ARS Market Disruption
September/October 2019

Following a disruption in the trading market for Non-Deliverable Forward contracts (NDF’s) in the Argentine Peso (ARS) resulting from the imposition of certain currency controls in early September by the Central Bank of Argentina, based on a consensus of its members EMTA recommended a new form of ARS trading documentation in early October, and shortly thereafter proposed a Protocol to permit EMTA members voluntarily to amend their existing ARS documentation. Based on the new ARS trading documentation, which provides for the settlement of NDF’s at the daily Mercado Abierto Electronico rate (MAE), the trading markets have reopened, though some counterparties are still working out bilateral settlement of their older NDF contracts.

Citi Hosts EMTA Annual Meeting on December 4, 2019

EMTA’s Annual Meeting will be take place on Wednesday, December 4, 2019. The event will be hosted by Citi at its 388 Greenwich Street office in New York City, with 300 EM professionals expected to attend. Citi has hosted the event for over two decades and will be welcoming EMTA Members to its newly renovated conference center.

As in prior years, the event will include 2 panels of EM experts, one moderated by Citi’s Dirk Willer and composed of investor speakers, followed by JPMorgan’s Joyce Chang leading a sell-side analyst discussion. (This will mark Chang’s 24th consecutive appearance at the EMTA Annual Meeting.)

(continued on page 3)
ARS Market Disruption (continued)

The prior form of ARS trading contract (which was effectively replaced by the newly recommended one) featured an Exchange Rate Divergence (ERD) clause that had previously been recommended following the termination of the EMTA Industry Survey for ARS in 2014. In practice, the Exchange Rate Divergence mechanism proved to be controversial, as it permitted a relatively small segment of the market to make an overly subjective determination of Exchange Rate Divergence that applied not only to their contracts, but to the market as a whole, and required settlement subject to Calculation Agent Determination. For new contracts, the newly recommended documentation replaced this ERD mechanism with a more standard Price Source Disruption provision.

EMTA is aware that a small minority of the market would apparently prefer NDF settlement at the so-called Blue Chip Swap Rate (BCS), but the market consensus is that the BCS rate is only an implied rate and that, as a practical matter, the MAE rate is the only rate at which ARS/USD exchanges can actually be transacted, and that therefore the MAE rate is the only appropriate rate for the settlement of ARS NDF’s. Notwithstanding the new documentation recommended by EMTA, market participants remain free to use whatever terms they prefer in their ARS NDF contracts.

The market’s experience with the ARS Exchange Rate Divergence clause highlighted the shortcomings of this approach, as well as the market’s ability to react relatively quickly and decisively to implement an appropriate response. The only other context in which an ERD mechanism is still used is in Brazil, and it is expected that such use will be reevaluated shortly, with a view to developing market consensus for recommending a revised approach.

For further information regarding ARS and BRL NDF’s, or FX matters generally, please contact Leslie Payton Jacobs at lpjacobs@emta.org.
EMTA Hosts Forums in South Africa

EMTA hosted its first events in Africa in November 2019, when it held forums focusing on South Africa’s economic outlook in Johannesburg and Cape Town (held on November 19 and 20, respectively).

The events were both hosted by Standard Bank. Goldman Sachs provided additional support for the Cape Town meeting.

Summaries of the discussions will be published in EMTA’s next Bulletin.

As a global trade association connecting participants in the EMD industry, EMTA is pleased to have hosted events on five continents in 2019.

Annual Meeting (continued)

Joining Willer and Chang on the podium will be Shamaila Khan (AllianceBernstein), Christian Keller (Barclays), Pablo Goldberg (BlackRock), Claudio Irigoyen (BofA Merrill Lynch), Drausio Giacomelli (Deutsche Bank), Alberto Ramos (Goldman Sachs), Hari Hariharan (NWI Management) and Jim Barrineau (Schroders Investment Management).

Invitations will be sent to all EMTA Members, who may attend at no cost. There is an attendance fee of $1000 for employees of non-member firms. For more information, please contact Jonathan Murno at jmurno@emta.org.

Additional support for the Annual Meeting is being provided by MarketAxess.
**FX & Currency Derivatives**

**Emerging Market Benchmarks Update**

In early 2019, the European Parliament and the Member States acted on legislation in support of sustainable finance, and, in particular, low carbon benchmarks. Embedded in that legislation was a provision that acts to extend the EU transition regime for critical and third country benchmarks by another two years, until January 1, 2022. Notwithstanding the extension, EMTA Members need to be mindful of the upcoming deadline and continuing efforts need to be made to assess what actions can be taken at this point to address the issue of administrator status under the EU regulations for the Argentine Peso, Indian Rupee, Kazakhstan Tenge, Korean Won, Nigerian Naira, Philippine Peso, Russian Ruble and Taiwanese Dollar fixings used by the EMTA membership in NDF and NDO contracts.

Further, Refinitiv Limited, the current administrator for three African currency rates, GHS/USD, KYS/USD and ZMW/USD, have contacted EMTA with proposed changes to these three rate products and their administration. EMTA’s African Currency Working Group is closely reviewing the proposal and is in conversation with Refinitiv.

On October 19, 2019, the European Commission issued its “Public Consultation Review [of the] EU Benchmark Regulation” (the “Regulation”), requesting input from the market in connection with its required review of the Regulation (the “Regulation”) to be submitted to the European Parliament and Council. A copy of the Consultation can be found in the New Developments area of the EMTA website. EMTA Member attention is called to, in particular, Section 9 of the Consultation Document, (“Non-EEA Benchmarks”) which requests input on the provisions of the Regulation treating third country benchmarks and administrators. EMTA is currently requesting input from its Members as to whether a response to the Consultation from EMTA is appropriate.

**KASE Unifies Trading Sessions**

The National Bank of Kazakhstan contacted EMTA in the fall notifying of the unification, in July 2019, of the morning and afternoon trading sessions of the Kazakhstan Stock Exchange and suggested that market observation of an end of day fixing time of 5:00 pm, Almaty time be appropriate, instead of the previously observed morning session fixing time of 11:00 am to ease intraday volatility. The EMTA KZT Traders Working Group is reviewing the request. Any change would require an amendment to Annex A to this effect.
Additional Updates to Annex A to Come

In addition to potential updates to Annex A involving new rate source definitions, EMTA is working closely with Refinitiv (formerly, Thomson Reuters) to update and correct references in Annex A to reflect the company’s current merger and rebranding effort.

Likewise, EMTA and ISDA have received noticed from Bloomberg regarding needed updates to Annex A with respect to the Bloomberg family rates included in Annex A and the identity of the now-approved EU administrator entity that will administer these various rates. Annex A will also be updated accordingly.

EMTA does not currently anticipate the need to prepare additional or amending documentation as market participants may be satisfied with reliance on the existing provisions in Annex A to address this name change. However, EMTA and ISDA will continue to review this and will alert their memberships to the extent that any action is required. EMTA Members are advised to consult with their counsel on the appropriate course of action for their specific institutions.

