

## Bulletin - 2Q 2023

## Volume 2023: No. 2

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Speculation over the direction of US rates, inflation, geopolitics and the Turkish elections were among the themes of EMD investment in the 2Q of 2023.

These topics were explored at most of EMTA's events in recent months, as well as economic policies in Brazil and Colombia, the upcoming Argentine election, distressed debt and the evolving roles of the IMF and China, the Zambian and Ghanaian restructurings, sanctions (including restrictions on Venezuelan debt), and much more. These events took place in New York, London, Boston, Miami, Frankfurt, Zurich, Dubai, Buenos Aires and Sao Paulo.

This bulletin covers those and future projects, as well as EMTA's recent work on NDFs.

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## Under Secretary of Macroeconomic Planning Addresses EMTA Buenos Aires Forum

German Plessen, Under Secretary of Macroeconomic Planning of the Ministry of Economy of the Republic of Argentina, addressed the EMTA Forum in Buenos Aires on March 30th, 2023, with comments on the structural issues facing the Argentine economy and the importance of fiscal solvency for the Republic.



(continued on [page 19](#))

## Suriname Creditor Committee Reaches Agreement in Principle on Debt Restructuring

The Committee of holders of Suriname's Euronotes (the Committee) announced on May 3, 2023 that it has reached an agreement-in-principle with Suriname on a restructuring of the Euronotes due 2023 and 2026.

[Click Here](#) for the Committee's Press Release, and [Click Here](#) for Suriname's Press Release, where the terms are specified in Annex A.

Members involved in the Suriname negotiations have spoken on several EMTA panels recently. They stress that the model could be replicated in other restructurings that have been either delayed or stymied recently.

Carl Ross (GMO) at EMTA's May 4 Forum on Distressed Debt in Boston ([see page 11](#)) emphasized that the new oil-based value recovery instrument [(VRI)] could be "precedent setting; it could be imitated by others and unlock deals that seem to be stuck."

Among the key renovations that the Suriname Creditor Committee believes can aid in further restructurings are that the VRI is paid from the top of the revenue stream (thus likely making it significantly easier to value), there's an interest rate on the VRI (at 9%) and the rate on the bond is almost 8%, all of which were not featured components in recent restructurings (i.e., Argentina and Ecuador).

For more information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).

## NY Legislation Proposed Affecting Sovereign Bond Restructurings Governed by New York Law

There are several bills pending in the NYS legislature which, if enacted, would have serious implications for the enforcement of sovereign debt governed by NY law. These bills are similar to those previously introduced into the legislature in 2021, which were the subject of an EMTA webinar on May 4, 2021. An EMTA Compendium regarding these bills, including a summary of the May 4, 2021 panel discussion can be accessed by [Clicking Here](#).

Several trade associations, including IIF and ICMA, have recently issued public statements opposing this proposed legislation which may be accessed by [Clicking Here](#).

The following two law firms and their respective primary drafters have addressed all three proposed bills:

Dennis Hranitzky (Quinn Emanuel Urquhart & Sullivan), whose White Paper can be accessed by [Clicking Here](#) and Deborah Zandstra (Clifford Chance), whose Client Briefing: Sovereign Debt Restructuring can be accessed by [Clicking Here](#).

For further information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).

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## PDVSA/Citgo US Supreme Court Decision Strikes Blow for Noteholders

The US Supreme Court in PDVSA v MUFG Union Bank concluded that the validity of the governing documents for the 2020 Notes be determined under the law of Venezuela, that New York common law requires that a New York court apply Venezuelan substantive law rather than New York substantive law in determining the validity of the governing documents and that the governing documents are not valid under New York law.

[Click Here](#) for the US Supreme Court case. This ruling is adverse to the interests of bondholders who relied on NY as the governing law of the contract, and has prompted some investor concern as the decision means that local law (which can be detrimental to foreign investors) will be applied to the contract instead of NY state law.

This litigation will be further discussed at EMTA's Webinar "Venezuela: Legal and Political Developments" on June 20 ([see page 44](#)).

As a reminder, EMTA's website offers its Members many Fixed Income relevant resources, including Caselaw, which can be found [HERE](#).

For further information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).

## EM Sanctions Update Held in New York

EMTA held its Annual “EM Sanctions Update” on May 24, 2023, and CLE credits were offered for New York lawyers.

Escalation of sanctions on Russian entities, changing sanctions landscapes in China, Nicaragua, Africa and Sudan, and possible new sanctions approaches in Venezuela, present unique challenges to policymakers and to Emerging Markets investors. What has changed and what may be around the corner? This EMTA Seminar provided a timely update on US sanctions by a panel composed of leading legal practitioners in the area of OFAC regulations and U.S. government officials, and covered facts as they existed at the time of presentation.

Chase D. Kaniecki (Cleary Gottlieb Steen & Hamilton) moderated the panel, with Will Schisa (Davis Polk & Wardwell) and Jim D. Mullinax (US State Department) as panelists.

Cleary Gottlieb Steen & Hamilton hosted and supported the panel at its New York offices, and additional support was provided by Davis Polk & Wardwell.

A summary of this Panel will be in the next EMTA Bulletin

For further information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).

## EM Corporates Battle Technical and Global Headwinds Despite Strong Fundamentals

Most speakers at EMTA's Corporate Bond Forum in London emphasized the strength of fundamentals, despite the technical and global macroeconomic headwinds facing the asset class. The event was hosted by BofA Securities on Tuesday, May 16, 2023, with the additional support of Barclays and Santander Corporate and Investment Banking.



EM corporate debt had returned 2.7% year-to-date, noted BofA Securities' Kay Hope in introductory remarks to the event's panel. These "skinny" returns had been somewhat of a dis-

appointment, she conceded, but should be taken in the context of the on-going war in Ukraine, issues in South Africa, the Turkish elections, rate increases, and inflation, among many other issues. She asked speakers for their EM corporate outlooks.

Stella Cridge (Barclays) responded that continued US inflation and a slowing down of Chinese growth momentum were not helping the asset class. Furthermore, crossover investors have significantly reduced their allocation to EM corporates. "We still like corporates on a fundamental basis, but technical and global macro factors will be driving it in the near term." She added that, "buyers are not stepping in for the HY names; there is a definite preference now for the more liquid, higher quality credits." Cridge contrasted the number of sovereigns currently going through extended restructuring with the relatively more resilient corporate sector in EEMEA—"that's a selling point that remains for EM corporates."

Pictet Asset Management's Alain Nsiona Defise seconded that, "we need to remember the strength of fundamentals in EM corporates," and its historically positive Sharpe ratio. However, low sponsorship by dedicated investors remained a concern for him, as did increased hedging costs.

"I'm not remotely worried about the EM corporate asset class," declared Kofi Bentsi (PIMCO), despite being "very bearish" on the overall macroeconomic outlook (due to rates and geopolitics). EM corporates were deleveraging, with low issuance and negative net financing. The countries he considered to be possible concerns—Argentina, Turkey and Ukraine—accounted for less than 5% of EM corporate industry benchmarks, he reasoned. "I don't see why we are being punished as much as we are...the underlying fundamentals are great."

### Corporate UK (continued)

Declan Hanlon (Santander Corporate and Investment Banking) asserted that, historically, the asset class has been driven by technical and not fundamental factors and placed himself at the bearish end of the panel. He considered US assets expensive (with a likely commercial real estate issue in the offing), and expected US performance would remain as a strong predictor for LatAm. Earnings for Latin corporates had not been “going well and will get worse,” and default rates for the commodity-driven region were likely to tick upwards, he warned.

Hope invited speaker reactions to the first round of the Turkish elections, held two days earlier. “Selection is more important than allocation in Turkey,” declared Defise, who would avoid Turkish banks, but ventured that there could be “great entry points” in the future for some exporters. Bentsi confirmed a negative outlook on Turkey, and anticipated conditions would worsen. Bentsi recognized, however, that Turkish policy decline has been volatile and has occasionally surprised in the past on the positive side.

The panel agreed that US and Swiss bank issues would not carry over into EM. Cridge revaluated EEMEA banks from a liquidity, interest rate risk exposure, capitalization and regulatory perspective and concluded that a spillover effect was unlikely. Bentsi drew attention to the number of quickly-published research pieces on the strength of the EM banking sector. For him, the greatest concern however was that investors in EM were not demanding enough compensation for subordinated bank debt risk.

On ESG, Bentsi saw a general move in the right direction, but questioned whether things were progressing too quickly, with unrealistic expectations, to the detriment of some EM countries. Cridge pointed out that, in just a few years, more than 50% of EU-regulated EM credit funds were Article 8 or 9 compliant. She characterized 2023 as the year when EM corporate investors will demand more concrete actions from companies, as ESG increasingly affects bond selection and pricing.

Hope stressed the need for the wider adoption of sustainability targets, revealing that a BofA survey indicated that only 40% of responding companies had actual interim targets. Defise noted that portfolio managers need to be attuned to individual client needs, as ESG goals differ, especially between regions of the world. In his view, governance has always been critical to investors, and there is now increased focus on the environment, but it is the social aspect where more progress needs to be made.

## Geopolitics, China and Turkish Elections Reviewed in Frankfurt

An informal show-of-hands poll conducted by David Hauner (BofA Securities) at the outset of EMTA's Forum in Frankfurt revealed that most attendees were unsure if EM debt returns would exceed carry in 2023. Hoping to give attendees greater insight, the panel addressed geopolitics, the role of China and the Turkish elections, before turning to specific credits.

The event took place on Thursday, May 11, 2023 and was hosted by Union Investment. BofA Securities, Deutsche Bank and Standard Chartered provided additional support. 75 market participants attended.

Hauner polled speakers for their overall evaluations of the EM asset class. Christian Wietoska (Deutsche Bank) believed that the Central Bank tightening actions was working, and that inflation would recede.



Allianz Global Investors' Andreas Hahner was also "moderately optimistic," seeing light at the end of the tunnel for BB-rated countries, while cautioning that some lower-rated sovereigns (notably Bolivia) might conclude that default was cheaper than debt service.

Christian Wildmann (Union Investment) contrasted the current macro background to that during the EMTA Forum in Frankfurt last year. He was encouraged by stabilizing food and energy prices, and the possible end of the US tightening cycle. He recognized, however, that some EM countries were trading close to default levels. Philippe Dauba-Pantanacce (Standard Chartered) saw risks to the asset class, reasoning that the EM-DM spread differential hasn't widened enough to prompt inflows. Furthermore, risk aversion remained high as Chinese growth and the US debt ceiling standoff continued to give investors pause.

Would disappointment in the expected Chinese boost to EM continue? "The previous euphoria turned out not to be justified," replied Wildmann, highlighting the domestic, not stimulus-driven, nature of Chinese growth. "The current growth in China is probably as good as it gets," he stated, "and don't bet on China lifting commodities—we should think of China as a marginal buyer." Dauba-Pantanacce stressed that Chinese growth would not collapse, "but the transition is happening, and home construction won't be the economic driver it used to be."

Geopolitics remained a concern for EM, with "almost every day bringing a new headline," Hahner observed. BRIC countries' non-compliance with EU/US sanctions, the Turkish elections, and the South African weapons scandal were among the many recent issues in "a dynamic and potentially dangerous" geopolitical backdrop. These affected EM countries in many ways, and even the Ghana restructuring could be delayed because of geopolitical tensions.

### Frankfurt (continued)

Dauba-Pantanacce highlighted that, as Saudi Arabia recast its identity –trying to transcend its two main tenets as the leader of Sunni Islam and the Arab world–countries such as Egypt and Pakistan that had previously benefitted from Saudi largesse will now face a higher threshold for assistance. Saudi OPEC+ policy has also evolved, with a focus on maximizing oil pricing at levels that are not demand-destructive, he added. Dauba-Pantanacce agreed that Western tensions with China were affecting debt restructurings, citing the lack of progress in Zambia.

The Turkish elections were “one of the most important EM elections in years,” according to Wietoska, and could represent either a return to economic orthodoxy or the maintenance of the status quo. He referred to polls that gave hope to the opposition, especially after Ince’s withdrawal from the race. Wietoska speculated that \$30 billion in inflows could return into previously “uninvestable” Turkish assets in the case of an opposition victory, even if it wasn’t clear how the Table of Six parties would work together. In contrast, a balance of payments crisis was likely if Erdogan was reelected, with capital controls possible and even greater reliance on GCC support.

The panel reviewed a variety of EM credits. Hahner considered Vietnam to be “an upgrade story,” while acknowledging the scarcity of its external debt. Indonesia represented “what a country can do right,” in Wildmann’s view. He lauded its green transformation and expected another ratings upgrade. Wildmann didn’t feel an urgent need to invest in any distressed credits, and regretted the lack of new ideas on Zambia’s restructuring at the recent IMF/World Bank meetings.

Wietoska confirmed his bearish outlook on South Africa as load-shedding worsens and there may be possible ramifications from its weapons sale to Russia. An Egyptian debt restructuring in the next twelve months was his base case as “the business model doesn’t work—it’s a debt sustainability issue, not a balance of payments crisis,” and Saudi Arabia was unlikely to provide a permanent solution.

Finally, Hauner warned that, “we believe that any single B-rated country will have to restructure unless proven otherwise,” as the era of “extreme liquidity” has ended. He specified Tunisia would be among those he expected to default on its debt.

## Zurich Panel Assesses Turkish and Argentine Elections, Global Backdrop

Global economic conditions, the upcoming Turkish and Argentine elections and the outlook for several key EM countries were among the main topics at EMTA's latest Forum in Zurich. The event was held on Tuesday, May 9, 2023, and attended by 75 market participants. Balanz Capital sponsored the Forum, with additional support provided by Deutsche Bank.

