


Emerging Sovereign Bond Markets NEWS Week 22 – 28 August 2009 Number 22

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ASIA

China

China bond mkt rebounds as expected on steady cb bill rates

25 August 2009

Provided by: [Asia Pulse](#)

BEIJING, Aug 25 Asia Pulse - **Bond yields in both primary and secondary trading dipped last week as the interest rates of China**

central bank (CB) bills become stable, said market watchers.

The seven-year Treasury bond sold by China Ministry of Finance saw its coupon rate arrive at 3.17 per cent, two basis points lower than the yield on the secondary market.

The interest rates on financial bonds and CB bills fell about five basis points and trading became enlivened during last week. The climbing yield of July's resumed one-year central bank bills brought the average bond yield higher and injected a dose of volatility into the market.

Until last week, the People's Bank of China, the central bank, had capped coupon rates for its three-month and one-year bills at 1.3280 per cent and 1.7605 per cent. Neither yields managed any change since the previous issue, whistling to the market that the yield surge has ended.

Sector analysts say that the stabilized CB bill yields indicate further downward room exists in the short- and mid-ends of the bond yield curve.

Currently, the yield of one-year Treasuries stands at 1.6 per cent, above the historical average of 1.5 per cent, indicating downward space exists. The 2.35 per cent yield of three-year Treasuries also shows room to decline, according to sector experts.

Moreover, the low cost of capital at present and commercial banks' underlying bond needs will also boost the recent bond rally, noted analysts, warning meanwhile that sensitive sentiments may cast shadows over the market.

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Asia Pulse

China bond yields ease as premier reaffirms policy

26 August 2009

Provided by: [Reuters News](#)

*** Current ample liquidity may keep short-term yields soft**

*** Rhetoric on policy may shift to tightening in Q4, Q1**

*** BOC sees 108 bp rate hike in 2010, quantitative measures**

By Karen Yeung

SHANGHAI, Aug 25 (Reuters) - **China's bill and bond yields mostly eased on Tuesday after Premier Wen Jiabao said the government would keep its monetary policy loose as the economy faces new difficulties, including trouble boosting domestic consumption.**

"We must clearly see that the foundations of the recovery are not stable, not solidified and not balanced. We cannot be blindly optimistic," Wen was cited as saying after a trip at the weekend to eastern China's Zhejiang province.

Traders said Wen's comments and the central bank's open market operations, which signalled again on Tuesday it was taking a breather in a

fine-tuning of monetary policy that boosted money-market rates, will likely cause short-term bond yields to decline in coming weeks.

But the long end of the curve has less, if any, room to fall because of expectations that official rhetoric may nevertheless shift to a tightening bias in the fourth quarter or next year's first quarter, despite uncertainties over whether recent growth in private-sector investment may be sustainable and whether private consumption will pick up into 2010, traders said.

"The loose policy is only for the short term. In the medium term, the central bank may hike interest rates to curb asset price bubbles," said a trader at an Asian bank in Shanghai.

Bank of China forecast in a research note on Monday that consumer price deflation would ease to 1 percent in August from July's 1.8 percent, while inflation would be back in 2010, within a range from 2.8 to 3.6 percent, reflecting mild price increases for fuel, utilities and food.

Although such CPI readings would be mild, the Chinese and global central banks may shift towards tighter monetary policy to prevent asset price bubbles or to keep consumer price inflation from flaring up further, traders said.

"We estimate the benchmark deposit rate will be lifted by up to 108 basis points in 2010. The adjustment of monetary policy will mainly rely on quantitative measures," Bank of China said.

China may raise domestic retail gasoline and diesel prices by around 6 to 8 percent this week, the fourth hike this year, as benchmark crude prices topped \$74 a barrel, analysts and industry sources said on Tuesday.

The indicative five-year government bond yield eased to a two-week low of 2.9618 percent bid on Tuesday from 2.9691 percent on Monday, according to Reuters Reference Rates.

But the one-year yield fell faster, to a one-month low of 1.6173 percent from 1.6227 percent.

IPOs

In the money market, banks set aside funds for a series of small IPOs over the next two weeks, pushing the weighted average seven-day repo rate up for a second straight day to a one-week high of 1.3429 percent by midday from 1.2909 percent on Monday.

This week's heavy supply of bond issuance may apply additional upward pressure to money market rates. On Wednesday, China Development Bank will sell 20 billion yuan of seven-year bonds and the finance ministry will sell 26 billion yuan of 20-year central government bonds, while the ministry will also sell 11.2 billion yuan of local government bonds on Friday.

Many traders believe the repo rate may rise as far as 1.8 percent at the height of fund-raising squeezes expected with two major IPOs: a 16.85 billion yuan IPO by Metallurgical Corp of China due for regulatory review this week and a nearly

\$1 billion IPO by China CNP Corp that was approved last Friday.