Please direct comments and questions on all FX and Currency Derivatives matters to Leslie Payton Jacobs (lpjacobs@emta.org).
Venezuela and Russia Sanctions Status Discussed at London Venue

Following on EMTA’s well-attended Special Seminar in New York on February 28, 2019, EMTA held a similar Special Seminar “Venezuela and Russia Sanctions: An Update” on September 9, 2019 at Davis Polk & Wardwell’s London offices. Jeanine McGuinness (Davis Polk & Wardwell) moderated the panel, with Tom d’Ardenne (Allen & Overy), Fulvio Italiani (D’Empaire), Liam Localio (Greylock Capital Management), Adam Deutsch (Office of Sanctions Policy and Implementation, U.S. State Department) and Peter Harrell (Peter Harrell LLC and Center for a New American Security - CNAS) as additional panelists. BancTrust & Co. was the lead sponsor, with additional support from Davis Polk & Wardwell and Allen & Overy.

PowerPoint Presentations by Ms. McGuinness and Messrs. d’Ardenne and Harrell, together with relevant documents, can be found in the Special Events section of EMTA’s website under September 9, 2019 (https://www.emta.org/template.aspx?id=4934).

This exciting, well-attended and off-the-record meeting gave attendees a unique opportunity to hear our very experienced speakers (from government and several leading law firms) debate key aspects of the Russia and Venezuela sanctions, including their purpose, practical impact and likely future trajectory. Topics discussed included an overview of US and EU sanctions on Venezuela and Russia and the policies behind them, how those sanctions affect the local economy, as well as the Venezuela and Russia bond markets, and what the future holds. Following the presentation portion of the program, attendees had an opportunity to ask questions.

Because panelists are often sensitive about having their views put into writing, our panel summaries often do not do full justice to the substance of the matters discussed, and, therefore, EMTA Members are encouraged to attend EMTA events in person.

Results of Mozambique Resolution Regarding Restructuring

The Consent Solicitation launched by the Ministry of Economy and Finance in August requiring a 75% vote resulted in 99.5% of 2023 noteholders approving the written resolution for restructuring, including the Global Group of Mozambique’s Bondholders owning approximately 68% of the notes. Click Here for the Notice of Results (with the Portuguese Version to be accessed by Clicking Here).
EMTA Monitors Venezuela Sanctions

Increased activity in the sanctions area has engendered various OFAC-related materials (including FAQs), which are all available in the Venezuela area of EMTA’s website (https://www.emta.org/template.aspx?id=5019) and which EMTA Members are encouraged to visit frequently as EMTA monitors events in Venezuela.

See page 6 for more information on EMTA’s Special Seminar on Venezuela and Russia Sanctions: An Update held on September 9 in London.

EMTA Monitors Russia Sanctions

Various OFAC-related material is available in the Russia area of EMTA’s website (https://www.emta.org/template.aspx?id=5021), which EMTA Members are encouraged to visit frequently as EMTA monitors events in Russia.

See page 6 for more information on EMTA’s Special Seminar on Venezuela and Russia Sanctions: An Update held on September 9 in London.

EMTA Notifies Members of Warrant Payments

EMTA has routinely monitored information on various warrants issued in Brady bond exchanges. During the fourth quarter of 2019, EMTA notified its Members of the record, payment and ex-dividend dates in respect of Venezuela warrants, and the payment amount and payment date of November 15, 2019 in respect of Nigeria warrants.

This information can be found on EMTA’s website in the New Developments area (http://www.emta.org/newdev.aspx), as well as in the individual relevant countries’ Market pages (http://www.emta.org/markets.aspx).

For further information, please contact Aviva Werner at awerner@emta.org.
EMTA Survey: Second Quarter Emerging Markets Debt Trading at US$1.211 Trillion

**Volumes Down 9% on Year-on-Year Basis**
Emerging Markets debt trading volumes stood at US$1.211 trillion in the second quarter of 2019, according to a report released on September 20, 2019 by EMTA. This compares with US$1.327 trillion reported for second quarter of 2018, a 9% decrease, and down 12% from the US$1.381 trillion reported in the first quarter of 2019.

“The decline in trading volume in 2Q was concentrated in local currency trading, whereas hard-currency trading increased, and is likely due to outflows from local currency funds, stated Eric Fine, Managing Director and Portfolio Manager at Van Eck. Fine highlighted that Venezuela trading collapsed during the 2Q due to trading restrictions enacted in the US.

**Local Markets Instruments at 55% of Volume**
Turnover in local markets instruments stood at US$663 billion in the second quarter, accounting for 55% of total reported volume. This compares to US$821 billion in the second quarter of 2018, a 19% decrease, and to US$808 billion in the first quarter of 2019, an 18% decrease.

Mexican instruments remained the most frequently traded local markets debt in the second quarter of 2019, at US$147 billion. Other frequently-traded local instruments were those from Brazil (US$127 billion), India (US$69 billion), China (US$53 billion) and South Africa (US$34 billion).

**Eurobond Volumes at US$547 Billion**
Eurobond trading stood at US$547 billion in the second quarter of 2019, up 10% from the US$497 billion reported in the second quarter of 2018, while a 4% decrease on the US$572 billion reported in the first quarter of 2019.

60% of Eurobond activity involved sovereign debt issues in the second quarter, with Survey participants reporting US$330 billion in sovereign Eurobond turnover. This compares to a 59% share of Eurobond activity in the previous quarter, when such volumes stood at US$337 billion.

Corporate Eurobond trading stood at US$204 billion in the second quarter of 2019, accounting for 37% of total Eurobond activity (vs. a 39% share in the prior quarter). Sovereign Eurobond activity accounted for 27% of overall Survey volumes, with corporate trading at 17% of total turnover.

The most frequently traded Eurobonds in the quarter, according to Survey participants, were Argentina’s 2028 bond, at US$5.2 billion in turnover. Other frequently traded bonds include Petrobras’ 2049 bond (at US$4.8 billion), Argentina’s Par and 2021 bonds (US$4.6 billion and US$4.3 billion, respectively), and Saudi Arabia’s 2050 bond (US$4.1 billion.)

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$1.5 billion in warrant and option trades and just over US$100 million in loan assignments.
Mexican, Brazilian and Chinese Instruments Most Frequently Traded Overall

Mexican instruments were the most frequently traded instruments overall, according to Survey participants, with US$206 billion in turnover. This compared to US$254 billion reported in the second quarter of 2018 (down 18%), and down 9% vs. US$227 billion reported in the first quarter. Mexican volumes represented 17% of overall volumes.

Brazilian instruments were the second most frequently traded instruments in the EMTA report, at US$176 billion, according to Survey participants. This represents an 8% increase on second quarter 2018 volume of US$162 billion and up 2% compared to the US$172 billion reported in the first quarter. Brazilian volumes accounted for 15% of total reported volumes.

Third were Chinese assets, whose volume stood at US$91 billion. This compares to US$80 billion in the second quarter of 2018 (up 14%), while down 3% on the US$94 billion reported in the first quarter. Chinese instrument trading accounted for 7% of Survey volume.

Other frequently traded instruments were securities from India (US$80 billion) and Argentina (US$61 billion).

EMTA’s Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 43 leading investment and commercial banks, asset management firms and hedge funds.

For a copy of EMTA’s Second Quarter 2019 Emerging Markets Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org.
Compressed Spreads on GCC Debt Weaken Investment Case, State EMTA MENA Forum Speakers

Compressed spreads served to discourage portfolio managers from investing in most GCC credits, according to speakers at an EMTA Special Seminar on the MENA/GCC markets held on Wednesday, October 30, 2019. At the event, speakers also discussed geopolitical risk, including the recent political uprisings in Egypt and Lebanon. Standard Chartered hosted the event in New York City, with 75 market participants in attendance.

