

Capital Flows to Latin America and the Caribbean

First Nine Months of 2020 in Times of COVID-19



Washington, D.C., 30 October 2020

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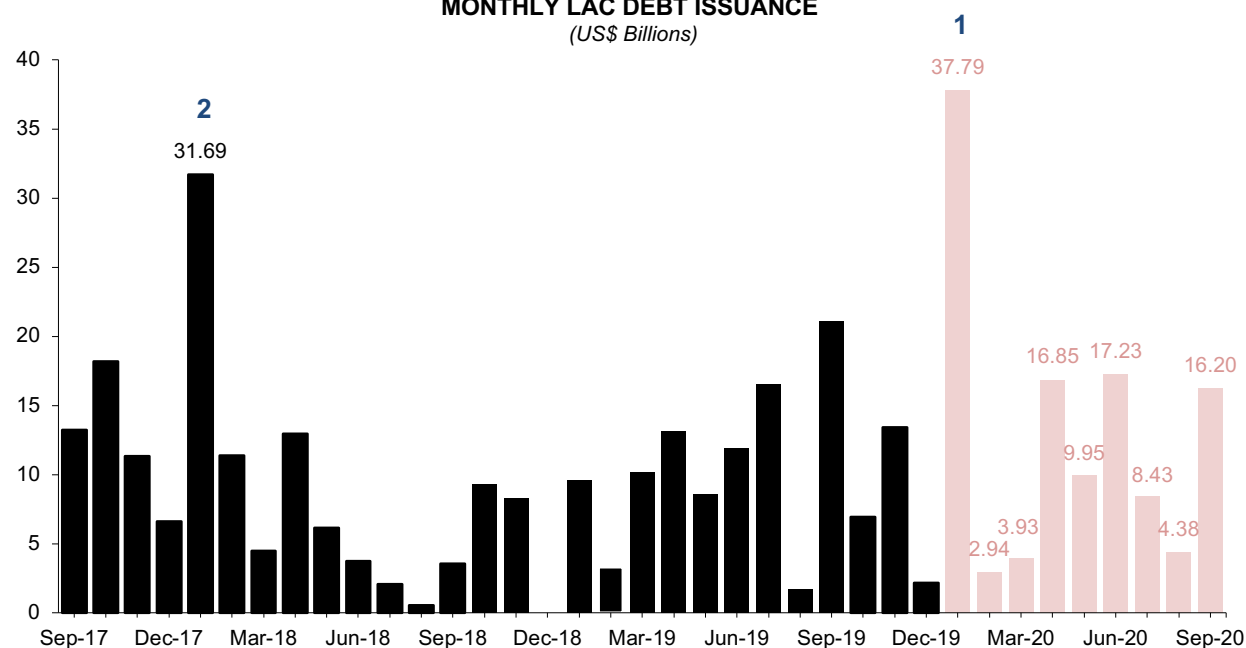
Highlights

- Total Latin American and Caribbean (LAC) bond issuance in international markets from January to September of 2020 reached US\$ 117.7 billion, 23% higher than in the same period last year and close to par with the US\$ 118.5 issued in 2019 as a whole. Corporate issuance represented 59% of the total, a lower share than in 2019 (64%).
- The spread of the coronavirus has had an important impact on the financial landscape for LAC issuers in the first nine months of the year. Sovereign issuers already have a higher issuance volume this year than in 2019 as a whole, as governments – with a backdrop of low global interest rates and borrowing costs – seek to meet higher funding needs due to the pandemic. LAC sovereign issuance reached US\$ 47.8 billion, 13% higher than the total sovereign issuance in 2019. Close to 40% of this total (US\$ 19 billion) explicitly mentioned that the proceeds would be used to fund the response to the COVID-19 pandemic.
- Green, social and sustainability bond issuance represented a record 8.3% of the total amount issued in the first nine months of 2020. In September 2020, Mexico became the first country in the world to issue a sovereign Sustainable Development Goals (SDGs) bond. This followed other “firsts” for the sovereigns of the region. In 2019, Chile issued the first sovereign green bond in the Americas and in January 2020, Ecuador became the first sovereign issuer to sell social bonds in the international market.
- LAC spreads have widened 130 basis points in the first nine months of 2020. They widened 357 basis points in the first quarter but narrowed 151 and 76 basis points in the second and third quarters, respectively, as volatility and risk aversion came down after reaching a historic peak in mid-March.
- Equity prices in the region weakened significantly amid the coronavirus outbreak. Although the MSCI Latin American index has recovered somewhat since reaching a low point on 23 March, it was still down 37% by the end of September.
- There were 44 more negative credit rating actions than positive in the region in the first nine months of 2020 and 30 more downgrades than upgrades. The majority of the negative actions took place in the second quarter. In the third quarter, there were seven upgrades due to the successful completion of a bond restructuring or a debt exchange, which included Argentina, Belize, Ecuador and Suriname.

Overview

In response to the COVID-19 crisis, the U.S. Federal Reserve, the European Central Bank and other major central banks intervened in March to avoid a market collapse. With a backdrop of low global interest rates and borrowing costs, Latin American and Caribbean (LAC) issuers sovereign and corporate borrowers placed US\$ 118 billion worth of bonds from January to September 2020 (chart 1).

CHART 1:
MONTHLY LAC DEBT ISSUANCE
(US\$ Billions)

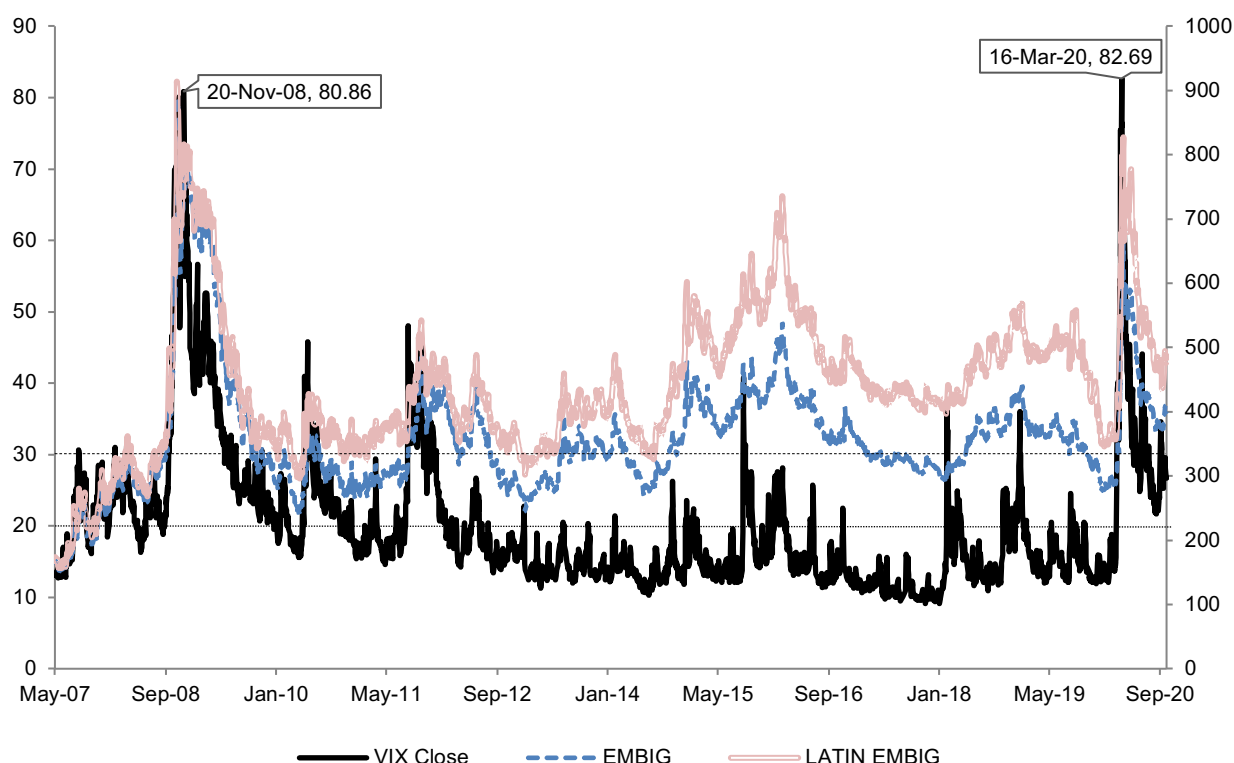


Source: ECLAC Washington Office, based on data from Dealogic, LatinFinance and Bloomberg. Note: January 2020 registered the highest LAC monthly issuance on record, surpassing the January 2018 issuance, the previous peak.

Although governments are still dealing with the urgency of the COVID-19 crisis, financial conditions have shown signs of stabilization since end of March, due to the action of the major central banks. In March, the region experienced increasing interest rates and capital flight. By May, these trends had reversed as the Fed and ECB policies stabilized the markets. From late March through September, many LAC sovereigns tapped international bond markets in response to the need for fiscal stimulus and spending related to pandemic relief.

Volatility reached a historic peak in mid-March. As the global economy was hit by supply and demand shocks due to the pandemic, the CBOE Volatility Index (VIX), a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices, reached 82.69 on 16 March, breaking the previous record reached in November 2008, during the global financial crisis. Uncertainty about the duration and intensity of the economic downturn and the eventual recovery was extremely high, contributing to higher volatility. Volatility has declined since then, and with it, emerging market bond spreads (chart 2).

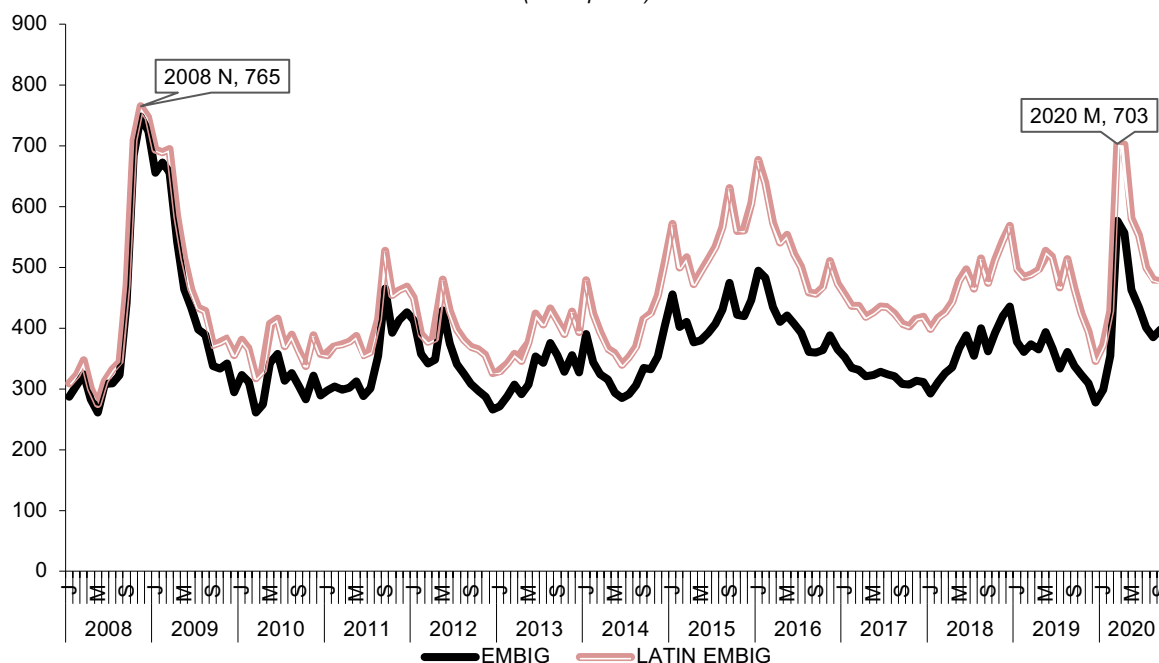
CHART 2:
CBOE VOLATILITY INDEX AND EMBIG SPREADS
(Left axis: VIX close, Right axis: basis points)



Source: ECLAC Washington Office, based on data from the Chicago Board Options Exchange and JPMorgan.

LAC spreads widened 130 basis points from January to September 2020, as the pandemic and the collapse in oil prices weighed on the economies of the region. The biggest widening took place in March (275 basis points), when spreads were close to the peak reached in November 2008 during the global financial crisis. LAC spreads tightened from 703 basis points at the end of March to 476 basis points at the end of September (chart 3). Global risk sentiment remains supportive and financial conditions are expected to remain loose, thus further spread compression is expected.

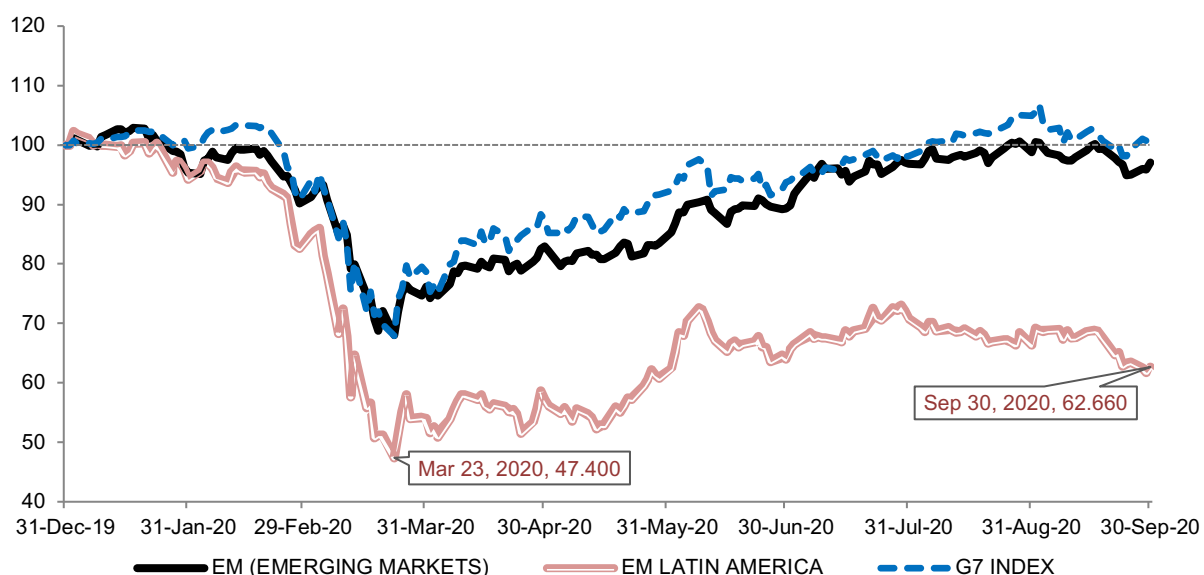
CHART 3:
EMBIG AND LATIN AMERICAN DAILY SPREADS
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan, "Emerging Markets Bond Index Monitor".

Latin American equities recovered some ground since a sharp fall in March, sparked by the COVID-19 pandemic, but still remain significantly below the levels at the start of the year (chart 4). The MSCI Latin American index was down 37% by the end of September, but up 32% since the recent bottom reached on 23 March, its weakest point in just over 15 years. The emerging market index performed better and was down only 3%, while the G7 index was up 1%. They were up 43% and 49%, respectively, since 23 March.

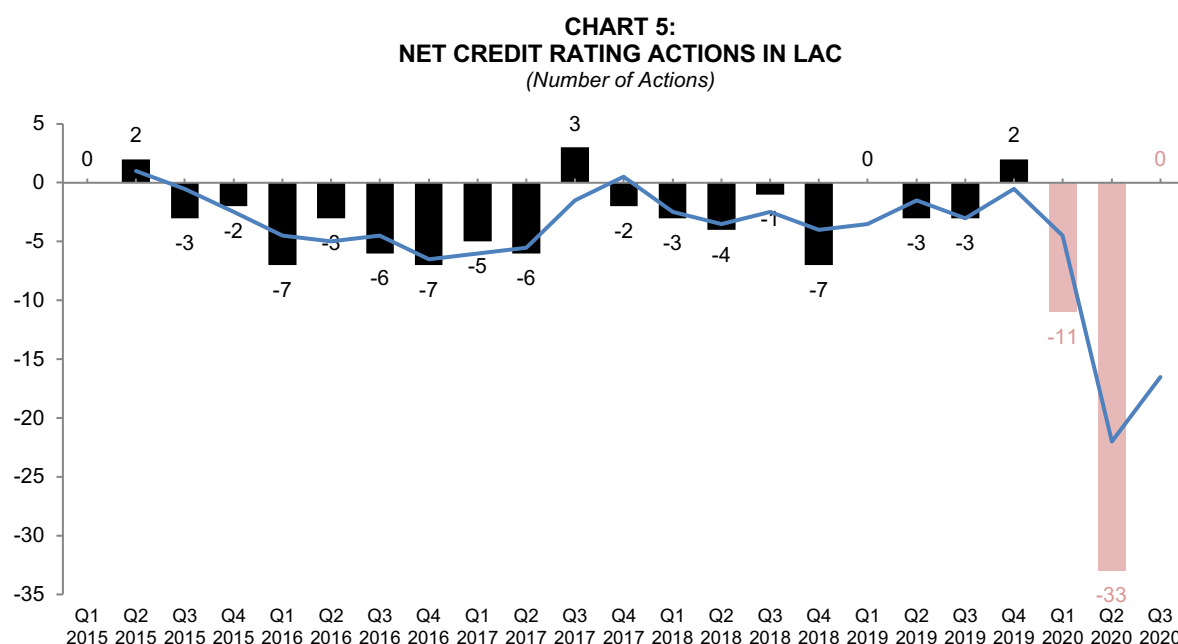
CHART 4:
MSCI EQUITY PRICE INDEX: JAN-SEP 2020



Source: ECLAC Washington Office based on MSCI Equity Indices, <http://www.msci.com/products/indexes/performance.html>, prices at the end of the month.

Latin American equities underperformed in part due to currency depreciation, as well as the impact of the pandemic and the oil shock on the region. Currencies in Brazil, Colombia and Mexico depreciated more than 10% against the U.S. dollar in the first three weeks of March. The Chilean peso and Peruvian sol depreciated around 5% in the same period. The U.S. dollar strength against Latin American currencies is still ongoing. In September, the U.S. dollar gained 2.4% against a basket of its peers after four months of declines, reaffirming the dollar's role as one of the world's preferred safe havens in times of stress.

Finally, credit quality has deteriorated sharply since the beginning of the year. Credit rating actions (including downgrades and downward outlook revisions) have outnumbered positive actions in the region for seven years in a row, but the imbalance has worsened so far this year. In the first nine months of the year, the balance is 44 more negative actions than positive (chart 5), with 30 more downgrades than upgrades.



Source: ECLAC Washington Office, based on data from Moody's, Standard & Poor's, and Fitch.