That would be lower than this year's high of 2.145 percent hit in early August, when Everbright Securities' large IPO followed closely on the heels of another major offering, and when the central bank was still nudging up bill yields in money operations as it worried that excessively low rates were fuelling property and stock market speculation.

"Underlying liquidity is ample and the IPOs are smaller, so the repo may only rise to about 1.8 percent," said a trader at a mid-sized bank in Shanghai.

The 90-day central bank bill yield rose to 1.3264 percent bid on Tuesday from 1.3200 percent on Monday. (Editing by Edmund Klamann)

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India

Government bond yields rise sharply; The yield on government securities (g-secs) shot up across tenures...

22 August 2009

Provided by: [Business Standard](#)

The yield on government securities (g-secs) shot up across tenures after the Reserve Bank of India (RBI) accepted bids for bonds at higher cut-off levels, increasing the government's borrowing costs.

Yields on the benchmark paper to mature 2019 surged to a nine-month high after RBI sold the paper (Rs 5,000 crore) at a yield of 7.30 per cent against 7.25 per cent forecast by investors, dealers said.

The yield on the 6.90 2016 paper closed 13 basis points up at 7.31 per cent, according to RBI's negotiated dealing system data.

Primary dealers had to buy unsold debt at an auction, signalling that demand for the securities had weakened. These dealers, who underwrite the government debt auction, bought unsold 10-year bonds worth Rs 321 crore. RBI also sold bonds maturing in 2015 and 2027 at higher-than-expected yields.

Last week, the government had rejected bids for bond auction, though it did not assign any reason for its decision. "Perhaps, RBI wanted to send a signal to the market that it did not approve of aggressive bidding," said a treasury executive with a public sector bank.

Such high yields at an auction and purchases by underwriters indicated that the decline in demand, particularly from state-owned banks that are typically the biggest investors, had been sharper than expected, said the head of treasury with a public sector bond house.

Dealers said while yields had been hardening for many weeks, the auction results pushed them

up further. The market had factored in the government's higher borrowing plan, rising inflation and partly the adverse effect of delayed monsoon, they added. The government plans to raise Rs 4,51,000 crore in the current financial year ending to bridge a widening budget deficit. The hardening of yield on government papers might force companies to increase the coupon (interest rate) on instruments like debentures. They may have to revise the coupon by 50-75 basis points for companies planning long-term funds, said the head of treasury with a private bank. Meanwhile, RBI has said that it will hold an auction on August 28 for bonds worth Rs 12,000 crore.

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Business Standard

FinMin working on new Debt Management Office; The government plans to legally empower the proposed Debt Management...

24 August 2009

Provided by: [Business Standard](#)

The government plans to legally empower the proposed Debt Management Office (DMO) with the mandate to do debt profiling and debt stock analysis of borrowings of the Centre and states.

Though the work profile of DMO was to include these functions, the finance ministry wants to explicitly spell these out as it starts framing the draft legislation.

DMO is to take over the Reserve Bank of India's function of managing government debt. It is likely to be in place by the second half of 2010-11. "We are in the process of taking internal approvals for the establishment of DMO, which will require a legislation. Once it has been finalised within the ministry, we will seek the ministry of law's approval. Subsequently, Cabinet approval will be taken," said a senior finance ministry official.

The finance ministry has also decided that till the DMO is created, the existing office, the middle office, within the ministry will be strengthened. The middle office currently has a three-member structure, with a director-level official as its head. The officials are drawn from RBI and are functioning independent of the ministry, though they are located within the ministry premises. "The middle office is taking care of the government's debt strategy and stock monitoring, though the actual raising of debt is done by RBI. They are free to consult RBI. While going in for high fiscal deficit (borrowings), their views are taken in to account," said an official.

Officials said while welcoming the creation of DMO, state governments have suggested it should aim at bringing down the cost of borrowing. "Usually state government bond

yield rates are higher than those of the Union government and this was a major area of concern for them," said the official.

Besides state governments, the ministry of finance has got suggestions from various stakeholders, experts and multilateral lending agencies like the World Bank, International Monetary Fund and the Asian Development Bank on a report of an internal working group set up for suggesting the structure of DMO. "Most of these suggestions were on the operational aspect of the terms of reference. They want that DMO's activity should be broad-based," said the official.

The underlying idea is to separate the functions of government debt management and monetary policy, both currently vested with RBI. It is felt that the present arrangement creates a conflict of interest. DMO will, however, continue to be staffed with RBI officials. "Officials will need to be drawn from RBI on deputation, since they have expertise in the area," said the official.