Gordian Kemen (Standard Chartered) polled speakers for their thoughts on whether protests in Egypt and Lebanon signaled a stop to Middle Eastern reform momentum. Nishan Upadhyay (HSBC Global Asset Management) noted that richer GCC countries can avoid political turmoil by social transfers, while stressing that it remained an open question if they could reduce their dependence on oil. “I don’t see enough progress necessarily at this point,” he concluded.

Eaton Vance’s Mike Cirami found it difficult to pinpoint the impetus for social unrest, “but it has been bubbling up a lot in recent years.” Lower economic growth, demographics, income inequality and technology likely all played a role in his assessment. Cirami added that progress on reforms varied widely, with countries such as Egypt more successful to date than some Gulf nations.

Aperture Investor’s Rick Harrell underscored the role of technology in popular protests. “The ability to hear and learn what is going on in other countries is at a new high, so there is a contagion of protests because people see what is going on elsewhere.” Harrell cautioned investors to be “on alert” for a resumption of popular unrest in Egypt…“I don’t think it’s over.”

Kemen questioned if the market was mispricing geopolitical risk, citing tight spreads on Saudi Arabia, the UAE and Kuwait. Panelists concurred that the risk of war breaking out in the Middle East was low, with Cirami reminding attendees of President Trump’s aversion to foreign military engagements. Todd Petersen (PGIM) argued that any battles would likely take the form of proxy wars, rather than an outright conflict with Iran, while Upadhyay cautioned, while agreeing, that, “the US has exhausted its non-military options on Iran.”

Demand from Asian life insurance companies, as well as IG-funds “needing some pickup,” have continued to supply strong technical support for GCC credits, according to speakers. However, the potential for further spread compression on many GCC credits was generally deemed to be limited.

Despite bold reform plans by Saudi Arabia’s de facto leader Prince Mohammed bin Salman, speakers expressed skepticism about the appeal of Saudi debt. Upadhyay and Harrell concurred in viewing it as a range trade credit.

Qatar’s resilience in light of the economic blockade by GCC neighbors continued to impress a number of investors. Upadhyay saw only geopolitical risks, and Harrell declared Qatar to be the most attractive IG credit in the region. Cirami voiced skepticism that, for a “wealthy country, they sure do borrow a lot…more transparency would be welcomed.”
MENA Forum (continued)

Moving to the region’s weaker credits, “[investing in] Lebanon is for the brave,” declared Cirami, who listed concerns such as a potential return to civil war, the lack of a government to enter debt negotiations with, or the possibility that investors would be unable to negotiate with a Hezbollah-led government. On the other hand, “Lebanon has pulled a lot of rabbits out of a hat...and there may be a few more rounds to go.” Petersen feared that “the point of no return” might have been reached, with confidence in the credit gone, twin deficits, corruption, the possibility of capital controls, as well as “the legitimate issue” of Syrian refugees. “There is clearly a need for reprofiling and some form of restructuring,” he concluded.

Harrell compared Beirut’s troubles to those of Buenos Aires, “but Lebanon is very different because of the layers of geopolitics. GCC neighbors could be there for support, and the US and EU also have an interest in keeping Lebanon stable...there could still be a ‘muddle through 2.0,’” he stated. Upadhyay agreed that, “on economics alone, this is not sustainable, and I don’t see a way out,” while also acknowledging that larger global factors (including the fact that “they are housing many refugees for the West”) could come into play.

Petersen remained optimistic on the outlook for Egypt, while speculating that a renewed IMF program would bolster confidence. The reliance on short-term local debt—widely owned by the EMD community—left the country in a somewhat precarious situation. Upadhyay underscored that future economic reforms would be the more difficult ones, and implementation could spark a renewal of popular discontent.

“They really do need to create more jobs,” stated Harrell. FDI inflows into the oil and gas sector were helpful, although, long-term, the country’s outlook was “uncertain.” The recent spat with Ethiopia over water flows was something to monitor, he added.

Most bullish on Egypt was Cirami, who judged the credit as “looking good for the next 12 months,” while conceding that there was “not a lot of visibility for five years.” He predicted Egypt would join industry indices in 2020, thus diversifying its creditor base. Structural reforms were still needed to encourage private sector investment, in his analysis.

The panel adopted a bearish stance on Oman. “They don’t seem willing to plug the holes,” asserted Upadhyay, who expressed concern at the lack of a clear succession plan, as well as the “almost certainly fiscally expansionary” period that would follow. Cirami believed odds were high that “they will get into a tricky situation,” and both debt restructuring and a break in the currency peg were possible.
Panelists at EMTA Hong Kong Forum Expect City’s Role as Major Financial Center to Continue

According to an informal poll taken by moderator Rob Carnell (ING) at EMTA’s Annual Forum in Hong Kong, most attendees anticipated a narrow, rather than comprehensive, US-China trade deal. A majority also believed that unrest would continue in Hong Kong until 2020, and expected the RMB to remain at current levels for the next twelve months. The event was held on Thursday, October 24, 2019 and was sponsored by ING. MarketAxess provided additional support.

Despite recent unrest, panelists agreed that Hong Kong’s role as a major financial center seemed unlikely to change. Citi’s Johanna Chua reasoned that, while reputational damage had undoubtedly occurred, and some high net worth accounts may move money offshore, “China still has a huge incentive to maintain the ‘one country, two systems’ principle.” AllianceBernstein’s Brad Gibson cited the tax and legal advantages that buttress Hong Kong’s special status, while recognizing that “its ability to attract talent may be hurt.” Adarsh Sinha (Bank of America Merrill Lynch) suggested that US legislation that could potentially alter Hong Kong’s separate trading status with the US was largely toothless, merely requiring annual reviews.

Panelists deemed it possible, though unlikely, that the HKD’s peg to the USD would be broken. PIMCO’s Stephen Chang suggested a re-pegging to a basket of currencies was a potential scenario, although it would have a high hurdle given the potential disruption and the limited benefit to help arrest the any “significant deterioration” of the city’s economy. Chua noted that the ceiling of the HKD’s trading band had not yet been tested, and stressed that any change in the fx rate would have to be “part of a catastrophic situation…a case of real panic, which we think seems very unlikely.”

Turning to the outlook for the mainland, Gibson forecast a continued slowing of Chinese growth, with a protracted downturn triggering further monetary easing, including cuts in reserve requirements. “However, it will not slow enough to be a source of instability for the global economy, or to hurt EM,” he concluded.

Chua argued that, “there has been too much emphasis on the trade war as the cause of the growth slowdown; even if there is a truce, the slowdown won’t end.” She identified the lack of structural reforms as a major concern, including the need to allow for politically difficult bankruptcies of zombie companies.

Sinha commented that Beijing had succeeded in separating complex issues, such as national security, from the trade talks. In his view, if the 15% tariffs scheduled to go into effect on December 15, 2019 were delayed, it would be “constructive” for China.

Chua viewed the continuation of any dialogue beneficial for the People’s Republic, due to the bipartisan nature of anti-China sentiment in the US Congress. “The last thing that China wants is the US to get its act together and lead a united Western front against it,” she added. Gibson seconded that Europe could also open an additional trade war front with China, although it wouldn’t necessarily follow the US lead. Finally, Carnell observed that the much-touted progress of Chinese pledges to increase its US soy imports were an “easy concession with the Chinese swine flu issue and the need to build up herds.”

