IFR LATIN AMERICA CAPITAL MARKETS BRIEFING

REGION BENCHMARKS

Bond	Mid-Market	Variation
Brazil23s	99.55	+15ct
Mex 22	109.4	+20ct
Boden 15	87.6	-40ct
Vene 22	114.5	-75ct

Source: Thomson Reuters

CDS BENCHMARKS

Contract	Level	Variation
Brazil 5-yr	110bp	+3bp
Mex 5-yr	74bp	+4bp
Arge 5-yr	2575bp	+100bp

Source: Thomson Reuters

MOST TRADED BONDS

Bond	Mid-Market	Variation
OGX18s	66	+2.50
Urbi16s	26.5	-75ct

Source: Thomson Reuters

DCM LEAGUE TABLE

Bank	Total US$(m)	No. of deals
JP Morgan	4,337.1	14
Citi	3,264.6	16
BAML	2,593.0	15
CS	2,121.9	8
DB	1,899.3	8

Source: Thomson Reuters

ECM LEAGUE TABLE

Bank	Total US$(m)	No. of deals
CS	1,632.0	11
Itau	1,376.4	5
BTG	1,108.8	7
Santander	1,012.7	4
BBVA	882.2	4

Source: Thomson Reuters

Costa Rican state-owned utility INSTITUTO COSTARRICENSE DE ELECTRICIDAD, or Cosice, rode the bid for longer-term paper yesterday in printing its first 30-year bond, catching the market's attention with what was seen as cheap guidance.

Initial talk was soon revised from 7.000% area to 6.500%–6.625% before the borrower priced the US$500m deal at 98.359 with a 6.375% coupon to yield 6.50%. Did the leads start too wide? Some bankers think they did.

"Leads were being defensive, based on the large amount of high-grade supply, but it is a massive difference (from initial pricing to finish)," said a rival syndicate banker.

At 6.500%, the borrower came about 175bp over its outstanding 2021s, or about 110bp over the sovereign's 2043, which were trading at around 5.400%. "Fair value is probably in the 6.375%–6.500% range," said Carl Ross, managing director of investments at Oppenheimer.

As the existing 10-year was trading about 80bp over the sovereign, some thought Cosice could have got away with even tighter pricing. Come launch time, the bonds were rallying in the gray market and hitting as high as plus 3.500.

"It has already rallied a couple of points," said another rival banker. "People like the long end, as you get paid a decent return. They could have shaved it down to 6.375%."

The US$500m size made sense. It was small enough to generate strong demand (US$5bn at its peak) but sufficiently large to qualify for index inclusion. However, 30-year paper is unlikely to see such a strong bid from local investors, who, typically, participate in these trades. "There is a stronger preference for shorter-dated paper (in the local markets)," Ross said.

Settlement is on May 15 2013, while final maturity falls on the same date in 2043. Expected ratings are Baa3 from Moody's and BB+ from Fitch. The senior unsecured bond was sold under a Reg S/144a format. The listing will be in Luxembourg and the governing law will be New York. Proceeds are for capex and refinancing. Leads were *Citigroup* and *Deutsche Bank*.

Meanwhile, Chilean pulp-and-paper name CMPC was seen coming with a new-issue concession as tight as 22bp after squeezing pricing about 20bp from start to finish yesterday.

In the end, the book reached a peak of around US$3.4bn before leads *Deutsche Bank* and *JP Morgan* printed the US$500m (no grow) 10-year at 99.248 with a 4.375% coupon to yield 4.469% or Treasuries plus 270bp.

That was the tight end of revised guidance of 275bp (plus/minus 5bp) and inside initial thoughts of plus 290bp over. The paper was trading earlier at plus 1.25–1.75 in the gray, according to one trader.

CMPC 2022s were spotted pre-announcement at 102.00 mid-market, or a G-spread of 258bp, although, at day's end, some analysts had them at 103.75 or a G-spread of 240bp. Meanwhile, the 2018s were being quoted at 106.50 mid-market or a G-spread of 253bp pre-announcement.

"The Chilean pulp-and-paper sector has not been the best fundamental credit story," said a New York-based trader. "They were deleveraging for a while, (but) leverage has been ticking higher and overall there has been lackluster Ebitda."

According to Fitch, leverage ratios rose to around 3.4x in 2012 from 2.3x the prior year. The deal was sold under a Reg S/144a format and is rated Baa3(negative)/BBB(stable)/BBB+(stable). Proceeds are for general corporate purposes.

BANCO DE CHILE, with an Aa3(stable) rating from Moody's, returned to the Swiss franc market this week, tapping its 1.125% 2018 for another SFr50m (US$54m) at 100.863 to yield mid-swaps plus 66bp for a reoffer yield of 0.947%.

