



RESEARCH for TRADERS

Argentina Fixed Income Morning Notes

Developments

Argentina's Central Bank faces maturities for ARS 547bn on Wednesday.

The Republic of Argentina Central Bank is poised to service short-term debt obligations for ARS 547bn (\$ 34bn) this Wednesday raising concerns among market players about the increasing use of the debt markets by the country's first bank to manage the inflation rate. The institution headed by Federico Sturzenegger, will auction today an undetermined amount of short-term debt instruments called Lebacs, and rollover as many obligations as possible ahead of Tuesday's holiday in Argentina. The market is anticipating that the Central Bank will keep rates for the 35-day Lebacs unchanged at 25.5% in line with the previous auction in May, when the entity auctioned ARS 459bn (\$ 28.6bn). In recent days, Finance Minister Luis Caputo hinted that last week's ARS 75bn (\$ 4.6bn) local bond sale by the Republic of Argentina was aimed at reducing the substantial stock of debt that the Central Bank has accumulated since 2016. As reported, Argentina sold local bonds on Thursday priced over the monetary policy rate currently at 26.25%. Results of today's auction are expected after markets close.

YPF's 2012 nationalization generates hefty returns for a particular New York-based company.

Burford Capital, the world's largest publicly traded provider of litigation finance, continues to generate hefty returns from a lawsuit filed against YPF as it waits for New York's Court of Appeals to rule on a 2012 case related to the nationalization of the oil and gas company, according to a memo circulated last week. Burford, who in 2014 acquired the rights to litigate against the Republic of Argentina and YPF from two Spanish companies, recently sold to unnamed institutional investors 15% of the participation interests in the case for \$ 66m. According to Burford, since March it has already sold 25% of the possible economic entitlement for \$ 106m. "Burford will no longer engage in further sales of its participation in the Petersen litigation against Argentina and YPF", said the memo. Petersen Energía S.A.U. and Petersen Energía S.A.U. owned 25% of the oil and gas company at the time of the expropriation in 2012. Both companies sold the litigation rights to Burford for a reported \$ 15m and 30% of any moneys recuperated from possible rulings, according to court documents. As reported, the value of Petersen's holdings in YPF in 2012 reached \$ 2bn. The Spanish entities were forced to foreclose their stake in the oil and gas company after the Argentine Congress voted that YPF will no longer distribute dividends to its shareholders. Petersen serviced a \$ 3bn loan with these dividends but, in 2012, defaulted all loan payments. Last week, New York's Court of Appeals for the Second Circuit heard oral arguments from interested parties and will now convene to rule on whether Argentina's and YPF's failure to tender all shares held by the 49% of the holdings not expropriated, violated the company's bylaws. Burford claims that it will not reduce its holdings in the case below 65% until December 2018 and will permanently hold 50.1%. "These claims by Burford means that it intends to go all the way to the Supreme Court of the United States regardless of New York's Court of Appeals upcoming ruling", said a person familiar with the case.

Banco do Brazil reconsidering Banco Patagonia sale.

Banco do Brasil hasn't decided whether it will sell its 59% stake in Argentina's Banco Patagonia or offer new shares, according to a Bloomberg report published on Saturday. The report, which cites two people familiar with the matter, said that the Brazilian financial institution may after all hold on to its participation in Patagonia. Bloomberg also says that Banco Patagonia's planned sale on Friday after majority holder Banco do Brasil prevented a shareholder meeting of the Argentine lender to take place. As reported, binding bids for Banco Patagonia were due on Thursday where BBVA Banco Frances joined Banco Macro and Banco Itaú as the only participating financial institutions.

BICE to sell bonds for ARS 1.4bn.

Argentina's export-import bank, is readying a ARS 1.4bn (\$ 87.5m), two-part bond sale in the local credit markets, according to a company filing with market regulators. BICE will offer ARS 600m (\$ 37.5m) in notes with 18-months maturity with a variable coupon rate payable on a quarterly basis and ARS 600m (\$ 37.5m) of notes with 36-months maturity also with a variable coupon rate payable on a

quarterly basis. BBVA, Santander and Macro Securities are the local arrangers. Both offerings can be increased to a combined total of ARS 1.4bn. In 2016, BICE raised \$ 142m through ARS-denominated debt instruments.

International Bond Pipeline.

Republic of Argentina · EUR · \$ 2bn · Maturity TBD · Arrangers TBD · Late June.

Albanesi · USD · \$ 100m (2023 tap) · 2023 · Arrangers TBD · Evaluating timing.

Pampa Energía · USD Convertible · \$ 500m · Arrangers TBD · Evaluating timing.

Province of Córdoba · USD · \$ 400m · TBD · Arrangers TBD · Evaluating timing.

Province of Río Negro · USD · \$ 250m · TBD · Arrangers TBD · Evaluating timing.

Province of Santa Cruz · USD · \$ 350m · Maturity TBD · Arrangers TBD · Evaluating timing.

Cablevision · USD · \$ 500m · TBD · Arrangers TBD · Evaluating timing.

Central Puerto · USD · \$ 500m · 7-10 years · JP Morgan, Deutsche · Evaluating timing.

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