Panel chair Cary Eggleston (Balanz Capital) set the scene by asking for speaker takes on the global economic outlook. "The global economic backdrop has become quite supportive," asserted Deutsche Bank's



Christian Wietoska, with falling oil prices and a stabilization in food prices. His firm predicts both further Fed and the ECB tightening due to sticky inflation; "they are not falling into the trap of premature rate cuts, and they have done a good job of communicating with the markets". With euro forecasts at \$1.15 this year and \$1.24 in 2024, Wietoska saw CEE countries benefiting, whereas frontier nations face headwinds in the tighter liquidity environment.

Vontobel Asset Management's Carlos de Sousa countered with his "more consensus view" that the US FOMC was more likely to pause, while the ECB continued hiking. He agreed that the euro would strengthen vis-à-vis the dollar, while distinguishing frontier credits which don't require short-term market access from those that remain more vulnerable.

Claudia von Waldkirch (Credit Suisse Asset Management) reviewed the lessons from the recent banking crisis. Bernake's "whatever it takes" mantra has not been repeated in the current situation since high inflation limits the Fed's scope for action. "Real rates are turning positive at the same time that there is stress in the banking system; it's a delicate situation." She underscored the importance of reading prospectuses and cautioned that money can now flow very quickly in an era of mobile phone bank transfers and social media.

SwissLife Asset Management's Dorthe Nielsen observed that EM banks are more domestic-focused, with less emphasis on cross-border lending. In her analysis, small local EM bank failures were unlikely to result in panics. Instead, of greater concern was a DM banking crisis that would constrict global growth and spillover to emerging countries. "An important lesson is that you can't survive on short-term debt, because the financial markets are not always open," she stated, citing Chinese property developers as an example of firms hurt by high rates ("and bad management skills").

While several speakers concurred that OPEC+ was increasingly coordinating oil pricing, Wietoska envisioned a range of \$72-\$85 this year, a level that, "most countries can deal with, including Turkey." De Sousa named Pakistan, Tunisia and El Salvador as being among the biggest beneficiaries of falling oil prices. On the other hand, "oil was high enough—but not great—for Angola, Nigeria (which will also pay less for the fuel subsidies) and Gabon."

### Zurich (continued)

Eggleston solicited thoughts on the upcoming Turkish election. De Sousa admitted to having no strong views about the result but warned investors not to expect a quick economic turnaround in the event of an opposition victory (“remember Macri; a lot can go wrong, even with the best of intentions”). On the positive side, some firms may be holding back on FDI decisions until the election takes place.

Wietoska believed there was a “high chance” of an opposition victory, and expected the vote would go to a second round. Many Turks would make up their minds in the last days of the campaign, when Erdogan can exploit the media to his advantage. The parliamentary elections were critical and would provide momentum for the expected run-off, and Wietoska advised clients to expect volatility between the expected two rounds of voting. He seconded that large structural problems were unlikely to be resolved quickly even in an opposition victory (“they can’t hike interest rates above a certain threshold because of the 2024 local elections,” for example). Finally, he concluded that the current economic model and Ankara’s dependence on GCC and Russian support was unsustainable, because it left the country at risk of having a balance of payments crisis should those lifelines be withdrawn.

De Sousa referenced sell side research that estimated Ecuador’s President Lasso had a 40-50% chance of avoiding impeachment. He rationalized that only the Correistas prefer a “mutual death” dissolution of the government and new elections because no other party has a presidential candidate. While Ecuador could muddle through, with no big maturities due until 2026, payments would become an issue if a future Correista administration is unable to access the market.

The Colombia cabinet reshuffle has proven to be less negative than originally feared, according to von Waldkirch. “Fiscal prudence appears to be the plan;” the new finance minister appears to recognize the importance of the oil and gas sector, and FDI remains stable. De Sousa suggested that Petro’s dropping approval ratings could make the president a lame duck. While he recognized that political swings are commonplace, he pointed out that such turns are happening more rapidly than in the past, as people want change from the status quo and are concerned by declining security.

De Sousa voiced optimism that a more market-friendly administration would be elected in Argentina and will boost Argentine assets. There was a sliver of hope that a restructuring in 2025 or 2026 could be avoided “if everything works out perfectly,” including strong LNG export revenues, but his base case remained that there would be a debt renegotiation.

Wietoska maintained a “structurally bearish” view on Egypt, concerned that FX devaluations had not gone far enough, and debt service accounts for half the country’s budget. The country remained vulnerable to food imports and to more selective GCC support, while foreign investor demand for local paper has evaporated. De Sousa saw tactical opportunities, with upsides potentially triggered by IMF program reviews. He believed that there was an awareness of, and willingness to address, financial issues by Egyptian authorities. There are indications of increasing tourist arrivals, and a larger IMF package and successful privatization of state-owned assets would help to boost confidence.

Finally, the panel addressed the role of ESG in EM. Von Waldkirch commented that ESG considerations limit the ability of many portfolio managers to invest in Pemex, even if spreads might otherwise appear attractive.

## Evolving Roles of IMF and China and Recoveries Addressed at EMTA Distressed Debt Forum in Boston

The exact definition of “distressed debt,” the evolving roles of the IMF and China vis-à-vis distressed credits, post-default recoveries and the outlook for specific credits were all on the agenda at EMTA’s Forum on Distressed Debt, held in Boston on Thursday, May 4, 2023. Eaton Vance/MSIM hosted the event, with the additional support provided by BNP Paribas and Oppenheimer & Co.



Moderator Federico Sequeda (Eaton Vance/MSIM) requested that EM veteran Carl Ross (GMO) define “distressed debt.” Ross acknowledged that the term is not clear-cut, “but you know it when you see it—it involves a country not being able to access the market,

at any price.” At GMO, countries with spreads of over 500 bps, and thus at greater risk of default, are “placed in a different bucket” from other credits. He suggested that a widely-used definition of distressed debt was a credit with spreads greater than 700 and 1000 over US treasuries.

Ross observed that as much as ten percent of the EMBI Global Diversified index (by market capitalization) was now trading at over 1000 bps—“that’s nineteen countries and that doesn’t even include Belarus, Russia or Venezuela,” which are no longer in the index. At GMO, these credits are placed in a recovery model rather than a standard model.

BNP Paribas’ Nathalie Marshik addressed recovery values for defaulted sovereigns. In the past, recovery rates may have been somewhere between 50 and 65 percent, “but now the IMF has gotten tougher [with creditors], and 30 is the new 50!” She characterized recoveries as “a bit of a black box,” with debt sustainability analyses generally overoptimistic on growth. Rather than “a perfect science, recoveries are about negotiation, it’s about what people around the table decide to do,” she stated.

“Restructurings have become more difficult because there are now more stakeholders...China and GCC countries now have become significant lenders,” affirmed Rick Harrell (Aperture Investments). Since recoveries hinge on the discount rate, a US recession and wider HY spreads would affect calculations.

Fernando Losada (Oppenheimer & Co.) saw defaults as “coordination failures that followed either fiscal overruns, wars or some natural disaster.” While the IMF will continue to lead on coordination, its role is changing. “There has been a clear deterioration in EM fundamentals, including rising debt/GDP levels, since the pandemic, and countries are much more vulnerable,” he asserted. As a result, the IMF has become more lenient, “and there is a new, greener IMF...going to the IMF meetings used to be like going to the dentist, but now it’s like going to a yoga class.”

## Boston Forum (continued)

With China now both a direct preferred creditor to many EM sovereigns, and a member of the multilaterals, there is “a conflict of interest that may become a problem in the future,” Losada warned. Whereas China didn’t impede Ecuador’s restructuring (allowing others to take haircuts while its own debt was not written down), he predicted that, “there could be a much different story in Argentina.” Finally, Losada viewed the recent Global Sovereign Debt Roundtable as the latest effort, following the unsuccessful Common Framework, to bring China into restructuring discussions.

The panel reviewed several distressed credits. Harrell highlighted that Zambia is entering its third year of default due to a lack of coordination between the IMF and China. He expressed frustration that, “the Zambian government has done all the reforms that have been requested, but there are still other factors beyond its control.” Turning to Egypt, Harrell listed the country’s IMF agreement, potential FDI inflows from the GCC, and FX devaluations as underpinning optimism in the past, but suggested that investors’ patience is being tested due to privatization program delays. Despite this turn in sentiment, “Egyptian officials have options—if they can attract some FDI, do another devaluation or unleash privatizations, there could be a decent rebound...they have enough runway to avoid a default for another year.”

Progress had been made in Ecuador, stressed Marshik, before falling oil prices increased spending under President Lasso, and the country now finds itself in a political mess. Even if Lasso avoids impeachment, Marshik anticipated a difficult remainder of his term. Current pricing implies investor expectations of an immediate default under a new administration, although Marshik argued this was unlikely because there were no other obvious sources of funding other than the market. “I don’t think China will write them a check, and indigenous groups are clear about not wanting more oil and gas exploration.” Marshik characterized the proposed blue bond as “having cache, but it won’t save Lasso.” Ross faulted the market for not giving Ecuador the credit it deserved for the progress it has made, while conceding that the country’s historical default record raised legitimate willingness to pay concerns.

Ross also offered his assessment of Suriname’s restructuring announced earlier in the week. Key factors which led to its success were (1) a small cohesive set of creditors (in contrast to multiple creditor groups facing Argentina during its last restructuring), (2) authorities who wanted to pay creditors, and who were committed to improved economic policies, and (3) the transformational nature of offshore oil discoveries. Ross emphasized the new oil-based value recovery instrument could be “precedent setting; it could be imitated by others and unlock deals that seem to be stuck.”

A less favorable development in EM is the risk of sanctions enacted by the US or other governments which can stop bondholders from being paid. “The US government is putting us in a difficult position.” Ross reminded attendees that Venezuelan bondholders will need to initiate litigation soon or risk the expiration of the statute of limitations.

### Boston Forum (continued)

Losada proclaimed that the IMF is “stuck with Argentina,” as a result of its mega loan to the country, “and there is no easy exit; we are now in a long loop of zero net financing.” He hoped that a new administration could solve the problem, “but Argentina is over-leveraged, is not growing, has chronic fiscal issues and has no net reserves.” A solution requires “reforms of such depth that it can only happen as a unity effort among Argentina’s political parties (“which is hard to envision.”). It would entail large social costs, and should include reform of the public sector, structural reforms such as trade opening and improved education levels. Losada reasoned that action on a united front won’t occur until the situation deteriorates even further, forcing action.

Finally, moderator Sequeda offered thoughts on Ukraine. Bondholders shouldn’t expect a full repayment of their claims, “although the official sector realizes that the private sector will be needed in the post-war recovery.” Bond prices indicate significant losses are expected, though a value recovery instrument could be part of a restructuring, noted Harrell, who praised Kyiv’s financial officials for their market communication even during bombing attacks.

## EMTA Miami Panel Focuses on Improving EM Sentiment, Volatile Geopolitics and Need for New Debt Restructuring Solutions

EM fixed income sentiment has improved following dismal performance last year, and “hopefully we are finally coming to the end of this very difficult inflation spiral after the pandemic lockdowns,” proclaimed XP Investment’s Alberto Bernal in opening remarks at EMTA’s Forum in Miami. Bernal led a discussion on the global outlook, including ratings and geopolitics, while also touching on the future of restructurings. The event was held on Tuesday, April 25, 2023. XP Investments hosted the Forum, with additional support provided by Eurasia Group and Fitch Ratings.

Tiago Severo (BlueCrest Capital Management) referred to surveys showing that as many as two-thirds of investors anticipate a US recession in Q2 and Q3 this year, agreeing that, “personally I am very skeptical of the ‘soft landing’ scenario, and the ability of policymakers to deliver the very fine, very precise measures to resolve all the macro imbalances accumulated since the pandemic.” However, he cited economic models suggesting that the US and other economies could tolerate higher rates than generally believed. Forecasts of 3.5% year-end inflation in the US receding seemed reasonable, while a move closer to the 2% target would be “much harder.”



Shelly Shetty (Fitch Ratings) agreed that there were signs that the global economy was improving compared to year-end. Her firm has raised its 2023 growth estimate for China from 3 to 5.2%, and further upgrade to its growth forecast is possible after 1Q growth surprised on the upside. However, she warned that the spillover effect of Chinese growth on Latin America may be less robust than in the past, as Beijing will rely less on fiscal stimulus and infrastructure. Growth in China is focused more on consumption and services with more limited impact on commodity prices. Fitch has also pushed out its call for a mild US recession to the end of the year (from 2Q previously). Shetty pointed out that after 50 sovereign rating downgrades in 2020, and nearly 30 last year, her firm now maintains much fewer negative outlooks than during the peak of the pandemic. She also drew attention to the positive ratings momentum that was taking place in smaller Central American countries rather than Latin America’s larger, commodity exporters.

### Miami Panel (continued)

“Global uncertainty and volatility won’t go away because we are going through a structural change, away from a US-led international order to something new,” declared Eurasia Group’s Daniel Kerner. The emergence of a new global order meant cooperation was less likely, the system was prone to shocks with uncertainty on the rise. Kerner anticipated the Russia-Ukraine war would worsen, with sanctions continuing to put upwards pressure on fertilizer and other imports. The US bipartisan consensus on the need to contain China continues to prompt supply chain reconsideration, with the potential for benefits to Mexico and Central America “if they are smart.” He summarized that, generally, the Latin American political outlook can be characterized by high levels of social discontent and weak administrations unable to govern effectively.

Restructuring veteran AJ Mediratta (Greylock Capital Management) observed that, despite several sovereigns trading at distressed levels, no old-style restructurings have been concluded recently (highlighting the unconventional nature of Belize’s debt deal). “There was a set game to deal with sovereign defaults in the past, with the IMF working with the Paris Club and the private sector. This is now being upended, with China now at the table, effectively asserting a veto over the IMF,” he stated. Mediratta emphasized that the restructuring process has become untenable and new solutions must be found.