The Chilean bank debuted in this market in May when it initially sold this bond at mid-swaps plus 72bp, which was the equivalent to Swiss governments bonds plus 99.7bp or a 1.085% yield. *Credit Suisse* acted as lead on both occasions. The tap brings total size to SFr250m.

Equities

Pricing details on CEMENTOS ARGOS' preferred share sale of up to Ps2.33trn (US$1.257bn) will be released today, according to an ECM banker. The books are heard to contain both solid

EDITORIAL ENQUIRIES

EDITOR
Paul Kilby
kilby.paul@thomsonreuters.com

REPORTER
Joan Magee
+1 646 822 2097
Joan.magee@thomsonreuters.com

SUBSCRIPTION ENQUIRIES

EMEA
+44 20 7369 7317
rm.emeasales@thomsonreuters.com

ASIA-PACIFIC
+852 3762 3336
rm.apsales@thomsonreuters.com

JAPAN
+813 4589 2311
rm.apsales@thomsonreuters.com

US
+646 223 6123
rm.ussales@thomsonreuters.com

CLIENT SUPPORT

+800 8727 8326
(Please dial first your int'l prefix number or int'l access code before the above number)
rm.clientsupport@thomsonreuters.com

MARKETING

+44 20 7369 7855
rpp.marketing@thomsonreuters.com

local and international demand after leads released an indicative range of Ps7,700–Ps9,300 (US$5.10–$4.19).

The company is looking to sell up to 218m in the local and international market, including a 36m-share hot-issue option in the event of strong demand. There is also a greenshoe option thereafter for an additional 32m shares.

About 20% of the proceeds will be used to prepay debt, with the rest being used for general corporate purposes, including expansion plans and capex.

HSBC and *JP Morgan* are leads along with *Bancolombia*, which is acting as local co-ordinator.

People & Markets

UBS has hired *Roger Newkirk* on its EM trading desk as it rebuilds its capabilities in this space in the wake of several departures last year.

Newkirk comes from Barclays and will focus on high-yield credits at UBS, which is also heard looking to bring in another trader to cover high-grade. Talk is that *Raphael Madrid* from Deutsche Bank may fill that spot.

Last year, the Swiss bank lost three traders to Mizuho, namely *Allan Grauer*, *Sebastian Azumendi* and *Georges Fernandes*. Grauer is now head of LatAm trading at Mizuho, while Azumendi is head of LatAm credit trading. Fernandes focuses on high-yield.

HSBC has added new equity analysts to its Latin American team overseeing the metals and mining sector along with energy. *Luiz Carvalho* has joined as a vice president responsible for covering the Latin America oil, gas, and petrochemicals sectors. *Leonardo Correa* has joined as a senior vice president responsible for Latin American metals & mining.

Filipe Gouveia has also been hired as an associate from Barclays. In addition, *Jonathan Brandt* will transition from his current Latin America metals & mining role, to lead coverage of the pulp & paper sector in Latin America and Eastern Europe, Middle East and Africa.

Local markets

In ARGENTINA, a recent government proposal to have the treasury and the central bank issue new debt instruments as part of a tax amnesty is "disappointing, but credit neutral," according to Barclays analysts.

Economy Minister Hernan Lorenzino announced Tuesday that the treasury planned to issue an "economic development bond" that would carry a semi-annual coupon of 4% and would mature in 2016.

The ministry said in a release that the instrument, dubbed BADE, was designed to funnel resources into the energy sector and was part of the government's capital market reforms.

A second instrument, which the central bank will issue, is a type of CD that targets Argentineans, who have not declared dollar savings. Investors had three months to participate after the new law was passed, it said.

"We see the amnesty as credit neutral and it should not result in an increase in the net supply of local-law dollar bonds or have an impact on the parallel exchange rate premium," Barclays said.

A similar amnesty in 2009 brought about US$4bn into the government's coffers, although this did not involve bond issuance. "Given the deterioration in the country's fundamentals relative to 2009 and the possibility of political change in 2015, the participation rate will be lower," the bank said.

Barclays believes that proceeds from the 2016 bond will likely be used to finance oil and diesel imports, which grew considerably during the first quarter.

In emerging with this bond plan, the authorities were signaling a need to access external resources for the energy sector and underscored a preoccupation about reserve levels, the shop said.

LATIN AMERICA DCM PIPELINE

Issuer	Size (US$m)	Tenor (years)	Leads
Finmart	TBD	TBD	EspSanto
Bolivia	TBD	TBD	BAML/HSBC