Former deputy RBI governor Rakesh Mohan had earlier written a letter to the government, stating this was not the right time for a DMO, since government borrowings are very high. The Union government alone will borrow Rs 4.51 lakh crore during 2009-10, as against Rs 3.1 lakh crore during 2008-09. The ministry of finance is dismissive of his views, stating that it was not the RBI view and the central bank in all meetings have been supportive of the idea. "Besides, high fiscal deficit will need to be brought down and it will not continue like this. By the time DMO comes into being, it will be the next financial year," said another official.

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Indian bond yields rise on inflation concerns

27 August 2009

Provided by: [Reuters News](#)

- * **Traders fear easy money conditions may not stay for long**
- * **Disappointing buyback results unwinds Wednesday's rally**
- * **Dealers see subdued response to Friday's \$2.5 bln auction (Updates to close)**

By Neha D'silva

MUMBAI, Aug 27 (Reuters) - Indian federal bond yields rose on Thursday after two days of falls as the central bank highlighted the risk of rising inflation and the need to manage the timing and pace of an exit from an easy monetary policy stance.

A deficient monsoon may affect the inflation outlook more than growth prospects, the central bank said, adding that prolonged expansionary fiscal and monetary policies threatened to push up prices and eventually crimp growth.

"The market feels that the rising inflation could cause the central bank to withdraw liquidity sooner than expected," Anindya Das Gupta, head of treasury at Barclays Capital.

The 10-year benchmark bond yield ended at the day's high of 7.29 percent, above Wednesday's closing of 7.13 percent.

The yield had risen to a nine-month high of 7.38 percent on Monday, before falling as low as 7 percent on Wednesday as the central bank announced an out-of-turn bond buyback for Thursday.

Volumes were a high 59.2 billion rupees (\$1.2 billion) on the central bank's trading platform.

Data on Wednesday showed that food prices surged an annual 13.3 percent in mid-August even as the overall wholesale price index fell.

Sentiment was also hurt after the Reserve Bank of India (RBI) bought only 26.57 billion rupees of bonds at an auction where it had offered to buy up to 60 billion rupees.

"The buyback results were disappointing in terms of the amount absorbed, but very clearly the RBI has pegged the cut-off to market levels. Now it is important to see if the RBI will stabilise the market by secondary market purchases," Das Gupta said.

"Tomorrow's auction will be a bit subdued because sufficient replacement demand has not been created."

The government is due to sell 120 billion rupees of bonds on Friday, part of the 2.99 trillion rupees it plans to sell in the April-September period.

The benchmark five-year interest rate swap ended at 6.37/42 percent from a previous close of 6.35/39 percent. (\$1 = 48.9 Indian Rupees) (Editing by John Mair)

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Pakistan

Pakistan to sell \$1 bln of bonds to settle fuel debt

27 August 2009

Provided by: [Reuters News](#)

KARACHI, Aug 27 (Reuters) - **Pakistan will sell 90 billion rupees (\$1.09 billion) worth of bonds by Monday to pay off its entire energy debt, a senior government official said on Thursday.**

"This is a follow-up tranche of about 90 billion rupees which will be issued by Monday," the official told Reuters.

"It is to pay off the entire debt, so this is the balance outstanding," said the official, who has direct knowledge of the issue.

The debt is almost 93 billion rupees.

In March, the government raised 80.15 billion rupees through the issuance of bonds.

The Dawn newspaper cited officials in the Finance Ministry as saying the government had finalised a plan to float 100 billion rupees of bonds to clear the books and eliminate the so-called circular debt.

Pakistan State Oil is most affected by the circular debt issue and if it does not receive any payments from the government by the end of the month, it will not be able to import petroleum products, according to media reports.

A PSO official said the government and private companies owed it a total of about 95 billion rupees.

The company has asked the government to pay back 40 billion rupees immediately or it may default on the repayment of money it owes refineries, said the company official, who declined to be identified. (\$1=82.80 rupees) (Reporting by Sahar Ahmed; Editing by Kim Coghill)

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Philippines

Philippines preparing for retail bond issue

26 August 2009

Provided by: [Reuters News](#)

MANILA, Aug 26 (Reuters) - **The Philippine Bureau of Treasury said on Wednesday it is in early stages of preparing for a retail Treasury bond issue, adding it was in talks with banks to gauge investor appetite.**

National Treasurer Roberto Tan did not say how big the issue would be or when the sale will be held, but he said banks were proposing a sale of around 30 billion pesos (\$616 million) worth of bonds, with tenors of 3, 5 and 7 years.

"We are just in discussion stage. These are proposals submitted by banks," Tan told Reuters.

"We asked banks to sound off investors to better see prospects for retail Treasury bonds."