Mediratta raised the possibility of a new model replacing the value recovery rights included in several previous restructurings, such as Argentina’s GDP warrants that share excess growth for those who took haircuts. “The instruments that we currently have are insanely complicated to model, and don’t trade near their theoretical level,” he said.

Severo addressed monetary policy, expecting the consensus 25 bps US Fed hike in May followed by a pause (and the ECB moving its rates up 75bps to catch up). Central Banks generally are likely to “hold firm” for a while, rather than a quick U-turn to rate cuts, wanting to avoid losing control over inflationary expectations. Moderator Bernal compared the need to “stay the course” by Central Bankers such as Brazil’s Campos Neto to taking a 10-day course of penicillin. “If you don’t complete the treatment, it comes back worse.”

Shetty divided the effects of “friend shoring” away from China and to Mexico into two categories: (1) investment diversion which can be analyzed in surveys of intentions and demonstrated by slower US FDI into China and (2) trade diversion which can be examined by changes in exports and imports. “Every country in Asia is trying to get a piece of the cake,” she continued, with Vietnam’s notable success and strong efforts also from Malaysia, Indonesia and India. Mexico should be the largest beneficiary of near shoring, due to the USMCA and its proximity to the US, although some firms may be rattled by concerns over a consistent supply of power given the state’s dominance in the energy sector. Shetty concluded that, even with anecdotal evidence of higher real estate prices in northern Mexico, which provides some evidence of near-shoring efforts, there is lack of clarity on the magnitude and timing of such flows and how far they may impact overall growth trajectory of Mexico; as such “it’s too early to say if this will move the needle on the rating on Mexico.” Kerner reminded attendees of AMLO’s fiscal prudence, and pondered whether the next Mexican administration would adopt a similarly conservative fiscal stance.

### Miami Panel (continued)

Kerner hoped the Brazilian economic team would continue to moderate or water down President Lula's pronouncements, and expected some version of the proposed fiscal package and tax reform would be approved. He voiced concerns that the president (as well as Colombian President Petro) could adopt a less cautious stance in the case of falling approval ratings. "We are not at all excited about the Brazilian fiscal package, but we don't think things will get completely out of control," announced Severo.

Colombia's debt to GDP ratio was likely to remain at high levels "for the foreseeable future," according to Shetty. Economic activity is slowing significantly following the Central Bank brakes. Positive factors include that FDI (resilient so far even under the new government) is financing two-thirds of the current account deficit, and the passage of two tax reforms which are prefunding some of the spending increases. The proposed pension reform is not as negative as previously feared, she added. Fiscal slippage or debt/GDP moving closer to 70% ("not our base case currently") would be possible reasons for a "relook" at the country's BB+ rating.

## Jury Still Out on Lula 3, According to EMTA NYC Forum

Perhaps proving the adage that local investors are more pessimistic on their own country than international analysts, panelists at EMTA's Forum on the First 100 Days of the Lula Administration in New York offered more glimpses of possible progress in Brazil than speakers at EMTA's Sao Paulo Forum ([see page 21](#)), although they also remained cautious. The event took place on Thursday, April 20, 2023. Goldman Sachs sponsored the forum with the additional support of BofA Securities and XP Investments.



In his opening remarks, moderator Alberto Ramos (Goldman Sachs) pointed out that, despite market ambivalence over a Lula election victory last fall, there has been unexpected volatility in recent months due to “some incidents that the market didn’t digest well.” He invited speakers to describe their general assessments of Brazilian economic performance.

XP Investments’ Alberto Bernal stressed that Brazil’s 3% growth last year, and a 1.3% primary surplus right after the pandemic, were “pretty decent numbers.” Tight monetary policy will limit growth this year to 1%, which will be largely based on a bumper crop (in noticeable contrast to the drought in neighboring Argentina), as well as US disinflation, which will allow the BRL to appreciate and Brazilian real wages to recover. As for 2024, “anything can happen, but if the Central Bank is able to continue easing, we may be talking about growth about 2%.”

Claudia Castro (Invesco) warned that a short recession in Q2 and Q3 was possible. “Lula may deliver a small victory in Q1 because growth is positive, but GDP, ex-agriculture, mining and oil, is really stagnating,” she commented. Moderator Ramos added the Goldman view that, despite the widely-held assumption that the Central Bank will begin to cut rates later this year, monetary policy will remain restrictive until 2025 and “won’t support growth in any way.” This is creating tension between the administration, with its objective of stimulating growth above all else, and the bank.

On the new fiscal framework proposal, Castro raised concerns that, “we are moving from a spending rule with 0% real growth in expenditures to one where we have 2.5% real expenditure growth.” In her analysis, the spending limit aspect is positive, but may only become credible gradually and over time; while the primary balance target was of greater concern because it doesn’t stabilize debt/GDP in the short-term. She raised concerns over enforcement, accountability, and the lack of penalties if the framework is violated. (Ramos also feared this could be just a loose declaration of intentions, and “if you miss the target you just say ‘oops!’.”)

### Brazil Forum (continued)

Turning to inflation, Pablo Goldberg of BlackRock highlighted that Brazil has been the leader in the disinflation process in Latin America, assisted by one-off tax cuts. For 2023, he expected an acceleration in inflation over the remainder of the year, perhaps hitting 6%. Bernal saw inflation at 6.2% at year-end, based on an fx rate of 5.25 to 5.30 (which largely depended on external variables in the US, EU and China.)

Anne Milne (BofA Securities) addressed the corporate sector. She acknowledged that Brazilian issues were “market darlings,” often outperforming EM peers up until 2023. She had deemed spreads tight at the beginning of 2023, and lowered their country stance to underweight, with Brazilian corporate returns ytd now trailing other EM countries (and Brazilian HY issues in negative performance territory). Milne’s default watch list for Brazilian corporates has grown, and is currently at a 6% default rate (“more than any other country”), following the Americanas shock. This could grow much higher if other “distressed” companies default this year. Milne stated that historical recoveries for defaulted Brazilian corporates averaged 20% over a 10-year period; “not a pretty picture—and local banks usually have the upper hand in restructuring negotiations and the courts.”

The international markets remain open for top-tier Brazilian corporates, although issuance has contracted to only \$2 billion ytd, she noted. “We need international rates to come down and sentiment to stabilize, so for now be cautious,” she advised. Milne preferred Brazilian exporters and commodity companies as among the most attractive issuers, and maintained a wait-and-see view on Petrobras given the lack of clarity on future pricing policy, corporate governance, and capital allocation. “But I’m not worried about Petrobras today, it’s really strong right now.”

Was Brazilian monetary policy too tight? Bernal anticipated the COPOM cutting rates by 25 bps in August, then a series of 50 bp cuts until the SELIC reached 11% and the central bank reassessed its progress. He pointed out central bank president Campos Neto’s emphasis on inflationary expectations as a key decision-making factor.

Panelists largely concurred that the jury may still be out on the future direction of Lula 3. “There was a lot of goodwill at the beginning—maybe expectations in the market were somewhat inflated,” commented Goldberg. “We don’t know many of the policies, we are still waiting,” added Milne.

Ramos concluded the discussion by polling speakers for what had surprised them the most in Brazil recently. Castro cited the tone of the administration. “Maybe it has to do with the January incident in Brasilia, or maybe Lula is emboldened by his mandate when it was really Bolsonaro’s loss.” The Americanas scandal and its ripple effects on Brazilian corporates was the greatest shock in Milne’s arena (“now IG-rated companies are paying more than 20% to tap the domestic markets”). Moderator Ramos expressed his own surprise at how many times Lula, whom he credited as a skilled political operator, “had slipped on the banana peel – I thought he would be shrewder.”

### Buenos Aires Forum (continued)

Plessen remarked that, following energy self-sufficiency in the next year, very high crop projections for the 2023/2024 agricultural campaign, and low market debt payment requirements for the medium term, the economic outlook for next year and the medium-term is very favorable.

Following Mr. Plessen's remarks, the Forum, which was held at the Four Seasons Hotel in Buenos Aires, continued with a moderated panel discussion, followed by a cocktail reception for the attendees. EMTA gratefully acknowledges the Forum's lead sponsor, BancTrust & Co., and the additional support of EMTA Members, Cucchiara & Cia and S&P Global Ratings, and of the MAE (Mercado Abierto Electrónico of Argentina).

The panel was moderated by Ramiro Blazquez (Head of Research and Strategy, BancTrust & Co.) and featured panelists Marcos Alberdi (Founder of Alberdi Partners), Graham Stock (Partner and Head of the Latin America Region), Juan Battaglia (Chief Economist, Cucchiara y Cia., S.A) and Sebastian Briozzo (Head of Analytics and Senior Director of Latin America Sovereign Ratings, S&P Global Ratings).

The panelists debated the fiscal and political challenges facing Argentina, uniformly identifying a critical need for political will and compromise as prerequisites for any meaningful fiscal or structural changes to occur.



Agreeing with Blazquez's lead-in characterization of Argentina "at a tipping point" from a fiscal and political perspective, Buscaglia identified four thematic risks: the effects of the drought in Argentina (*la sequia*) and consequent loss of revenue (possibly

of more than USD 20 Billion Dollars), the likelihood of a political coalition successfully addressing the fiscal objectives as outlined by the Subsecretary, the recent dollar-for-peso bond exchange and the "wildcard" in the political arena of a possibly successful Milei candidacy (*La Libertad Avanza*).

Briozzo noted the S&P downgrade of Argentina to CCC- the day before the Forum and echoed Buscaglia in his concerns, noting that "the drought has changed the financial outlook of the Nation," and estimating that it (the drought) has cost Argentina 25-30 Billion Dollars. He also expressed his concern regarding the low level of Central Bank reserves. Notwithstanding, Briozzo does not anticipate a default with the IMF for Argentina, adding that he believes that the IMF will continue to be flexible with Argentina.

Stock sounded a more positive note, describing possible political consensus on a needed fiscal adjustment, suggesting that subsidies and pension obligations could be reduced and imports restricted with the necessary political will, but "life will be hard" he acknowledged. He further noted Milei's surprising numbers in the polls and a possible shift in the political landscape toward center right.

In a discussion of the possible outcome of the elections in November, Alberdi predicted that the Government will not be re-elected ("it will be hard for the Government to win"). Alberdi says the government – whichever party it is --- must lower inflation and build back Central Bank reserves.

### Buenos Aires Forum (continued)

Stock agreed that a change is likely --- and the likely change will be for the election of the Junto de Cambios party, but cautioned that while the party must unify in order to win, it also must unify in order to govern. Battaglia added that, on the positive side, the political system in Argentina is relatively stable as an institutional matter, unlike other nations in the region and that "(O)nce elected, presidents will serve out their terms." On dollarization as espoused by Milei, the panelists were uniformly troubled by the prospect. Briozzo observed that a worsening political situation could tilt popular opinion toward Milei and reiterated that the winning party, whichever it is, will need to address a reconciliation of the various political factions in Argentina in a serious way as alliances will be needed for political effectiveness.

Turning to a post-election scenario, Blazquez asked the panelists what they believe the new government, whichever party it is from, should seek to achieve in its first 100 days in order to kickstart the economy?

Alberdi's view is that demonstrable fiscal adjustments are needed immediately as a signal to the Argentine public that changes affirmatively will be made. While fiscal changes are critical, he noted that changes in regulations and in special interests and tax reduction measures also need to be forthcoming. Stock agrees with Alberdi on Argentina's need to look inward for needed changes that will benefit all Argentines. Battaglia noted that, with USD 9 Billion in interest coming due in 2027, the first 100 days will bring an immediate need for a stabilization plan to address prices, in contrast to relying on revenue anticipated from exports of soy, lithium and Vaca Muerte gas reserves.

Briozzo noted the lack of any macroeconomic consistency in Argentina in the last 70 years and identified a return to orthodoxy in Argentine monetary policy as an important factor. Briozzo also advocated, as political expedencies during the first 100 days of the new administration, some steps to assure the independence of the Central Bank and the judicial system.

Blazquez then pressed the panelists on what fiscal adjustments are needed during that first year of the new administration. Whatever they are, he noted, they will almost certainly engender social tension in Argentina and an exchange rate correction will be needed.

In response, Battaglia cautioned that an increase in fiscal inflation is likely. Alberdi noted that part of the fiscal adjustments will need to take place in the provinces (e.g., tax collections). If inflation declines, he pointed out, social security reforms or a spending increase (of 2 pts) will likely be needed. Stock called for more transparency in public spending as a tool to embed progress. He noted that it is best practice for governments to reveal details of public procurement for investment, and suggested that the same transparency could usefully be applied to social assistance programs in Argentina whose management is currently very opaque.

Briozzo also touched on the topic of funding for social security health plans and, echoing Alberdi, suggested that with political will, some of the cost of the public sector could be shifted to the provinces directly. He noted the high public sector cost for Argentina (40% of GDP) as compared to Mexico (20% of GDP).

Final thoughts of the panelists included: "Global Bonds," (Stock), "Buy the Dollar bonds if you are willing to bet the new administration will perform" (Alberdi), "The market is trading with an implied probability of default of 85%/95%. We think that the probability of default is lower; the market is too negative with Argentina. That is why we like sovereign bonds" (Battaglia), and "Argentina has a liquidity but not a solvency problem, but it needs a new IMF agreement" (Briozzo).

## Concerns over Brazil’s Fiscal Framework, Growth and Central Bank Independence Aired at EMTA Forum in São Paulo

Panelists at the EMTA Forum in São Paulo on March 27, 2023, spoke to their concerns about the opacity of the Administration on its new fiscal framework, the future of Central Bank independence and ongoing impediments to Brazil’s prospects for growth.

EMTA is grateful to Fitch Ratings for its support of this program.

