11-13-1996

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LADB Staff

LADB Article Id: 55446
ISSN: 1054-8890

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*by LADB Staff*
*Category/Department:* Mexico
*Published:* 1996-11-13

In early November, the Finance Secretariat (SHCP) announced Mexico's first-ever issue of medium-term bonds in the Italian financial markets. According to the SHCP, the Italian issue is part of an effort to broaden the base of international investment in Mexican financial instruments. SHCP sources said the issue was placed in Italy to take advantage of more favorable conditions in that country's financial markets relative to other European markets. In recent years, many of the Mexican bond issues in Europe were placed on the German financial markets. The five-year bonds placed in Italy, which amount to 5 billion lira (about US$325 million), are scheduled to mature in November 2001.

As with recent bond issues in Japan and Europe, President Ernesto Zedillo's administration plans to use the proceeds from this sale to pay off short-term government liabilities. In fact, the SHCP said that in financing costs, the issue compares favorably with the February 1996 sale of dollar-denominated bonds worth US$1 billion on the global market (see SourceMex, 03/20/96 and 09/18/96). The bonds pay interest quarterly at the three-month lira-denominated London Interbank Offered Rate (Libor) plus 200 basis points. This yield is equal in value to that of five-year US Treasury bonds plus 249 basis points. The bond issue will be handled by a consortium of companies managed jointly by Deutsche Morgan Grenfell and J.P. Morgan Securities. (Sources: El Universal, The News, Novedades, 11/08/96)

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