The RMB’s return to a rate of less than 7 per dollar was not anticipated in the near-term. “The fact that it went over 7 and didn’t cause a major shake up may encourage Beijing to use it more as a macro automatic stabilizer,” stated Chang. Sinha saw the “hurdle to moving the rate back to 7 very high; there is very little incentive until and unless they reach a comprehensive trade deal.”
EMTA Singapore Panel Reviews Prospects for Trade Truce, Chinese Economic Outlook

Speakers at EMTA’s Annual Forum in Singapore generally concurred on a “muddle through” scenario for EM debt in 2020. The event, sponsored by ING, was held on Monday, October 21, 2019 with 125 market participants in attendance. MarketAxess provided additional support for the event.

In response to questions posed by moderator Rob Carnell (ING), Kaushik Rudra (Standard Chartered) characterized the global economic outlook as “weak, but not recessionary,” with the US “in reasonable shape.” Rudra anticipated continued Central Bank accommodation (“I expect they will be more pro-active going forward”), and, while reluctant to make a 12-month forecast, expected EM economies to avoid a major downfall over the next quarter.

More cautiously, Selena Ling (OCBC) expressed concern that, “not everyone has the space for fiscal stimulus.” Ling was reticent in offering a view on EMD for any timeframe over six weeks, suggesting that come January 2020, investors are likely to reset their risk appetite levels again. Focus on whether Chinese economic growth was misplaced, in her view, with how low growth would drop eventually was a more important focus than any specific threshold. She added that the reduced risk of a no-deal Brexit in the days before the event was positive for the market.

Sin Beng Ong (JPMorgan) expected G-3 capital expenditures would stimulate EM growth. The October dial-down of trade tensions could prove quite helpful, with the US economic direction still unclear (“the recession warning light is amber, not red”). Finally, Philip Wee (DBS) agreed with the IMF’s assessment of a slow and uneven recovery, and was troubled with the Fund’s growth forecasts for China and Southeast Asia to fall below 6% and 5% respectively.

Rudra believed that the incentives for the US to reach a trade deal may be stronger than those for China. “The US presidential election may hinge on the economy, so Trump may act if there are signs of weakness,” he stated. Wee concurred, while adding that there was bipartisan support against Chinese economic policies, “so the continuation of the trade war may not depend upon Trump’s re-election.” Ling called Chinese concessions on agricultural purchases a positive surprise.
Singapore (continued)

GIC’s TzuMi Liew (also an EMTA Board Director) moderated the event’s investor panel. Aberdeen Standard’s Adam McCabe maintained that, “no further harm will be done” vis-à-vis the trade wars. McCabe reasoned that there was no rationale for the US to up the ante, and noted Beijing’s likely preference to deal with an administration it knows rather than one it does not.

BlackRock’s Eric Liu believed that Chinese growth could bottom out at 5.5%, assuming no deterioration in the trade war. However, it remained an open question if Beijing would allow the economy to decline to such levels, and if a soft landing could be maintained.

“We are in the late cycle of growth, but the question is how long can you stay in ‘late cycle,’” commented Celeste Tay (Loomis Sayles). Central Bank accommodation has helped, and could be sustained “for a bit more.” She eschewed any fixation with the recent inversion of the US yield curve; “I don’t think it’s that reliable as a predictor of recession.”

While some countries could enter a technical recession, Manu George (Schroders Investment Management) didn’t foresee that, “any major countries will fall off a cliff.” However, while currently there was “nothing to push us over into a bearish view, we see signals of what happened in pre-recessionary periods in the past.”

McCabe discussed the “significant attitudinal change” by Chinese policymakers and their shift in attention in recent years towards deleveraging. “China usually tests policy in a petri dish first, and the Boashang Bank default may have been a test,” he commented. Liu seconded the importance of deleveraging. “People used to say there was no differentiation among Chinese housing credits because, before 2017, no one had ever experienced a default; now that is no longer true,” he affirmed.

Tay’s own forecast for Chinese growth was a bottoming out at 5.8%. Although in the past China had many policy levers to prop up the economy, “now they are starting to see constraints—they tried to use fiscal policy with consumption tax cuts, and monetary stimulus may not be possible until the RMB stabilizes; right now, there may not be a lot of policy options that move the wheel.”

The panel also included a discussion of the increased role of China into industry indices. Liu estimated that perhaps $30 billion in inflows could occur next year as a result of greater index inclusion. Tay observed that, with the increased component of negative-yielding debt in the Bloomberg Barclays Global Aggregate Index, there was increasingly less rationale for portfolio managers to opt out of the Chinese inclusion in the benchmark.
EM Corporate Speakers Discuss Low Visibility for Asset Class Outlook

Speakers at EMTA’s Annual Corporate Bond Forum in New York City contributed their thoughts on the outlook for the market, including views on rates, trade wars and volatility. The event was held on Tuesday, October 15, 2019. 75 market participants attended the event, which received support from Liquidnet.

Bank of America Merrill Lynch’s Anne Milne returned to the moderating chair, and provided an update on industry conditions. Overall EM total returns ytd stood at 10.6%, she noted, and has been accompanied by considerable volatility in countries such as Argentina, Turkey and China. Net EM corporate issuance has now turned slightly positive in both LatAm and CEMEA (boosted by Aramco’s deal), and remains strong in Asia, while fund flows into the asset class are positive.

With UST moves largely responsible for ytd performance, Milne asked her panel to identify key drivers for EM corporates in 2020, and to provide views on US FOMC rate actions. Alliance Bernstein’s Elizabeth Bakarich replied that she expected three to four 25-bp rate cuts by the end of 2020, in line with market forecasts, and was assuming a global growth slowdown as a base case.

Celina Merrill (BlackRock) emphasized that she was reducing the timeline of her forecasts. “You can’t forecast out 12-18 months anymore; we have to take it month by month, and data point by data point.” She foresaw one to two cuts in early 2020, “but we don’t know any further from there.” She seconded an expectation of slowing global growth, citing factors such as declining CAPX, and warned that upside surprises on growth were “much less likely.”

Jamie Nicholson-Leener (Credit Suisse) believed that the Fed would pause to examine new economic data after one more rate cut in 2019. She had also adopted an approach of limiting her forecasts to the short-term, although she did not rule out a “moderately improving environment next year.” Finally, she added, geopolitical issues and trade wars could increase volatility, which would not help EM corporates.

JPMorgan’s Natalia Corfield reminded attendees, as she did at EMTA’s Boston Corporate Forum, that her firm’s 1.5% UST 10-year forecast contrasted dramatically from its prediction a year ago of 3.5%—and four Fed hikes. Such a swing confirmed the “low visibility” available to investors, she affirmed. Corfield referred to an informal poll taken at a recent JPMorgan conference, where a total of 85% of attendees expected rates under 2% in 2020. “Low rates and good credit fundamentals…should help cushion against the uncertainties of trade wars and slower growth,” she concluded.