The EMTA Forum was held at the Transamerica Executive Hotel in the quiet neighborhood of Itaim Bibi for the first time since the Forum’s suspension in 2019. In Portuguese, and moderated by Maria Fernanda Blaser Brites (Managing Editor of REDD Intelligence Latin America), panelists Camila de Faria Lima (Partner and Economist, Canvas Capital), Solange Srour (Chief Economist Brazil, Credit Suisse), Rafael Guedes (Country Business Leader for Brazil, Argentina, Uruguay and Paraguay, Fitch Ratings) and Adauto Lima (Chief Economist, Western Asset Management), walked through various themes encompassed by the panel title: “Brasil: Temas de Investimentos em 2023”.

In response to Blaser’s question on impressions of the first 100 days of the Lula Administration (“Lula 3”), the panelists immediately and uniformly expressed concern with the delay and lack of transparency of the Administration in rolling out its new fiscal framework.



Caveating that ratings agencies do not take a short-term outlook, Guedes expressed concern with the ongoing effects of the prior administration’s abandonment of normal fiscal policies, as well as the signals of the current administration that it will embark on a program of increased spending (which he believes the Government cannot afford). Guedes anticipates that fiscal policy will not be as favorable as it was during the last two Lula administrations, particularly since Brazil will not be able to reap the benefits of the commodity boom during those times. Guedes stated that communications from the Administration during its first three months have included a lot of conflicting and unnecessary noise about macroeconomic policy, creating uncertainty in the markets, and takes the view that the fiscal policies of “Lula 3” will of necessity be different than those of the prior two Lula administrations, driven by an economic environment that is significantly different than it was during his first two tenures.

Responding to Blaser, Srour acknowledged the favorable global environment, credible EM market performance generally, Brazil’s high interest rates and its strength as a commodity exporter (“more positive than negative signs”), but expressed concerns about the uncertainty and unpredictability of Brazil’s path forward, touching upon the political conversation around increasing the debt ceiling (“four constitutional changes will be needed before increasing the debt ceiling”). Srour said she expected changes with the

### São Paulo Forum (continued)

new administration, but had not anticipated the monetary policy conversation that has emerged alongside of the fiscal framework issues (“losing the monetary and fiscal framework at the same time is dangerous, even with a favorable global environment”).

Faria Lima saw signals emerging during the transition period in the fall as to what the Lula Administration planned to focus on, which included such measures as raising the debt ceiling, rates, post-pandemic protective measures and more spending, in contrast to the more conservative spending positions of Lula’s prior administrations, reiterating that the fiscal framework that is to come needs to be flexible and predictable. Agreeing with the other panelists on the Administration’s intentions to ramp up spending, Faria Lima concurred that this administration has created a lot of uncertainty and has not been transparent (“the devil will be in the details,” she observed ).

Faria Lima also sees a possible disconnect between the Executive Branch and the Legislative Branch on spending and other matters going forward. (“What is proposed by the economic team may not be the same as what is proposed in Congress.) The Lower House of Congress is a “wild card” and could be an obstruction to the Administration’s desire to ramp up spending, she predicted.

Adauto expressed significant concern with the possible effects of the Administration’s attacks on fiscal and monetary policy elements, coupled with the attacks on the country’s institutions (such as the Central Bank being under attack on high interest rates) and on fiscal “micro-principles” like privatization policies (“how do you promote public-private efforts when you attack previous privatizations?”). Adauto noted that “we have never been as stressed in [our] economic analysis as with this current administration, and pointed to various attempts to undo the prior administration’s actions (e.g., attempts to change the payroll deductions rules). Investment will only decrease because of our sluggish growth.. Growth cannot be stimulated as it was in the first Lula administration as the current economics are too different, he warned. Lima lamented that Lula led the polls since day one of the campaign, and “...now we are 100 days into his Administration and still without a plan.”

Blaser raised the significant concerns of many regarding the future of Central Bank Independence. Srouer characterized what she sees as transpiring is that the Central Bank may ultimately move towards a de jure independence only and not de facto independence. She observed that the de facto independence of the Central Bank is already under attack, citing as examples, the inflation targets of the Central Bank Board and the process of making new appointments at the Central Bank (“it is interference when the Minister of Finance nominates Central Bank governors). Importantly, Central Bank President Campos’ power is currently being eroded, she noted, and the Central Bank is at a considerable risk of no longer being [de facto] independent by next year. Adauto agreed and stated that a loss of Central Bank independence will be very harmful to the ability to maintain and meet the country’s financial targets. New COPOM Board members may bow more to the will of political leaders and not be as hawkish or keen on delivering on inflation targets, he worried.

Blaser requested input from the panelists on the risk of possible contamination of the Brazilian banking sector from recent global banking challenges. Faria Lima commented that the developed markets and the US Federal Reserve, in particular, have the necessary instruments and monetary policy tools to avoid a systemic banking crisis, as well as the appetite to intervene to exercise these tools. Faria Lima sees

## São Paulo Forum (continued)

two possible scenarios: one, risk aversion, a flight to quality and a subsequent drop in the BRL rate, with the systemic risk to EM being “immense,” and two (which she considered the more likely case), the situation, while under control, resulting in a slow-down in the US and EU economies and a significant drag on the Brazilian economy.

Adauto proffered that the FDIC guarantees had put the brakes on the current problem but that this will ultimately affect lending and credit, and while not a crisis, the current situation will cause slower global growth, including that of Brazil, and will put pressure on commodity prices, thus affecting Brazil’s exports.

Guedes, more optimistically, sees the Brazilian banking sector as having limited exposure to the global situation and being somewhat more resilient given the lower exposure of the Brazilian banking sector to foreign borrowing, a sound capital base, its loan loss reserves and the solid funding of the sector (with Americanas being an outlier situation).

Faria Lima foresees a possible interest rate cut in the near term due to the anticipated slow-down of the economy, as well a possible effort by the Central Bank to take measures to manage high real interest rates in such a case. Adauto concurred with Faria Lima’s assessment of some future “tug and pull” between the attempts by the Central Bank to manage interest rates and the Administration’s calls for a reduction in rates.

To Blaser’s question on the condition of the credit markets, Guedes noted investor divestment from mutual fund investment in private credit markets as a general trend but sees signs of corporates returning to the local bond markets. Guedes noted some transactions taking place despite bumps in the road, like Americanas. Guedes professed to being a bit more optimistic about companies returning to the markets, but Adauto indicated that investors are still “very cautious, and Srour believes both short- and long-term credit marks are now affected adversely and while “the worst may be over, it is not ALL over.” She speculated that interest rates might come down eventually (“they can’t keep the SELIC at 13% forever”), but it is not likely in 2023 --- and Faria Lima was not optimistic on growth in 2023 --- or beyond.

## Egyptian and Saudi Outlooks Debated at EMTA Forum in Dubai

Speakers at EMTA's Forum in Dubai debated the Egyptian and Saudi economic outlooks, praised Oman's progress while expressing less enthusiasm for Bahrain, and feared a lengthy status quo in Lebanon. The event was held on Monday, March 20, 2023. BofA Securities, Fitch Ratings and Standard Chartered sponsored the event.

Jean-Michel Saliba (BofA Securities) chaired the event's first session and polled panelists for their opinions on Egypt. Fitch Rating's Toby Iles confirmed his firm's B+ rating, explaining that the negative ratings outlook adopted last November was due in large part to the deterioration in Egypt's buffers and ability to absorb shocks following the Ukraine invasion. Future ratings actions would be based on an ongoing analysis of external financing needs and sources, he said. Iles highlighted that Cairo's current IMF program relies heavily on FDI inflows, "which can be subject to volatility and delays," especially with possible swings in the FX rate. He suggested that IMF conditions for both a fully floating currency and a large build up in foreign reserves might be a touch unreasonable: if you have the former, the latter requirement could be lowered.



Carla Slim (Standard Chartered) called attention to 12-month EGP NDF contracts surpassing 40 per dollar that morning. For her, it remained a question of "which comes first – does the adjustment in the FX resolve the funding, or does a resolution of the funding settle the FX?" She argued that, at this point, no additional FX adjustment would prompt more funding, and seconded Iles' characterization of IMF program assumptions on FDI and portfolio inflows as ambitious. The EGP could fall to 33-35 per dollar, and "I wouldn't even rule out 38-40-- who knows?" Slim announced her base case was Egypt falling short of meeting its funding needs. "The size and demands of the IMF program are quite telling; if it's not the program of last resort, we note the Fund's reduced willingness to extend large amounts of financing to Egypt."

More optimistic was Hussein Khattab (Eaton Vance/MSIM). He stressed the importance of Egyptian "hidden wealth" from expats and locals who are "stuffing cash in their mattresses" because they are worried about the future. "Once they are convinced of a plan and a price level, portfolio inflows will follow them," he stated. Egyptian officials had been "brave" in devaluing the pound, and hopes for further flexibility in the exchange rate as it is the main shock absorber. Khattab believed that Egypt would most likely muddle through debt service, even without significant reforms, "but hopes for the day investors can't keep up with stories on privatizations and divestures actually taking place in Egypt."

The panel concurred in a more bullish stance on Oman. With debt/GDP down to 40%, Iles deemed the country to have turned a corner. A return to an IG rating from its current BB level was possible if additional structural reforms were enacted, although he referenced the fact that oil and gas still accounted for four-fifths of 2022 revenues. Overall, "the level of seriousness and organization has improved massively."

### Dubai Forum (continued)

Slim also described recent progress as “impressive” and reasoned that debt/GDP could drop to 38% by year-end. The introduction of a personal income tax seems likely, probably towards the end of 2024 after officials have had time to prepare residents. She called on Muscat to reduce energy subsidies next.

“I used to think of Oman as a country using a cup to bail out a sinking ship, but they have proven me wrong,” conceded Khattab, who went on to call Omani policies “fantastic.” He echoed previous praise of the seriousness of officials in deleveraging. While a sharp drop in oil and gas pricing remained a key risk, he expressed confidence in officials reacting if needed. Saliba’s own positive outlook was also buttressed by the fact that, “the government appears to be receptive to advice based on recent talks.”

Speakers were more muted in their enthusiasm for Bahrain. Iles noted that FX reserves had decreased, not increased, despite the 2022 upwards shift in oil pricing. On the other hand, the doubling of the VAT and flat spending were positive factors. The finance ministry insists that new policies to bring the debt trajectory down will be announced, so “we will see.” Iles added that a ratings upgrade might be possible if there were more details on reforms, and clarity on additional GCC support. Slim anticipated continued market access “even if no one is expecting any big or imminent reform in the budget,” with tariff increases possible, but a VAT hike unlikely.

Khattab admitted disappointment that Bahrain had not lived up to his own expectations for reforms in 2018, and didn’t currently see a vision. Investing in Bahraini debt was based on “too small to fail,” which he acknowledged as a rational argument.

Panelists didn’t foresee any near-term resolution in Lebanon. Khattab ventured that the economic and political situation had not yet reached rock bottom, and the status quo would remain for the foreseeable future. Slim didn’t see immediate effects on Lebanon from the Saudi-Iranian accord, and concurred that the country could continue to deteriorate for years.

Addressing speculation on Tunisia; Iles highlighted that its CCC+ rating assumes an IMF accord will be reached by the end of 2Q, while factoring in “the high risk of implementation,” reflecting the possible lack of enthusiasm by Tunisia’s president. Further delays in reaching an agreement could lead to the rating coming under threat, he stated. “Tunisia can muddle through short-term...but there are a lot of risks there.” Khattab voiced frustration at Tunisia’s failure to fully exploit its human capital and tourism potential. “In my book, they have already defaulted.”

Opinions on Saudi Arabia were more nuanced. A 2.6% budget surplus in 2022 while oil topped \$100 “wasn’t amazing,” commented Iles, “but the reform story is still there, and there is quite a lot of movement in a positive direction.” A key factor for investors was whether Riyadh’s priority was fiscal sustainability or the 2030 mega-projects. “The Public Investment Fund could have a lot of misallocation,” and the outlook for headline projects such as Neom is not totally clear, he stated. *[Editor’s note: Fitch Ratings upgraded Saudi Arabia to A+ on April 5, 2023.]*

“They have a super-impressive, surprising vision and this is a totally different country since Covid. Human capital is fantastic as well,” declared Khattab. All the same, at current prices, fixed income investors were not being paid for the high risks of the 2030 projects. Slim maintained “neither a bullish nor bearish overall view; each of the 2030 projects must be evaluated case by case.”

### Dubai Forum (continued)

Dino Kronfol (Franklin Templeton) chaired the Forum's second panel, requesting investor views on the global macro backdrop, including US rates. Zeina Rizk (Arqaam Capital), who had previously criticized the Fed's rate actions at EMTA's last Dubai event, reiterated that a US recession was her base case. A future 25 bp rate hike was unnecessary, and would be the last one, and US rates would be lower by year-end. "We are in the camp that the Fed will have to cut rates because of a slowdown, and the fight against inflation will take a back seat," she said.



Singapore-based Manjesh Verma (BlackRock) seconded that a US recession would be hard to avoid, but was unconvinced the Fed would pause its hiking cycle. "Inflation is sticky, employment is strong; is the banking crisis enough to force a pause? I'm not sure." Hikes would be a mistake, in his assessment. The most likely scenario was an error by the Fed leading to a recession, and Verma predicted the UST 10-year would drop to 3.25% to 3.5% by year-end.

"The whole world had to contend with rising rates, who would have thought the blow ups would occur in the UK, US and Switzerland," proclaimed Kronfol, as he asked speakers if they were concerned for the safety of MENA/GCC banks in the aftermath of banking collapses abroad. Rizk replied that overall local banks were well capitalized, and contagion was not likely. Alae Chouaibi (Waha Capital) also did not fear immediate risks to the MENA/GCC banking industry, "although what's happening overseas could translate into wider credit spreads for regional banks."

Verma compared GCC banks to Asian financial institutions, reasoning that both are well-capitalized. A repeat of the AT-1 wipeout in Asia was unlikely in his estimation, while he remained cautious of "unknown unknowns." Verma added that the Asian deposit base, including India and Indonesia, is "reasonably more solid and diversified," than in the recently-failed banks. On the other hand, Verma pondered whether the market has become too sanguine in its low 2-4% predictions of Asian corporate default rates. The commonly-accepted wisdom that balance sheets have been cleaned up and maturities extended still failed to account for external shocks or further interest rate surprises, in his opinion.