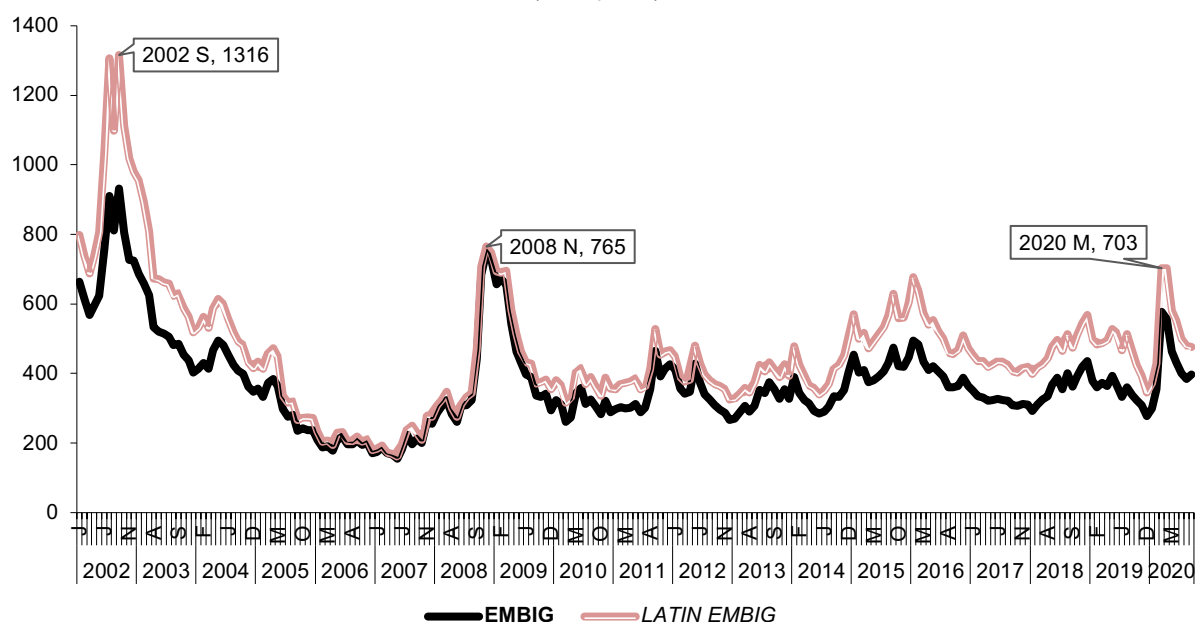
However, after a second quarter where negative actions outnumbered positive actions by a record number, there seems to be some stabilization in the third quarter. There was an equal number of positive and negative actions in the third quarter, compared to 33 more negative actions in the second. There were seven upgrades in the third quarter due to the successful completion of a bond restructuring or a debt exchange, which included Argentina, Belize, Ecuador and Suriname.

According to Moody's, revenue generation will be a crucial driver for emerging market credit ratings in the future. During this pandemic crisis, revenue losses in emerging markets have been higher than the decline in GDP due to their tax structure, which tends to be more cyclical in nature. Sovereigns whose revenues are most reliant on tourism, for example, have had the sharpest deterioration in fiscal position. On average, the LAC region's decline in government revenue during the second quarter was 25% compared to the same period in 2019, according to Moody's debt affordability report released in mid-September. The agency says that widening the tax base will be challenging amid a subdued recovery, considering that multiple constraints on revenue generation persist, including enforcing compliance and socio-political pressures.

I. Bond markets and debt management

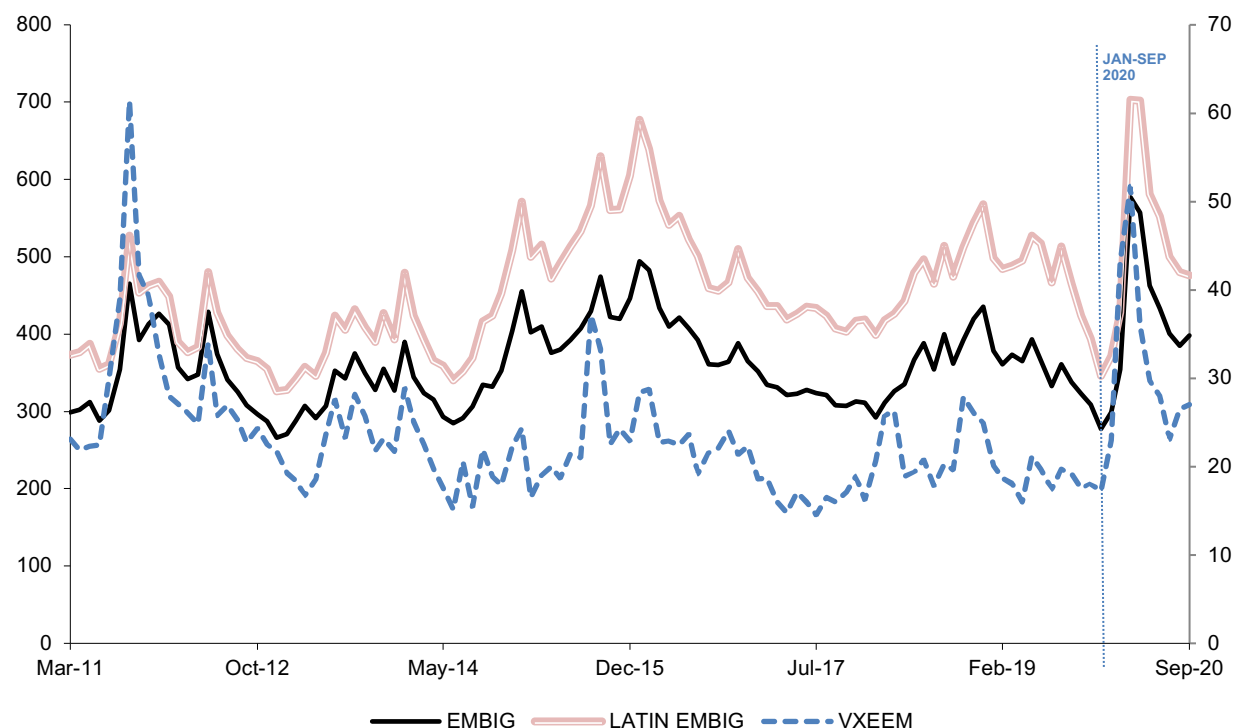
Bond spreads as measured by the JPMorgan Emerging Market Bond Index Global (EMBIG) widened 121 basis points in the first nine months of 2020. Its Latin component widened 130 basis points (chart 6). Most of the widening took place in the first quarter, as the COVID-19 pandemic and the collapse in oil prices weighed on the economies of the LAC region, as well as on risk perception and volatility. Volatility receded in the second and third quarters, and spreads tightened in tandem (chart 7).

CHART 6:
EMBIG AND LATIN AMERICAN MONTHLY SPREADS
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan, "Emerging Markets Bond Index Monitor".

CHART 7:
CBOE VOLATILITY INDEX AND EMBIG
(Left axis: basis points; right axis: VXEEM close)



Source: ECLAC Washington Office, based on data from JPMorgan and Chicago Board Options Exchange.

Note: The VXEEM is the CBOE volatility index for emerging markets (conveyed by MSCI Emerging Markets Index fund option prices).

Regional sovereign credit outlook for Latin America and the Caribbean was already negative prior to the pandemic due to lower economic growth, higher debt and rising political risk. 2019 was the seventh year in a row where the balance of negative credit rating actions (including downgrades and downward outlook revisions) outnumbered positive actions. As of end of 2019, nine sovereigns were on negative outlook by one or more credit rating agencies (Argentina, Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Nicaragua, and Uruguay), and one was on a positive outlook (Brazil). The outlooks indicated that the balance of risks was towards more negative actions, and with the exception of Uruguay, all the sovereigns with a negative outlook at the end of 2019 were downgraded in the first four months of 2020, with the credit rating agencies indicating their actions reflected underlying pressures that were already affecting sovereign credit profiles but were made more severe by the pandemic.

Credit quality deteriorated sharply since the beginning of the year. There has been 55 negative actions from January to September, 39 of them downgrades (table 1). There were 34 negative actions in the second quarter alone, and 21 downgrades. In the third quarter, the decline in the region's creditworthiness diminished. While there were still 8 negative actions and 7 downgrades, there were also 8 positive actions and 7 upgrades (appendix A, box 1).

The upgrades in the third quarter included sovereigns that have completed a bond restructuring or a debt exchange. Those include Argentina, following the completion of distressed debt exchanges on its foreign currency sovereign debt securities in both local and external markets, which the credit rating agencies deemed to have cured the default event initiated by missed payments in May; Belize, and Ecuador, which also completed a debt exchange; and Suriname, which completed a bond restructuring (of Suriname's 2023).

TABLE 1: SOVEREIGN CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN, JAN-SEP 2020

Date	Country	Action	
JAN-SEP 2020	11 positive and 55 negative actions		
Q1 2020	2 positive and 13 negative actions		
16-Jan-20	Suriname	Fitch downgrades Suriname's rating to CCC from B	Negative
29-Jan-20	Jamaica	Fitch revises outlook on Jamaica's B+ rating to positive from stable	Positive
6-Feb-20	Ecuador	Moody's downgrades Ecuador's rating to Caa1 from B3	Negative
6-Feb-20	Panama	Fitch revises its outlook on Panama's BBB rating to negative from stable	Negative
10-Feb-20	Costa Rica	Moody's downgrades Costa Rica's rating to B2 from B1 with a stable outlook	Negative
14-Feb-20	Nicaragua	Moody's downgrades Nicaragua's rating to B3 from B2 with a stable outlook	Negative
10-Mar-20	Bolivia	Moody's downgrades Bolivia's rating to B1 from Ba3 with a negative outlook	Negative
12-Mar-20	Chile	Fitch revises the outlook on Chile's A rating to negative from stable	Negative
12-Mar-20	El Salvador	Moody's changes outlook on El Salvador's B3 rating to positive from stable	Positive
19-Mar-20	Ecuador	Fitch downgrades Ecuador's rating to CCC from B-	Negative
24-Mar-20	Ecuador	Fitch downgrades Ecuador's rating to CC from CCC	Negative
25-Mar-20	Ecuador	S&P downgrades Ecuador's rating to CCC- from B- and places it on negative watch	Negative
26-Mar-20	Colombia	S&P revises the outlook on Colombia's BBB rating to negative from stable	Negative
26-Mar-20	Mexico	S&P downgrades Mexico's rating to BBB from BBB+ with a negative outlook	Negative
26-Mar-20	T&T	S&P downgrades T&T's rating to BBB- from BBB with a stable outlook	Negative
Q2 2020	1 positive and 34 negative actions		
1-Apr-20	Colombia	Fitch downgrades Colombia's rating to BBB- from BBB with a negative outlook	Negative
1-Apr-20	Suriname	S&P downgrades Suriname's rating to CCC+ from B with a negative outlook	Negative
3-Apr-20	Argentina	Moody's downgrades Argentina to Ca from Caa2 with a negative outlook	Negative
3-Apr-20	Ecuador	Moody's downgrades Ecuador's rating to Caa3 from Caa1 with a negative outlook	Negative
3-Apr-20	Guatemala	Fitch downgrades Guatemala's rating to BB- from BB with a stable outlook	Negative
6-Apr-20	Argentina	Fitch downgrades Argentina's rating to RD from CC	Negative
6-Apr-20	Brazil	S&P revises the outlook on Brazil's BB- rating to stable from positive	Negative
7-Apr-20	Argentina	S&P downgrades Argentina's rating to SD from CCC-	Negative
7-Apr-20	Argentina	Fitch upgrades Argentina's rating to CC from RD [Cancels out the downgrade to RD on April 6]	Positive
9-Apr-20	Bahamas	Moody's places The Bahamas' Baa3 ratings on review for downgrade	Negative
9-Apr-20	Ecuador	Fitch downgrades Ecuador's rating to C from CC	Negative
10-Apr-20	Jamaica	Fitch revises the outlook on Jamaica's B+ rating to stable from positive	Negative
13-Apr-20	Ecuador	S&P downgrades Ecuador's rating to SD from CCC-	Negative
14-Apr-20	Suriname	Moody's downgrades Suriname's Rating to B3 from B2 with a negative outlook	Negative
15-Apr-20	Mexico	Fitch downgrades Mexico's rating to BBB- from BBB with a stable outlook	Negative
16-Apr-20	Belize	S&P downgrades Belize's to CCC from B- with a negative outlook	Negative
16-Apr-20	Dominican Rep.	S&P revises the outlook on Dominican Republic's BB- rating to negative from stable	Negative
16-Apr-20	Jamaica	S&P revises the outlook on Jamaica's B+ rating to negative from stable	Negative
17-Apr-20	Bolivia	S&P downgrades Bolivia's rating to B+ from BB- with a stable outlook	Negative
17-Apr-20	Mexico	Moody's downgrades Mexico's rating to Baa1 from A3 with a negative outlook	Negative
20-Apr-20	Ecuador	Fitch downgrades Ecuador's rating to RD from C	Negative
24-Apr-20	Panama	S&P revises the outlook on Panama's BBB+ rating to negative from stable	Negative
27-Apr-20	Chile	S&P revises the outlook on Chile's A+ rating to negative from stable	Negative
30-Apr-20	El Salvador	Fitch revises the outlook on El Salvador's B- rating to negative from stable	Negative

TABLE 1 – CONT.

5-May-20	Brazil	Fitch revises the outlook on Brazil's BB- rating to negative from stable	Negative
8-May-20	Dominican Rep.	Fitch revises the outlook on Dominican Republic's BB- rating to negative from stable	Negative
12-May-20	Belize	Moody's downgrades Belize's rating to Caa1 from B3 with a negative outlook	Negative
12-May-20	Costa Rica	Fitch downgrades Costa Rica's rating to B from B+ with a negative outlook	Negative
22-May-20	T&T	Moody's revises the outlook on T&T's Ba1 ratings to negative from stable	Negative
26-May-20	Argentina	Fitch downgrades Argentina's Rating to Restricted default (RD) from C	Negative
2-Jun-20	Costa Rica	Moody's revises the outlook on Costa Rica's B2 rating to negative from stable	Negative
9-Jun-20	Costa Rica	S&P downgrades Costa Rica's rating to B from B+ with a negative outlook	Negative
17-Jun-20	Nicaragua	Fitch revises the outlook on Nicaragua's B- rating to negative from stable	Negative
25-Jun-20	Bahamas	Moody's downgrades The Bahamas to Ba2 from Baa3 with a negative outlook	Negative
30-Jun-20	Belize	S&P downgrades Belize to CC from CCC, places ratings on CreditWatch negative	Negative
Q3 2020 8 positive and 8 negative actions			
2-Jul-20	Suriname	Fitch downgrades Suriname's rating to C from CCC	Negative
7-Jul-20	Suriname	Moody's downgrades Suriname's rating to Caa3 from B3 with a negative outlook	Negative
13-Jul-20	Suriname	S&P downgrades Suriname's rating to SD from CCC+	Negative
13-Jul-20	Suriname	Fitch downgrades Suriname's rating to RD from C	Negative
16-Jul-20	Suriname	S&P upgrades Suriname's rating to CCC from SD with a stable outlook	Positive
16-Jul-20	Suriname	Fitch upgrades Suriname's rating to CC from RD	Positive
12-Aug-20	Belize	S&P downgrades Belize's rating to SD from CC	Negative
21-Aug-20	Belize	S&P upgrades Belize's rating to CCC+ from SD with a stable outlook	Positive
25-Aug-20	Chile	Moody's revises outlook on Chile's A1 rating to negative from stable	Negative
1-Sep-20	Ecuador	S&P upgrades Ecuador's rating to B- from SD with a stable outlook	Positive
3-Sep-20	Ecuador	Fitch upgrades Ecuador's rating to B- from RD with a stable outlook	Positive
7-Sep-20	Argentina	S&P upgrades Argentina's rating to CCC+ from SD with a stable outlook	Positive
10-Sep-20	Argentina	Fitch upgrades Argentina's rating to CCC from RD	Positive
22-Sep-20	Bolivia	Moody's downgrades Bolivia's ratings to B2 from B1 with a stable outlook	Negative
28-Sep-20	Argentina	Moody's revises its outlook on Argentina's Ca rating to stable from negative	Positive
30-Sep-20	Bolivia	Fitch downgrades Bolivia's rating to B from B+ with a stable outlook	Negative

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch.

From January to September, twelve countries were downgraded: Argentina, the Bahamas, Belize, Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Nicaragua, Suriname and Trinidad and Tobago, and a few were downgraded multiple times during this period. In early October, Chile was added to the list, as Fitch downgraded its rating to A- from A with a stable outlook, citing weakening of the public finances in the wake of pressures to increase social spending in the aftermath of the widescale protests that took place in October-November 2019.

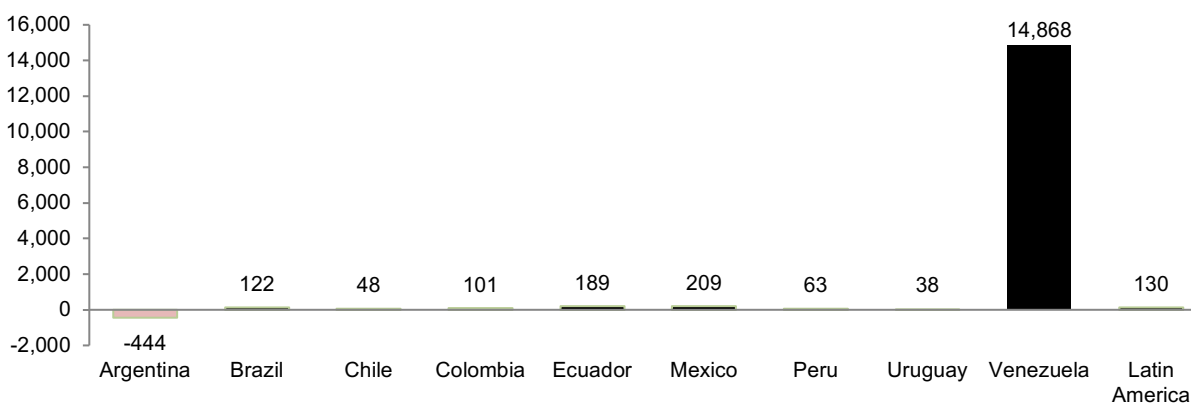
At the end of September, sixteen sovereigns were on negative outlook by one or more agencies (Bahamas, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Jamaica, Mexico, Nicaragua, Panama, Suriname, Trinidad and Tobago, and Uruguay), and only one was on a positive outlook (El Salvador)¹. The outlooks show that the balance of risks continues to be towards more negative actions (appendix A, table 1).

¹ Moody's changed the outlook on El Salvador's B3 rating to positive from stable on 12 March, citing reduced liquidity risks and improved business conditions. On the other hand, on 30 April Fitch revised the outlook on El Salvador's B- rating to negative from stable, reflecting the deterioration in debt sustainability metrics as a result of the widening of the fiscal deficit and economic contraction.

A. Sovereign Spreads

The EMBIG widened 121 basis points in the first nine months of 2020 – from 277 basis points at the end of December 2019 to 398 at the end of September 2020 – while its Latin component increased 130 basis points, from 346 to 476 basis points. Spreads widened for all Latin American countries in our sample, with the exception of Argentina (chart 8).

CHART 8:
EMBIG SPREAD DIFFERENTIALS: JAN-SEP 2020
(Basis points)

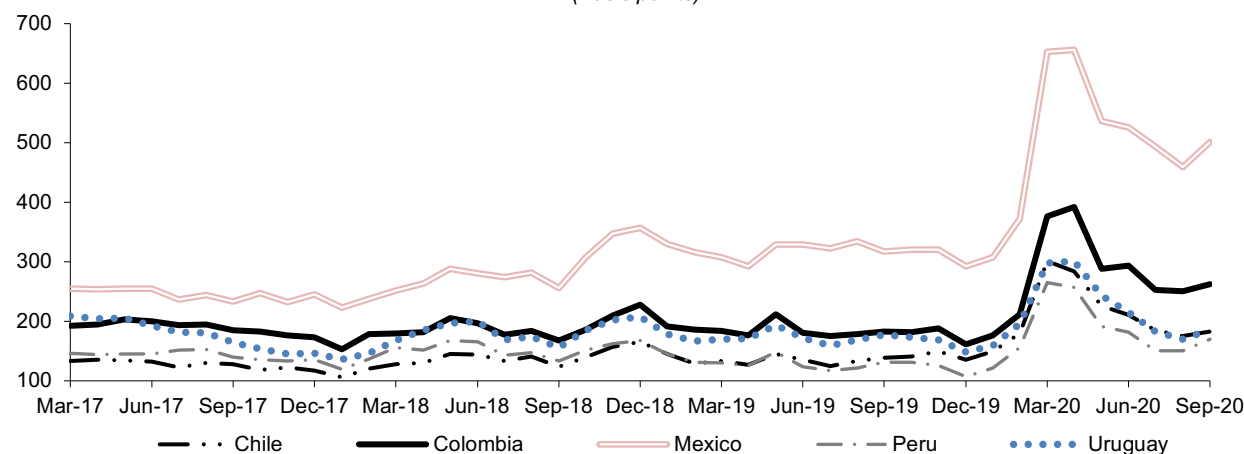


Source: ECLAC Washington Office, based on data from JPMorgan.

