REGION BENCHMARKS

Bond	Mid-Market	Variation
Brazil23s	94.75	-1.00
Mex 22	106.75	-75ct
Boden 15	89.1	unch
Vene 22	119.5	+75ct

Source: Thomson Reuters

CDS BENCHMARKS

Contract	Level	Variation
Brazil 5-yr	129bp	+7bp
Mex 5-yr	89bp	-3bp
Arge 5-yr	2570bp	+10bp

Source: Thomson Reuters

MOST TRADED BONDS

Bond	Mid-Market	Variation
Honduras2024	101.75	+25ct
Amx22s	143bp	+4bp

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	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

MEXICO is preparing for European investor meetings its first euro bond foray since 2010. A roadshow should benefit from positive tailwinds as the sovereign's credit story looks set to improve on the back various reforms that the new government of President Enrique Peña Nieto is pushing.

According to some traders, Mexico is arguably already trading as a Single A credit, at least in the dollar market. Its 2022s, for instance, are being quoted at around 106.30 to yield 2.83% or 78bp over Treasuries. That is a Z-spread of around 90bp, or just 20bp wide to Chile's 10-year, which is rated Aa3/A+/A+, and 20bp inside Brazil, rated Baa2/BBB/BBB.

In contrast to years past, when Mexico was suffering from sub-par growth, that spread differential with Brazil widened further Wednesday to around 40bp amid speculation that the region's largest economy may now suffer from a downgrade.

"One good thing about Mexico, it is the one bond that, if you need to sell, you can sell it," said a New York-based trader. "There is a deep bid for the bonds and certainly I think clients are looking and want to buy."

A roadshow in Europe suggests that the sovereign may be looking to return to the euro at some point. It was last in the euro market in July 2010 when it is issued a €850m (US$1.1bn) seven-year at 99.757 to yield 4.291%, or mid-swaps plus 180bp, via Barclays Capital, BNP Paribas and Deutsche Bank. That bond is now trading at around 110.00–110.375, or an I-spread of around 93bp over.

Mexico's absence from the euro market and its improving credit story should sit well with European investors and allow the country to establish a benchmark for other Mexican credits wishing to diversify their funding base.

"If Mexico gets an upgrade and European investors keep looking for non-European names that will lead to more corporates over time," said a banker.

This comes after S&P revised Mexico's outlook to positive earlier this week, putting it on track for a possible upgrade. Affirming the country's BBB foreign currency rating, the agency cited macroeconomic stability, economic resiliency and an increased chance of reforms that could make its economy more dynamic.

Newly elected President Pena Nieto is seen has having a greater chance of passing key reforms, thanks to stronger political capital. An upgrade in the next 18 months will depend on S&P's evaluation of the impact of reforms designed to strengthen the government's non-oil revenue base and stir more investments.

The borrower will be in London and Frankfurt on March 18, in London and Munich on March 19 and in the Netherlands and Paris on March 20. In attendance will be deputy undersecretary of public credit Alejandro Diaz de Leon and deputy director of debt issuance Juan Pablo Newman. *BNP Paribas*, *Deutsche Bank* and *HSBC* are arranging the meetings.

Meanwhile, the belly of AMERICA MOVIL's curve has widened about 10bp since the Mexican Government proposed allowing increased foreign participation in the telecom sector and forcing companies with a more than 50% market share to sell assets. The news is seen as negative for Mexico's dominant telecom company, but, so far, is not expected to affect debt pricing for the frequent issuer.

The 2022s were trading at around 145bp–140bp today, or about 4bp wider, while the 2042s were unchanged at 164bp–158bp. Investors covered shorts in an already wide long-end and, instead, focused on the belly of the curve. The 2022s hit recent tights of around 100bp on a G-spread basis, but have since widened on poorer earnings and concerns over the possibility of a stricter regulatory environment.

"Nothing has happened yet, but it is enough to make the market skittish as there's a lot of popular support behind this," said a New York-based trader.

Moody's has already declared such reforms as a credit negative for America Movil, although it says the telco will benefit from Telmex's ability to offer pay-TV services going forward.

Given the uncertainty about how long such reforms will take to have an impact on the market or if the bill will get through Congress at all, most DCM bankers are not predicting any radical repricing for the telco when it does eventually return to market.

"It remains to be seen how the competition will step into Mexico," said a senior banker.

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"The investments they would have to make are huge. It took Telefonica seven to eight years to become a player after capex of US$500m a year."

Besides, America Movil now considers itself a global rather than simply a Mexican entity and, therefore, can feel somewhat insulated against any overhaul in the Mexican telecom sector, thanks to its geographic diversity. "They are in 18 other countries," said the senior banker

Elsewhere, initial price thoughts of very low 200bp are being heard for the new 10-year bond of ALICORP as it continues on a roadshow via *Bank of America Merrill Lynch*, *JP Morgan* and *BCP*. Pricing is expected later this week.

Moody's has put a size of up to US$450m size on the 10-year after assigning a Baa2 rating to the bond. The agency cites the consumer product company's leading market position in Peru, high profitability and relatively low historic financial leverage.

That said, recent M&A activity has pushed leverage higher as Alicorp expands within Peru and in other Latin American countries. "There is little tolerance at the current rating level for additional acquisition activity until leverage metrics have returned closer to their historical levels," the agency said.

Moody's calculates that 2012 debt/Ebitda, adjusted for the new bond, will jump to 2.7x from 2.3x, although management hopes to lower leverage to below 2x by 2015. "The Baa2 rating and stable outlook assume that leverage will be below 2.5x by yearend 2013," Moody's said.

The company has suffered from negative free cash flow and will likely continue to do so this year due to high capital investments, but Moody's expects free cash flow to hit the US$40m–$60m range as capex returns to normal levels.

The bond is being sold under Reg S/144a format and is rated Baa2/BBB (Moody's/Fitch). It will be governed under New York law and listed in Luxembourg. The borrower was in Boston and Los Angeles today, and will wrap up roadshows today in New York.

Equities

Mexican REIT FIBRA INN has priced a Ps3.81bn (US$310m) IPO after selling 127m primary and 79m secondary shares at Ps18.50 each, the middle of the Ps17.25–Ps19.75 range.

Books were about twice oversubscribed, according to an ECM banker. This is Mexico's fourth REIT with more due to price in the first half of the year. *Credit Suisse* and *Santander* were the international joint bookrunners as well as local leads along with *Actinver*.

Books on REIT TERRAFINA FIBRA US$700m-equivalent IPO, which Prudential is backing, are building with both local and international interest ahead of pricing next Tuesday, according to an ECM banker close to the trade. *Citigroup* and *Goldman Sachs* are bookrunners on Terrafina, while *HSBC* is a junior bookrunner.

Local markets

LEASING BANCOLOMBIA has raised Ps600bn (US$342m) through a multi-tranche bond offering that saw demand hit Ps1.15bn. The company issued a Ps165bn five-year at a fixed rate of 5.60%, a Ps135bn four year at CPI plus 3.00%, an eight-year at CPI plus 3.34%, and a Ps173bn two year at interbank rate of IBR plus 1.27%.

In April last year, the leasing arm of Bancolombia came with a six-year at 7.60%, two-year at DTF plus 1.48%, a three-year at DTF plus 1.66% an 8.5-year at CPI plus 4.29%, and a 12-year at CPI plus 4.50%.

LATIN AMERICA DCM PIPELINE

Issuer	Size (US$m)	Tenor (years)	Leads
Alicorp	US$450m	2023	BAML, JPM, BCP
Honduras	TBD	TBD	Barcap/DB

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