The Bureau of Treasury had originally planned to issue retail Treasury bonds in July. It later shelved the plan indefinitely as the government looked overseas for cheaper options to finance its budget deficit.

The government raised \$750 million from a sovereign debt issue in July to help fund its fiscal gap, which is expected to hit a record high 250 billion pesos, or 3.2 percent of GDP, this year.

It is under pressure to raise funds via local debt issues and asset sales to compensate for weak revenues and keep its budget deficit within target this year.

Manila's fiscal shortfall in the first seven months of the year had reached three-fourths of its full year goal.

The government last issued retail Treasury bonds in July 2008, raising 70 billion pesos in an offer of three-year and five-year fixed rate bonds.

(Reporting by Karen Lema; Editing by Rosemarie Francisco)

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RP's debt to increase by P234b to P4.723t

26 August 2009

Provided by: [Manila Standard](#)

The Finance Department sees the country's debt stock increasing by as much as P234 billion next year as the government borrows more to pump prime the economy and plug a swelling budget deficit.

Data from the department showed that the country's debt stock would hit P4.723 trillion, or 56.7 percent of the gross domestic product in 2010, from the projected P4.489 trillion or 57.6 percent of GDP this year.

The amount is P25 billion higher than the earlier debt forecast of P4.698 trillion or 56.3 percent of GDP. The higher debt was an offshoot of the decision of economic managers to raise the budget deficit ceiling next year to P233.4 billion instead of P208.4 billion.

The country's debt from domestic creditors is expected to hit P2.771 trillion next year, or P178 billion higher than this year's P2.593 trillion. Loans from foreign sources are expected to amount to P1.952 trillion, or P56 billion more than P1.896 trillion this year.

The Philippines borrows heavily to pay maturing foreign and domestic obligations and finance the budget deficit. It plans to borrow about \$3.8 billion from foreign creditors next year, including the World Bank and Asian Development Bank.

Finance Undersecretary Gil Beltran told reporters yesterday that the country's debt stock would increase next year as part of the government's efforts to boost the slackening domestic economy.

"We are pump priming the economy, but it won't be forever," Beltran said.

He said the Philippines planned to get back on track with its fiscal consolidation program starting next year after being derailed last year due to adverse external developments.

The administration of President Gloria Macapagal Arroyo has implemented a series of fiscal reforms aimed at balancing the budget in 2008, or two years earlier than the 2010 schedule under the Medium Term Philippine Development Plan.

This helped trim the budget deficit to P12.4 billion, or 0.2 percent of the GDP in 2007, from a record P210.7 billion in 2002.

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Manila Standard

Thailand

Thailand: Public Debt in June is at 43.38% of GDP

24 August 2009

Provided by: [Thai News Service](#)

Section: Business News - **The Finance Ministry has announced that the country's public debt as of June stands at 3.831 trillion baht, representing 43.38% of the gross domestic product (GDP).**

Director of Public Debt Management Office, Mr. Pongpanu Sawetron, revealed that the public debt of the country as of June was at 3.831 trillion baht or about 43.38% of GDP decreasing from the previous month by 2.796 billion baht. This was because the government's direct borrowing decreased by 11.446 billion baht and the treasury bill decreased by 16 billion baht in accordance with the cash flow in June.

The government issued the government bond for debt restructuring for 21 billion baht in order to pay short-term debt from bridge financing of 30 billion baht. Meanwhile the government had issued bonds to compensate the budget deficit for 9.5 billion baht.

The debt of state enterprises, which are financial institutions guaranteed by the government, decreased by 2.077 billion baht, while the Government Housing Bank had redeemed bonds of 3 billion baht and issue new bonds of 1 billion baht.

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EUROPE

Bulgaria

Bulgaria H1 foreign debt growth eases to 9.9 pct y/y

25 August 2009

Provided by: [Reuters News](#)

SOFIA, Aug 25 (Reuters) - **Bulgaria's gross foreign debt growth slowed to 9.9 percent on an annual basis to 36.9 billion euros (\$52.73 billion) at the end of June, central bank data showed on Tuesday.**

The European Union new member's foreign debt rose an annual 42.4 percent in June of last year. The debt, which equalled 109 percent of gross domestic product, edged 0.2 up percent on the

month at end-June as cheap credit evaporated due to tighter global liquidity.

The private foreign debt rose 10.6 percent to 32.8 billion euros at end-June on an annual basis and the public and publicly guaranteed external debt rose 4.5 percent to 4.1 billion euros, data showed.

Corporate debt jumped 10.3 percent to 12.3 billion euros in the first half of 2009 on the year. Sofia paid a total of 3.4 billion euros to service its gross foreign debt in the first six months of the year, down from 3.9 billion euros in the same period a year earlier.