Bond spreads widened the most for Venezuela. Venezuela's spreads widened 14,868 basis points, as the global health emergency and the decline in oil prices weighed on an economy that has been contracting sharply for six consecutive years. Both Ecuador and Argentina saw their spreads tighten after they concluded their debt restructuring. Ecuador's spreads tightened 2,358 basis points in the third quarter, while Argentina's tightened 1,195.

Among investment grade countries, Mexico had the highest spreads – 501 basis points – at the end of September 2020, with Mexico seeing a downgrade in its credit rating by S&P in March, and by Moody's and Fitch in April. It was followed by Colombia with 262 basis points, Uruguay with 186 basis points and Chile with 183 basis points. Peru had the lowest spreads at 170 basis points (chart 9).

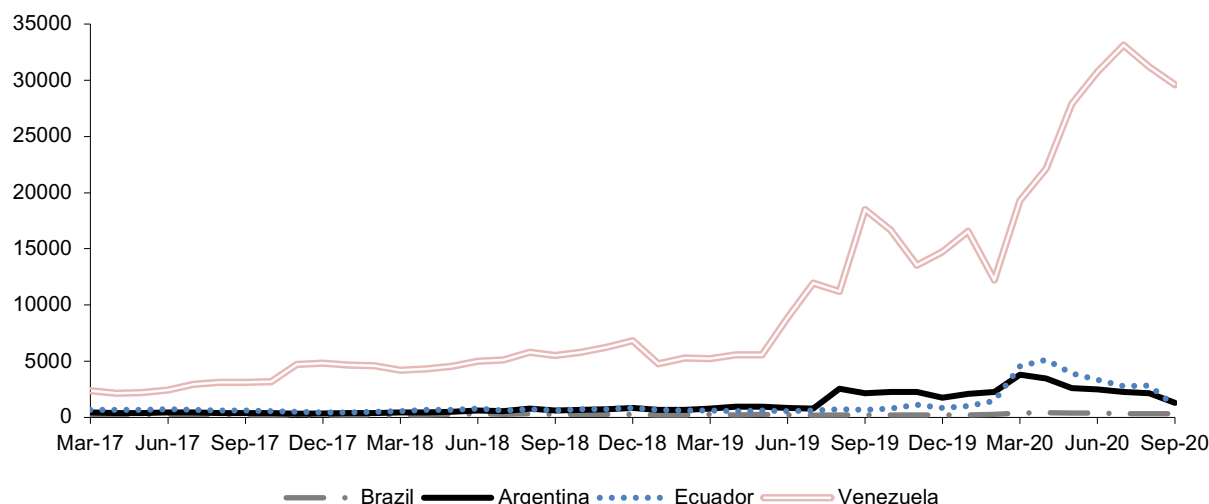
CHART 9:
EMBIG LATIN: INVESTMENT GRADE ISSUERS
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

Among the non-investment grade countries, Venezuela had the highest spreads, while Brazil had the lowest (chart 10). At 29,608 basis points at the end of September 2020, Venezuela maintained the highest debt spreads of any country in the EMBIG. Spreads for Ecuador and Argentina were at 1,015 and 1,300 basis points, respectively, and Brazilian spreads were at 334 basis points, 33% lower than Mexico's.

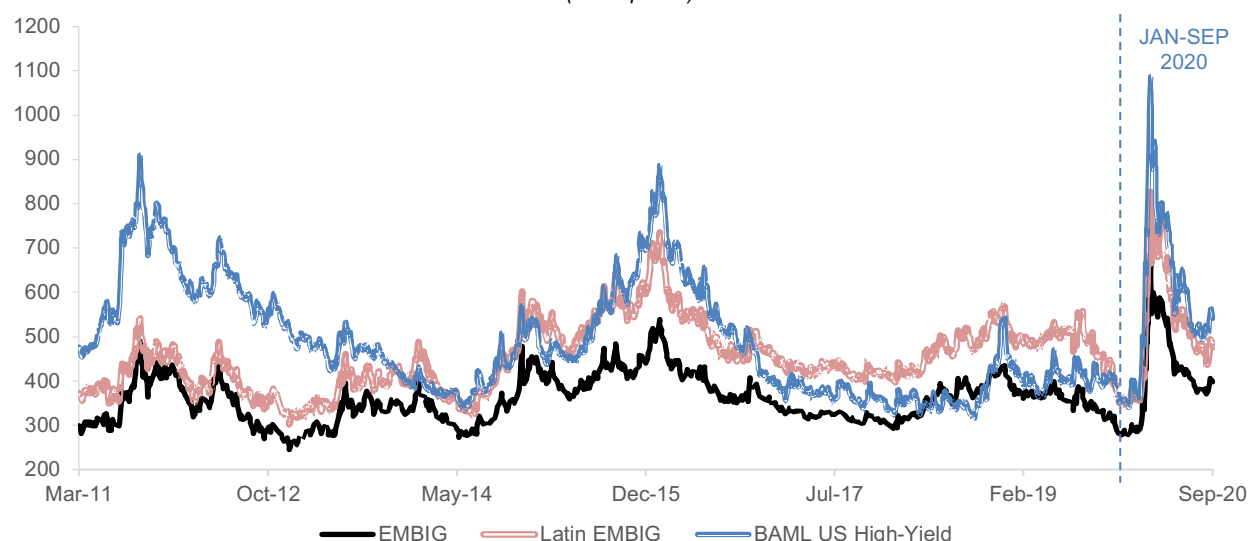
CHART 10:
EMBIG LATIN: NON-INVESTMENT GRADE ISSUERS
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

Historically, LAC sovereign and corporate credit spreads have tracked U.S. high-yield corporate credit spreads for the most part, especially during 2014-2016, but LAC sovereign spreads decoupled negatively from 2017 to 2019. In the first nine months of 2020, however, the U.S. corporate credit spreads, as measured by the Bank of America/Merrill Lynch U.S. High Yield index, increased more than LAC spreads, as the high-yield corporate sector was sharply affected by the pandemic (chart 11).

CHART 11:
EMBIG AND EMBIG LATIN VS U.S. HIGH-YIELD SPREADS
(Basis points)

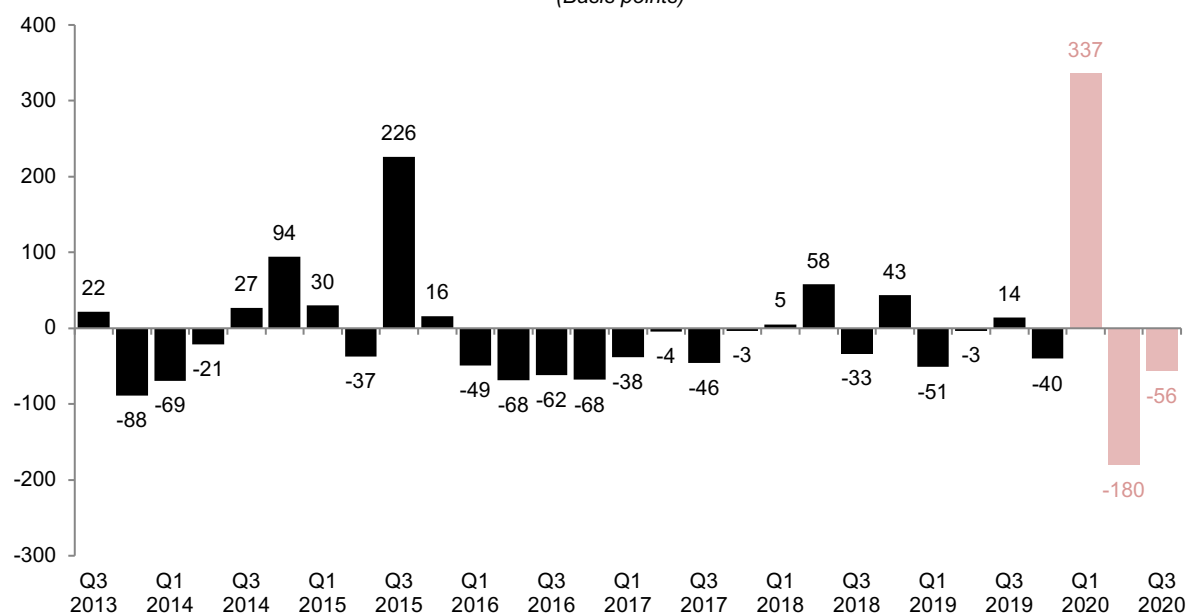


Source: ECLAC Washington Office, based on data from JPMorgan and from the Federal Reserve Bank of St. Louis (ICE BofAML US High Yield Master II Option-Adjusted Spread, Percent, Daily. Not Seasonally Adjusted)

B. Corporate Spreads

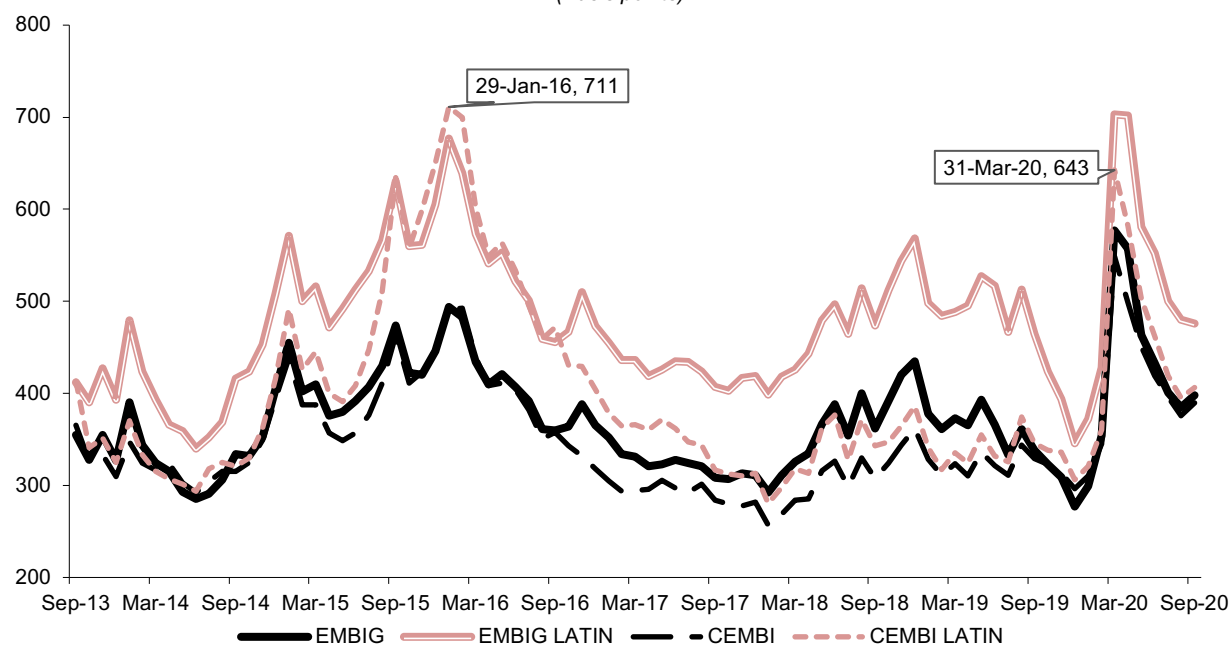
LAC corporate bond spreads widened 100 basis points from January to September 2020 (chart 12), less than their sovereign counterpart, which widened 130 basis points. Latin CEMBI spreads were 70 basis points lower than their sovereign counterpart at the end of September 2020 (chart 13).

CHART 12:
CORPORATE EMBI SPREADS: LATIN COMPONENT
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

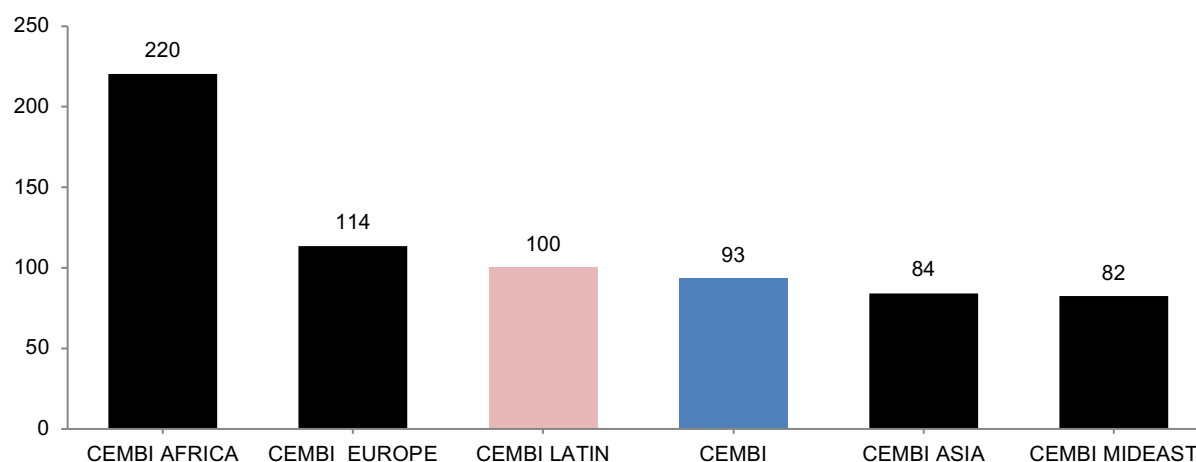
CHART 13:
JPMORGAN EMBIG SPREADS, CORPORATE AND SOVEREIGN
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

Latin corporate spreads never surpassed the peak of 711 basis points reached in January 2016, when the Latin corporate sector saw a jump in credit spreads as the depreciation of most local currencies against the U.S. dollar made servicing the dollar denominated debt more expensive. The peak in this pandemic crisis was reached in March, 643 basis points. In the first nine months of 2020, CEMBI spreads widened 93 basis points, less than the Latin component. African corporate credit spreads widened the most (chart 14).

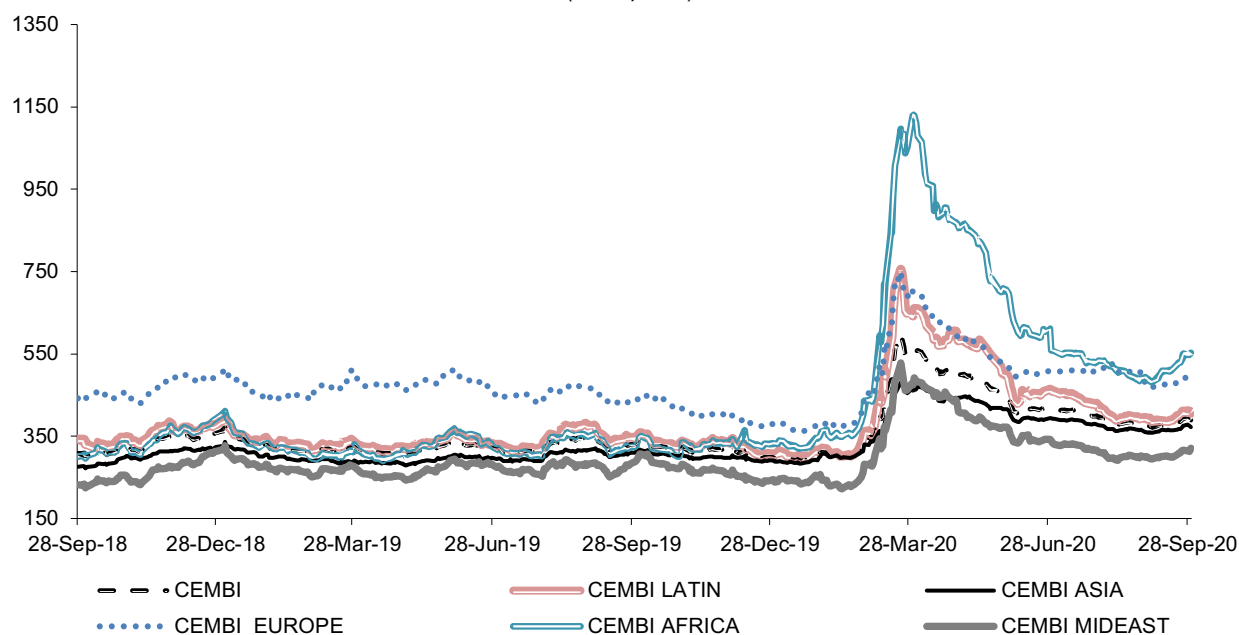
CHART 14:
CEMBI SPREAD DIFFERENTIALS BY REGION: JAN-SEP 2020
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan CEMBI.

Latin American corporate credit spreads are still wider than Asia's and Middle East's corporate spreads, after a period of low growth, but are lower than Africa's and Emerging Europe's spreads (chart 15).

CHART 15:
CEMBI SPREADS BY REGION
(Basis points)

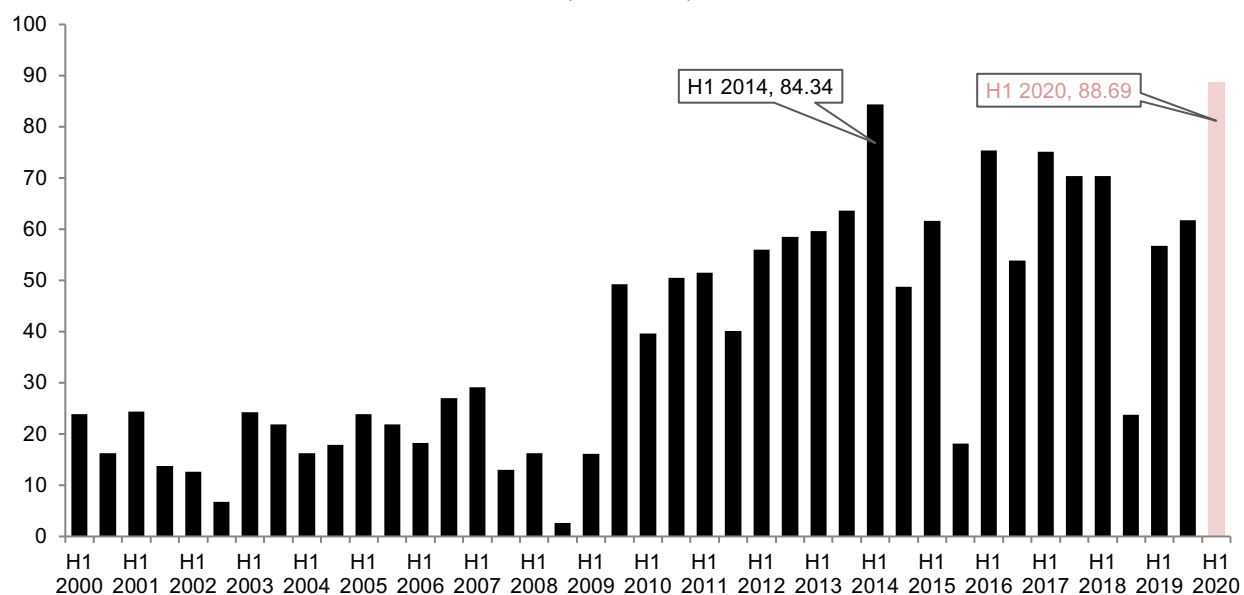


Source: ECLAC Washington Office, based on data from JPMorgan CEMBI.

