external issuance, Uruguay can afford to bide its time and make opportunistic taps. Late last year, it issued total of about US$854m in new 2045 bonds after completing a cash tender and exchange, designed to mop up shorter-dated and more expensive euro and dollar debt.

The deal marked a return to the dollar market after period that saw Uruguay reducing external currency liabilities in an effort to please rating agencies and obtain an investment grade rating.

The sovereign will also eventually return to the Japanese markets, where it issued a JBIC-guaranteed ¥40bn 10-year in May 2011. "Our strategy is to go every two or three years, but we still want to [develop] a close relationship with JBIC," Arbeleche said.

SOCIEDAD QUIMICA Y MINERA DE CHILE, or SQM, has mandated *Bank of America Merrill Lynch*, *JP Morgan* and *Scotiabank* to arrange a series of fixed-income meetings in the US and Europe. A Reg S/144a transaction may follow. The meetings will kick off on Thursday in LA and London, then will move onto New York and Boston on Friday. It will finish in New York and via a teleconference.

Equities

Chilean retailer CENCOSUD has raised Ps770.65bn (US$1.64bn) in a share sale to help fund its US$2.5bn acquisition of the Colombian unit of Carrefour.

This is partially meant to refinance an 18-month US$2.5bn bridge loan facility with *JP Morgan*. JP Morgan was lead bookrunner on the trade. The Paulmann family exercised its full preferential option and has a 62% majority stake in the company now.