The Balkan country's long term-debt liabilities stood at 23.8 billion euros or 70.1 percent of the GDP, while short-term dues stood at 13.2 billion euros.

Economists have warned that Bulgaria's huge private debt and double-digit current account deficit increase its vulnerability to external shocks as the global economic downturn unfolds, cutting investment inflows.

The centre-right GERB party which won July 5 general elections slashed public spending after taking office to avoid a budget deficit that may put pressure on Bulgaria's currency board regime and currency peg to the euro.

Many analysts say Bulgaria is very likely to become the next European Union member country to seek bailout aid from the IMF after Hungary, Romania and Latvia.

But Finance Minister Simeon Djankov has said Sofia should wait at least the end of the year before deciding whether to seek IMF funding.

(Reporting by Irina Ivanova; Editing by Andy Bruce)

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Czech Republic

Czech finmin plans CZK 6.5 bln bond to cover floods

25 August 2009

Provided by: [Reuters News](#)

* **EIB has agreed to buy the bond**

* **FinMin: sale to EIB "advantageous" for Czech govt**

PRAGUE, Aug 25 (Reuters) - **The Czech Finance Ministry plans to offer 6.5 billion crowns (\$365.6 million) worth of state bonds to cover damage from floods in June, it said on Tuesday.**

The European Investment Bank has agreed to buy the bonds under "relatively advantageous conditions", Finance Minister Eduard Janota told Reuters via telephone, although he declined to specify the conditions.

Maximum maturity is up to 35 years, Janota said.

The amount adds to the 280 billion crowns (\$15.75 billion) gross issuance target for this year, the majority of which has already been covered.

When asked to specify how much remains to be issued this year, Janota said: "The amount will definitely be smaller than 100 billion (crowns)." The ministry wants parliament to fast-track approval of the bond issue to cover the flood damage. The government should debate the proposal on Wednesday.

(Reporting by Jana Mlcochova; editing by David Stamp)
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Hungary

Hungary registers in Japan for bond sales-debt agency

26 August 2009

Provided by: [Reuters News](#)

BUDAPEST, Aug 26 (Reuters) - Hungary has renewed its registration on Japanese markets to maintain its window of opportunity for potential bond issuance there, the government debt agency (AKK) said on Wednesday.

"The so called shelf registration on the Japanese capital market has been renewed for the next two years in a total value of around 200 billion Japanese yen," Laszlo Buzas, deputy Chief Executive of AKK told Reuters.

Buzas said the move was an administrative step and does not necessarily mean Hungary would tap the Japanese market in the near future.

"On certain markets where the Hungarian state regularly appears (such as Japan and the U.S.) this so called shelf registration has to be renewed annually," he said.

Hungary last issued a samurai bond two years ago.

In July Hungary successfully sold 1 billion euros of five-year eurobonds, returning to international markets for the first time since the first half of 2008.

The eurobond issue was seen as a test of whether Hungary can gradually wean itself off IMF and EU emergency aid it secured in October last year to avert financial meltdown.

(Reporting by Krisztina Than; Editing by Mike Peacock)
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Reuters News

Hungary may reduce bond offers at next auction

27 August 2009

Provided by: [Reuters News](#)

*** Hungary cuts 5-yr, 10-yr bond auctions as demand wanes**

*** Debt agency says may reduce offers at next auction**

BUDAPEST, Aug 27 (Reuters) - Hungary cut two of its three bond auctions on Thursday as demand was lower than expected, and the debt agency said it may reduce offers at its next bond auction in Sept. if the current market sentiment prevails.

Hungary's debt agency (AKK) sold 47 billion forints (\$250.5 million) worth of government bonds at auctions on Thursday, less than the 55 billion planned, cutting the 5-year and 10-year offers.

The auctions came as a disappointment, and traders said long Hungarian bonds looked expensive and yields had no scope for further falls now that risk appetite in the world seems to be waning after a rally.

The forint has firmed about 19 percent versus the euro from its March all-time lows, and yields have dropped sharply as demand for riskier assets picked up globally in the past few months, and Hungary's risk assessment improved.

The AKK said it will react flexibly to changes in market sentiment.

"If this situation (on markets) stays, we will likely reduce the offers, but we will consult with primary dealers beforehand and will also consider their recommendation," AKK Deputy Chief Executive Andras Laszlo Borbely told Reuters.

The AKK sold 25 billion forints worth of three-year 2013/E bonds, 12 billion forints worth of five-year 2015/A bonds, and 10 billion forints worth of ten-year 2019/A bonds.

At the last auction two weeks ago, the AKK sold 50 billion forints worth of bonds, as planned, including the first batch of 15-year papers in more than a year.