C. New Debt Issuance

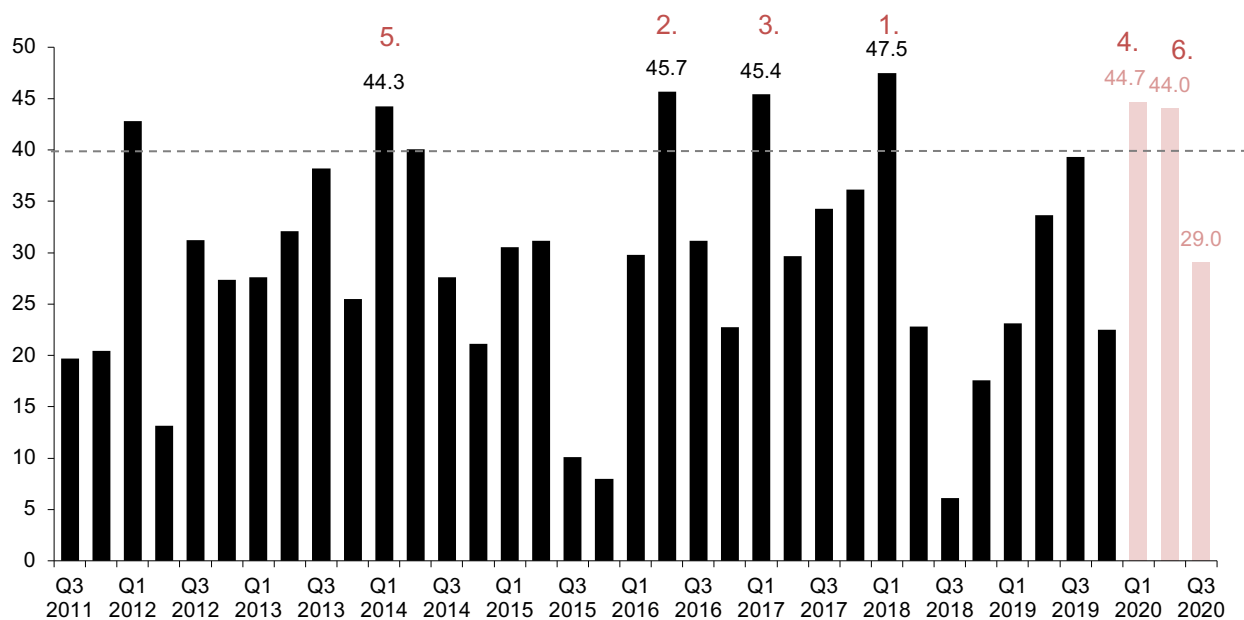
Total LAC debt issuance reached US\$ 118 billion in the first nine months of 2020. Issuance in the first half of 2020 was the highest half-yearly issuance on record for the region (chart 16). While LAC issuance in the first and second quarters were the fourth and sixth higher quarterly issuances on record, in the third quarter there was a slowdown (chart 17), as investor sentiment toward emerging markets deteriorated.

CHART 16:
HALF-YEARLY LAC DEBT ISSUANCE
(US\$ Billions)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

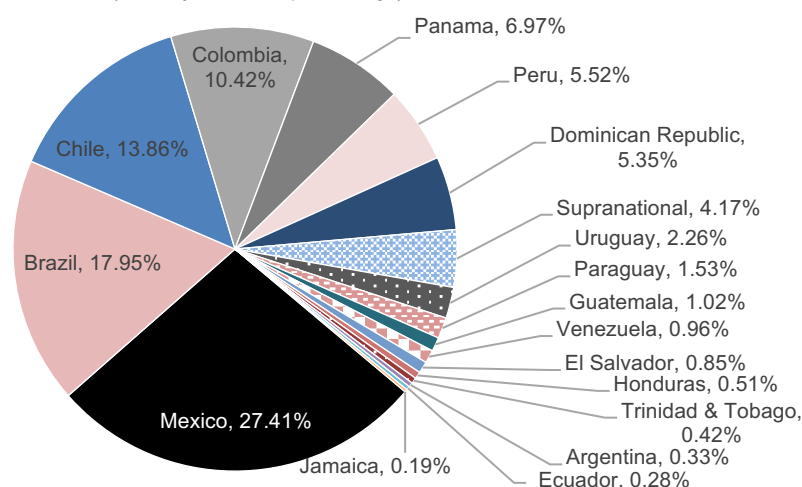
CHART 17:
QUARTERLY LAC DEBT ISSUANCE
(US\$ Billions)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Mexico had the largest share of bond issuances in the first nine months of 2020 – sovereign and corporate combined – followed by Brazil and Chile. Mexico, Brazil and Chile issued (sovereign and corporate combined) US\$ 32 billion, US\$ 21 billion, and US\$ 16 billion, respectively. Issuances from the three countries accounted for 59% of the total LAC issuance in the period (chart 18).

CHART 18:
LAC DEBT ISSUANCE, JAN-SEP 2020: COUNTRY BREAKDOWN
(Country shares in percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Some of the largest issuances in the period have come from sovereigns and quasi-sovereigns. Sovereigns, quasi-sovereigns and regional development banks accounted for 63% of the total amount issued from January to September. Investment-grade issuers – sovereign and corporate combined – dominated LAC issuance in the period, with a 67% share, while 33% of the total was issued by high-yield issuers.

Issuance in the first nine months of 2020 was driven by the corporate sector, which accounted for 59% of the total, but sovereign issuance was 13% higher than in 2019 and 9% higher than the 2015-2019 annual average. Dollar-denominated issuance from the region increased to 90% of the total from a share of 83% in 2019.

1. Sovereign Issuance

Fourteen sovereigns – Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, and Uruguay – tapped international debt markets in the first nine months of 2020 (appendix C, tables 3, 4 and 5). The top two sovereign issuers were Mexico and the Dominican Republic, and together they represented 25% of the total sovereign issuance in the period (table 2).

Mexico had the top share of total sovereign issuance in the region in terms of amount, US\$ 11.4 billion (24%), and the bigger number of deals (eight). It was the first sovereign to issue debt in international markets in 2020, issuing a new 10-year US\$ 1.75 billion bond with a 3.25% coupon on 6 January, and reopening its 2050 4.5% bond first issued in July 2019 to add US\$ 800 billion. It came back on 13 January with another two-part issuance, this time in euros, totaling US\$ 2 billion. It issued a new 10-year € 1.25 billion bond at a record-low coupon in euros (1.115%), and reopened its 2039 2.875% bond originally issued in April 2019 to add € 500 million. It tapped the international bond market once again in September, with a 2027 € 750 million (US\$ 889 million) sustainability bond with a 1.350% coupon, becoming the first country in the world to issue a Sovereign Sustainable Development Goals (SDGs) Bond.

The Dominican Republic had the second highest share in terms of amount. It tapped international markets in January with a 2060 US\$ 1.5 billion bond with a 5.875% coupon, and a 2030 US\$ 1 billion bond with a 4.5% coupon. It tapped the markets again in September, with a triple issuance in dual currency, including two re-openings and a new bond, to fund its spending plans through the end of the year, including money for healthcare and the social programs *Quédate en Casa*, *FASE* and *Pa'Ti*", according to the government.

TABLE 2:
LAC SOVEREIGN DEBT ISSUANCE IN THE CROSS-BORDER MARKET, JAN-SEP 2020

Sovereign Issuer	Total Issuance (US\$ Millions)	% of the total sovereign Issuance	Number of Deals
Mexico	11,385	24%	8
Dominican Republic	6,299	13%	5
Chile	5,834	12%	6
Colombia	5,635	12%	5
Panama	5,075	11%	4
Brazil	3,500	7%	2
Peru	3,000	6%	2
Uruguay	2,005	4%	1
Paraguay	1,450	3%	2
Guatemala	1,200	3%	2
El Salvador	1,000	2%	1
Honduras	600	1%	1
Trinidad and Tobago	500	1%	1
Ecuador	327	1%	1
Total	47, 810	100.00%	42

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

A total of fourteen sovereign and supranational issuances from March to July explicitly mentioned that proceeds would be used to fund emergency measures in response to the COVID-19 pandemic (table 3).

TABLE 3:
**LAC SOVEREIGN AND SUPRANATIONAL CROSS-BORDER DEBT ISSUANCE FOR CORONAVIRUS FUNDING
MAR-JUL 2020**

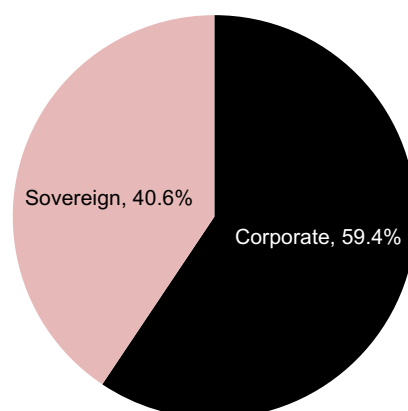
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity	Issue Date
Panama	Republic of Panama	USD 2500	2,500	4.500%	2056	26-Mar-20
Peru	Republic of Peru	USD 1000	1,000	2.392%	2026	16-Apr-20
Peru	Republic of Peru	USD 2000	2,000	2.783%	2031	16-Apr-20
Guatemala	Republic of Guatemala	USD 500	500	5.375%	2032 (soc)	21-Apr-20
Mexico	United Mexican States	USD 1000	1,000	3.900%	2025	22-Apr-20
Mexico	United Mexican States	USD 2500	2,500	4.750%	2032	22-Apr-20
Mexico	United Mexican States	USD 2500	2,500	5.000%	2051	22-Apr-20
Paraguay	Republic of Paraguay	USD 1000	1,000	4.950%	2031	23-Apr-20
Supranational	CABEI	USD 750	750	2.000%	2030	29-Apr-20
Chile	Republic of Chile	USD 1458	1,458	2.450%	2031	5-May-20
Supranational	CAF Development Bank of Latin America	USD 800	800	2.375%	2023	7-May-20
Uruguay	Oriental Republic of Uruguay	UYU 68506	1,605	3.875%	2040	23-Jun-20
Uruguay	Oriental Republic of Uruguay	USD 400	400	4.375%	2031	23-Jun-20
El Salvador	Republic of El Salvador	USD 1000	1,000	9.500%	2052	8-Jul-20
Total			19,013			14

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

2. Corporate Issuance

The corporate sector (including corporations, banks, and quasi-sovereigns issuers) accounted for 59.4% of total LAC issuance in the first nine months of 2020 (chart 19).

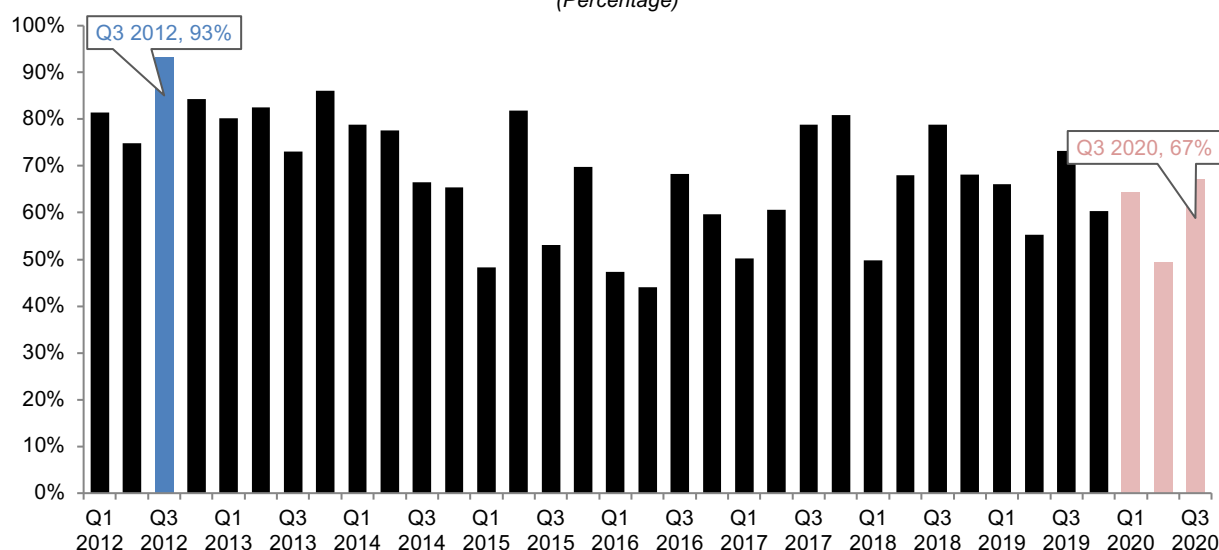
CHART 19:
LAC CORPORATE AND SOVEREIGN ISSUANCE, JAN-SEP 2020
(Percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

On a quarterly basis, the share of corporate issuance peaked in the third quarter of 2012 (at 93%). In the third quarter of 2020, it increased to 67% from 49% in the second quarter (chart 20).

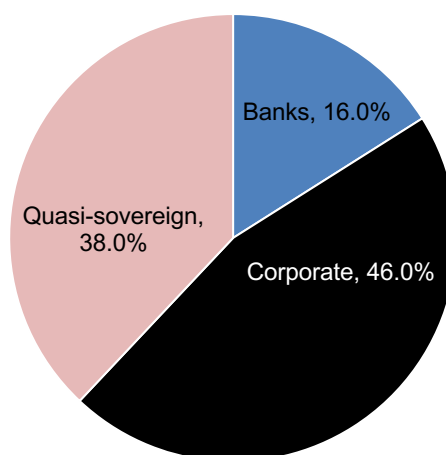
CHART 20:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE AS A SHARE OF THE TOTAL
(Percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

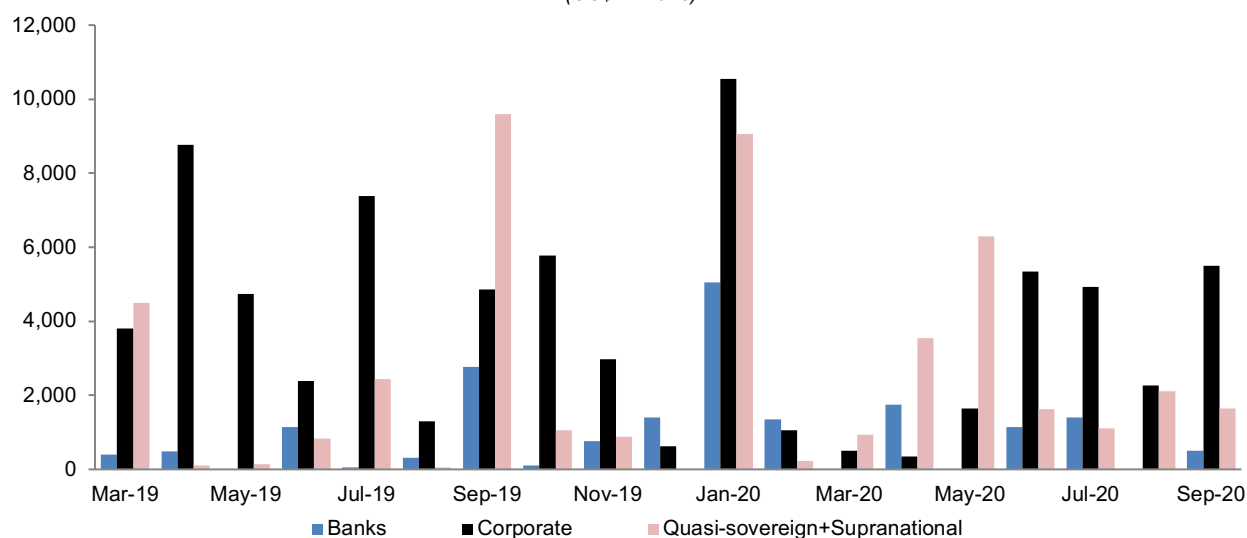
Quasi-sovereign issuers accounted for 38% of total LAC corporate issuance in international markets from January to September, an increase from the 31% share in 2019 (charts 21 and 22). Excluding sovereign borrowers, 85 corporate issuers (including banks, and private and quasi-sovereign companies) from the region sold US\$ 70 billion of cross-border bonds in the first nine months of 2020.

CHART 21:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE, JAN-SEP 2020
(Percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

CHART 22:
LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY TYPE
(US\$ Millions)

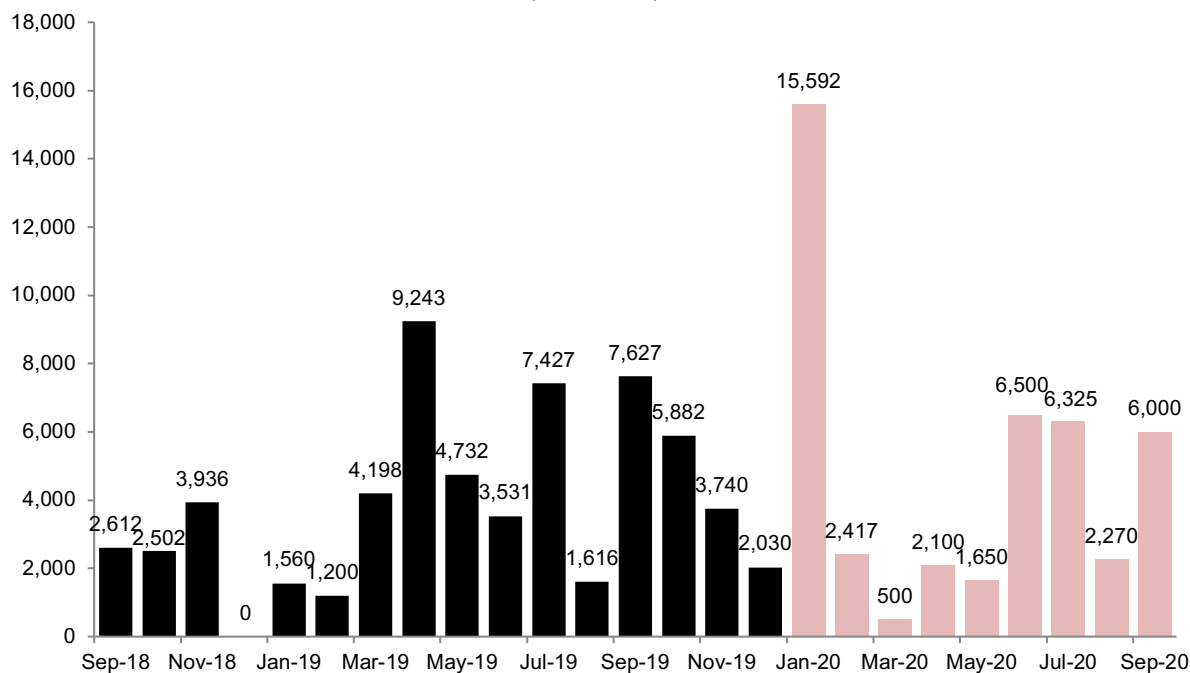


Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Issuances from the private corporate sector from January to September 2020, not including quasi-sovereigns, reached US\$ 43.4 billion. The highest monthly activity of the quarter was in January (US\$ 15.6 billion), and the lowest in March (chart 23).

There were two debut issuances in the period: Mexico's Infraestructura Energetica Nova SAB de CV–Ienova issued a 2051 US\$ 800 million bond with a 4.750% coupon on 10 September and Brazil's Lojas Americanas issued a 2030 US\$ 500 million bond with a 4.750% coupon on 29 September. In early October there was another debut – Chile's Antofagasta PLC – which issued a 2030 US\$ 500 million bond with a 2.375% coupon.

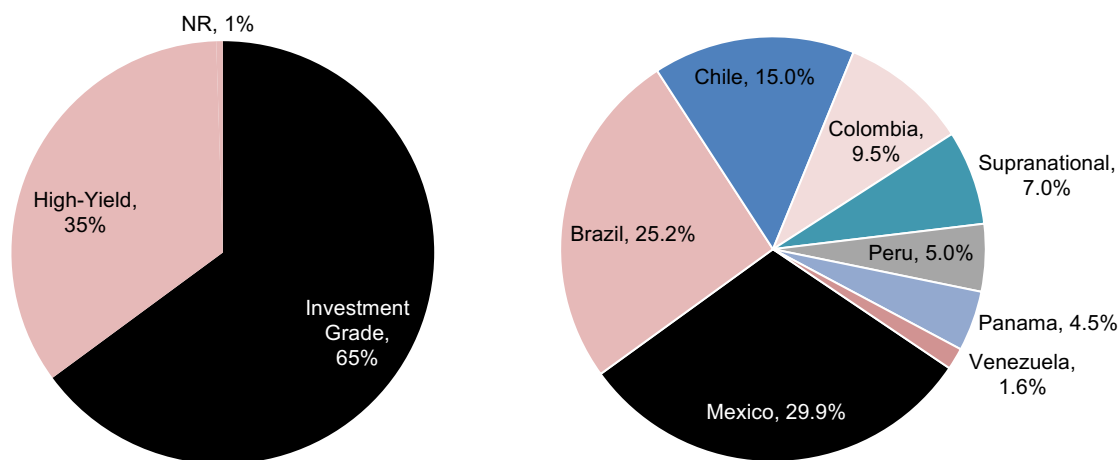
CHART 23:
LAC MONTHLY PRIVATE CORPORATE SECTOR BOND ISSUANCE
(US\$ Millions)



Source: ECLAC Washington Office based on data from Dealogic and LatinFinance. Note: issuance from the private corporate sector only (including companies and banks); quasi-sovereigns are not included in the chart.