Kronfol requested panel oil price forecasts. "We are not going back to \$100 oil," declared Rizk, who predicted a \$65 to \$80 range. If oil fell lower, both Oman and Bahrain would be forced back to tapping the market, she stated, disagreeing with the first panel's rosier analysis of Omani progress.

### Dubai Forum (continued)

Chouaibi called attention to the underinvestment in the oil sector, which sooner or later (after a potential US recession) would translate into higher and potentially painful prices for importing countries. Verma believed a range of \$60 to \$80 was supported, with both Asian and GCC debt “priced to perfection” in a world where the former generally benefits from weaker prices, and GCC gains from higher price levels. “It seems the market has adjusted to this new paradigm of oil pricing.”

On geopolitical risk, the Saudi-Iran détente appears to signal a “dramatic and strong reduction in geopolitical risk, but I don’t want to jump in just yet and want to assess the impact on Lebanon and others,” stated Rizk. In addition, “Egypt’s numbers don’t add up; external support should continue or they should press forward with privatization.” Chouaibi also recommended monitoring Egypt (“although we don’t expect major changes, calls for a new direction by potentially a new economic team are growing louder”), as well as Tunisia’s latest political developments given their negative impact on the ongoing discussions with the IMF.

Given her pessimistic outlook on the US economy, Rizk ventured that it was “not the time to be a hero,” and was most comfortable in a portfolio of GCC IG oil exporters, “and very selective otherwise.” Verma opined that, after his recent investor trip to the region, he was impressed with some MENA/GCC assets. The IG sector was most appealing, “but valuations don’t seem outright cheap.” Chouaibi contributed a third vote for GCC credits, “although some might be on the tight side.”

## Zambia and Ghana Restructuring Progress, Post-Election Nigeria Outlook Featured on EMTA SSA Panel

EMTA's Forum on Sub-Saharan Africa (SSA) covered both distressed and defaulted debt, as well as reasons for optimism on the African continent. The event was held on Tuesday, March 14, 2023 in New York City. The Forum was sponsored by Rand Merchant Bank, with additional support from Tellimer.

Samantha Singh (Rand Merchant Bank) chaired the panel discussion, first asking how SSA nations had been impacted by global economic forces. Patrick Curran (Tellimer) replied that, "EM as a whole has been on a wild ride, and Sub-Saharan Africa is no exception to that." He underscored that IG-rated EM countries have been "relatively" insulated compared to those in SSA with larger current account deficits and which relied more on market access.



In his view, countries such as Egypt, Tunisia and Kenya would "struggle in the current global backdrop...and were at high risk of default."

Kathryn Exum (Gramercy Fund Management) addressed the policy differences in SSA sovereigns. She praised Angolan officials for the "heavy work" done under the IMF's EFF program, while the country also benefited from stronger oil prices. Less clear was the outlook for other countries. "The jury is still out on Kenya, and we will see how Nigeria pans out under the new administration." It remained "truly hard to judge" the outlook for two countries that have defaulted, Zambia and Ghana, in the current environment.

Nuveen's John Espinosa spoke on monetary policy in Nigeria and Kenya. While the incoming Nigerian administration has signaled their desire to change central bank leadership, the current president might stay on until his term expires next year. In any case, "the threshold is high to have a massive policy shift in Nigerian FX policy, and it will probably be more of a gradual shift to harmonize the different rates." Espinosa argued that without a change to its fuel subsidies, "I don't see how you can make much of a shift in FX policies." Facing a weaker shilling and falling reserves, Kenya's central bank president would probably not be reappointed at the expiration of his term.

### SSA Panel (continued)

Despite two decades of the HIPC debt relief program, debt levels and fiscal deficits continue to climb in some SSA countries, noted PGIM's Todd Petersen. "Many countries have followed an 'extend and pretend' policy framework," he observed. "There are many countries with questionable debt sustainability and once in default, restructurings are complicated by China's aversion to taking haircuts on principal." (He suggested China will treat each case independently but a possible solution for some countries could be tied to resources, such as Zambia's copper exports.)

Exum judged Ghana's recent domestic debt restructuring as "relatively positive." She suggested that Ghana's application for Common Framework treatment was motivated by the IMF's desire to have a success story, "but there is a bit of uncertainty that it can move quickly." Her base case, however, was that there would be an accord by the IMF spring meetings, and a restructuring before the September election cycle. After that, a deal would become more complicated, she warned.

Despite the gloomy global outlook, Singh asked for "silver linings" in the SSA space. Curran saw potential in Uganda, "a small, illiquid trade that is not overly crowded and investment generally stickier." The country was making improvements on the macroeconomic side, and he anticipated a decline in the 50% debt/GDP ratio. Petersen seconded the "consensus" trade of Angola, while also being encouraged by stronger fiscal anchors in several francophone SSA countries, including Cote d'Ivoire, Senegal, Gabon and Cameroon. He added that there have been some positive transitions to democracy in SSA, and major election-related violence has been avoided.

Espinosa ventured that a silver lining might be found in developing SSA and ESG together as investors align their capital to the needs for SSA infrastructure and social development. He recalled the widely-held assumption that there would be widespread defaults by EM sovereigns at the onset of the Covid-19 pandemic. "But while SSA was not immune to the risks and challenges, that also included the Russian invasion of Ukraine and the strong dollar, it has proven itself more resilient than expected, and the region has weathered the storm fairly well."

Speakers were muted in their outlooks for South Africa. Espinosa described the formalization of government support for Eskom's debt as positive for the company's creditors, but the severe load-shedding of recent months has reduced the country to a "sideways trajectory" and earlier optimism has faded. Johannesburg-based Singh did not foresee any imminent end to load shedding, while detailing how it had become part of daily life for South Africans.

## Pragmatism vs Ideology in Petro's Colombia

Whether President Petro would adopt a pragmatic or an ideological path was a key theme of EMTA's Forum on Colombia, held in New York City on Thursday, March 9, 2023. Growth prospects, monetary and fiscal policy and the president's reform agenda were also covered. MarketAxess sponsored the event, which was hosted by Standard Chartered. Additional support was provided by BofA Securities and Fitch Ratings.



Gordian Kemen (Standard Chartered) reviewed developments since Petro's assumption of the presidency last August, and observed that "the market has not liked what we have seen so far, with pushback on the health reform bill, the cabinet reshuffle, the corruption allegations against Petro's son, and recent polls showing a sharp increase in Petro's disapproval ratings." He underscored the

weak performance of the COP, among the worst returning EM currencies, contrasting it with the positive returns of the MXN and CLP.

Kemen requested panelists' views on the first 200 days of the Petro administration, and to discuss the potential passage of Petro's reform proposals. Alex Muller (BofA Securities) replied that the adoption of tax reform was Petro's greatest success so far, while he expected that the health reform bill would be blocked, which would then signal congress' willingness to moderate the other proposed reforms. "Only the tax reform is better off happening than not," he argued; "the others are all bad ideas." The proposed land reform bill would harm property rights and the agricultural sector, and labor reform was "the least intelligent, because, while the plan is to get rid of fossil fuel dependence and promote the manufacturing sector, the bill would increase labor costs by 30%...so how would that promote the energy transition?"

Emso Asset Management's Bret Rosen was not surprised by Petro's actions to date. The president was merely fulfilling his campaign's tenets of "pensions, labor and land—that's his base, so his proposals are what we would have expected." He characterized Colombia as a country of "institutions and lawyers, so it's not that easy to make radical changes," while the independent central bank and constitutional court could also act as breaks.

"The biggest risk we now face is the floating of a lot more trial balloons as Petro's approvals ratings are tested," reasoned PIMCO's Lupin Rahman. The checks and balances have worked thus far, she agreed. A positive surprise was that Congress has "reduced Petro's ambitions."

Fitch Rating's Richard Francis noted that Colombia faces the challenges of a fiscal deficit ("its Achilles heel," which he did not see shrinking below 4% in future years) and growth, which he pegged at 1% in 2023 and 3% in 2024. Adding high inflation, the need for tight monetary policy, and domestic politics, "and

### Colombia (continued)

you have a pretty bad recipe.” Francis concurred that, “while there are a lot of risks out there, the checks and balances are stopping the worst from happening.” In his analysis, a watered-down health care bill, as well as pension reform, would become law.

Muller adopted a more optimistic growth outlook of 2% this year, stating that even a lowered oil forecast of \$80 a barrel was good for the country. FDI in 2022 had been a positive surprise, at 5% of GDP, and Venezuelan immigration was positive for growth, despite some social tensions. He also saw a narrower fiscal deficit than Francis did (3.9% in 2023).

On monetary policy, Muller believed the central bank would hike one more time in March before pausing, then turning to dovish mode in October. Rosen seconded that rate cuts would likely start in the fall, despite inflation likely staying above the 3% target until 2025 or 2026. While Rahman also saw rate cuts as “probable,” in due course she expressed reservations about whether this would be wise policy in the near term.

Rosen described the COP as caught in a repeated cycle of “ebbs and flows, where Petro makes some comments that spook investors, and the peso moves to around 5000, and then a government official comes out and calms things down.” He pondered whether Colombia under Petro might follow the path of Mexico in the AMLO administration, i.e., “there are initially big concerns of a left-of-center president and the markets wobble; then six months later, when the country hasn’t moved as radically as feared, people come back...and now everyone loves the Mexican peso.” Kemen noted that one of the drivers of support for Mexico—nearshoring—didn’t apply to Colombia.

Rosen also highlighted the political pressures on Petro. “He needs growth to perform well in the upcoming local elections; and his Congressional coalition is not totally in synch ideologically, so they will demand a price for their support.” Petro will need to overcome all these hurdles to pass his reform goals, he concluded.

Turning to Colombia’s stated goal to reduce its reliance on hydrocarbons, “the proof will be in the pudding,” declared Rahman, who called for “more concrete plans and a coherent framework for planning the energy transition.” Upgrading Colombia’s ESG ratings would need further action beyond the announcements the country has made thus far.

The tension between the need for oil revenues and decarbonization reflected the larger question of how pragmatic or ideological Petro would prove, summarized Francis. “Will he take the huge opportunity for offshore oil production or not?” While Colombia’s IG rating was cut last year, Francis stated that it was not impossible for the country to be upgraded in the future.

Finally, the panel addressed speculation on the tenure of finance minister Ocampo. While “no one expects him to remain in office until the end of Petro’s term, he seems himself in a patriotic role to advance the macro stability of the country,” according to Rosen. He ventured that Ocampo might remain in office for another 18 months. Muller saw Ocampo as one of six leading moderate voices in the cabinet who “have more muscle than the radical members of the government.” While his departure would be “bad news,” Muller didn’t foresee an issue finding “another competent” finance minister.

## Is There Progress on Venezuela?

Following Venezuelan domestic political events, the granting of new US sanctions licenses, and geopolitical developments, this Webinar on March 2, 2023, addressed the potential progress towards a deal with Venezuela and any relaxation of trading restrictions on Venezuelan debt. What could a deal look like, and what obstacles remain?

Ramiro Blazquez (BancTrust) moderated the panel, with Alejandro Arreaza (Barclays), Michel Aubenas (BlackRock), Chase Kaniecki (Cleary Gottlieb Steen & Hamilton) and Mike Conelius (T. Rowe Price) as panelists.



BancTrust sponsored the panel, and additional support was provided by Barclays.

Ramiro Blazquez (BancTrust), as the panel's moderator, opened the panel discussion by wondering whether the recent relief on oil trading sanctions is the tip of the iceberg, given the likely involvement of other companies (on top of that of Chevron), or will the US wait until Maduro makes concessions, thus engendering further sanctions relief in other areas.

Chase Kaniecki (Cleary Gottlieb Steen & Hamilton) responded that recent events - against the backdrop of the war in Ukraine and potential further Russia sanctions relating to the targeted oil sector - contributed to the loosening of sanctions in the Venezuela oil sector. Moreover, it seems that the oil-to-debt programs and the General License for Chevron to continue oil explorations and development in Venezuela are other indications that the US is providing Venezuela with a relief from prior sanctions. Whether this loosening signal will widen to other areas of Venezuelan industry sanctions is too soon to guess. Blazquez remarked on the current output of 600-700K barrels per day as it relates to the shape of the oil industry and the elasticity of supply of oil production to the loosening of sanctions. He thought it unlikely for the government to meet its 1M barrels per day goal.

Alejandro Arreaza (Barclays) agreed that the upside of increased oil production seems to be capped. Chevron's former 250K output is at 90K production today, and likely to only increase to 100-160K barrels per day in the short term. There are still important economic implications since there may be \$4 billion in oil exports for an economy that now has a GDP of \$50-60 billion.

## Venezuela (continued)

Blazquez commented that US trading bans (which were effected to pave the way to more democratization and only affect US Persons) did not seem to have any detrimental effect on Maduro. Non-US distressed funds can increase their exposure to Venezuela bonds, while US funds cannot. So, how can US sanctions be made smarter? Mike Conelius (T. Rowe Price) explained that the Trump Administration put in the trading plan when it looked like Guaidó was about to take over the country, and the US wanted to avoid the Maduro regime “selling the silverware” to a US investor by creating and issuing a bond while Maduro was leaving the government. So, while the trading ban may have been a good idea at the outset, Guaidó did not prevail and now sanctions are more of a Biden policy (by “day count”).