"These bonds are just too expensive in this environment. Yields cannot start with a 7 (percent) now, so we're stuck with the snowman (8 percent-plus yields) for now," a Hungarian fixed income trader said.

Yields on the secondary market jumped about 10-15 basis points, with the 2015/A trading at around 8.20 percent, traders said.

(Reporting by Krisztina Than; Editing by Andy Bruce)
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Poland

Poland may escape debt rise to above 50 pct of GDP -PM

25 August 2009

Provided by: [Reuters News](#)

WARSAW, Aug 25 (Reuters) - Poland may be able to avoid a significant rise in public debt because of the economic slowdown and keep it below 50 percent of Gross Domestic Product in 2009 and 2010, Prime Minister Donald Tusk said on Tuesday.

Poland, unlike many countries, has built-in debt containment rules aimed at cutting spending and are activated when debt breaches three safety levels -- 50 percent, 55 percent and 60 percent of GDP.

"We treat this as a key assignment -- that we do not top the constitutional levels that define the relation of debt to GDP in 2009 and 2010," Tusk told a news conference.

"It is our job to avoid topping 50 percent in 2009 or 55 percent in 2010. I believe that we have a realistic chance to avoid such a scenario."

Many analysts are worried that the sharp slowdown, which increases deficit levels as less cash flows into the state coffers, could cause a breach of the safety levels and trigger spending cuts that would further undermine consumption. Under these rules, if public debt exceeded 50 percent of GDP in 2009, then in 2011 the budget deficit-to-revenues ratio could not be allowed to exceed the 2010 level.

Exceeding 55 percent in 2010 would necessitate cutting the debt-to-GDP ratio in 2012. If debts tops 60 percent, the limit set by the constitution, the government would be forced to prepare a balanced budget.

Poland's public debt stood at 602.5 billion zlotys at the end of May, which set against 1,271 billion zlotys of nominal GDP in 2008 put the end-May debt-to-GDP ratio at 47.4 percent, a touch up from 47.1 percent in all-2008.

But several data releases have signalled in recent weeks that the European Union's largest ex-communist member could have the worst behind it.

Earlier on Tuesday, data showed retail sales rose much faster than expected in July, at the fastest pace this year, strengthening the zloty and boding well for the economic outlook.

Second-quarter GDP data is due on Friday and expect it to have expanded by 0.5 percent compared with 0.8 percent in the first. But they have a few times upped their forecast recently.

"GDP can prove better (than expected) and the zloty is stronger. And the zloty is significant for the debt levels because lots of it is denominated in foreign currencies. The stronger the zloty, the smaller the zloty value of the debt," said Piotr Bujak, senior economist at Bank Zachodni WBK.

"This is why talk of being able to avoid the safety levels is not without basis."

The zloty, after serious falls over the autumn and winter months, has been recovering. On Tuesday, it hit its strongest level since mid-January.

(Writing by Karolina Slowikowska; Editing by Andy Bruce)

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Poland plans 5-yr Swiss franc bond - IFR

26 August 2009

Provided by: [Reuters News](#)

LONDON/WARSAW, Aug 26 (Reuters) - **Poland plans to issue a five-year bond of at least 500 million Swiss francs (\$471.3 million) IFR reported on Wednesday.**

Guidance is set at mid-swaps plus around 138 basis points, with an indicative coupon of 3 percent, said IFR Markets, a Thomson Reuters online news and market analysis service.

A finance ministry official told Reuters demand for Polish bonds remained high and the European Union's largest ex-communist member mulled euro- and yen-denominated issues later this year.

"Investors show great interest in Polish bonds and that is why we don't rule out issues on euro and yen markets, probably in the fourth quarter," Anna Suszynska, the deputy head of the ministry's debt department said on Wednesday.

"Book building is currently in progress and initial demand is big," she added.

Suszynska said the Swiss franc-denominated bond issue was not aimed at satisfying borrowing needs but was a means to diversify Poland's debt portfolio.

"We treat this issue as a sign that Poland is rated well as an issuer on the market, especially after the latest euro- and dollar-denominated issues and a spell of good macroeconomic data from Poland," Suszynska said.

So far this year Poland has already issued bonds in euros worth 1.75 billion euros and dollar-denominated papers worth 3.5 billion dollars.

Credit Suisse and UBS have been named to manage the deal, IFR said.

(Additional reporting by Pawel Sobczak in Warsaw, writing by Kuba Jaworowski; Editing by Jon Boyle)
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Poland sticks to plans for samurai bond issue in Q4 - Min Fin official

26 August 2009

Provided by: [PAP Market Insider](#)

Warsaw. August 26, 2009 (PAP) - **Poland is holding on to its plans for a samurai bond issue in Q4, MinFin deputy debt director Anna Suszynska told PAP.**

"It will rather be Q4, it is possible and we do not rule it out. But we are not strongly determined," Suszynska said.