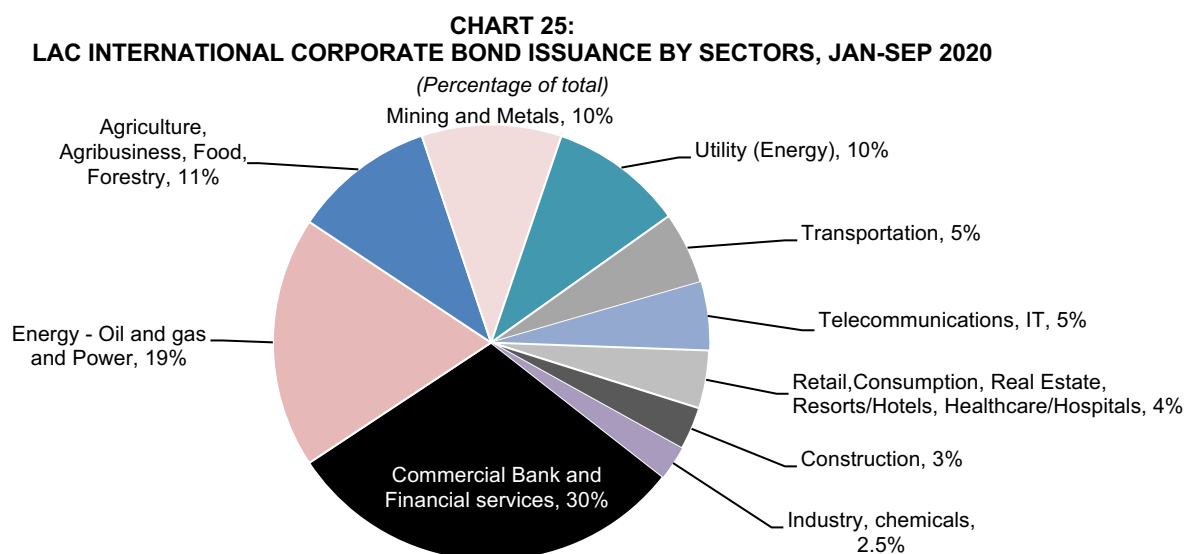
Investment grade companies had a 65% share of total corporate issuance in the first nine months of 2020, while the share of corporate high-yield issuance was 35%. Mexican, Brazilian and Chilean companies accounted for 70% of total corporate issuance in the period (chart 24).

CHART 24:
BREAKDOWN OF LAC INTERNATIONAL CORPORATE BOND ISSUANCE BY RATING AND COUNTRY
JAN-SEP 2020
(Percentage of total)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.
 Note: corporate issuance includes corporates, banks, and quasi-sovereigns.

From a sectoral perspective, 30% of corporate debt issuance (including corporate, banks, and quasi-sovereigns) from January to September came from the financial sector, which includes commercial banks as well as financial services companies. The energy sector, including oil and gas, and power, followed with a 19% share of the total. The agricultural sector, including agribusiness, food and beverages, and forestry, accounted for the third largest share, 11% (chart 25).

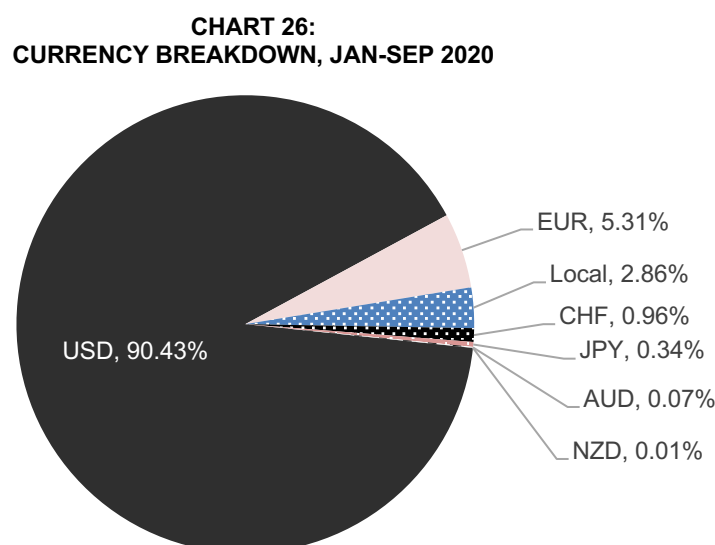


Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Note: corporate issuance includes corporates, banks, and quasi-sovereigns.

3. Currency Composition

Most of the international debt issuance in the region in the first nine months of 2020 (90.43%) was denominated in U.S. dollars (chart 26). There was also issuance in euros (5.31%); local currencies (2.86%), which included Colombian, Dominican Republic and Uruguayan pesos; Swiss francs (0.96%); Japanese yen (0.34%), Australian dollars (0.07%) and New Zealand dollars (0.01%).



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

4. Green Bonds²

There were eighteen international green, social and sustainability bond issuances in the first nine months of 2020 totaling US\$ 9.73 billion and representing 8.3% of the total LAC cross-border bond issuance in the period, a new peak. The previous peak had been in 2017, when the share of LAC green bond issuance in the total issuance in international markets reached 5.7%. The share in the first nine months of 2020 is a significant increase from last year's share of 4.6% and from the 3% average annual share in the 2015-2019 period.

The issuances included seven new green bonds and four re-openings, six social bonds and one sustainability bond in September by Mexico, which became the first country in the world to issue a Sovereign Sustainable Development Goals (SDGs) Bond. Sovereign issuance represented 57% of the total green bond issuance from January to September 2020 (table 4).

TABLE 4:
LAC GREEN AND SUSTAINABILITY BOND ISSUANCE IN INTERNATIONAL MARKETS: 2020 YTD

Country	Issuer	Amount (million)	Amount in US\$ (million)	Coupon (%)	Maturity	Issue Date
Brazil	Klabin Austria GmbH	USD 200	200	7.000%	2049 (r)(g)	15-Jan-20
Ecuador	Republic of Ecuador Social Bond SARL	USD 327	327	0.000%	2035 (soc)	16-Jan-20
Chile	Republic of Chile	EUR 694	769	0.830%	2031 (r)(g)	21-Jan-20
Chile	Republic of Chile	EUR 1269	1,407	1.250%	2040 (g)	21-Jan-20
Chile	Republic of Chile	USD 750	750	2.550%	2032 (g)	22-Jan-20
Chile	Republic of Chile	USD 900	900	3.500%	2050 (r)(g)	22-Jan-20
Guatemala	Republic of Guatemala Social Bond	USD 500	500	5.375%	2032 (soc)	21-Apr-20
Supranational	CAF Development Bank of Latin America	JPY 3000	28	1.025%	2040 (soc)	19-May-20
Supranational	CAF Development Bank of Latin America	EUR 700	700	1.625%	2025 (soc)	27-May-20
Supranational	CAF Development Bank of Latin America	JPY 3200	30	0.700%	2023 (soc)	4-Jun-20
Brazil	Rumo Luxembourg SARL	USD 500	500	5.250%	2028 (g)	29-Jun-20
Brazil	Banco Votorantim SA	USD 500	500	4.375%	2025 (g)	22-Jul-20
Supranational	CAF Development Bank of Latin America	CHF 350	384	0.700%	2025 (g)	10-Aug-20
Supranational	CAF Development Bank of Latin America	JPY 20000	188	0.727%	2025 (soc)	19-Aug-20
Mexico	Coca-Cola FEMSA SAB de CV	USD 705	705	1.850%	2032 (g)	26-Aug-20
Peru	Consorcio Transmantaro SA	USD 200	200	4.700%	2034 (g)(r)	9-Sep-20
Brazil	Suzano	USD 750	750	3.750%	2031 (g)	10-Sep-20
Mexico	United Mexican States	EUR 750	889	1.350%	2027 (sust)	14-Sep-20
TOTAL			9,726			

Source: ECLAC Office in Washington D.C., based on several sources, including Dealogic Database, Climate Bonds Initiative and Latin Finance.

On 15 January, Brazil's Klabin, a paper producer, reopened its 2049 7% US\$ 500 million green bond originally issued in March 2019 (appendix C, table 3). This was the only green corporate issuance in the quarter, in contrast to previous years, when most green bond issuances were from corporate issuers. The first sovereign from the region to issue a green bond was Chile, in June 2019.

On 16 January, Ecuador became the first sovereign issuer to sell a social bond in the international market, US\$ 327 million in zero coupon notes with a 15-year maturity, to raise money for a housing program. The bond was backed by the IDB with a US\$ 300 million guarantee.

² It is worth noting that the definition of green bonds has been widening to include a broader range of socially conscious debt labels, such as sustainability and social bonds. Green, social and sustainability bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and/or social projects

On 21 January, Chile followed with a two-part green deal in euros, including a new 20-year € 1.27 million 1.25% green bond, and the reopening of its 2031 0.83% bond, to add € 694 million. The money from the two-part deal will be used to fund clean transport projects, which include building Line 8 and expanding Line 4 of the Santiago Metro along with plans by the state-owned railroad company Empresa de los Ferrocarriles del Estado (EFE) to build a commuter rail line between Santiago and Melipilla. Chile came back to the cross-border market with another two-part green deal on the next day, this time in U.S. dollars, issuing a new US\$ 750 million 2032 2.55% green bond and reopening its 2050 3.5% green bond, originally issued in June 2019, to add US\$ 900 million.

In April, Guatemala issued US\$ 500 million in social bonds to finance eligible social investments directly and indirectly related to COVID-19 prevention, containment and mitigation efforts (appendix C, table 4). In May and early June, CAF Development Bank of Latin America placed three social bonds, saying that an amount equal to the net proceeds of the notes under CAF's Social Bond Framework would be allocated towards the financing and/or refinancing of new and existing eligible expenditures, including: healthcare system support (other direct and indirect costs related to preventative care, treatment, public health education and mental health support in relation to COVID-19), and emergency economic support. It added that the target populations for the eligible expenditures would prioritize Micro, Small and Medium Enterprises (MSMEs); women, indigenous, minority, migrant and underserved populations affected by COVID-19.

At the end of June, Brazilian railroad operator Rumo tightened pricing sharply on the first green bond from Latin America in the coronavirus era (all the other green bonds from the region had been issued in January, before the pandemic), as bankers said that the environmental label gave investors more options over where to place the bond. In July, Banco Votoranting issued a green bond whose proceeds would be used to fund the acquisition, development, operation, and maintenance of renewable energy activities (appendix C, table 5).

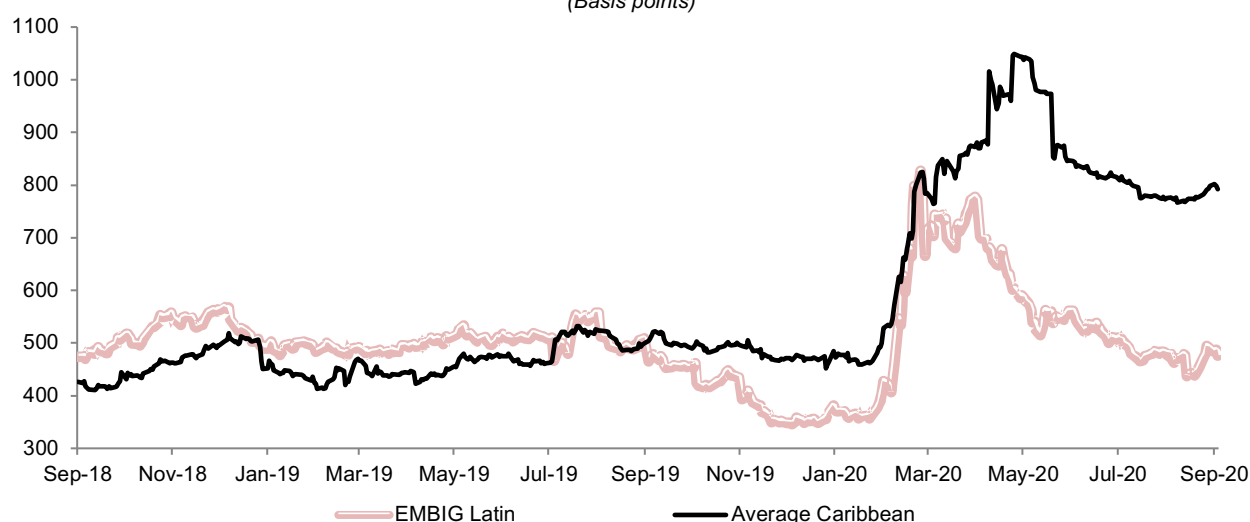
In August, CAF issued a green bond whose proceeds would be used for the reduction in the environmental footprint in the countries where CAF operates and issues loans, and another social bond in Japanese yens. In September, Brazil's Suzano issued a green/sustainability bond and Mexico issued a € 750 million (US\$ 9889 million-equivalent) 10-year SDG-bond with a 1.350% coupon.

Mexico's SDG-bond, the first sovereign SDG bond in the world, was an important step forward in the country's commitment to the achievement of the SDGs, and a major advance for development finance. The United Nations Development Programme (UNDP) was invited by the Government of Mexico to partner with them in this initiative. UNDP provided an opinion in the form of an alignment letter on the Framework and welcomed its unique features, including the use of the SDGs as an entry point, and an eligibility criterion that includes collecting spatial data to identify the most deprived communities. UNDP will also provide an opinion on the impact report. Investors have welcomed UNDP's participation which, they have said, strengthens the transparency and validity of the impact reporting. This issuance reinforces the importance of multilateral organizations in the process of issuing innovative financial instruments such as green, social and sustainability bonds, not only in providing a guarantee, but also in helping with their framework. It also stresses the importance of international cooperation, and of finding common frameworks and solutions for a sustainable future.

II. Bond markets and credit management in the Caribbean³

As the COVID-19 pandemic continues to spread across the globe, the Caribbean economies are being hit hard by the collapse of the tourism sector, which accounts for 50 to 90% of GDP and employment in some countries, and by the decline in commodity prices, which affects commodity exporters such as Guyana, Suriname, and Trinidad and Tobago. In the first nine months of 2020, Caribbean spreads on average spiked more than spreads for the LAC region as a whole. At the end of September, they were 316 basis points higher than the EMBIG Latin component (chart 27).

CHART 27:
EMBIG SPREADS, CARIBBEAN VERSUS LAC
(Basis points)

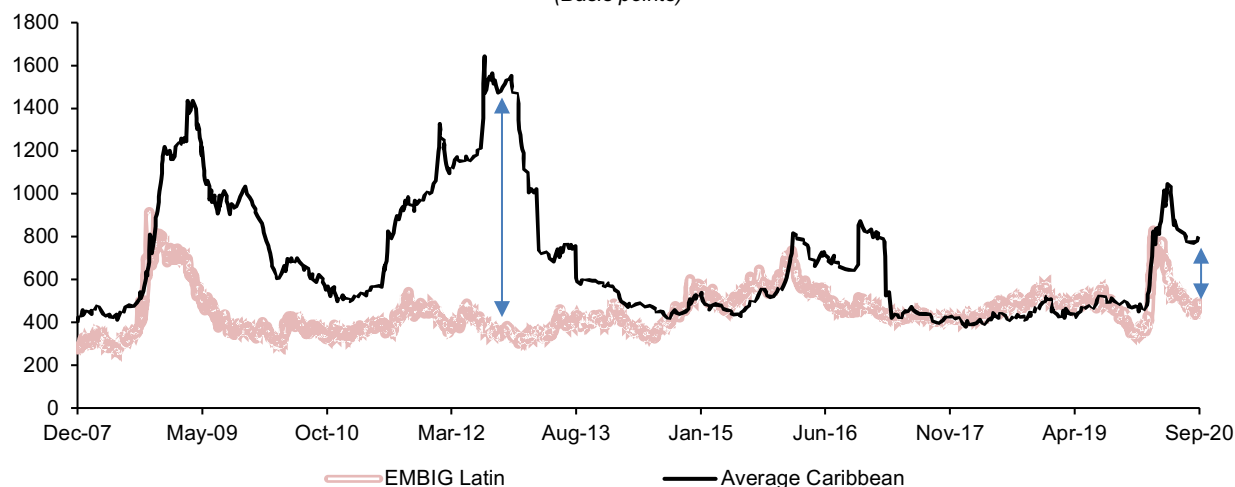


Source: ECLAC Washington Office, based on data from JPMorgan. The Caribbean average includes Belize, Jamaica, and Trinidad and Tobago.

³ Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Of these 13 countries, only a few have tapped international capital markets.

During the global financial crisis, this gap ballooned in the immediate aftermath of the global financial crisis of 2008, and again from late 2010 to 2012, reaching a peak of 1,220 basis points in September 2012. A number of Caribbean countries had to restructure bond payments, leading to one of the periods with the highest number of defaults on loan agreements in the Caribbean region. From May 2017 to the beginning of 2020, however, this gap had been muted (chart 28).

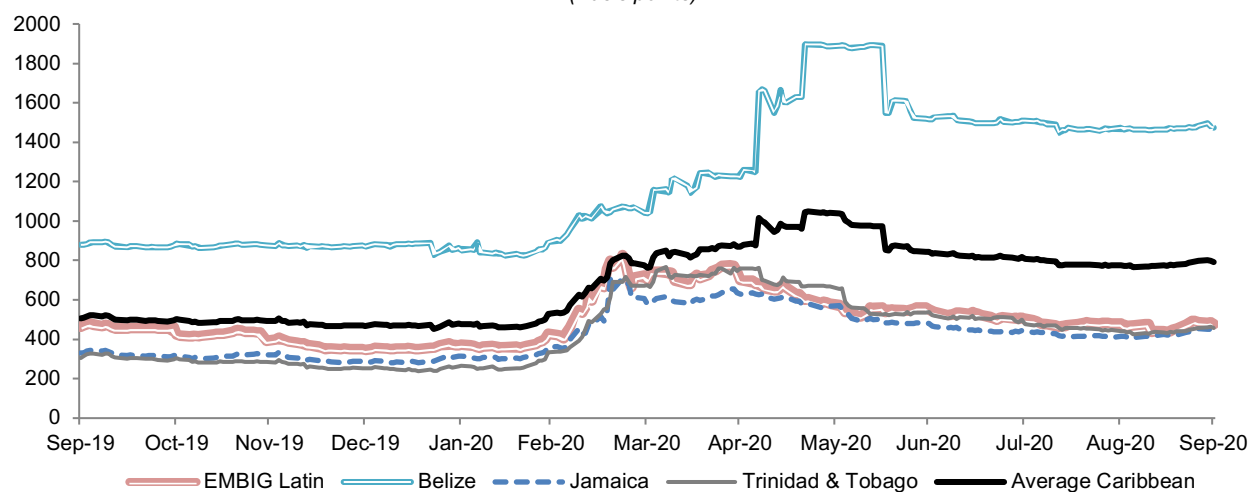
CHART 28:
EMBIG SPREADS, CARIBBEAN VERSUS LAC: 2007-2020 YTD
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan. The Caribbean average includes Belize, Jamaica, and Trinidad and Tobago.

Caribbean average spreads widened 324 basis points from January to September 2020. Spreads for Belize, Jamaica and Trinidad and Tobago widened 606, 161 and 204 basis points in the period, respectively. The widening in Belize's spreads reflected the strong hit to Belize's tourism sector and overall economy from the COVID-19 Pandemic and the elevated risks of the country entering into a distressed debt exchange. In fact, on 10 August 2020, the government of Belize announced it had reached an agreement with the bondholders of its U.S. dollar bonds due in 2034 on amendments to the terms of such bonds, what led to a downgrade in its credit rating to selective default by Standard and Poor's (chart 28).