Milne directed speakers through a variety of global factors, and specific markets. The US-China trade war was likely to be drawn out, and was both hurting global growth and creating paralysis, Merrill commented. Nicholson-Leener concurred, and specified that it would hurt the commodity sector in particular. In Corfield’s view, it remained to be determined if Latin America was, in fact, a net beneficiary of the US-Chinese dispute, with increased market share for the region offset by a weakened global economy.
Corporate (NY) (continued)

Argentina’s sovereign debt troubles would not necessarily directly spillover into the country’s corporates, reasoned Nicholson-Leener. “Many Argentine corporates are low-levered, and could survive a sovereign default; but there are also a lot of potential government actions, such as price freezes, that could change the story,” she stated. Corfield agreed that corporates could be spared the event of a sovereign restructuring (which she expected), and was “super comfortable” with some of the Argentine banking issuers. Merrill advised that the time value of money would be a factor in the event of multi-year restructurings. Milne herself pointed out that firms such as YPF and Pan American Energy remained current during the previous sovereign default.

Recent geopolitical issues have put a spotlight on Turkey, Bakarich acknowledged, at a time when the country’s economic outlook was already deteriorating. She expressed concern for Turkey’s tier-2 bank debt valuations. “Investors are pricing them as though they will likely be called, when it seems uneconomical for banks to do so if the reset rate is similar to senior debt paper.” Panelists agreed that the imposition of “serious” sanctions on Turkey were unlikely, and Merrill confirmed she was reducing exposure to Turkish corporates.

South Africa’s Eskom continued to be a cause of concern. “There are still a lot of unknowns, and they haven’t addressed longer-term issues such as arrears from municipalities,” stated Bakarich, who hoped that the Oct 30 South African budget announcement may offer more insight. Merrill stressed the need for a cohesive solution; and that, while local debt could be rolled over, the 2021 Eurobond payment would continue to overhang the credit.

Nicholson-Leener anticipated that Mexico’s Pemex would be downgraded by credit agencies “on both their business plan and performance; nothing in their plans shows a convincing operational turnaround,” she commented. Forced selling of the widely-owned credit could then be an issue, she cautioned, but the bonds already trade at BB-type yields. Merrill saw some sign for encouragement in the sovereign’s recent $5 billion in assistance, which “at least delays the downgrade until 2020.”

Several panelists agreed that Brazilian corporate valuations had led them to trim their overweights, while remaining optimistic on the country’s outlook. Nicholson-Leener cited reduced leverage and strong performance of Petrobas, along with the country’s progress in passing pension reform, as prompting a rally in the Brazil credit index, while Corfield cited disappointing growth and a possible shift to less orthodox macroeconomic policies as a risk, though not her base case.
EMTA Panels in New York and London Comment on Discuss Capital Controls, IMF Relations in Argentina

The economic outlook for Argentina under a potential new administration was the topic of EMTA Seminars held in London on Thursday, October 3, 2019 and in New York on London on Monday, October 7, 2019. Speakers widely agreed in anticipating the Macri government would lose its re-election bid, and discussed views on capital controls, IMF relations and whether current valuations were attractive.

Argentina’s TPCG Group sponsored both events. The London event was also sponsored by DCI Group, with the additional support of MarketAxess and XP Investments. Amherst Pierpont, MarketAxess and NatWest Markets provided additional support for the New York event. The following article blends the discussion of both panels.

Pazos asked speakers if an upset in the upcoming presidential election was possible, and speakers at both panels were in wide agreement. In London, Kevin Ivers (DCI Group) responded that polls indicate a landslide victory by Alberto Fernandez, and, even to force a second round, President Macri would “need to do a lot of magic,” to get many Argentines to change their vote. In Ivers’ view, this could only be accomplished by polarizing the electorate, which could itself cause market turbulence.

Graham Stock (BlueBay Asset Management) concurred that, “it’s fair to assume that Macri will lose the election.” Alberto Bernal of XP Investments stressed that, “everyone [in Argentina] is blaming Macri for the recent economic distress, not Fernandez…this makes it even harder for Macri to win.” Perhaps a silver lining, according to Edwin Gutierrez (Aberdeen Standard Investments) is that labor negotiations may be easier for a Peronista government than with the current administration.

New York panelists held similar views. Siobhan Morden (Amherst Pierpont) judged the chance of a second round being necessary as having a “very low probability.” GoldenTree Asset Management’s Mathias Silvani said that, although it was hard to discount any scenario in Argentina, a Macri victory was unlikely, while Alvaro Vivanco (NatWest Markets) brought up the Mendoza result as a potential sign that voters are looking for centrist policies. BlackRock’s Pablo Goldberg stressed that, even assuming a Fernandez victory, there were a range of possible election results, noting, “it’s not clear what the checks and balances will be, so the election should not be considered a non-event in any case.”

Discussing what had gone wrong, in London, Bernal admitted he had supported the Macri administration’s gradualist policy, and that perhaps the government had erred in not immediately announcing large public sector lay-offs. “I feel sorry for the government because I think they tried their very best; it’s very unfortunate that things didn’t go their way,” he stated. Ivers believed that the early 2019 optimism that Macri would force a run-off election was “reasonable, but he sort of stopped campaigning in July, and he really lost momentum.” Stock disagreed. “The polls were just wrong; they didn’t show the desire to return to the past; and we in the market often get a biased view because we mostly deal with Buenos Aires.”
Argentina (continued)

Gutierrez and Stock recommended that the government tighten capital controls because, “the $10,000 a day limit is far too high.” Stock recognized the pain this would cause, “but it’s the best for all stake-holders, long-term.” Bernal noted that Argentine savings are already highly dollarized; “there is no confidence among the Argentines in their own currency; and what comes after that? Dollarization.”

New York panelists agreed on the possibility of tightened capital controls. Speakers anticipated a continued deterioration of the macroeconomic picture, with Silvani expecting the Macri administration to adopt more populist measures in the final pre-election weeks, and the possible imposition of a multiple FX rate regime once the new administration takes office. For Morden, a key variable was the willingness of the new administration to cooperate with the current government. “If they don’t collaborate, things could get messy,” she warned.

Speakers at both events underscored the importance of relations with the IMF. “The new administration needs to get on a plane to DC…and get an agreement. That will shore up confidence,” according to Stock, who added that an accord with bondholders was also necessary. (“We have a very shaky marriage worth $45 billion, and we can’t get divorced,” summarized Gutierrez.) Bernal believed that the IMF would be “relatively lenient,” citing a distracted US administration. Vivanco hoped for an early signal from a president-elect Fernandez that his government would not “be a total return to the past.”

Goldberg stressed that the situation between the IMF and Argentina mirrored neither 2003 (when the debt level was high, but the economic team had lower credibility) nor 2015 (when the economic team was widely praised, but debt/GDP ratios were lower). He highlighted the importance of concurrent IMF and private creditor discussions. Silvani believed that Fernandez wished to replicate the 2003 model of twin surpluses, a weakened peso, export-driven growth plus a social pact, but stated the cohesiveness of the new administration to pursue such a plan wasn’t 100% clear.

Ivers viewed Fernandez as sitting atop a large powerbase, which he does not quite control. “I don’t believe Cristina will be able to tell him what to do; but she will be able to, silently, stop anything that she doesn’t like.” He expressed concern that, with weakened Chinese demand for soy, and onerous rules hampering the development of the Vaca Muerta oil site, it will be hard for the Argentine economy to grow. Gutierrez argued that, “Fernandez can become his own man; this sort of thing has happened in the past,” although Ivers countered that people had also made the same argument in 2007 for Cristina being an outward-looking moderate.