Conelius also asserted that the Venezuela Creditor Committee (the VCC, of which he is an active participant) have discussed the “not so well thought-out” policy and sanctions implications on the market with both the Trump and Biden Administrations, as well as the critical difference between primary and secondary market trading, whereby it’s primarily primary market trading that would benefit a regime. It has been “an uphill battle” with some branches of the government (although not including Treasury and key advisors to Congressman who understand the difference). The “existing rules of the game” – prohibitions on trading with SDNs and know your customer rules that brokerage firms use – are more than sufficient to prevent rogue actors from selling to just anybody. And, finally, if Maduro wanted to sell Venezuela bonds, he would more than likely do so in the offshore market and not come into the US to do so.

After four years, however, he is optimistic and hopeful that the message is finally being received since (1) there was no big “blowback” politically on sanctions on the oil sector, (2) there was finally some easing of sanctions and (3) there’s an increased understanding that sanctions (i) hurts US investors and only benefits those offshore and (ii) complicates restructurings.

Kaniecki’s view is that US sanctions can minimize the impact on US investors and “be smarter” if (1) there were limits on sales in the secondary market of securities held by the Maduro regime, (2) trades were permitted between allied regulated entities in the US, EU and UK and US investors and (3) separate CUSIP or ISIN numbers with no ties to Mauro were assigned and those were permitted to be traded.

Blazquez then turned to the statute of limitations (SOL) issue, whereby in October 2023 certain prescription clauses would become binding and certain litigation rights would expire. Enacting a tolling agreement to “stop the clock” against massive losses would be advantageous and probably better than incurring litigation costs. He then asked what kind of conditions were necessary to effect the tolling agreement.

Conelius reported that the VCC retained Cleary Gottlieb since the six-year deadline for claiming for non-payment of principal and interest was looming, and, if one did not have a tolling agreement or sue for the principal or interest, one’s claim could potentially disappear. The six-year timeframe applies on a rolling basis, beginning from the date of the first non-payment of interest/principal, and then rolls forward with each subsequent payment date. As a fiduciary for his investors, this means there is a need to sue to avoid the SOL problem, unless a tolling agreement is in place. For tolling, the initial condition to defend US Persons’ interest lies in needing a government that is recognized, so this is a grey area right now with Maduro at the helm and US courts not recognizing a tolling agreement signed by Maduro’s government. Absent this initial condition, US and global investors must turn to the courts for their claims of non-payment, which is expensive for investors and Venezuela (and a time waster, but necessary to protect one’s interests).

### Venezuela (continued)

Blazquez posed the question of what US foreign policy is and whether a tolling agreement will be effected. Conelius wondered if there was a “half-measure for a narrow specific purpose” to recognize a ministry of finance official that’s not an SDN that’s acceptable to the US executive branch since the US courts will look to the US government for that determination.

Blazquez remarked that SOL and these recognition of government issues are a major constraint to providing a path to serious debt restructuring. He also raised the issue of the legal status and validity of the 2020 bonds and whether they were issued in accordance with Venezuela law and would be recognized by the courts. Conelius responded that Guaidó considered the debt illegal in the early days, although that view has evolved, and the government stopped questioning the legitimacy of the debt. He posited that the courts would look at the strength of the collateral claim as against other unsecured claims. He thought there was good value between debtor and creditor when the bonds were issued (to avoid default on other securities), so the country did extract value (although it may have been over-valued), and that he thought, at the end of the day, that those bonds would be considered the legitimate debt of the Venezuelan government.

Arreaza noted the recent Citgo profit and increased liquidity could potentially change the government’s initial position not to recognize the legality of the bonds. This led to a discussion of the political situation, who’s the authority and in charge.

Blazquez mentioned that acknowledgment of the debt by the Chavismo authorities would give them a leg up in the elections. The negotiations between Chavismo authorities and the opposition team seemed to have stagnated once more, presumably due to the lack of news on the \$3 billion UN fund allocated to Venezuela. Maduro has stated that this topic needs to be resolved before negotiations resume. Opposition hardliners (like Maria Corina Machado) are gaining traction in the polls, which could pave the way to a radicalization of Chavismo. The Maduro government could feel threatened, thus eliminating free and fair elections.

Given the above scenario, Blazquez asked Arreaza about his outlook for debt negotiations in the absence of a broadly recognized new administration. Arreaza echoed Kaniecki’s view that a new “window of opportunity” was now open to solve the crisis partly because of a change in the geo-political conditions, as well as fatigue by the government and the oppositional government after being in a prolonged struggle. In recent months, it seems there’s a process on both sides to potentially provide some concessions, which will bring some progress on the political front. The discussion around the assets that the government has offshore has interfered somewhat with this progress. But there are other deeper issues that have contributed to the slow progress of negotiations - a misalignment in the view that the regime has about this negotiation process that for them is more about economic conditions vs. their willingness to give concessions on the political front, whereas on the US front the political issues are much more crucial.

With elections taking place next year and the potential lifting of restrictions for some opposition candidates to run, there may be progress independently of who wins the election. However, before the elections, in the short-term changes will probably be limited to a few exceptions in the oil sector. It is too early to guess whether the opposing hardliners are gaining momentum or will have an influential role in the process, but they potentially can abort the negotiations or the election itself. Any hope for negotiations is reliant upon having a widely recognized government by the international community, so there will probably have to be a change on the political side before we see a deeper change in sanctions.

## Venezuela (continued)

Blazquez next turned to a discussion of financial aspects. As we get closer to serious debt restructuring discussions, the role of the IMF will be reviewed. However, he thought that any IMF involvement will have limited effect on reducing or essentially limiting uncertainty, which will be reflected in likely expectations of high exit yields. On another note, he thought that the high opportunity cost of capital will keep investments subdued, together with a probability of a large PDI discount as an outcome of the debt negotiations. He asked panelists for their assumptions and estimates on recovery values. Based on an assumed surplus of 1-1.7 GDP (although he noted that Venezuela has a poor track record in terms of its fiscal accounts), Blazquez suggested 20-35 cents for recovery values. Arreaza claimed that this was more art than science and recovery is a function of time, with the longer prolonged crisis period making it more difficult for creditors. In his view, a protracted crisis will yield 16% for Venezuela bonds and 10% for PDVSA bonds. An increase in debt with China and Russia being the alternative capital providers did not quite occur. Maduro stayed in power, but with no financial support from his allies. No additional debt accumulation is, of course, a positive for restructuring and could lead to higher recovery values than previously expected, but, he posited, it was still too early to predict much of anything.

Michel Aubenais (BlackRock) mentioned that the key factor in obtaining a GDP outcome is modeling the level of oil production. However, getting to the bigger oil production of the past is highly unlikely without big investment overseas; although, in the post-election scenario, there may be more barrels (e.g., 1-1.5 million per day). He agreed that there was no specific timeline of events (although it may be accelerated if litigation commences); more conversations were still to be had. The hard, complex route of litigation was a possibility if there was no recognized legitimate government or tolling agreement. The domestic situation has not changed drastically. Conservative estimates of recovery values are probably prudent. Accumulation of bad debt is not permitted by many holders. The cost of capital must be factored in.

Conelius also agreed that it was too early to speculate on recovery values, and very much depends on the path a restructuring will take. Denationalization (with valuable assets that can be sold) and debt for equity swaps will be part of the restructuring and recovery process. There's a disadvantage of bonds leaking into the international community since Chinese and others may be pre-disposed to go into the market early in debt/equity transactions, which is the downside of having US bans on bonds that are now out of US hands. He used Suriname as an example of a dress rehearsal for Venezuela, with investors looking for value recovery mechanisms to shift debt off the debtor's balance sheet, while earning recovery off the oil production. Blazquez noted that this didn't work well for Argentina where there was manipulation of data, but here there are more objective, secondary sources that are trustworthy. Conelius remarked that the Venezuela oil warrants worked very well and the VRM structure in Suriname will make the product stronger.

A Q&A then ensued. Commenting on PDVSA's future, Arreaza noted that it would not be what it used to be even if the Venezuelan economy recovered. The company still has a restriction on access to capital and a loss of human capital. The duration of this situation depends more on international cooperation in partnership with the company, with a resulting smaller share for PDVSA of the overall new oil production. The Asian market is importing more Russian oil (although he thinks Asia would still be the main market for Venezuelan oil), which reduces the need for Venezuelan oil even if there's an easing of sanctions.

A question arose on the 2021 litigation on the PDVSA 2020 bonds which is waiting on a ruling in the NY courts and whether the US will anytime soon ease restrictions and allow the use of Citgo collateral. Kaniecki responded that the General License (GL) for use of the Citgo collateral has been extended in

## Venezuela (continued)

January to April 20. And, there's an expectation that it will be extended further (although, even though the authorization is there, it is still unclear when the use will occur). A follow-up question is whether the extension of the GL by only three months (vs the usual 12 months) is a signal of a change coming. Arreaza responded that he saw this as adding political pressure on the government to enter into debt talks. If there's no progress at the end of the GL expiration period, there may be a reversal on the US policy to ease sanctions. Incentives are still aligned to maintain communication, although there's a risk that, if the US reverses the sanctions easing, Maduro may adopt a more radical stance that can disrupt the process, including calling for early elections.

Another question is whether the US government could use the Maduro regime as an interim legitimate government so the debt restructuring negotiations could commence. Arreaza responded that recognizing the current regime does not seem to be an option since the path that the US government has chosen so far is to remain aligned with the National Assembly elected in 2015, so the interim government doesn't exist anymore. Some European countries are more open to dialogue with the existing government, and, leading up to elections, possibly more non-US governments would do so as well, thus putting pressure on the US to make a decision *after* the election.

Another question related to whether bondholders who sue can still trade the bonds. Conelius didn't think the status of the trading ban would change in those circumstances. Could owning a legal claim, rather than a bond, prevent a bondholder from participating in a restructuring? Conelius responded that one can only take a judgement so far, with limited Citgo assets. Litigation protects the bondholders' positions, but ultimately the reason to sue here is to encourage the government to come to the negotiation table. There are strong reasons to believe that one's bond claim doesn't go away and counts towards CACs, so one can vote one's position. The judgement is "symbolic", preserving the claimant's position and removing that six-year prescription clause. A related question is whether CACs can apply to judgements. Conelius' understanding is that, whether or not there's a judgement, the bond is still incorporated in any CAC voting, so that doesn't eliminate the claim. However, it is not clear whether an amendment through CACs to the terms of a bond would also amend or extinguish a judgement relating to such bond.

A follow-up question is whether the six years applies to all bonds or just the original maturity of the bond. Conelius echoed his earlier remarks that one has six years to claim any missed payment. The first coupon was due on October 10, 2017. Any coupons after that would have their own six-year period. It gets more complicated when principal matures since one needs a judgement on that bigger claim not to lose it.

Related to Conelius' debt for equity remarks, is it worth protecting SOL if one plans to exit through debt for equity arrangements? He said that it cuts both ways. By protecting yourself, your claim grows, so the amount you can use to purchase an asset will be larger. The other side of that is that the Venezuelan government may prefer in the debt for equity scenarios those who haven't sued them. That may change, however, if there's a wave of lawsuits later this year. Also, since there are European and Chinese investors in bonds, they may want a greater stake in the debt for equity deals, and those bonds can move today.

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If a bond doesn't have a CUSIP or ISIN and is not transferable through a clearing system, would it be more likely that such a bond could trade more easily since the clearing systems can't block such a transfer? Conelius commented that Russia, for example, has a clearing system and that bond can be transferred through such clearing system as a way of getting cash to the Maduro regime. In any discussion around a trading ban amendment, it would be the VCCs position that that bond be explicitly excluded from the ban since it's not a secondary market-type issuance, but rather a primary issuance. Blazquez asked whether, within the VCC, there was a difference of opinion between real money holders and real return holders. Conelius stated we're all real money holders since the source of the money was not important, and there was no difference.

The last question was whether there was a real risk in PDVSA being replaced with a 2.0 to erase the debt. Arreaza responded that one cannot discard such a risk in principle or that PDVSA was an alter ego of Venezuela. As a company in charge of the oil operation of the country, PDVSA is recognized in the Venezuelan constitution, so it won't be an easy process to implement a replacement. Blazquez commented that PDVSA bonds are currently trading at a discount to those of the sovereign, but there may be a convergence of bond prices in the future. Aubenas disagreed since he said that the bonds were very different.

For further information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).

## 1998 FX and Currency Option Definitions – Where to Now?

In 1998, EMTA and ISDA jointly published a set of standardized terms and definitions to help the market more efficiently document trades in FX and currency derivatives. These definitions, titled the “1998 FX and Currency Option Definitions,” were a product of an extensive industry collaboration, and were published along with Annex A thereto and the User’s Guide to the 1998 FX and Currency Option Definitions. These standard terms were intended to be used in conjunction with any of the ISDA, IFEMA or FEOMA master agreement architectures. After its publication, it quickly became apparent that Annex A, as originally published, needed an immediate overhaul to provide the industry with a meaningful vocabulary for the documentation of non-deliverable FX and currency option derivative transactions, and Annex A was republished in its entirety shortly thereafter. The User’s Guide was intended to provide a meaningful record of the history and industry considerations leading to the publication of the 1998 Definitions.

Alongside this industry effort, in 2000, a small and dedicated EMTA working group was formed to provide the industry with recommended standard terms for the transaction of a newly emerging product, non-deliverable FX forwards. This effort was driven in large part by the need to reduce a significant backlog of settlements engendered by non-standardized documentation. Over the next 20+ years, EMTA continued to focus on and respond to the need for standardized terms to regularize FX trading terms in newly emerging markets and ensuring that these recommended terms continue to be compatible for use with the 1998 Definitions. As of 2023, EMTA has published terms for non-deliverable trading in more than 20 currencies and issued 99 market practice recommendations related to those terms.

Since 1998, many amendments and additions to the 1998 Definitions and to Annex A have been made in an effort to keep pace with the evolving nature of trading FX and currency derivatives. As examples, various additions, supplemental booklets and restatements have been made to the 1998 Definitions to respond to the needs of the industry and to enable, and make more efficient, trading in newly emerging FX and currency derivative products.