CHART 29:
CARIBBEAN COUNTRIES: EMBIG SPREADS, SEP 2019-SEP 2020
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

Credit Rating Actions

The behavior of Caribbean spreads reflected developments in sovereign credit quality. There were 3 positive and 14 negative credit rating actions in the Caribbean in the first nine months of 2020 (table 5).

TABLE 5:
SOVEREIGN CREDIT RATING ACTIONS IN THE CARIBBEAN, JAN-SEP 2020

Date	Country	Action	
2020 YTD	3 positive and 14 negative actions		
Q1 2020	1 positive and 2 negative actions		
16-Jan-20	Suriname	Fitch downgrades Suriname's rating to CCC from B	<i>Negative</i>
29-Jan-20	Jamaica	Fitch revises outlook on Jamaica's B+ rating to positive from stable	<i>Positive</i>
26-Mar-20	Trinidad & Tobago	S&P downgrades T&T's rating to BBB- from BBB with a stable outlook	<i>Negative</i>
Q2 2020	0 positive and 3 negative actions		
1-Apr-20	Suriname	S&P downgrades Suriname's rating to CCC+ from B with a negative outlook	<i>Negative</i>
10-Apr-20	Jamaica	Fitch revises the outlook on Jamaica's B+ rating to stable from positive	<i>Negative</i>
14-Apr-20	Suriname	Moody's downgrades Suriname's Rating to B3 from B2 with a negative outlook	<i>Negative</i>
16-Apr-20	Belize	S&P downgrades Belize's to CCC from B- with a negative outlook	<i>Negative</i>
16-Apr-20	Jamaica	S&P revises the outlook on Jamaica's B+ rating to negative from stable	<i>Negative</i>
12-May-20	Belize	Moody's downgrades Belize's rating to Caa1 from B3 with a negative outlook	<i>Negative</i>
25-Jun-20	Bahamas	Moody's downgrades The Bahamas to Ba2 from Baa3 with a negative outlook	<i>Negative</i>
30-Jun-20	Belize	S&P downgrades Belize to CC, places ratings on CreditWatch negative	<i>Negative</i>
Q3	2 positive and 4 negative actions		
2-Jul-20	Suriname	Fitch downgrades Suriname's rating to C from CCC	<i>Negative</i>
7-Jul-20	Suriname	Moody's downgrades Suriname's rating to Caa3 from B3 with a negative outlook	<i>Negative</i>
13-Jul-20	Suriname	S&P downgrades Suriname's rating to SD from CCC+	<i>Negative</i>
13-Jul-20	Suriname	Fitch downgrades Suriname's rating to RD from C	<i>Negative</i>
16-Jul-20	Suriname	S&P upgrades Suriname's rating to CCC from SD with a stable outlook	<i>Positive</i>
16-Jul-20	Suriname	Fitch upgrades Suriname's rating to CC from RD	<i>Positive</i>

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch.

In the first quarter there was only one positive action, which was related to Jamaica. On January 29, Fitch revised the outlook on Jamaica's B+ rating to positive from stable saying that Jamaica would continue to make progress in reducing government debt, supported by large primary budget surpluses.

There were two negative actions in the first quarter, one at the beginning and the other at the end of the quarter. Both were downgrades related to commodity-exporters. On 16 January, Fitch downgraded Suriname's rating to CCC from B- citing a sharp increase in government debt, reduced financing flexibility and declining external liquidity, which increased risks to the government's capacity to service its foreign-currency liabilities, and the large government deficit coupled with the widening current account deficit, which increased risks of macro instability. The rating agency said it does not assign an outlook to ratings in line with CCC. On 26 March, Standard & Poor's downgraded Trinidad and Tobago's rating to BBB- from BBB with a stable outlook, expecting lower oil and gas prices over the next several years to weaken government revenues and lead to larger increases in net general government debt.

In the second quarter, there were eight negative actions, six of them downgrades. S&P downgraded Suriname's rating to CCC+ from B with a negative outlook, gauging the country's debt as exposed to substantive risks. On 1 April, S&P downgraded Suriname's ratings to CCC+ from B with a negative outlook, gauging the country's debt as exposed to substantive risks. On 14 April, Moody's downgraded Suriname's rating to B3 from B2 with a negative outlook, citing the significant deterioration in fiscal metrics as larger-than-expected fiscal deficits in 2018 and 2019 led to a sustained rise in government debt to 75% of GDP at the end of 2019. The downgrade also reflected heightened liquidity and external risks.

On 16 April, S&P downgraded Belize's to CCC from B- with a negative outlook, citing an expected strong hit to Belize's tourism sector and overall economy from the COVID-19 Pandemic. On 12 May, Moody's downgraded Belize's rating to Caa1 from B3 with a negative outlook citing and "increased and now very high probability" that it will either defer on interest payments or enter into a distressed debt exchange because of the economic stresses imposed by the coronavirus pandemic. On 25 June, Moody's downgraded the Bahamas' rating to Ba2 from Baa3 with a negative outlook, concluding review for downgrade, saying that the coronavirus crisis will weigh significantly on the economy over the medium term and funding conditions will become more constrained. On 30 June, S&P downgraded Belize's rating to CC from CCC and placed the ratings on CreditWatch with negative implications, citing elevated risks of the country entering into a distressed debt exchange.

In the third quarter, there were two positive and four negative credit rating actions, all related to Suriname. Suriname started a distressed debt exchange in the beginning of July and was downgraded accordingly. By the end of the month Suriname had completed the restructuring process, rescheduling the principal payments of Suriname's 2023 notes and amending the terms of the related accounts agreement, which the agencies deemed to constitute the execution and completion of a distressed debt restructuring. Suriname's credit ratings were then upgraded as a result.

However, increasing spending pressures related to the coronavirus have raised financing needs and led to a severe tightening of financial conditions in Suriname. The government said it was postponing a debt payment due on 26 October – interest payment of approximately US\$ 25 million on its 9.25% 2026 bonds – and invoked a 30-day grace period as it seeks to restructure its external debt amid an economic downturn exacerbated by the COVID-19 pandemic.

Debt issuance

There were only two debt issuances from the Caribbean region in the first nine months of 2020. On 7 February, Trans-Jamaican Highway Limited (TJH) issued a project bond. This is a toll road concession owned by the Jamaican government and the largest infrastructure project ever undertaken in the English-speaking Caribbean, according to LatinFinance, a source of intelligence on the financial markets and economies of Latin America and the Caribbean. Not only this was the first Jamaican infrastructure asset financed in the international capital markets, but it also represented one of two infrastructure assets in LAC to have received a credit rating above the sovereign rating at the time of the issuance. TJH's only previous bond sale took place in 2001. On 3 March, Jamaica's National Road Operating and Construction Company (NROCC) sold 80% of the TJH for JMD 14.1 billion (US\$ 100 million) through an initial public offering (IPO) on the local stock exchange, the largest initial public offering in Jamaica to date.

On 22 June, the Republic of Trinidad and Tobago issued a 10-year US\$ 500 million bond with a 4.5% coupon, returning to international bond markets after almost four years of absence (last issuance was in July 2016).

III. Portfolio equity flows

According to the MSCI Latin American Index, Latin American stocks lost 37% in the first nine months of 2020 (table 6), while the broader emerging market index was down 2.9% in dollar terms in the same period. The MSCI G7 index gained 1.1%. LAC equities underperformed in part due to currency depreciation, as well as the impact of the pandemic and the oil shock on the region.

TABLE 6:
MSCI EQUITY INDICES, 2020 JAN-SEP

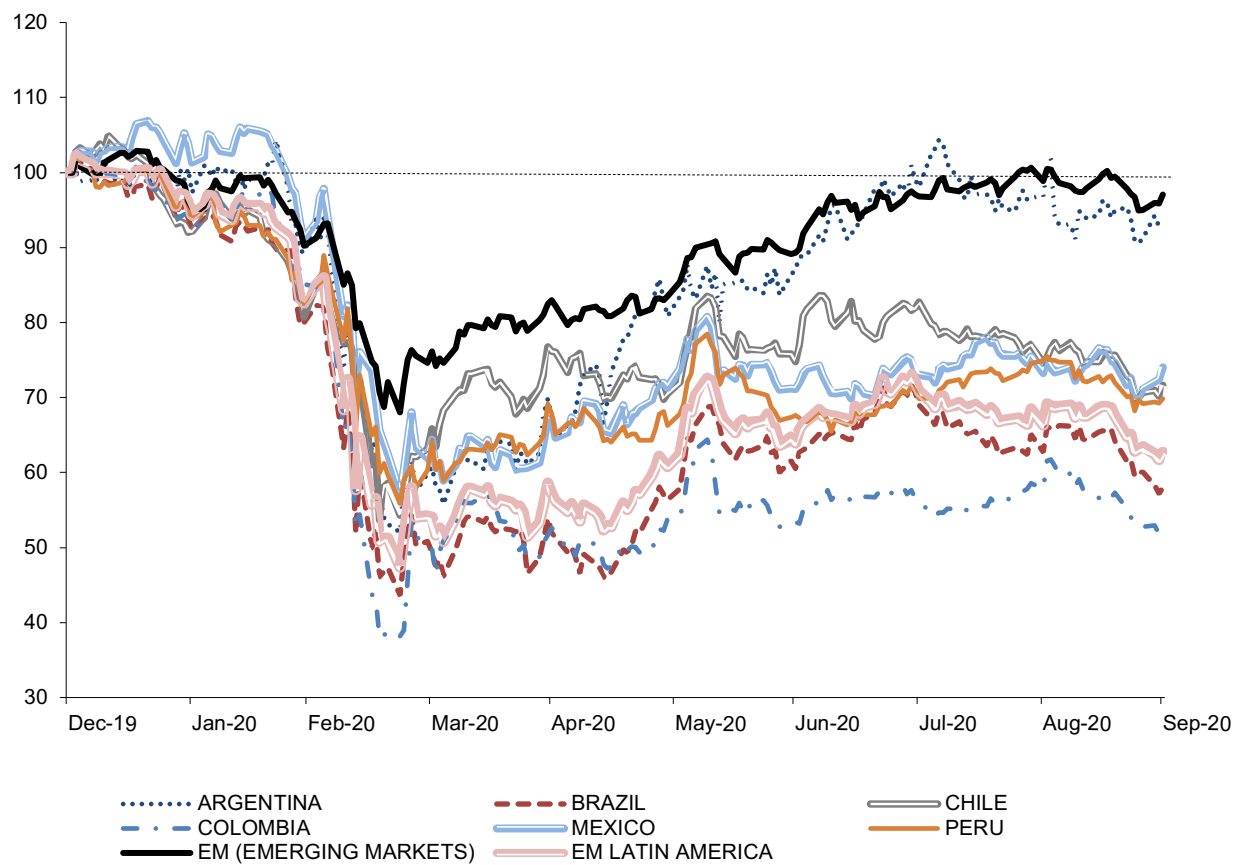
	Price Index in USD				Variation			
	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Q1 2020	Q2 2019	Q3 2019	2020 YTD
<i>Emerging markets</i>	1,114.660	848.577	995.098	1081.996	-23.87%	17.27%	8.73%	-2.93%
<i>Latin America</i>	2,917.725	1,576.600	1,866.548	1,828.16	-45.96%	18.39%	-2.06%	-37.34%
<i>Argentina</i>	1,589.058	964.245	1,385.62	1,478.02	-39.32%	43.70%	6.67%	-6.99%
<i>Brazil</i>	2,373.010	1,172.104	1,436.38	1,375.22	-50.61%	22.55%	-4.26%	-42.05%
<i>Chile</i>	1,300.101	856.268	972.185	931.234	-34.14%	13.54%	-4.21%	-28.37%
<i>Colombia</i>	691.777	344.152	368.97	361.048	-50.25%	7.21%	-2.15%	-47.81%
<i>Mexico</i>	4,758.127	3,062.286	3,385.86	3,520.59	-35.64%	10.57%	3.98%	-26.01%
<i>Peru</i>	1,680.083	1,077.046	1,136.07	1,173.56	-35.89%	5.48%	3.30%	-30.15%

Source: ECLAC Washington Office, based on data from MSCI Equity Indices, <http://www.msci.com/equity/index2.html>

In Brazil and Colombia, cumulative losses were over 40% (42% and 48%, respectively) at the end of September. Losses exceeded 30% in Peru, and in Chile and Mexico were over 25% (28% and 26%, respectively). Only Argentinean equities registered a single-digit loss (chart 30).

However, LAC equities have been slowly recovering the lost ground. In Brazil there has been a sharp uptick in the number of companies filing for initial public offerings (IPOs) on São Paulo's B3 Stock Exchange. According to LatinFinance Autumn magazine, this is evidence of the surging appetite for Brazilian equities as investors, hungry for returns and faced with a historically low interest rate and low inflation, shift away from fixed return instruments. By mid-September almost 60 companies registered for IPOs since the start of the year, out of which a dozen companies successfully launched equity offerings.

CHART 30:
MSCI EQUITY PRICE INDEX, JAN-SEP 2020



Source: ECLAC Washington Office, based on data from MSCI Equity Indices, <http://www.msci.com/equity/index2.html>. Prices at the end of the month.

IV. Prospects

The improved market liquidity created by the U.S. Federal Reserve and the European Central Bank since March has offered relief to LAC sovereign and corporate issuers in the first nine months of the year. In October, however, while US\$ 3.72 billion in external debt was issued in cross-border markets in the first half of the month,⁴ a significant slowdown is observed in the second half, reflecting caution in the run-up to the U.S. elections. November could record some deals if post-election volatility does not materialize.

Not all countries and not all companies of the region have access to international markets, and for the issuers that do have access, there is a risk that they may lose it if the economic recovery is weaker and the damage from the pandemic more persistent than expected. The lockdowns have battered LAC economies, forcing governments to issue more debt under emergency circumstances. Revenues have sharply declined, government deficits have widened, and financing needs have increased, leading to surging debt levels. Ongoing funding needs among sovereign issuers are expected to continue, and one of the questions is what will be the mix of international debt versus local debt, as the debt burden rises.

Economic growth in the region was already slow and fiscal space already constrained before the pandemic. Weak fiscal positions mean that government support might be constrained going forward, with the current level of support in response to the pandemic likely to be scaled back sharply absent a solution that involves resources from the international financial community.

The green, social and sustainability bond market may present a unique opportunity to help with economic recovery in the fight against the damage inflicted by the COVID-19 pandemic. Green bonds can help fund sustainable infrastructure, and social bonds could be a way to raise funds to help fortify health systems. In September 2020, Mexico became the first country in the world to issue a sovereign Sustainable Development Goals (SDGs) bond, an important step forward in the country's commitment to the achievement of the SDGs, and a major advance for development finance.

⁴ Issuances in the first two weeks of October included bonds from the Bahamas, Mexico's PEMEX and a debut in international markets from the Chilean mining company Antofagasta, as well as re-taps from Brazil's Petrobras and Colombia's energy utility company Promigas.

Appendix

A. Credit Rating

**TABLE 1:
CREDIT RATINGS IN LATIN AMERICA AND THE CARIBBEAN, 2020 YTD**

	Moody's		S&P		Fitch		Recent Moody's Action		Recent S&P Action		Recent Fitch Action	
	Rating	View	Rating	View	Rating	View	Action	Date	Action	Date	Action	Date
Argentina	Ca		CCC+		CCC		O/L changed to stable from (-)	28-Sep-20	Upgrade, O/L stable	7-Sep-20	Upgrade	10-Sep-20
Bahamas	Ba1	(-)	BB+				Downgrade, O/L (-)	25-Jun-20	Affirmed, O/L stable	14-Dec-18		
Barbados	Caa1		B-		NR		Upgrade, O/L stable	2-Jul-19	Upgrade, O/L stable	11-Dec-19		
Belize	Caa1	(-)	CCC+		NR		Downgrade, O/L (-)	12-May-20	Upgrade, O/L stable	21-Aug-20		
Bolivia	B2		B+		B		Downgrade, O/L stable	22-Sep-20	Downgrade, O/L stable	17-Apr-20	Downgrade, O/L stable	30-Sep-20
Brazil	Ba2		BB-		BB-	(-)	O/L changed to stable from (-)	9-Apr-18	O/L changed to stable from (+)	6-Apr-20	O/L changed to (-)	5-May-20
Chile	A1	(-)	A+	(-)	A-		O/L changed to (-) from stable	25-Aug-18	O/L changed to (-)	27-Apr-20	Downgrade, O/L stable	15-Oct-20
Colombia	Baa2		BBB-	(-)	BBB-	(-)	O/L changed to stable from (-)	23-May-19	O/L changed to (-)	26-Mar-20	Downgrade, O/L (-)	1-Apr-20
Costa Rica	B2	(-)	B		B	(-)	O/L changed to (-)	2-Jun-20	Downgrade, O/L (-)	9-Jun-20	Downgrade, O/L (-)	12-May-20
Cuba	Caa2		NR		NR		Affirmed, O/L stable	13-Sep-19				
Dom. Rep.	Ba3		BB-	(-)	BB-	(-)	Affirmed, O/L stable	27-Feb-19	O/L changed to (-)	16-Apr-20	O/L changed to (-)	8-May-20
Ecuador	Caa3	(-)	B-		B-		Downgrade, O/L (-)	3-Apr-20	Upgrade, O/L stable	1-Sep-20	Upgrade	3-Sep-20
El Salvador	B3	(+)	B-		B-	(-)	O/L changed to (+)	12-Mar-20	Affirmed, O/L stable	21-Apr-20	O/L changed to (-)	30-Apr-20
Guatemala	Ba1		BB-		BB-		Affirmed, O/L stable	11-Jun-18	Affirmed, O/L stable	3-Dec-19	Downgrade, O/L stable	3-Apr-20
Honduras	B1		BB-		NR		Affirmed, O/L stable	12-Jun-19	Affirmed, O/L stable	25-Jul-19		
Jamaica	B2		B+	(-)	B+		Upgrade, O/L stable	11-Dec-19	O/L changed to (-)	16-Apr-20	O/L changed to stable from (+)	10-Apr-20
Mexico	Baa1	(-)	BBB	(-)	BBB-		Downgrade, O/L (-)	17-Apr-20	Downgrade, O/L (-)	26-Mar-20	Downgrade, O/L stable	15-Apr-20
Nicaragua	B3		B-		B-	(-)	Downgrade, O/L stable	15-Feb-20	O/L changed to stable from (-)	8-Nov-19	O/L changed to (-)	17-Jun-20
Panama	Baa1	(-)	BBB+	(-)	BBB	(-)	O/L changed to (-) from stable	20-Oct-20	O/L changed to (-)	24-Apr-20	O/L changed to (-)	6-Feb-20
Paraguay	Ba1		BB		BB+		Affirmed, O/L stable	21-Jun-18	Affirmed, O/L stable	12-Jun-19	Affirmed, O/L stable	6-Dec-19
Peru	A3		BBB+		BBB+		Affirmed, O/L stable	25-Jun-19	Affirmed, O/L stable	19-Feb-19	Affirmed, O/L stable	25-Sep-19
St Vincent	B3						Affirmed, O/L stable	30-Apr-18				
Suriname	Caa3	(-)	CCC		CC		Downgrade, O/L (-)	7-Jul-20	Upgrade, O/L stable	16-Sep-20	Upgrade	16-Jul-20
T & T	Ba1	(-)	BBB-		NR		O/L changed to (-)	22-May-20	Downgrade, O/L stable	26-Mar-20		
Uruguay	Baa2		BBB		BBB-	(-)	Affirmed, O/L stable	6-Aug-19	Affirmed, O/L stable	7-May-19	Affirmed, O/L (-)	27-Jun-19
Venezuela	C		SD	NM	RD		Downgrade, O/L stable	9-Mar-18	Affirmed	22-Feb-19	Affirmed and withdrawn	27-Jun-19

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch. Changes for 2020 YTD are in pink.