Morden viewed Fernandez as needing to reintroduce austerity measures while constrained by domestic politics. “The decks are stacked against him; Fernandez will be racing against time, with onerous domestic debt next year.”

Discussing a debt reprofiling, in London, Bernal calculated that a 50% haircut, plus a maturity extension and some interest payment grace period, would force an NPV loss of up to 80%, “but that only reduces the debt/GDP ratio by 10% and kills the Vaca Muerta development for ten years.” More effective, “though it’s not going to happen,” would be to use extremely tight monetary policy to prompt a stronger real exchange rate appreciation. The IMF should extend its own debt maturities and allow greater leeway on labor reform, because to just “stick it to the bondholders doesn’t help the situation long-term.”
Argentina (continued)

Stock agreed Argentina was not insolvent, and that liquidity issues could be addressed by measures, such as keeping wage increases below inflation. Ivers expected a Fernandez administration to push for immediate debt relief.

“The good news is that Fernandez has spoken of his willingness to repay debt, although he has not explained how he will be able to” noted Morden at the New York panel. Goldberg reasoned that, “the incentives are all aligned to get to a good place; everyone—the market, the IMF and Argentina—wants a solution that generates growth, and Argentina can’t grow without debt sustainability.” Vivanco expected Fund flexibility, and would monitor the release of the next tranche of the current program.

Silvani voiced a concern that the market is overly optimistic about the prospects of a revised IMF deal. “The Macri team took seven weeks to conclude a deal, and they were already speaking the same language as the IMF.” Silvani advocated for a sequenced approach—local law debt being addressed first, then external-law bonds, all while recognizing that such a plan, without a signed IMF deal (which he anticipated would be reached at some point), may not be welcomed by the market. “Don’t expect a holistic approach by March,” he concluded.

Pazos asked both NY and London speakers if there were opportunities at current levels. Gutierrez referred to the “massive buildup of Argentine debt by the real money community, who are now “trapped longs.” He preferred “to wait on the sidelines and see how the new administration handles the contradictions in Fernandez’s programs.” Stock announced he had made opportunistic purchases, and expected to continue to do so on sell-offs.

“This depends on your time frame,” advised Silvani. He saw “a lot of value” for those with a two-year time frame, while the outlook was much foggier for near-term investors. He underscored that Argentine debt instruments should not all be painted with the same brush, and that investors should differentiate between local- and external-law debt, provincial debt vs sovereign bonds, and between different currencies.

Vivanco seconded Gutierrez’s concern of the overhang of “real money” bondholders still looking to reduce Argentine holdings, and recommended a tactical approach. “It will be challenging no matter what,” he stated. Morden cited “high execution risk, even if a great team is announced,” and admitted it was hard to make a firm recommendation, although she ruled out an overweight approach. For Goldberg, any upside would be accompanied by volatility, while he regretted that Argentina continued to fail to address its reliance on foreign financing.
Ghana, Nigeria and South African Outlooks Debated at EMTA Sub-Saharan Africa Event

Panelists at EMTA’s Annual Forum on Sub Saharan Africa outlined concerns, and investment opportunities, for countries including Ghana, Nigeria, Cote d’Ivoire and South Africa. The event was hosted by ICBC Standard Bank on Tuesday, September 24, 2019 and drew an audience of 100 EM market participants. Moody’s Investors Services and Rand Merchant Bank provided additional support.

After speakers agreed to include Egypt in the discussion, Standard Bank’s Phumelele Mbiyo, moderating the panel once again, asked for views on the country’s outlook. Kevin Daly (Aberdeen Standard Investments) referred to a JPMorgan investor survey which revealed Egypt as a common long position on the street; “we’ve all piled in, so the technical position is not great.” Investors are attracted by the country’s improving economic story, decreasing inflation, and a primary surplus that should continue to improve the debt/GDP ratio. Daly acknowledged some concern that recent protests could snowball, while assessing that, “the risk that this becomes 2011 again is very low.”

Roy Adkins (T. Rowe Price) concurred in a positive assessment on Egypt, at least on a short-term basis. He advised attendees to monitor progress on structural reforms, FDI inflows, and political (including internal government) strife, and reasoned that the recent demonstrations could lead to profit-taking. Akintunde Majekodunmi (Moody’s Investors Service) reminded the audience that his firm had recently upgraded its sovereign rating from B3 to B2, while Rand Merchant Bank’s Neville Mandimika based his positive assessment on both macro factors and the ease of investment.

Turning to Nigeria, “non-oil revenues are not happening, nor are structural reforms,” declared Adkins, who found little justification for a long-term bullish stance. He was, however, willing to trade Nigeria on a short-term basis. Daly confirmed he had reduced external holdings, while pointing out the high carry on local paper. Oil in the mid $60s was enough to avoid any sell-off, he reasoned. Mandimika observed that there were few African sovereigns whose local markets were as deep as Nigeria's, while Majekodunmi called attention to the improving credit quality of Nigerian banks, which are heavily exposed to the oil and gas sectors, and had been under pressure when oil was trading in the $20s.
Sub-Saharan Africa (continued)

Mbiyo observed that the outlook for the Ivorian elections was unclear. Mandimika maintained a neutral recommendation; “I wouldn’t add a lot of Cote d’Ivoire to a portfolio,” he stated. Daly highlighted the country’s “night and day” transformation since 2010. “It’s still too far away to make a prediction on the elections, but I’m confident it won’t be a repeat of the 2010 situation,” he added. Adkins saw reason for optimism in the strength of private sector-led growth,” and we hope that continues in the election run up.”

Daly expressed an ambivalent view on Ghana. “It shouldn’t go off the rails, but some investors may get nervous and reduce their positions in the election run-up,” he commented. Mandimika recommended external debt over local paper, pointing out a less predictable FX. Majekodunmi cited the recent consolidation of the banking sector, which has removed weak banks and stabilized the system. However, he wasn’t convinced that, “all the skeletons had come out of the closet.”

Adkins predicted a government victory, and warned of a possible “fiscal blow-out, which is a pattern, although, if it is confident of a victory, the current administration may not feel the need to do so.” However, long-term positions on Ghana were justified by its diversified economy, successful political transitions, and “a resource endowment that is supportive, but not overdone.” He saw current levels as enticing, despite a recent underweighting.

The panel concluded with a discussion of South Africa and its struggling electric company. “If the government is going to take on Eskom’s debt…they should do it in such a way that it has to carry out certain reforms, and should be held accountable,” stated Adkins. According to Daly, “clearly more support is needed, and it will cost South Africa its last IG rating…but that won’t happen until 2020,” he predicted. Majekodunmi stressed the need for “good leadership” at the company.
EMTA Fall Forum Speakers Express Wide Range of Views on Global Outlook, Argentine Prospects

Strong US Treasury bond moves have driven much of EM debt performance year to date, observed Rafael de la Fuente (UBS) in his opening remarks at EMTA’s Fall Forum. With generally positive inflows, but great differentiation in country returns, de la Fuente led speakers through a discussion of the global backdrop, as well the EM outlook. The event was held on Monday, September 16, 2019 and drew 125 market participants. UBS hosted the event, with additional support provided by Tradeweb.