However, the baseline 1998 Definitions themselves have stayed largely intact for the last 25 years. Over the last several years, with the pace of developments in the industry accelerating, industry interest has sharpened in examining whether and how much of that architecture continues to serve the industry adequately or whether updates are needed. To that end, ISDA has distributed a survey to its membership, which EMTA has likewise forwarded to the EMTA Membership, asking ISDA’s and EMTA’s memberships if and to what extent the 1998 Definitions need amending. The memberships are asked if the 1998 Definitions should be amended radically with structural changes or amended to update substantive provisions but largely to retain the existing structure. In addition, the survey asks the respondents to consider how, if amended, to best implement the changes as a process matter.

ISDA will collate the responses to the survey and assess whether and to what extent there is industry interest in launching this initiative and then will decide, based on the responses, whether to deploy the resources and time needed.

Given the linkage between the 1998 Definitions and the EMTA Template Terms, EMTA Members responding to the survey should consider how they would like the post-amendment architecture for NDFs and NDOs to look and how amendments they support could change the day-to-day processes for standardizing documentation, documenting and trading for these currency derivatives. EMTA Members with specific questions about the survey are invited to contact ISDA directly or may contact Leslie Payton Jacobs at ([lpjacobs@emta.org](mailto:lpjacobs@emta.org)).

## Annex A Update in the Pipeline

A small collection of “clean-up” updates to Annex A to the 1998 FX and Currency Option Definitions is in the works. The updates include language changes to the separate SFEMC Indicative Survey Rate sources definitions for the CNY, IDR, INR, MYR, PHP and TWD currencies following a review and the subsequent update by the SFEMC of its methodology (see the SFEMC website for a more extensive explanation of the changes). Additional changes include the addition of a new currency, related financial center and rate source definition for the Uzbekistani Soum, the removal of the Croatian Koruna as a currency and some updates to the Sierra Leonian Leone definition in anticipation of its redenomination at the end of the year.

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## Uzbekistani Soum Follow-Up

On February 1, 2023, EMTA published NDF Template Terms for the Uzbekistani Soum after a several month effort by an EMTA Working Group. Those Template Terms included a long-form rate source definition for the Soum pending the eventual inclusion of that definition into Annex A. Currently a draft of an updated Annex A (which includes the new Soum currency, financial center and rate source definition that are reflected in long form in the published UZS Template Terms) is being circulated to the EMTA and ISDA memberships for review and comment. Following the inclusion of the new currency, financial center and rate source definition into Annex A, EMTA will republish the Template deleting the long form references and replacing them with a reference to Annex A. There will be no substantive changes made and only a coordinated streamlining of the Template. With no substantive changes EMTA Members are invited to use the updated Template at their convenience as no further action is required. Notice of the republication of the Template will be made contemporaneously with the publication of Annex A.

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## Time to Tee up CRC and DOP Standardization?

EMTA has received a few inquiries regarding a potential standardization of terms for trading in the Costa Rican Colon (CRC) and the Dominican Peso (DOP). EMTA Member input is solicited on whether standardized terms should be put in the pipeline for standardization and whether there is interest in participating in a working effort to develop those terms. EMTA Members are asked to contact Leslie Payton Jacobs ([lpjacobs@emta.org](mailto:lpjacobs@emta.org)) with expressions of interest.

# FX and Currency Derivatives Industry Associations Continue Joint Efforts to Challenges of the EU Benchmarks Regulation

EMTA joined the International Swaps and Derivatives Association (ISDA), the European Association of Corporate Treasurers (EACT), the Futures Industry Association (FIA) and the Global Financial Markets Association (GFMA) (“The Associations”) in responding to the European Commission’s Call for Evidence on the ‘Review of the scope and third-country regime of the Benchmark Regulation’ on March 29, 2023. This is a continuation of EMTA efforts to work with ISDA and GFXD staff members to further their joint efforts to address the challenges the industry is facing with respect the implementation of the EU Benchmark Regulations and the use of Third Country benchmarks by the industry.

Previously, EMTA had joined sister trade associations ISDA, ASIFMA, EACT, FIA and GFXD to support the submission of an updated set of recommendations to the European Commission in response to the European Commission’s most recent consultation on reform of the EU Benchmarks Regulation (the “BMR”). Roughly, the recommendations by the joint trade associations suggest reducing the scope of the regulation largely to systemically important benchmarks, which present the most risk to EU investors, and to reverse the application of the BMR to a “regulated if specifically included” presumption rather than a “regulated unless specifically excluded” approach (which is currently the case). The trade association response on March 29 continues to emphasize the suitability of a “positive designation” approach in the regulation over a “negative designation” approach.

EMTA Members are invited to view the joint trade association response [here](#).

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## Resources

As a reminder, EMTA’s website offers its Members many FX-relevant resources:

Draft Documentation for current EMTA FX projects can be found [HERE](#).

EMTA FX Market Practices can be found [HERE](#).

Current Recommended Template Terms can be found [HERE](#).

User’s Guides and Guidance Notes can be found [HERE](#).

New Developments in the FX and Currency Derivatives area can be found [HERE](#).

Multilateral Amendments and Documentation Protocols can be found [HERE](#).

## Comments?

Please direct comments and questions on all FX and Currency Derivatives matters to Leslie Payton-Jacobs at [lpjacobs@emta.org](mailto:lpjacobs@emta.org).

## EMTA Tracking OFAC Sanctions for EM Countries

OFAC-related materials are available in the country-specific Markets areas of EMTA's website referenced below. EMTA Members are encouraged to visit these frequently as EMTA tracks events in those countries.

Balkans Region	<a href="https://www.emta.org/markets/markets-a-g/balkans-region/">https://www.emta.org/markets/markets-a-g/balkans-region/</a>
Belarus	<a href="https://www.emta.org/markets/markets-a-g/belarus/">https://www.emta.org/markets/markets-a-g/belarus/</a>
Burma	<a href="https://www.emta.org/markets/markets-a-g/burma-myanmar/">https://www.emta.org/markets/markets-a-g/burma-myanmar/</a>
Iran	<a href="https://www.emta.org/markets/markets-h-o/iran/">https://www.emta.org/markets/markets-h-o/iran/</a>
Lebanon	<a href="https://www.emta.org/markets/markets-h-o/lebanon/">https://www.emta.org/markets/markets-h-o/lebanon/</a>
Nicaragua	<a href="https://www.emta.org/markets/markets-h-o/nicaragua/">https://www.emta.org/markets/markets-h-o/nicaragua/</a>
North Korea	<a href="https://www.emta.org/markets/markets-h-o/korea/">https://www.emta.org/markets/markets-h-o/korea/</a>
Russia	<a href="https://www.emta.org/markets/markets-p-z/russia/">https://www.emta.org/markets/markets-p-z/russia/</a>
Somalia	<a href="https://www.emta.org/markets/markets-p-z/somalia/">https://www.emta.org/markets/markets-p-z/somalia/</a>
Sudan	<a href="https://www.emta.org/markets/markets-p-z/sudan/">https://www.emta.org/markets/markets-p-z/sudan/</a>
Syria	<a href="https://www.emta.org/markets/markets-p-z/syria/">https://www.emta.org/markets/markets-p-z/syria/</a>
Ukraine	<a href="https://www.emta.org/markets/markets-p-z/ukraine/">https://www.emta.org/markets/markets-p-z/ukraine/</a>
Venezuela	<a href="https://www.emta.org/markets/markets-p-z/venezuela/">https://www.emta.org/markets/markets-p-z/venezuela/</a>

For further information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).

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## Holiday Schedules Issued

EMTA circulated the list of 2023 US and UK Annual Holidays in December 2022 in conjunction with the SIFMA distribution of such Annual Holidays, and, prior to each US and UK Holiday, EMTA sends to Members the relevant settlement schedule in connection with such Holidays. These can all be viewed under: <https://www.emta.org/activities-and-services/holiday-and-settlement-schedules/>.

For more information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).

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## Resources

As a reminder, EMTA's website offers its Members many Fixed Income relevant resources:

- New Developments can be found [HERE](#).
- Market Practices can be found [HERE](#).
- Documentation can be found [HERE](#).
- Caselaw can be found [HERE](#).

## Comments?

Please direct comments and questions on all Fixed Income matters to Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).

## EMTA Panels in London and New York to Focus on Argentine Elections

The upcoming Argentine elections will be a main theme of two EMTA Forums on the Political and Economic Outlook for Argentina, to be held in New York on Wednesday, June 7th, 2023 followed by a London version of the program on Wednesday, June 28, 2023. The events will explore the potential effects of a new market-friendly administration being elected in Argentina, a resolution of the country's debt burden, and much more.



The New York event will be moderated by PPI's Walter Stoeppelwerth, who will lead a discussion with speakers Pilar Tavella (Barclays), Sebastian Rondeau (BofA Securities), Matias Silvani (GoldenTree Asset Management) and Hans Humes (Greylock Capital Management).

Three weeks later, the London program will be moderated by Ezequiel Zambaglione (Balanz Capital). Confirmed speakers include Esther Law (Amundi Asset Management), Gustavo Medeiros (Ashmore Group), Graham Stock (BlueBay Asset Management), and Kevin Ivers (DCI).



Tradeweb and PPI will sponsor the New York panel, with the additional support of Barclays and BofA Securities.

Balanz Capital is sponsoring the London program, with the additional support of DCI.

EMTA Members can register for the event at [www.emta.org](http://www.emta.org).

For more information, please contact Jonathan Murno at [jmurno@emta.org](mailto:jmurno@emta.org).

## EMTA Summer Forum in London Celebrates 26 Years

EMTA's Annual Summer Forum will celebrate its twenty-sixth year on Wednesday, June 14, 2023. The event will once again be hosted by BofA Securities at 2 King Edward Street in London.



The Forum will include two panel discussions on the outlook for EM investment, which will feature Edwin Gutierrez (Abrdn), Giulia Pellegrini (Allianz Global Investors), David Hauner (BofA Securities), Emre Peker (Eurasia Group), Paul Gamble (Fitch Ratings), Stephanie Ouwendijk (Franklin Templeton), Tufan Cömert (Garanti BBVA Securities), Didier Lambert (JPMorgan Asset Management), Luis Oganés (JPMorgan) and Robert Simpson (Pictet Asset Management).



Additional support for the program is being provided by BBVA, Fitch Ratings, JPMorgan and Redd Intelligence/CEIC.

Registration for EMTA Members is \$50. There is a registration fee of US\$695 for Non-Members.

For further information, please contact Jonathan Murno at [jmurno@emta.org](mailto:jmurno@emta.org).

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## EM Legal & Framework Issues Surrounding Sovereign Debt to be Discussed in London

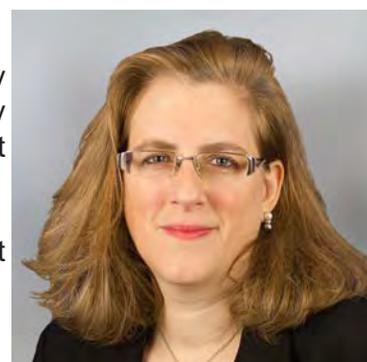
Following on the heels of the recent IMF meetings in DC, EMTA's expert panel will discuss the following issues, among others at a panel in London on June 16, 2023:

- Current Restructurings/Common Framework Legal Issues
- The Fate of, and Legal Basis for, Confiscating Russia's Assets
- "Financing Assurances" – Inevitable Demise?
- Debt for Nature Swaps – Ecuador and Barbados

Deborah Zandstra (Clifford Chance) will moderate the panel, with Elena Daly (EM Conseil), AJ Mediratta (Greylock Capital Management), Dennis Hranitzky (Quinn Emanuel Urquhart & Sullivan) and Timothy Ash (RBC BlueBay Asset Management) as panelists.

Clifford Chance will host the panel at its London offices, and additional support is provided by Quinn Emanuel Urquhart & Sullivan.

For further information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).



## Venezuela: Legal and Political Developments Addressed on Webinar

Following the recent PDVSA/Citgo litigation, Venezuelan domestic political events and geopolitical developments, this Webinar on June 20 will explore steps toward a potential easing of US sanctions and possible restructuring efforts.

Ramiro Blazquez (BancTrust) will moderate the panel, with Richard Cooper (Cleary Gottlieb Steen & Hamilton LLP), Carl Ross (GMO), Hans Humes (Greylock Capital Management) and Ruth Krivoy (President, Sintesis Financiera and Venezuela Country Consultant, GlobalSource Partners, Inc.) as confirmed speakers.

BancTrust will sponsor the panel, with the additional support of Cleary Gottlieb Steen & Hamilton LLP.

For further information, please contact Aviva Werner at [awerner@emta.org](mailto:awerner@emta.org).



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## ICBC Standard to Host EMTA Sub-Saharan African Forum in London

EMTA's Forum on the Sub-Saharan African Economic Outlook will take place in London on Wednesday, September 27, 2023. ICBC Standard will serve as host and lead sponsor of the event, which will start at 3:30 pm at their office at 20 Gresham Street.



Jibrán Querishi (Standard Bank) will lead a discussion on challenges and opportunities in the region. At press time, confirmed panelists included Kevin Daly (abrnd), Tatonga Rusike (BofA Securities), and Sam Singh (Rand Merchant Bank).

Invitations will be sent to all EMTA Members, who may register for the event at [www.emta.org](http://www.emta.org). Non-members may also attend, with a US\$495 registration fee.

Additional support for the program is provided by BofA Securities and Rand Merchant Bank.

For more information, please contact Jonathan Murno at [jmurno@emta.org](mailto:jmurno@emta.org).

## EMTA Survey: 2022 Annual Emerging Markets Debt Trading At US\$5.419 Trillion

### **Fourth Quarter Volume at US\$1.361 Trillion**

Emerging Markets debt trading volumes stood at US\$5.419 trillion in 2022, according to a report released on March 15, 2023 by EMTA. This was a 5% increase on the US\$5.138 trillion reported in 2021.