Note: Moody's ratings are qualified by outlooks and reviews while S&P and Fitch ratings are qualified by outlooks and watches. A review/watch [+ or -] is indicative of a likely short-term development. An outlook [(+) or (-)] suggests that a review/watch or long/intermediate-term movement is likely.

BOX 1: CREDIT RATING ACTIONS IN LATIN AMERICA AND THE CARIBBEAN – 2020 YTD

There have been 11 positive and 57 negative actions in Latin America and the Caribbean in 2020 YTD (as of October 20).

Positive Actions: 11 (Bold)*January*

- Jamaica (January 29): **Fitch revises outlook on Jamaica's B+ rating to positive from stable** saying that Jamaica will continue to make progress in reducing government debt, supported by large primary budget surpluses.

February

- St. Vincent and the Grenadines (February 27): Moody's affirms St. Vincent and the Grenadines' B3 rating with a stable outlook (*no change*).

March

- El Salvador (March 12): **Moody's changes outlook on E Salvador's B3 rating to positive from stable**, citing reduced liquidity risks and improved business conditions.

April

- Argentina (April 7): **Fitch upgrades Argentina's rating to CC from RD**, following the unilateral re-profiling via executive decree of locally issued foreign currency debt instruments, which Fitch deems to constitute the execution and completion of a distressed debt exchange (DDE). [Cancels out the downgrade to RD on April 6]
- El Salvador (April 21): S&P affirms El Salvador's B- rating with a stable outlook (*no change*).

May

- Brazil (May 16): Moody's affirms Brazil's Ba2 rating with a stable outlook (*no change*).

June

- Peru (June 3): Fitch affirms Peru's BBB+ rating with a stable outlook (*no change*).
- Guatemala (June 23): Moody's affirms Guatemala's Ba1 rating with a stable outlook (*no change*).

July

- Suriname (July 16): **S&P upgrades Suriname's rating to CCC from SD with a stable outlook**, on completion of bond restructuring.
- Suriname (July 16): **Fitch upgrades Suriname's rating to CC from RD**, following the completion of the "consent solicitation" to reschedule the principal payments of Suriname's 2023 notes and amend the terms of the related accounts agreement, which Fitch deems to constitute the execution and completion of a distressed debt restructuring.

August

- Belize (August 21): **S&P upgrades Belize's rating to CCC+ from SD with a stable outlook**, following completion of debt exchange and reflecting Belize's post-restructuring creditworthiness.

September

- Ecuador (September 1): **S&P upgrades Ecuador's rating to B- from SD with a stable outlook**, on completed debt exchange.
- Ecuador (September 3): **Fitch upgrades Ecuador's rating to B- from RD with a stable outlook**, following the completion of a 'distressed debt exchange' (DDE) that Fitch deems to have cured the default event initiated by the 'consent solicitation' in April.
- Argentina (September 7): **S&P upgrades Argentina's rating to CCC+ from SD with a stable outlook**, on settlement of restructuring of foreign and local debt.
- Argentina (September 10): **Fitch upgrades Argentina's rating to CCC from RD**, following the completion of distressed debt exchanges (DDEs) on its foreign currency sovereign debt securities in both local and external markets that Fitch deems to have cured the default event initiated by missed payments in May and preceded by several local bond reprofiling done via decree.
- Argentina (September 28): **Moody's revises its outlook on Argentina's Ca rating to stable from negative**, citing a materially lower risk that future losses will exceed those implicitly incorporated in Argentina's current Ca rating in the aftermath of the recent debt restructuring.

Box 1– (cont.)**Negative Actions: 57 (Bold)***January*

- Suriname (January 16): **Fitch downgrades Suriname's rating to CCC from B-**, citing a sharp increase in government debt, reduced financing flexibility and declining external liquidity, which increase risks to the government's capacity to service its foreign-currency (FC) liabilities. It added that the large government deficit coupled with the widening current account deficit, in advance of May 2020 parliamentary elections, are inconsistent with the stabilized exchange rate, increasing risk of macro instability. The rating agency said it does not assign an outlook to ratings in line with CCC.

February

- Ecuador (February 6): **Moody's downgrades Ecuador's rating to Caa1 from B3 with stable outlook**, saying market access is likely to remain constrained, and considerable resistance to the adoption of urgent reforms.
- Panama (February 6): **Fitch revises its outlook on Panama's BBB rating to negative from stable**, citing a marked deterioration in fiscal deficits and a significant increase of the government's debt burden
- Costa Rica (February 10): **Moody's downgrades Costa Rica's rating to B2 from B1 with a stable outlook**, citing high fiscal deficits and recurring funding challenges.
- Nicaragua (February 14): **Moody's downgrades Nicaragua's rating to B3 from B2 with a stable outlook**, citing weakening economic strength and risk of reduced access to official external credit creating funding challenges.
- Uruguay (February 20): Fitch affirms Uruguay at BBB- and keeps the negative outlook (*no change*).

March

- Bolivia (March 10): **Moody's downgrades Bolivia's rating to B1 from Ba3 with a negative outlook**, citing erosion of fiscal and foreign exchange reserve buffers in recent years, ongoing challenges in the hydrocarbon sector and policy uncertainty.
- Chile (March 12): **Fitch revises the outlook on Chile's A rating to negative from stable**, citing significant deterioration in Fitch's baseline scenario for lower growth prospects and higher fiscal deficits and debt levels following the social unrest that began in mid-October 2019.
- Ecuador (March 19): **Fitch downgrades Ecuador's rating to CCC from B-**, citing heightened risks to debt repayment capacity given the decline in oil prices, loss of market access and developments hindering timely disbursements of fund from the IMF and other multilaterals.
- Ecuador (March 24): **Fitch downgrades Ecuador's rating to CC from CCC**, signaling its expectation that a default of some kind is probable following announcement by the authorities of their intent to renegotiate the terms of commercial debt liabilities while using the grace period on bond coupons due this week.
- Ecuador (March 25): **S&P downgrades Ecuador's rating to CCC- from B- and places it on negative watch**, saying that a default, distressed exchange, or redemption appears inevitable within the next six months.
- Colombia (March 26): **S&P revises the outlook on Colombia's BBB rating to negative from stable**, citing downside risks to fiscal and external metrics over the next 18 months and underlining the impact of COVID-19 in the global economy along with the fall in oil prices.
- Mexico (March 26): **S&P downgrades Mexico's rating to BBB from BBB+ with a negative outlook**, saying the effects from the COVID-19 outbreak and the oil price shock will undermine Mexico's already modest economic growth.
- Trinidad and Tobago (March 26): **S&P downgrades T&T's rating to BBB- from BBB with a stable outlook**, saying it expects lower oil and gas prices over the next several years will weaken Trinidad and Tobago's government revenues and lead to larger increases in net general government debt.

April

- Colombia (April 1): **Fitch downgrades Colombia's rating to BBB- from BBB with a negative outlook**, citing the likely weakening of key fiscal metrics in the wake of the economic downturn caused by a combination of shocks stemming from the sharp fall in the oil price and efforts to combat the coronavirus pandemic.
- Suriname (April 1): **S&P downgrades Suriname's rating to CCC+ from B with a negative outlook**, gauging the country's debt as exposed to substantive risks.
- Argentina (April 3): **Moody's downgrades Argentina to Ca from Caa2 with a negative outlook**, citing expectation that private creditors will likely incur substantial losses in the government restructuring process as the economic and financial shock stemming from the pandemic compounds the funding stress.

Box 1– (cont.)

- Ecuador (April 3): **Moody's downgrades Ecuador's rating to Caa3 from Caa1 with a negative outlook**, citing very high probability of restructuring, distressed exchange or default on its market debt as a result of the economic and financial shock due to the coronavirus outbreak, which has led to extremely tight financing conditions.
- Guatemala (April 3): **Fitch downgrades Guatemala's rating to BB- from BB with a stable outlook**, pointing to diminishing fiscal flexibility due to the government's low tax collection amid continuous political gridlock preventing forceful fiscal measures, as well as a downward revision to growth prospects related to the global pandemic.
- Argentina (April 6): **Fitch downgrades Argentina's rating to RD from CC** following a decree from Argentina's government that postponed upcoming payments on locally issued foreign currency debt obligations. In accordance with Fitch Ratings' criteria, this development constituted a "distressed debt exchange" (DDE) and default on Argentina's sovereign obligations.
- Brazil (April 6): **S&P revises the outlook on Brazil's BB- rating to stable from positive** on uncertainty related to COVID-19.
- Argentina (April 7): **S&P downgrades Argentina's rating to SD from CCC-**, following a government decree (Decreto 346/2020) effective April 6 that postpones payment of U.S.-dollar-denominated principal and interest on local-law debt to at least 2021, or when deemed feasible by the government.
- Bahamas (April 9): **Moody's places The Bahamas' Baa3 ratings on review for downgrade**, citing significant risks to its economic and fiscal metrics as a result of the coronavirus outbreak.
- Ecuador (April 9): **Fitch downgrades Ecuador's rating to C from CC**, saying the C rating reflects Fitch's view that a sovereign default of some kind is imminent following the "consent solicitation" made by the Ecuadorian government to defer external bond payments while it pursues a comprehensive restructuring. A deferment in payments, if agreed to by bondholders, would constitute a distressed debt exchange (DDE) in Fitch's view.
- Jamaica (April 10): **Fitch revises the outlook on Jamaica's B+ rating to stable from positive**, citing the shock to Jamaica from the coronavirus pandemic, which is expected to lead to a sharp contraction in its main sources of foreign currency revenues: tourism, remittances and alumina exports.
- Ecuador (April 13): **S&P downgrades Ecuador's rating to SD from CCC-** on expectation of missed interest payment and distressed exchange.
- Suriname (April 14): **Moody's downgrades Suriname's Rating to B3 from B2 with a negative outlook**, citing the significant deterioration in fiscal metrics as larger-than-expected fiscal deficits in 2018 and 2019 have led to a sustained rise in government debt to 75% of GDP at the end of 2019. The downgrade also reflects heightened liquidity and external risks.
- Mexico (April 15): **Fitch downgrades Mexico's rating to BBB- from BBB with a stable outlook**, saying the coronavirus pandemic will likely spur a severe recession that an already fraught business environment will be unable to recover from quickly.
- Belize (April 16): **S&P downgrades Belize's to CCC from B- with a negative outlook**, citing an expected strong hit to Belize's tourism sector and overall economy from the COVID-19 Pandemic.
- Dominican Republic (April 16): **S&P revises the outlook on Dominican Republic's BB- rating to negative from stable**, citing the potential impact of the COVID-19 pandemic, and associated containment measures, on the sovereign's vulnerable fiscal and external profiles.
- Jamaica (April 16): **S&P revises the outlook on Jamaica's B+ rating to negative from stable**, saying the global spread of COVID-19 will have unprecedented implications for tourism-dependent sovereigns in the Caribbean.
- Bolivia (April 17): **S&P downgrades Bolivia's rating to B+ from BB- with a stable outlook**, saying that the impact of the COVID-19 pandemic and lower global energy prices, coupled with constrained room to maneuver on policy ahead of this year's election, has further eroded Bolivia's once large external buffers, resulting in a weaker external profile.
- Mexico (April 17): **Moody's downgrades Mexico's rating to Baa1 from A3 with a negative outlook**, saying medium-term economic growth prospects have materially weakened, and that the continued deterioration in Pemex's financial standing is eroding the sovereign's fiscal strength.
- Ecuador (April 20): **Fitch downgrades Ecuador's rating to RD from C**, following the agreement by commercial bondholders to the government's "consent solicitation" to defer upcoming bond repayments by four months, which Fitch deems to be the first step in a distressed debt exchange (DDE).
- Panama (April 24): **S&P revises the outlook on Panama's BBB+ rating to negative from stable**, saying that the COVID-19 pandemic will temporarily halt economic growth and fiscal consolidation in Panama.

Box 1– (cont.)

- Chile (April 27): **S&P revises the outlook on Chile’s A+ rating to negative from stable**, citing risks to its economic growth prospects from both the measures it has taken to contain the COVID-19 pandemic as well as the legacy of recent public protests over economic inequality.
- El Salvador (April 30): **Fitch revises the outlook on El Salvador’s B- rating to negative from stable**, reflecting the deterioration in debt sustainability metrics as a result of the widening of the fiscal deficit and economic contraction as well as financing constraints stemming from increased reliance on short-term debt, limited scope for additional local market financing and uncertain access to external market financing given high borrowing costs.

May

- Brazil (May 5): **Fitch revises the outlook on Brazil’s BB- rating to negative from stable**, saying the economic and fiscal deterioration due to the COVID-19 pandemic is being compounded by political tensions.
- Dominican Republic (May 8): **Fitch revises the outlook on Dominican Republic’s BB- rating to negative from stable**, citing the negative impact on tourism and remittances due to the coronavirus pandemic.
- Belize (May 12): **Moody’s downgrades Belize’s rating to Caa1 from B3 with a negative outlook** citing and “increased and now very high probability” that it will either defer on interest payments or enter into a distressed debt exchange because of the economic stresses imposed by the coronavirus pandemic.
- Costa Rica (May 12): **Fitch downgrades Costa Rica’s rating to B from B+ with a negative outlook**, saying widening deficits and mounting debt obligations have led to increased risks in the near term as the economy suffers from the effects of the coronavirus pandemic.
- Trinidad and Tobago (May 22): **Moody’s revises the outlook on Trinidad and Tobago’s Ba1 ratings to negative from stable**, citing increased downside risks to economic and fiscal strength stemming from medium-term challenges that have been exacerbated by the severe shock to global oil and gas demand and prices, triggered by the coronavirus pandemic.
- Argentina (May 26): **Fitch downgrades Argentina’s Rating to Restricted default (RD) from C**, following the failure of the authorities to pay interest due on three sovereign bonds within the stipulated 30-day grace period that expired on May 22.

June

- Costa Rica (June 2): **Moody’s revises the outlook on Costa Rica’s B2 rating to negative from stable**, citing increased funding risks due to higher borrowing requirements resulting from pandemic-related economic and fiscal shocks.
- Costa Rica (June 9): **S&P downgrades Costa Rica’s rating to B from B+ with a negative outlook**, saying that amid the strain associated with the global COVID-19 pandemic, it expects a deeper contraction in Costa Rican GDP and more persistent deterioration of the government’s fiscal profile in 2020 and 2021.
- Nicaragua (June 17): **Fitch revises the outlook on Nicaragua’s B- rating to negative from stable**, reflecting increased financing risks amid a revenues shock caused by the coronavirus pandemic.
- The Bahamas (June 25): **Moody’s downgrades The Bahamas’ rating to Ba2 from Baa3 with a negative outlook**, concluding review for downgrade, saying that the coronavirus crisis will weigh significantly on the economy over the medium term and funding conditions will become more constrained.
- Belize (June 30): **S&P downgrades Belize’s rating to CC from CCC and placed the ratings on CreditWatch with negative implications**, citing elevated risks of the country entering into a distressed debt exchange.

July

- Suriname (July 2): **Fitch downgrades Suriname’s rating to C from CCC**, saying the sovereign had started a distressed debt exchange.
- Suriname (July 7): **Moody’s downgrades Suriname’s rating to Caa3 from B3 with a negative outlook**, citing increasing spending pressures related to the coronavirus that has raised financing needs and led to a severe tightening of financial conditions.
- Suriname (July 13): **S&P downgrades Suriname’s rating to SD from CCC+**, on distressed debt exchange.
- Suriname (July 13): **Fitch downgrades Suriname’s rating to RD from C**, saying that the agreement by commercial bondholders on July 9 to the government’s “consent solicitation” constitutes a distressed debt restructuring and a default event according to Fitch’s sovereign rating criteria.

Box 1– (conclusion)*August*

- Belize (August 12): **S&P downgrades Belize's rating to SD from CC** following announcement of debt exchange. On Aug. 10, 2020, the government of Belize announced it had reached an agreement with the bondholders of its U.S. dollar bonds due in 2034 on amendments to the terms of such bonds.
- Chile (August 25): **Moody's revises outlook on Chile's A1 rating to negative from stable**, citing increasing risks to Chile's fiscal strength, a trend that is being accelerated by the pandemic shock.

September

- Bolivia (September 22): **Moody's downgrades Bolivia's ratings to B2 from B1 with a stable outlook**, saying that absent meaningful fiscal consolidation and a sustained economic recovery, the sharp deterioration in fiscal and debt metrics will continue to undermine Panama's credit profile in the coming years.
- Bolivia (September 30): **Fitch downgrades Bolivia's rating to B from B+ with a stable outlook**, citing deterioration in the country's growth prospects and public finances amid acute political tensions.

October

- Uruguay (October 8): Fitch affirms Uruguay's rating at BBB- with a negative outlook (*no change*).
- Chile (October 15): **Fitch downgrades Chile's ratings to A- from A with a stable outlook**, citing the weakening of the public finances in the wake of pressures to increase social spending in the aftermath of widescale protests in October-November 2019.
- Panama (October 20): **Moody's revises outlook on Panama's Baa1 rating to negative from stable**, citing increasing risks to Chile's fiscal strength, a trend that is being accelerated by the pandemic shock.

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, Fitch and various market sources.