De la Fuente started the session by polling speakers for their views on the global economic outlook. Standard Chartered’s Gordian Kemen believed that, “while we are in the middle of a significant slowdown, we will escape a global recession.” He specified that action by Central Banks, such as “the ECB throwing in the kitchen sink, and the Fed turning dovish,” should help keep the international economy above recessionary levels.

While a global recession was not his base case, Jahangir Aziz (JPMorgan) still assigned it a 40% probability. Recessions occur when excesses are created, but Aziz didn’t yet see evidence of bubbles. Instead, a recession would more likely be prompted by a policy error, with the US-China trade war the most likely culprit.

Shamaila Khan (Alliance Bernstein) adopted the most bearish tone among panelists regarding a global slowdown, especially a US economic downturn. She worried that there may be complacency in the US market because of strong performance. Uncertain policy outlook is deterring US investment, and the Fed has been reactive, rather than pre-emptive, in her view.

Finally, Gramercy’s Jeff Grills believed that a recession would be avoided in 2020, bolstered by some sort of US-China agreement to help Trump’s re-election, and supportive central banks. However, he remained concerned for 2021, “when tensions will re-escalate and there will be no room left in monetary policy.” However, an economic downturn in 2021 could be avoided by short-term stimulus measures, such as a US tax cut.

Addressing the resolution of the US-China trade war, Kemen believed the issues were too long-term and complex for a quick, comprehensive accord, while agreeing that both sides may have incentives to reach a small interim deal. In contrast, Aziz argued that Trump’s anti-China stance may energize his supporters, and that his re-election chances may, in fact, be stronger if the tariff war continues. Finally, Khan believed that the use of stimulus by China has thus far been “conscientious” and Beijing might lead a global rescue if the US did fall into a recession.

De la Fuente led speakers through a discussion of the largest Latin economies. Khan recalled her bearish stance on Argentina in 2018, but now saw possible upside surprises. “Now that half of Argentina’s market value has been wiped out, it might actually work,” she commented. Khan stressed that leading candidate Alberto Fernandez “has a unique opportunity to turn things around in Argentina, despite the ideology of his party.” Investment has been frozen, but could start to trickle back, “if Fernandez takes over and doesn’t do crazy things…and clues as to who will be on his economic team will be a first signal.” CACs and the concentration of ownership of Argentine debt will be helpful in private sector negotiations, she added.
Fall Forum (continued)

Kemen agreed there may be upside potential from current levels, “but I haven’t pulled the trigger.” He predicted continued volatility until the election, which could intensify if the vote went to a second round. Argentina’s woes could be cured by a credibility boost, and an aggressive haircut was not necessary from a debt sustainability perspective. He hoped any new administration would understand the importance of market access, and consider that as they formulate policy.

Aziz expressed much greater concern for Argentina’s economic outlook. Argentina will need to convert its IMF Stand-By Arrangement into an Extended Fund Facility, with its additional reform conditionality, and will have difficulty in making the large payments due before the program conversion can be carried out. He also warned of the apparent “lack of communication between the Macri government and the Fernandez camp.”

Grills saw current Argentine debt pricing as reflecting the risks (“it’s very attractive for long-term players, but it will be extremely volatile”). He concurred that there was a possible path forward for a Fernandez regime, with Brady-like rolling interest guarantees a potential carrot for investors.

Turning to Mexico, Grills described AMLO as a populist leader who has delayed movement toward his goals until growth rebounds, but who is likely to take actions (such as raising corporate taxes) once the economy picks up.

“My impression is that AMLO has no idea what he is doing, but that he takes clues from the market,” declared Khan, citing Pemex as an example. Mexican sovereign debt failed to account for current Pemex risk, in her assessment, and she voiced concern that the new USMCA treaty may not be ratified.

Kemen seconded comments made by speakers at EMTA’s Corporate Bond Forum in Boston days earlier that, while a welcome development, Pemex’s recent deal did not address the company’s long-term issues. He maintained a bearish view on both the sovereign and Pemex. Aziz agreed with panel consensus that, “sooner or later, Pemex will start to hurt the sovereign [rating].”

De la Fuente concluded the panel with a discussion of Brazil. “Brazil is the gift that keeps on giving,” according to an enthusiastic Aziz. “If the economic team gets even half their goals done, Brazil will have massively transformed its economy.” President Bolsonaro appears to have given Economy Minister Guedes “a blank check,” and as long as Guedes and House Speaker Maia remain in office, “we will see reforms.” Grills agreed that the direction was positive, while expressing skepticism of finding value at current price levels.
Pemex, Eskom and Aramco Outlooks Debated at EMTA Corporate Forum in Boston

The effects of the US and Argentine elections, the Pemex deal, Brazilian pension reform and concerns over Eskom were among the many subjects covered at the Annual EMTA Corporate Bond Forum in Boston. The event was held on Thursday, September 12, 2019, and was hosted by Bank of America Merrill Lynch. MarketAxess sponsored the event with additional support from Citi and JPMorgan.

In introductory remarks, moderator Anne Milne (Bank of America Merrill Lynch) observed that year-to-date returns in EM corporate debt had been strong, with the notable exception of Argentina. She added that inflows were generally positive, and that net EM corporate issuance remained positive in Asia, slightly positive in CEMEA (thanks to the Aramco mega-deal), while net LatAm issuance had declined.

Milne started the panel off with the global economic backdrop. Panelists largely concurred that US rates would be cut a total of 75 bps in 2019, with Natalia Corfield (JPMorgan) pointing out that her firm’s call for a year-end UST 10 yield of 1.5% was half of what its forecast was at the same time last year. “There are very quick changes in the global economy, and it’s becoming harder and harder to forecast,” she commented. Eric Ollom advised attendees “to join the good times when you can,” highlighting that the US-China trade war could continue to spark market volatility.

The US elections were unlikely to dramatically effect EM, according to speakers. Elisabeth Colleran (Loomis Sayles) explained that, no matter who the victor, “we won’t get a president who is warm and fuzzy towards China—although maybe some of the instability can be removed.” Ollom stated that, “I’m not sure there are any ‘free-traders’ running for president; it’s just something you will have to get used to. But is that a disaster for EM? No.”

Speakers expected continued volatility in Argentine debt until its presidential election was completed. Corfield believed that any sovereign default would depend on the amount of reserves remaining when the new president takes office, although widespread corporate defaults were unlikely even if the Republic restructured its debt. Still she would avoid Argentine corporates; “80 is the new par; the paper needs to get below 80 before it is cheap.”
Corporate (Boston) (continued)

Paulo Valle (Manulife Asset Management) suggested room for optimism in that, thus far, Buenos Aires has stabilized the run on Argentina’s FX reserves and bank deposits. A confidence shock (such as the appointment of a market-friendly Finance Minister) was needed for a successful rollover of local debt, and leading candidate Alberto Fernandez has, so far, given market-friendly signals. Valle stressed that, “this is not the same Argentina as in 2001, the country is in a much better financial situation,” and estimated that a haircut need not exceed 25 per cent. Colleran continued to favor the Argentine telecom and energy sectors, while specifying Argentine utilities as the most vulnerable.

Milne steered the panel to South Africa’s Eskom and Sasol. Colleran was unconvinced that Sasol (“a very strong company”) would be downgraded to junk level despite cost overruns at its Lake Charles project. Regarding Eskom, Valle stated, “we are very strong believers of quasi-sovereigns having the strong support of the sovereign.”