EMTA also announced that Emerging Markets debt trading volumes stood at US\$1.361 trillion in the fourth quarter of 2022. This compares with US\$1.150 trillion reported for the fourth quarter of 2021, an 18% increase, and up 8% compared to third quarter 2022 volume of US\$1.255 trillion.

### **Local Markets Instruments at 66% of Volume**

Turnover in local markets instruments stood at US\$3.576 trillion in 2022, accounting for 66% of total reported volume. This compares to US\$3.073 trillion in 2021, a 16% increase.

Mexican instruments were the most frequently traded local markets debt in 2022, at US\$987 billion. Other frequently-traded local instruments were those from Brazil (US\$728 billion), China (US\$410 billion), India (US\$215 billion) and South Africa (US\$191 billion).

### **Eurobond Volumes at US\$1.822 Trillion**

Eurobond trading stood at US\$1.822 trillion in 2022, down 11% compared with 2021's US\$2.045 trillion.

65% of Eurobond activity involved sovereign debt issues in 2022, with Survey participants reporting US\$1.183 trillion in sovereign Eurobond turnover. This compared to a 60% share of Eurobond activity in the previous year, when such volumes stood at US\$1.228 trillion.

Corporate Eurobond trading stood at US\$633 billion in 2022, accounting for 35% of total Eurobond activity (vs. a 39% share in 2021). Sovereign Eurobond activity accounted for 22% of overall Survey volumes, with corporate trading at 12% of total turnover.

Four of the top five frequently traded Eurobonds in 2022 were from Argentina, according to Survey participants, including bonds due in 2035 (US\$20 billion in turnover), 2030 (US\$19.7 billion), 2041 (US\$13.7 billion), and 2038 (US\$12.4 billion). Pemex's 2050 bond, at US\$9.2 billion in turnover, was the most frequently traded EM corporate bond, according to Survey participants.

In addition to local markets bonds, and sovereign and corporate Eurobonds, the Survey also includes turnover in warrants, options and loans. Survey participants reported US\$3 billion in warrant and option trades during the year and US\$19 billion in loan assignments.

### Debt Survey (continued)

#### ***Mexican, Brazilian and Chinese Instruments Most Frequently Traded Overall***

Mexican instruments were the most frequently traded instruments overall, according to Survey participants, with US\$1.148 trillion in turnover, and compared to US\$835 billion reported in 2022 (up 37%). Mexican volumes represented 21% of overall volumes.

Brazilian instruments were the second most frequently traded instruments in the EMTA report, at US\$820 billion, according to Survey participants. This represents a 26% increase from the US\$649 billion reported in 2021. Brazilian volumes accounted for 15% of total reported volumes.

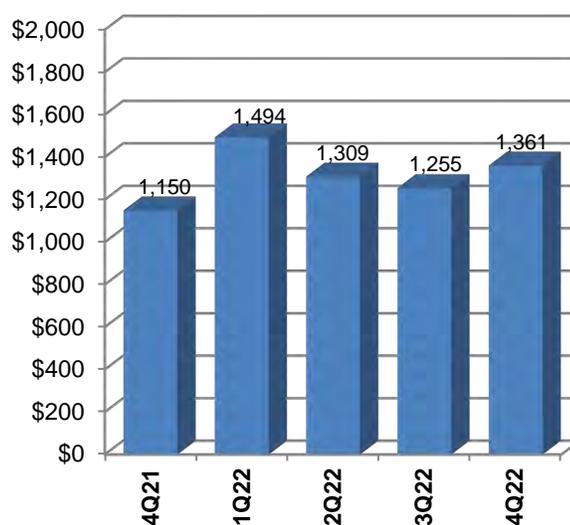
Third were Chinese assets, whose volume stood at US\$572 billion. This compares to US\$566 billion in 2021 (up 1%). Chinese instrument trading accounted for 11% of Survey volume.

Other frequently traded instruments were debt instruments from India (US\$252 billion) and South Africa (US\$240 billion).

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 35 leading investment and commercial banks, asset management firms and hedge funds.

For a copy of EMTA's Fourth Quarter 2022 or 2022 Annual Debt Trading Volume Surveys, please contact Jonathan Murno at [jmurno@emta.org](mailto:jmurno@emta.org).

**Figures in Billions of US Dollars**



## Membership Update

EMTA warmly welcomed 2 new Members during the second quarter of 2023. Our most recent new Members include:

- **KNG Securities LLP**
- **Reorg**

EMTA's Members include over 170 banks, broker-dealers, money management firms, hedge firms, law firms, other service providers and others.

EMTA membership benefits include access to the EMTA website and to EMTA's staff, invitations to EMTA's many events around the globe at no cost, eligibility to participate in working groups or other EMTA initiatives, and much more.

If you are interested in EMTA membership, or if you know of prospective members, please contact Jonathan Murno at [jmurno@emta.org](mailto:jmurno@emta.org) or (646) 676-4293 or Suzette Vaccaro at [svaccaro@emta.org](mailto:svaccaro@emta.org) or (646) 676-4294.

Information on the different categories of membership and annual dues may also be found on the EMTA website at [www.emta.org](http://www.emta.org).

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## EMTA is your Forum

Questions arise from time to time about EMTA's policies regarding views expressed in items posted on its website or by speakers or panelists at EMTA events.

For the record, EMTA, by long-standing custom, does not necessarily endorse such views. Items posted on EMTA's website and speakers and panelists at EMTA events are selected because EMTA believes that they will be of topical interest to its Members and to the broader market, and will contribute to the free exchange of views and information in the marketplace.

EMTA is always interested in market feedback on the effectiveness of its website, events and activities generally. Please take the time to let us know whether or not you agree with what you see on our website or hear at one of our events and, most importantly, whether there is something that EMTA should be doing, or doing differently, to better serve the EM marketplace.

## Stay in Touch to Stay Current!

If you have recently changed emails or moved offices, please update your information by visiting <https://netforumpro.com/eWeb/DynamicPage.aspx?Site=EMTA>.

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## EMTA Jobs Page

EMTA is providing information on current industry positions of possible interest to members of the EM trading and investment community. Both “Jobs Offered” and “Positions Wanted” information are available to EMTA Members and other market participants.

This information can be found on EMTA’s website at [www.emta.org](http://www.emta.org) (see “Employment” on EMTA’s home page).

We encourage you to pass along this information to former colleagues seeking employment in the EM debt industry, and, if your institution is looking for an EM professional, please consider posting available job positions with us.

To post a summary resume, please contact Suzette Vaccaro at [svaccaro@emta.org](mailto:svaccaro@emta.org).

*EMTA Members:  
To obtain a password for the  
Members Only area, please  
[Click Here](#)*

### Website Updates

**E**MTA publishes a wide range of materials relevant to participants in the Emerging Markets industry.

Please take time to visit these areas on our website:

[New Developments](#) (information about EMTA projects and other industry developments).

[Upcoming Events](#) (the registration site for EMTA seminars and conferences).

[Membership](#) (information on membership and EMTA Member Institutions).

[Documentation](#) (standard documentation and market practices for fixed income and FX products).

[Key Industry Views](#) (key industry perspectives and market commentary).

[From the Market](#) (items submitted to EMTA that may be of interest to the Emerging Markets industry participants).

[Emerging Markets Caselaw](#) (court decisions and related litigation materials (including amicus briefs)).

[Employment](#) (industry positions currently available for Members of the Emerging Markets industry).

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### EMTA is on LinkedIn!

**E**MTA is happy to announce that we are now on LinkedIn.

Follow us on LinkedIn as an additional way to keep up-to-date on EMTA projects and upcoming events. We invite all EMTA Members to connect with us at: <https://www.linkedin.com/company/emta-inc>.

As always, we thank you for your support.

## EMTA Hotlines

<u>Topic</u>	<u>Contact</u>	<u>Telephone</u>
Bond/Loan Trading	Aviva Werner	(646) 676-4292
Corporate Bonds	Jonathan Murno/Leslie Payton-Jacobs/ Aviva Werner	(646) 676-4293/(646) 676-4290 ext. 6/ (646) 676-4292
Credit Derivatives	Leslie Payton-Jacobs/Aviva Werner	(646) 676-4290 ext. 6/(646) 676-4292
EM Litigation/Arbitration	Aviva Werner	(646) 676-4292
EMTA Events	Jonathan Murno/Nadine Simonelli	(646) 676-4293/ (646) 676-4295
EMTA Governance/Board/Policy	Michael Chamberlin	(646) 676-4290
EMTA Membership	Jonathan Murno/Suzette Vaccaro	(646) 676-4293/4294
FX Derivatives	Leslie Payton-Jacobs	(646) 676-4290 ext. 6
International Financial Architecture	Aviva Werner	(646) 676-4292
Investor Rights	Aviva Werner	(646) 676-4292
Legal/Compliance	Aviva Werner	(646) 676-4292
Library and Archive Requests	Evelyn Ramirez	(646) 676-4290
Local Markets	Leslie Payton-Jacobs/Aviva Werner	(646) 676-4290 ext. 6/(646) 676-4292
OFAC Sanctions	Aviva Werner	(646) 676-4292
Volume Surveys	Jonathan Murno	(646) 676-4293
Warrants/VRR's	Aviva Werner	(646) 676-4292
Website	Suzette Vaccaro	(646) 676-4294

EMTA staff can also be reached through the general telephone number (646) 676-4290, at the following email addresses or through EMTA's website ([www.emta.org](http://www.emta.org)).

Michael Chamberlin	<a href="mailto:mchamberlin@emta.org">mchamberlin@emta.org</a>
Jonathan Murno	<a href="mailto:jmurno@emta.org">jmurno@emta.org</a>
Leslie Payton-Jacobs	<a href="mailto:lpjacobs@emta.org">lpjacobs@emta.org</a>
Evelyn Ramirez	<a href="mailto:eramirez@emta.org">eramirez@emta.org</a>
Nadine Simonelli	<a href="mailto:nsimonelli@emta.org">nsimonelli@emta.org</a>
Suzette Vaccaro	<a href="mailto:svaccaro@emta.org">svaccaro@emta.org</a>
Aviva Werner	<a href="mailto:awerner@emta.org">awerner@emta.org</a>

## EMTA Calendar

Fri., April 7	Recommended Market Close (London) Good Friday Recommended 12 noon Market Close (NYC) Good Friday
Mon., April 10	Recommended Market Close (London) Easter Monday
<b>Thurs., April 20</b>	<b>EMTA Forum on the Economic and Political Outlook for Brazil</b> <b>Sponsored by Goldman Sachs</b> <b>ISDA Conference Center</b> <b>10 East 53rd Street, 8th Floor</b> <b>(between Madison and Fifth Avenues)</b> <b>New York City</b>
Tues., April 25	EMTA Forum in Miami Hosted by XP International 701 Brickell Avenue, 2nd Floor
Thurs., May 4	EMTA Forum on Distressed EM Debt Hosted by Eaton Vance 2 International Place, 13th Floor Boston
Tues., May 9	EMTA Forum in Zurich Sponsored by Balanz Capital Marriott Hotel Neumuehlequai 42
Thurs., May 11	EMTA Forum in Frankfurt Hosted by Union Investment Neue Mainzer Straße 6-12 Win X Tower
Tues., May 16	EMTA Corporate Bond Forum Hosted by BofA Securities 2 King Edward Street London
Wed., May 24	EMTA Seminar: Update on EM Sanctions Hosted by Cleary Gottlieb One Liberty Plaza, 39th Floor New York City
Fri., May 26	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 29	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday
<b>Wed., June 7</b>	<b>EMTA Forum: Argentina's Economic and Political Outlook</b> <b>Sponsored by Tradeweb and PPI</b> <b>ISDA Conference Center</b> <b>10 East 53rd Street, 8th Floor</b> <b>(between Madison and Fifth Avenues)</b> <b>New York City</b>

<b>Wed., June 14</b>	<b>EMTA Summer Forum</b> <b>Hosted by BofA Securities</b> <b>2 King Edward Street</b> <b>London</b>
<b>Fri., June 16</b>	<b>EMTA Seminar: EM Legal &amp; Framework Issues Surrounding Sovereign Debt</b> <b>Hosted by Clifford Chance</b> <b>10 Upper Bank Street, 1st Floor</b> <b>London E14 5JJ</b>
Mon., June 19	Recommended Market Close (NYC/London) Juneteenth Holiday
<b>Tues., June 20</b>	<b>EMTA Webinar: Venezuela: Legal and Political Developments</b> <b>Sponsored by BancTrust</b>
<b>Wed., June 28</b>	<b>EMTA Forum: The Economic and Political Outlook for Argentina</b> <b>Sponsored by Balanz</b> <b>International Institute for Strategic Studies</b> <b>6 Temple Place</b> <b>London WC2R 2PG</b>
Mon., July 3	Recommended 2:00 p.m. (NYC) Early Market Close
Tues., July 4	Recommended Market Close (NYC/London) Independence Day
Mon., August 28	Recommended Market Close (London) Summer Bank Holiday
Mon., Sept. 4	Recommended Market Close (NYC/London) Labor Day
<b>Wed., Sept. 27</b>	<b>EMTA Forum: Economic and Political Outlook for Sub-Saharan Africa</b> <b>Sponsored and Hosted by ICBC Standard</b> <b>20 Gresham Street</b> <b>London EC2V 7JE</b>
Mon., Oct. 9	Recommended Market Close (NYC/London) Columbus Day
Wed., Nov. 22	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 23	Recommended Market Close (NYC/London) Thanksgiving Day
Fri., Nov. 24	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., Dec. 22	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Dec. 25	Recommended Market Close (NYC/London) Christmas Day
Tues., Dec. 26	Recommended Market Close (London) Boxing Day
Fri., Dec. 29	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Jan. 1, 2024	Recommended Market Close (NYC/London) New Year's Day (2024)