Also another eurobond issue is possible, but it's too early to talk about the size or the date of an issue.

In the year to date, Poland sold EUR 1.75 bln in eurobonds and USD 3.5 bln in yankee bonds. On Wednesday Poland offered at least CHF 500 mln in franc-denominated bonds.

Turkey

Mounting Turkey debt poses risks, fiscal plan eyed

26 August 2009

Provided by: [Reuters News](#)

*** Government seen borrowing a net \$30 bln in 2010**

*** Low real interest rates to rein in bond yields**

By Selcuk Gokoluk

ANKARA, Aug 26 (Reuters) - **Turkey's slowness in delivering a medium-term fiscal plan to unwind stimulus packages has raised eyebrows among investors, but analysts said the debt market's rally will continue as further rate cuts lie ahead.**

The government said in May it would announce a fiscal plan for 2010-2012 but this has not happened yet.

Economy Minister Ali Babacan said on Wednesday the government was still working on the fiscal plan, and that public sector borrowing requirement should be reduced speedily to permit private sector-driven economic growth.

Recession is weighing on tax revenues and generous spending widened the budget deficit more than 1,100 percent year-on-year in the first six months of 2009. The global crisis wiped 13.8 percent off Turkey's GDP in the first quarter.

However, the government is also under pressure from manufacturers and millions of jobless voters to stimulate demand through fiscal expansion to end the recession this year.

Existing official budget projections are obsolete and economists said this feeds into uncertainties for 2009 and 2010.

"The only thing we foresee now with the available data set is that the budget deficit will top 6 percent (of gross domestic product) and it will post a primary deficit around 1 percent this year," said Merrill Lynch economist Turker Hamzaoglu.

If Turkey does not mend its budget and return to primary surplus, which excludes interest payments on debt, the Treasury will have to borrow a net \$30 billion next year from the local market to service 190 billion lira debt, he said.

PRIMARY DEFICIT

Turkey's banks are happy to buy government debt as long as the central bank keeps cutting rates, but some economists argued that higher public borrowing reduced economic growth by displacing private investment.

The government expects the ratio of public sector borrowing to GDP to jump to 5.0 percent this year, from 1.8 percent last year.

"We are talking about expectations for a primary deficit at 2 percent of GDP for this year. This

needs to be brought back to a primary surplus," said Finans Investment economist Banu Kivci Tokali, saying measures to cut the budget deficit should be the key ingredient of the government fiscal plan.

Poor state finances have triggered numerous financial crises in Turkey's past.

The benchmark bond yield is hovering around its record low, and higher Treasury borrowing is not expected to raise the bond yields as long as real interest rates remain low.

"High debt rollover rate is of course a risk that needs to be watched but I do not think this will decide the direction of the yields in the foreseeable future," said AK Portfolio's fixed income investment manager, Eralp Denktas.

The steep fall in real interest rates due to the global recession, a tendency to save more and high unemployment rates pulled down the benchmark bond yield to a record low earlier this month.

The Turkish central bank cut overnight interest rates by 900 basis points to a record low of 7.75 percent this month as weak consumer demand reined in inflation, and said it could maintain its easing cycle.

Turkey is within the mid-field as far as government debt/GDP is concerned, versus peers in Europe. Analysts said markets will tolerate higher ratios of debt/GDP as long as the government can find a balance between a credible fiscal policy and providing necessary impulses to the local economy.

"Local media have been hitting the government for its fiscal policy this year but the truth is that the government has been doing exactly what all other governments have been doing, namely helping prevent a meltdown of the economy," said Simon Quijano-Evans, economist at Credit Agricole Cheuvreux.

(Editing by Stephen Nisbet)

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Ukraine

Ukraine's state debt grows more than tenfold during years of independence.

22 August 2009

Provided by: [ITAR-TASS World Service](#)

KIEV, August 22 (Itar-Tass) — **Ukraine's state debt has reached almost 270 billion hryvnia (about 35 billion U.S. dollars), having increased more than tenfold from about three billion U.S. dollars in 1992, the Zerkalo Nedeli (Mirror of the Week) weekly said on Saturday, citing its own calculations.**

It said international obligations make up more than 23 billion U.S. dollars, or two-thirds of the overall state debt. This does not include the debt to former Soviet Sberbank (Savings Bank) depositors, the overall amount of which has yet to be determined.

After a ten-year period of relative stability, Ukraine's state debt has doubled over the past ten months and trebled in the hryvna equivalent.

On August 24, Ukraine will celebrate the 18th anniversary of its independence.