B. Latin American Spreads

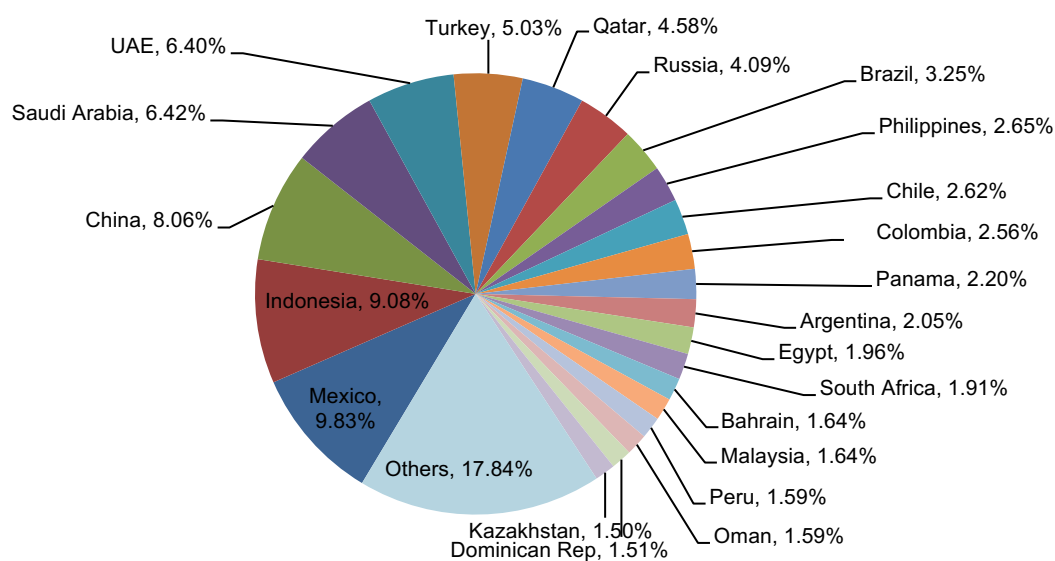
TABLE 2:
SOVEREIGN SPREADS ON JPMORGAN EMBI GLOBAL AND LATIN AMERICAN COMPOSITES
(Basis Points)

	EMBI Global	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Uruguay	Venezuela	Latin America	Bolivia	Paraguay
30-Sep-16	360	441	324	180	221	845	294	154	232	2053	456	142	276
31-Oct-16	364	452	316	177	237	743	293	155	230	2316	467	130	268
30-Nov-16	388	515	338	174	252	736	330	173	252	2343	510	82	298
30-Dec-16	365	455	330	158	225	647	296	170	244	2168	473	83	281
31-Jan-17	352	469	291	144	209	590	296	159	225	2056	455	75	274
28-Feb-17	334	458	280	130	202	572	275	152	227	2050	436	58	267
31-Mar-17	331	442	264	133	192	666	255	146	209	2377	436	102	241
30-Apr-17	321	405	259	136	195	667	254	144	204	2151	419	212	241
31-May-17	323	407	282	134	203	694	255	145	205	2228	426	221	236
30-Jun-17	328	432	284	132	200	706	255	145	193	2464	435	211	225
31-Jul-17	324	448	263	123	194	673	237	152	182	2977	434	217	213
31-Aug-17	321	402	265	130	195	643	244	153	181	3125	424	225	220
29-Sep-17	308	377	240	128	185	606	233	140	165	3094	407	217	211
31-Oct-17	307	361	237	118	183	563	247	136	154	3171	403	204	196
30-Nov-17	313	357	234	123	176	507	232	133	145	4717	417	202	194
29-Dec-17	311	351	232	117	173	459	245	136	146	4854	419	203	200
31-Jan-18	292	375	217	106	153	442	223	119	136	4660	399	160	177
28-Feb-18	311	405	226	120	178	490	238	137	146	4625	418	205	191
29-Mar-18	326	420	238	128	180	544	252	156	168	4189	426	209	218
30-Apr-18	335	431	242	130	182	667	263	152	185	4344	443	208	225
31-May-18	367	521	299	145	205	671	288	168	197	4565	479	250	241
29-Jun-18	388	608	326	144	197	761	281	166	200	5011	497	295	245
31-Jul-18	354	556	263	133	177	603	274	143	169	5086	465	244	198
31-Aug-18	400	771	337	141	184	725	282	147	174	5807	514	248	209
28-Sep-18	362	623	289	124	168	622	256	133	156	5499	474	202	214
31-Oct-18	392	652	256	140	186	722	307	152	185	5803	512	275	231
30-Nov-18	420	706	265	157	210	740	347	162	202	6255	544	342	254
31-Dec-18	435	817	273	166	228	826	357	168	207	6845	568	378	260
31-Jan-19	378	676	235	145	191	690	330	145	179	4770	498	309	225
28-Feb-19	361	697	230	129	186	589	316	131	167	5303	484	277	213
29-Mar-19	373	774	248	133	184	592	308	130	170	5224	488	280	222
30-Apr-19	365	950	245	127	176	560	292	126	171	5546	495	268	211
31-May-19	393	985	267	145	212	619	329	148	194	5578	527	282	245
28-Jun-19	366	835	232	135	181	580	329	124	172	8867	517	253	212
31-Jul-19	333	781	206	125	175	603	323	117	159	11945	467	232	202
30-Aug-19	361	2532	241	133	179	705	334	122	169	11179	513	291	233
30-Sep-19	338	2143	239	139	183	677	317	131	177	18473	465	291	237
31-Oct-19	323	2278	233	141	182	789	320	131	173	16671	424	321	229
29-Nov-19	309	2262	236	149	188	1146	320	126	169	13554	394	312	233
31-Dec-19	277	1744	212	135	161	826	292	107	148	14740	346	218	203
31-Jan-20	299	2068	224	149	176	1018	308	122	159	16553	372	296	231
28-Feb-20	354	2283	251	180	212	1466	372	156	196	12246	428	341	253
31-Mar-20	577	3803	389	301	376	4553	653	265	298	19270	703	645	429
30-Apr-20	557	3472	420	284	392	5129	656	257	301	22140	702	698	401
29-May-20	463	2627	388	226	288	3907	536	191	243	27907	581	614	339
30-Jun-20	433	2495	373	211	293	3373	526	182	215	30757	552	630	312
31-Jul-20	401	2263	328	185	253	2755	493	150	183	33118	500	575	275
31-Aug-20	385	2147	314	175	250	2813	459	151	170	31216	480	577	246
30-Sep-20	398	1300	334	183	262	1015	501	170	186	29608	476	622	267

Source: ECLAC, Washington Office, based on data from JPMorgan.

EMBI Global composition by country (end-September 2020): Mexico, Brazil and Chile account for 15.7% of the total weighting.

EMBI Global composition by region: Latin: 30.55%; Non-Latin: 69.45%.

EMBI GLOBAL COMPOSITION (AS OF SEPTEMBER 2020)

Others	%
Uruguay	1.44%
Ukraine	1.35%
Romania	0.91%
Nigeria	0.82%
Poland	0.77%
Sri Lanka	0.77%
Ecuador	0.76%
Hungary	0.68%
Ghana	0.66%
Angola	0.54%
Azerbaijan	0.53%
El Salvador	0.53%
Paraguay	0.52%
India	0.50%
Kenya	0.50%
Costa Rica	0.49%
Guatemala	0.46%
Jamaica	0.45%
Kuwait	0.41%
Jordan	0.39%
Croatia	0.35%
Pakistan	0.34%
Belarus	0.29%
Trinidad & Tobago	0.27%
Iraq	0.26%
Ivory Coast	0.26%
Mongolia	0.25%
Senegal	0.21%
Morocco	0.21%
Lebanon	0.19%
Gabon	0.18%
Honduras	0.16%
Bolivia	0.15%
Lithuania	0.13%
Slovakia	0.13%
Zambia	0.12%
Namibia	0.10%
Vietnam	0.09%
Uzbekistan	0.09%
Armenia	0.08%
Ethiopia	0.08%
Tunisia	0.07%
Cameroon	0.06%
Mozambique	0.06%
Georgia	0.04%
Papua New Guinea	0.04%
Barbados	0.04%
Tajikistan	0.03%
Suriname	0.03%
Belize	0.02%

C. New LAC Debt Issuance

**TABLE 3:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
FIRST QUARTER OF 2020**

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Jan-20					
Mexico	United Mexican States	USD 1750	1,750	3.250%	2030
Mexico	United Mexican States	USD 800	800	4.500%	2050 (r)
Chile	Banco del Estado de Chile	USD 750	750	2.704%	2025
Chile	Banco Santander Chile	USD 750	750	2.700%	2025
Chile	Corporación Nacional del Cobre de Chile SA - CODELCO	USD 1000	1,000	3.150%	2030
Chile	Corporación Nacional del Cobre de Chile SA - CODELCO	USD 1000	1,000	3.700%	2050 (r)
Mexico	Coca-Cola FEMSA SAB de CV	USD 1250	1,250	2.750%	2030
Chile	Inversiones CMPC SA	USD 500	500	3.850%	2030
Colombia	Termocandelaria Power Ltd	USD 186	186	7.880%	2029 (r)
Mexico	United Mexican States	EUR 1250	1,390	1.115%	2030
Mexico	United Mexican States	EUR 500	556	2.875%	2039 (r)
Mexico	FEMSA	USD 1500	1,500	3.500%	2050
Chile	Banco del Estado de Chile	AUD 80	55	2.580%	2030
Chile	Tanner Servicios Financieros SA	CHF 200	206	0.600%	2022
Chile	GeoPark Ltd	USD 350	350	5.500%	2027
Brazil	Rede D'Or Sao Luiz SA	USD 850	850	4.500%	2030
Paraguay	Republic of Paraguay	USD 450	450	5.400%	2050 (r)
Chile	Embotelladora Andina SA	USD 300	300	3.950%	2050
Brazil	Klabn Austria GmbH	USD 200	200	7.000%	2049 (r)(g)
Brazil	Banco BTG Pactual SA	USD 250	250	4.500%	2025
Ecuador	Ecuador Social Bond SARL	USD 327	327	0.000%	2035 (soc)
Chile	Sociedad Quimica y Minera de Chile SA - SQM	USD 400	400	4.250%	2050
Brazil	Itau Unibanco Holding SA	USD 500	500	3.250%	2025
Brazil	Itau Unibanco Holding SA	USD 1000	1,000	2.900%	2023
Brazil	Globo Comunicacoes e Participacoes SA - GLOBOPAR	USD 500	500	4.875%	2030
Brazil	Centrais Eletricas Brasileiras SA - ELETROBRAS	USD 500	500	3.625%	2025
Brazil	Centrais Eletricas Brasileiras SA - ELETROBRAS	USD 750	750	4.625%	2030
Chile	Republic of Chile	EUR 694	769	0.830%	2031 (r)(g)
Chile	Republic of Chile	EUR 1269	1,407	1.250%	2040 (g)
Colombia	Republic of Colombia	USD 1543	1,543	3.000%	2030
Colombia	Republic of Colombia	USD 300	300	5.200%	2049 (r)
Mexico	Petroleos Mexicanos - PEMEX	USD 2500	2,500	5.950%	2031
Mexico	Petroleos Mexicanos - PEMEX	USD 2500	2,500	6.950%	2060
Paraguay	Telefonica Celular del Paraguay SA - Telecel	USD 250	250	5.875%	2027 (r)
Chile	Republic of Chile	USD 750	750	2.550%	2032 (g)
Chile	Republic of Chile	USD 900	900	3.500%	2050 (r)(g)
Brazil	Banco Bradesco SA	USD 800	800	2.850%	2023
Brazil	Banco Bradesco SA	USD 800	800	3.200%	2025
Colombia	Bancolombia SA	USD 950	950	3.000%	2025
Chile	Engie Energia Chile SA	USD 500	500	3.400%	2030
Brazil	Companhia Siderúrgica Nacional CSN Islands XI Corp	USD 1000	1,000	6.750%	2028
Dominican Republic	Dominican Republic	USD 1500	1,500	5.875%	2060
Dominican Republic	Dominican Republic	USD 1000	1,000	4.500%	2030
Paraguay	Frigorífico Concepción SAE	USD 100	100	10.250%	2025
Colombia	Grupo Aval Ltd	USD 1000	1,000	4.380%	2030
Peru	Camposol SA	USD 350	350	6.000%	2027 (NC4)
Mexico	Alpha Holding SA de CV	USD 400	400	9.000%	2025
Mexico	Aerovías de Mexico SA de CV - Aeromexico	USD 400	400	7.000%	2025
			37,790		

Feb-20					
Colombia	Credivalores - Crediservicios SAS	USD 300	300	8.875%	2025
Chile	Kenbourne Invest SA	USD 60	60	6.880%	2024
Peru	Banco de Crédito del Perú (BCP)	USD 300	300	3-m L+0.55%	2022
Mexico	Operadora de Servicios Mega	USD 350	350	8.250%	2025
Mexico	FEMSA	USD 300	300	3.500%	2050
Jamaica	Transjamaican Highway Ltd.	USD 225	225	5.750%	2036
Mexico	Banco Mercantil del Norte	CHF 225	230	0.500%	2024
Brazil	Rede D'Or Sao Luiz SA	USD 350	350	4.500%	2030
Brazil	Itau Unibanco Holding SA	USD 700	700	4.630%	Perp
Chile	Banco de Credito e Inversiones - BCI	CHF 125	127	0.100%	2025
			2,942		
Mar-20					
Chile	Colbun SA	USD 500	500	3.150%	2030
Mexico	Comision Federal de Electricidad - CFE	USD 900	900	4.050%	2050
Chile	Banco del Estado de Chile	AUD 50	33	2.800%	2040
Panama	Republic of Panama	USD 2500	2,500	4.500%	2056
			3,933		

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Notes:

Q1 2020 Total 44,665

(r): retap.

(g): green.

(soc): social.

NC4: only callable after 4 years.

TABLE 4:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
SECOND QUARTER OF 2020

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Apr-20					
Mexico	Banco Santander (Mexico) SA	USD 1750	1,750	5.375%	2025
Peru	Republic of Peru	USD 1000	1,000	2.392%	2026
Peru	Republic of Peru	USD 2000	2,000	2.783%	2031
Guatemala	Republic of Guatemala	USD 500	500	5.375%	2032
Guatemala	Republic of Guatemala	USD 700	700	6.125%	2050
Mexico	United Mexican States	USD 1000	1,000	3.900%	2025
Mexico	United Mexican States	USD 2500	2,500	4.750%	2032
Mexico	United Mexican States	USD 2500	2,500	5.000%	2051
Paraguay	Republic of Paraguay	USD 1000	1,000	4.950%	2031
Colombia	Ecopetrol SA	USD 2000	2,000	6.875%	2030
Panama	Copa Holdings	USD 350	350	4.500%	2025
Supranational	Central American Bank for Economic Integration (CABEI)	USD 750	750	2.000%	2030
Chile	Corporación Nacional del Cobre de Chile SA - CODELCO	USD 800	800	3.750%	2031
			16,850		
May-20					
Mexico	America Movil SAB de CV	USD 1000	1,000	2.875%	2030
Chile	Empresa de Transporte de Pasajeros Metro S.A.	USD 500	500	3.650%	2030
Chile	Empresa de Transporte de Pasajeros Metro S.A.	USD 1000	1,000	4.700%	2050
Argentina	MSU Energy S.A. (former Rio Energy S.A.)	USD 250.3	250	3-mth Libor +1195	2024
Chile	Republic of Chile	EUR 500	549	1.625%	2025
Chile	Republic of Chile	USD 1458	1,458	2.450%	2031
Supranational	CAF Development Bank of Latin America	USD 800	800	2.375%	2023
Colombia	Grupo Energía Bogotá (GEB)	USD 400	400	4.875%	2030
Supranational	CAF Development Bank of Latin America	JPY 3000	28	1.025%	2040
Brazil	Petrobras Global Finance BV	USD 1750	1,750	6.750%	2050
Brazil	Petrobras Global Finance BV	USD 1500	1,500	5.600%	2031
Supranational	CAF Development Bank of Latin America	EUR 700	700	1.625%	2025
Supranational	CAF Development Bank of Latin America	KZT 6210	15	10.400%	2023
			9,950		
Jun-20					
Colombia	Republic of Colombia	USD 1000	1,000	3.125%	2031
Colombia	Republic of Colombia	USD 1500	1,500	4.125%	2051
Mexico	Cemex SAB	USD 1000	1,000	7.375%	2027
Venezuela	Citgo Petroleum Corp	USD 1125	1,125	7.000%	2025
Brazil	Republica Federativa do Brasil	USD 1250	1,250	2.875%	2025
Brazil	Republica Federativa do Brasil	USD 2250	2,250	3.875%	2030
Supranational	Central American Bank for Economic Integration (CABEI)	USD 375	275	3-mth Libor +145	2025
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 150	156	0.405%	2025
Supranational	CAF Development Bank of Latin America	JPY 3200	30	0.700%	2023
Supranational	CAF Development Bank of Latin America	AUD 30.9	22	1.830%	2025
Supranational	CAF Development Bank of Latin America	NZD 21.3	14	1.800%	2025
Peru	Credicorp Ltd	USD 500	500	2.750%	2025
Peru	Nexa Resources SA	USD 500	500	6.500%	2028
Honduras	Republic of Honduras	USD 600	600	5.625%	2030
Mexico	FEMSA	USD 700	700	3.500%	2050
Uruguay	Navios South American Logistics Inc	USD 500	500	10.750%	2025
T&T	Republic of Trinidad & Tobago	USD 500	500	4.500%	2030
Uruguay	Oriental Republic of Uruguay	UYU 68506	1,605	3.875%	2040
Uruguay	Oriental Republic of Uruguay	USD 400	400	4.375%	2031
Mexico	Kimberly-Clark de Mexico SA de CV	USD 500	500	2.431%	2031
Chile	VTR Comunicaciones - Liberty Latin America	USD 600	600	5.125%	2028
Chile	VTR Finance BV - Liberty Latin America	USD 550	550	6.375%	2028
Peru	Banco de Credito del Peru	USD 850	850	3.125%	2030
Peru	Banco Internacional del Peru - INTERBANK	USD 300	300	Fixed rate conv. to floating rate note	2030
Brazil	Rumo Luxembourg SARL	USD 500	500	5.250%	2028
			17,226		

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Notes:

(r): retap.

(g): green.

(soc): social.

NC3: only callable after 3 years.

Q2 2020
H1 2020

44,027
88,691

TABLE 5:
LATIN AMERICAN AND CARIBBEAN DEBT ISSUANCE
THIRD QUARTER OF 2020

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Jul-20					
Brazil	Raizen Fuels Finance SA	USD 225	225	5.300%	2027 (r)
Brazil	Vale Overseas Ltd	USD 1500	1,500	3.750%	2030
Colombia	Empresas Publicas de Medellin ESP - EPM	USD 575	575	4.375%	2031
Colombia	Empresas Publicas de Medellin ESP - EPM	COP 635519.5	174	8.375%	2027 (r)
Colombia	Colombia Telecomunicaciones SA (ColTel)	USD 500	500	4.950%	2030
El Salvador	Republic of El Salvador	USD 1000	1,000	9.500%	2052
Mexico	Banco Mercantil del Norte	USD 500	500	8.375%	Perp NC10
Colombia	Oleoducto Central SA - Ocesa	USD 500	500	4.000%	2027
Supranational	CAF Development Bank of Latin America	JPY 17200	160	0.770%	2025
Brazil	Ultrapar International SA	USD 350	350	5.250%	2029 (r)
Mexico	Fibra Uno	USD 375	375	4.869%	2030 (r)
Mexico	Fibra Uno	USD 275	275	6.390%	2050 (r)
Brazil	Braskem Netherlands Finance BV	USD 600	600	8.500%	2081
Brazil	Banco Votorantim SA	USD 500	500	4.375%	2025 (g)
Panama	Banistmo SA	USD 400	400	4.250%	2027
Supranational	Central America Bottling Corporation (CBC)	USD 200	200	5.750%	2027 NC5 (r)
Mexico	Industrias Penoles SAB de CV	USD 500	500	4.750%	2050
			8,434		
Aug-20					
Argentina	Telecom Argentina SA	USD 135	135	8.500%	2025
Panama	Banco Nacional de Panama	USD 1000	1000	2.500%	2030
Colombia	AI Candelaria (Spain) SLU	USD 50	50	7.500%	2028
Supranational	CAF Development Bank of Latin America	CHF 350	384	0.700%	2025 (g)
Panama	AES Panama SA	USD 1380	1380	4.375%	2030
Chile	Empresa de los Ferrocarriles del Estado - EFE	USD 500	500	3.068%	2050
Supranational	CAF Development Bank of Latin America	USD 40	40	1.600%	2025
Supranational	CAF Development Bank of Latin America	JPY 20000	188	0.727%	2025 (soc)
Mexico	Coca-Cola FEMSA SAB de CV	USD 705	705	1.850%	2032 (g)
			4,382		
Sep-20					
Supranational	Bladex - Banco Latinoamericano de Comercio Exterior	USD 400	400	2.375%	2025
Peru	Consorcio Transmantaro SA	USD 200	200	4.700%	2034 (g)(r)
Colombia	Republic of Colombia	COP 4800000	1,292	7.250%	2050
Brazil	Suzano Austria GmbH	USD 750	750	3.750%	2031 (g)
Mexico	Infraestructura Energetica Nova SAB de CV - IEnova	USD 800	800	4.750%	2051
Uruguay	Arcos Dorados Holdings Inc	USD 150	150	5.875%	2027 (r)
Brazil	Embraer Netherlands Finance BV	USD 750	750	6.950%	2028
Mexico	United Mexican States	EUR 750	889	1.350%	2027 (sust)
Mexico	Cemex SAB	USD 1000	1,000	5.200%	2030
Supranational	CAF Development Bank of Latin America	USD 750	750	1.625%	2025
Mexico	BBVA Bancomer SA	USD 500	500	1.875%	2025
Brazil	BRF SA	USD 500	500	5.750%	2050
Dominican Rep.	Dominican Republic	DOP 17500	299	9.750%	2026 (r)
Dominican Rep.	Dominican Republic	USD 1700	1,700	5.875%	2060 (r)
Dominican Rep.	Dominican Republic	USD 1800	1,800	4.875%	2032
Peru	COFIDE	USD 500	500	2.400%	2027
Panama	Republic of Panama	USD 1250	1,250	2.252%	2032
Panama	Republic of Panama	USD 1000	1,000	3.870%	2060 (r)
Panama	Republic of Panama	USD 325	325	3.750%	2026 (r)
Mexico	Fresnillo plc	USD 850	850	4.250%	2026
Brazil	Lojas Americanas SA	USD 500	500	4.750%	2030
			16,205		

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Notes:

(r): retap.

(g): green.

(soc): social.

NC3: only callable after 3 years.

Q3 2020
2020 YTD

29,022
117,713

ECLAC OFFICE IN **WASHINGTON, D.C.**

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