

# Paraguay Flash

## Paraguay returns to the international bonds market with a 10-year bond

After a long time, Paraguay issued USD 500 mill. (around 2% of GDP) in 10-year international bonds at a 4.625 percent, a yield that comes at the tight end of the pricing guidance of 4.625% to 4.75%. The demand of USD 5,573 mill. far surpassed the amount offered (over 10 times), a signal of the strong appetite for high-yield bonds at times when the global risk aversion has reduced after the measures announced by the ECB and the increasing liquidity coming from developed countries' central banks. Of the total offered, 97% of the bonds were bought by US investors, also an indicator of the good timing of the issuance.

This issuance comes just a few months after neighboring Bolivia did its own emission for the same amount at par to yield 4.875 percent, with an also robust demand of USD 4.217 mill. Paraguay is rated at BB- by both Fitch and Standard & Poor's, and Ba3 by Moody's, the same rating that Bolivia had at that time.

### Issuance seen as a crucial step towards creating a benchmark and attracting FDI

Even though the agreed yield will imply greater costs than undisbursed multilateral funds already committed to Paraguay, authorities and analysts felt an international bond would provide a needed reference rate that will make it easier for local companies to tap international investors.

So far, only three Paraguayan companies had recently issued bonds in the international market. As shown in Table 1, the bonds' yield has decreased progressively since BBVA did the first issuance in February 2011. Naturally, being the first to open a new market implies paying a greater cost, but the importance of the such greatly overrides it. The government of Paraguay paid almost half the price than the one offered by BBVA, and it is expected that future private issuances will take advantage of the new sovereign benchmark.

Chart 1

#### International bond market issuers from Paraguay

Issuer	Issuance Date	Amount	Maturity	Yield
BBVA Paraguay	Feb-11	USD 100 mill	5 years	9.75
Banco Continental SAECA	Oct-12	USD 200 mill	5 years	8.875
Tigo	Dec-12	USD 300 mill	10 years	6.75
Government of Paraguay	Jan-12	USD 500 mill	10 years	4.625

Source: BBVA Research

### Successful bond issue seen as a vote of confidence on Paraguay

Paraguay has been characterized by a prudent macroeconomic handling, maintaining a comparatively low external debt and sustainable levels of fiscal spending, a trend that has been adopted in the past years. Along with some advances regarding a tax reform, this successful issuance will be one of the main economic achievements of the recent times.

Currently, Paraguay is coming out of a recession in 2012 caused by a severe drought and the outbreak of food-and-mouth disease, which severely curtailed soybean and meat exports. GDP growth is expected to rebound to close to 10% in 2013, due to the recent re-opening of meat export markets and the expected normalization of soybean production.

For more on LATAM, [click here](#).

Juan Ruiz  
juan.ruiz@bbva.com  
+34 91 37 45887

Enestor Dos Santos  
enestor.dossantos@bbva.com  
+34 639 82 72 11

Miguel Poblete  
miguel.poblete.contractor@bbva.com  
+56 02 2939 11 98

## DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

**Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report.** Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

**The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.**

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

**"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com / Corporate Governance](http://www.bbva.com / Corporate Governance)".**

**BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.**