Panelist concurred that, while pension reform progress in Brazil was welcomed, anemic growth continued. “The reform program is exceeding market expectations; I hope it continues on its path,” said Ollom, while also suggesting that there was a possibility of over-enthusiasm for Brazil as a market darling. Valle described himself as a long-time Brazil bull, “you just have to handle the volatility.” In his view, low growth in Brazil was not dissimilar from low growth globally, and there were signs of improvement.

Pemex’s recent cash infusion and liability management exercise were also well-received by the panel, “though it is not a resolution of all its problems,” stated Valle. “They have taken care of their liquidity issues, now they need to work on their production side,” he added. Colleran observed that Pemex’s quasi-sovereign status was “something we like, but it’s better to have comfort in the underlying business too.” She revealed that “sees little improvement in the Pemex operating situation, but we have to factor in its importance to the sovereign.”

Other topics discussed included Aramco’s piercing of the sovereign ceiling (which both Colleran and Valle argued should not have happened), and Russian corporate resistance to sell-offs, even during instances of increased sanction speculation.
EMTA Corporate Bond Forum Returns to ING in London on January 14, 2020

ING will once again host EMTA’s Corporate Bond Forum, slated for Tuesday, January 14, 2020 in London. The event will take place at 8-10 Moorgate.

The Forum will include a panel of speakers moderated by ING’s Trieu Pham. At press time, additional speakers were being confirmed, but include Kay Hope (Bank of America Merrill Lynch), Badr El Moutawakil (Barclays) and Kofi Bentsi (Pimco).

Invitations will be sent to EMTA Members, who may attend at no cost. There is an attendance fee of $695 for employees of non-member firms.

For more information, please contact Jonathan Murno at jmurno@emta.org.

EMTA’s Miami Forum to Focus on Developments in Latin America

Latin American’s economic outlook will be the theme of EMTA’s Ninth Annual Forum in Miami on Tuesday, January 21, 2020. The event will be held at the InterContinental Hotel at 100 Chopin Plaza in downtown Miami.

Confirmed speakers include Daniel Canel (AdCap), Shelly Shetty (Fitch Ratings), AJ Mediratta (Greylock Capital Management), Jeff Norton (Mizuho Securities USA LLC) and Alberto Bernal (XP Securities).

Support for the program is being provided by AdCap, Mizuho Securities USA LLC, Fitch Ratings and XP Securities.

Complimentary invitations to the event will be sent to EMTA Members shortly. EMTA encourages its Members to make sure that colleagues in Miami have signed up to the EMTA database so that they will receive an invitation to the event.

For more information, please contact Jonathan Murno at jmurno@emta.org.
EMCB Support of EM Health and Education Projects to Continue with MarketAxess Charity Trading Day

MarketAxess’ has announced on October 23, 2019 that its 17th Annual Charity Trading Day raised over $270,000 for EM Charities. These funds will be distributed to four charities selected as beneficiaries at meetings of the Emerging Markets Charity Benefit (EMCB) Planning Committee held in September and October 2019.

Since inception in 2003, EMCB has disbursed over $6.8 million to fund health, education and microfinance projects in emerging countries around the globe.

Organizations receiving funding from EMCB for 2019 are:

- **African Dream Academy Foundation**, which makes grants to the African Dream Academy in Liberia to reduce poverty and foster sustainable development by educating and providing healthcare children, while also teaching vocational skills to their parents. [www.africandreamacademy.org](http://www.africandreamacademy.org)

- **Care 2 Communities**, which is creating a model for sustainable, community-based healthcare in Haiti that transforms the status quo, meets the needs of poor and low-income people, and empowers families to lead healthier lives. [www.care2communities.org](http://www.care2communities.org)

- **The Orphaned Starfish Foundation**, which is dedicated to helping orphans and at-risk youth break their cycles of abuse and poverty through computer-based education, job training and job placement assistance throughout the world. [www.orphanedstarfish.org](http://www.orphanedstarfish.org)

- **World Connect**, which makes authentic global connections to the most under-resourced areas of the world by investing in social entrepreneurs who locally drive their own transformative, self-sustaining development. [www.worldconnect-us.org](http://www.worldconnect-us.org)

Because industry conditions made it an increasing challenge to hold fundraising events, the EMCB Committee decided in early 2019 not to incur the cost of holding the annual event this year. However, the donation by MarketAxess will allow the Committee to continue to provide funding for important projects in Latin America and Africa.

For more information on EMCB, please contact Jonathan Murno at [jmurno@emta.org](mailto:jmurno@emta.org).
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 or (646) 676-4293 or Suzette Ortiz at sortiz@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.

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.
Website Updates

EMTA 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).
- **Litigation** (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 Calendar

Thurs., Oct. 3  EMTA Seminar on the Outlook for Argentina (London)
Sponsored by TPCG Group and DCI Group
IISS
13-15 Arundel Street
Lee Kuan Yew Room

Mon., Oct. 7  EMTA Special Seminar: The Argentine Economic Outlook (NY)
ISDA Conference Center
10 East 53rd Street
(between Madison and Fifth Avenues)

Mon., Oct. 14  Recommended Market Close (NYC/London) Columbus Day

Tues., Oct. 15  EMTA Corporate Bond Forum (NY)
ISDA Conference Center
10 East 53rd Street
(between Madison and Fifth Avenues)

Mon., Oct. 21  EMTA Forum in Singapore
Sponsored by ING Bank
Fullerton Hotel
The Straits Room, Level 4
1 Fullerton Square

Thurs., Oct. 24  EMTA Forum in Hong Kong
Sponsored by ING Bank
Island Shangri La
Pacific Place, Supreme Court Road
Island Ballroom (Level 5)

Wed., Oct. 30  EMTA Special Seminar on the MENA/GCC Markets (NY)
Sponsored by Standard Chartered
ISDA Brazil Room
1095 Avenue of the Americas/3 Bryant Park

Mon., Nov. 11  Recommended Market Close (NYC/London) Veterans’ Day

Tues., Nov. 19  EMTA Forum on South African Economic Outlook in Johannesburg
Sponsored by Standard Bank
30 Baker Street
Rosebank

Wed., Nov. 20  EMTA Forum on South African Economic Outlook in Cape Town
Sponsored by Standard Bank
Kelvin Grove Club
144 Campground Rd, Newlands
Calendar (cont)

Wed., Nov. 27  Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 28  Recommended Market Close (NYC/London) Thanksgiving Day
Fri., Nov. 29  Recommended 2:00 p.m. (NYC) Early Market Close

Wed., Dec. 4  EMTA Annual Meeting (NYC)
Hosted by Citi
388 Greenwich Street
Auditorium - Citi HQ Conference Center

Tues., Dec. 24  Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Dec. 26  Recommended Market Close (London) Boxing Day
Tues., Dec. 31  Recommended 2:00 p.m. (NYC) Early Market Close


Tues., Jan. 14  EMTA Corporate Bond Forum (London)
Hosted by ING
8-10 Moorgate

Mon., Jan. 20  Recommended Market Close (NYC/London) Martin Luther King, Jr. Day

Tues., Jan. 21  EMTA Forum in Miami
InterContinental Hotel
100 Chopin Plaza

Mon., Feb. 17  Recommended Market Close (NYC/London) Presidents' Day
Fri., April 10  Recommended Market Close (NYC/London) Good Friday
Mon., April 13  Recommended Market Close (London) Easter Monday