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ITAR-TASS World Service

Cabinet Toughens Order Of Inclusion Of Losses From Recalculation Of Debt Raised In Foreign Currency In Financial Performance Reports

27 August 2009

Provided by: [Ukrainian News](#)

(Ukrainian News, Oleh Sorochan, 08/27/2009)

The Cabinet of Ministers has toughened the order of inclusion of losses incurred by economic entities as a result of recalculation of debt raised in foreign currency in the financial performance report for calculation of profit tax indexes over the first nine months of 2009.

Ukrainian News learned this from governmental resolution No.895 dated August 26 entitled "On Regulation of Some Questions of Profit Tax Administration."

In particular, the government has decided that economic entities, while drawing up the financial performance report over nine months of 2009, can include in gross expenditures negative sums as a result of recalculation of debt raised in foreign currency only on sums of redeemed debt in foreign currency.

The Cabinet of Ministers has instructed the State Tax Administration to explain this to taxpayers and control how they correct their reports in compliance with the said document.

The aim of the governmental resolution is facilitation of execution of budget plans on collection of profit tax in 2009.

As Ukrainian News earlier reported, the Cabinet of Ministers has created a working group to draft the strategy for the reform of the tax system.

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LATIN AMERICA

Argentina

Argentina debt swap opens Friday, closes Sept. 7

27 August 2009

Provided by: [Reuters News](#)

(Updates with details, background)

BUENOS AIRES, Aug 27 (Reuters) - Argentina will launch a swap of 8.3 billion pesos (\$2.15 billion) in short-term inflation-indexed bonds on Friday and it will close on Sept. 7, the Argentine Economy Ministry said on Thursday.

The Argentine government is looking to swap the controversial inflation-indexed CER bonds for a reopened 2014 bond as it seeks to ease a financing crunch by extending maturities.

A third of Argentine debt is linked to inflation, and economic analysts and opposition politicians accuse the government of underreporting consumer price data to save money on payments.

The swap will include Pre-9 and PR12 paper, which can be exchanged for Bocan 14 bonds paying on a bank market-based interest rate plus 275 basis points, the Economy Ministry said in a statement.

An Economy Ministry source has said if the swap was successful, additional tranches for up to \$6 billion in inflation-indexed debt will follow.

Argentine Economy Minister Amado Boudou, who took office last month, has described the debt swap offer as a small step toward Argentina's return to global credit markets from which it has been excluded since a massive 2002 default.

(Reporting by Nicolas Misculin; Writing by Kevin Gray; Editing by Leslie Adler)

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Brazil

Brazil private-sector debt surpasses public debt – report

24 August 2009

Provided by: [AE Brazil Newswire - Financial and Corporate News Service](#)

São Paulo, 24 - Private-sector debt in Brazil last year surpassed public indebtedness for the first time since the introduction of the key economic stabilization program known as Real Plan in 1994, reported local daily Folha de S.Paulo Monday.

The turnaround came in April 2008, when Brazil was at the peak of economic expansion, according to the Capital Market Studies Center (Cemec).

In June this year, private-sector debt amounted to R\$ 1.549 trillion (\$1 = R\$ 1.831), corresponding to 52.9% of gross domestic product, while public-sector debt totaled R\$ 1.32 trillion.

Cemec attributes the change to currency stability, as well as to the emergence of a new middle class and the strength of the private sector.

(Editing by Sergio Caldas)

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AE Brazil Newswire - Financial and Corporate News Service

AFRICA

South Africa

SAfrican finance minister says country's national debt stands at 108bn dollars

25 August 2009

Provided by: [BBC Monitoring Africa](#)

Text of unattributed report entitled "SA National Debt R844BN: Gordham" published by non-profit South African Press Association (SAPA) news agency

The national debt totals 844 billion Rand [108bn dollars], Finance Minister Pravin Gordhan said in a written reply to a parliamentary question, tabled on Tuesday.

"National government debt, provisions and contingent liabilities amount to 844bn rand," he said.

According to a table included in the reply, short-term loans totalled 92.4bn rand, domestic long-term loans R503.4 billion, and foreign long-term loans R88.5 billion, giving a gross loan debt on 31 July this year of 684.3bn rand.

This was offset by National Revenue Fund cash balances of 85.1bn rand resulting in a net loan debt of 599.2bn rand.

Provisions on March 31, including unpaid subscriptions to multilateral institutions, totalled 57.1bn rand

Contingent liabilities on 31 March totalled 187.7bn rand. This amount included the Road Accident Fund (42.5bn rand) and "post retirement medical assistance" of 56bn rand.

Source: SAPA news agency, Johannesburg, in English 1621 gmt 25 Aug 09

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BBC Monitoring Africa

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