3-11-1998

Mexico Issues Bonds for US$1 Billion to Cover Most of its Debt Maturing in 1998

LADB Staff

Follow this and additional works at: https://digitalrepository.unm.edu/sourcemex

Recommended Citation

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.
Mexico Issues Bonds for US$1 Billion to Cover Most of its Debt Maturing in 1998

by LADB Staff
Category/Department: Mexico
Published: 1998-03-11

In early March, the Mexican government returned to the international bond market with the issue of US$1 billion in 10-year government obligations. The proceeds will pay off most of the US$1.5 billion in government debt scheduled to mature this year. Marco Provencio, a spokesman for the Secretaria de Hacienda y Credito Publico (SHCP), said the issue coincided with a recent decline in global interest rates, which allowed the Mexican government to lock in very favorable financing terms.

The 10-year bonds, placed primarily on the Luxembourg financial market, carry an 8.63% interest rate. "This was the least-costly issue since our return to the capital markets at the beginning of the decade," the SHCP said in a prepared statement. The issue is being handled by an international consortium of banks and investment companies headed by US-based Morgan Stanley Dean Witter.

Sources for the consortium said initial demand was very strong, even though some investors considered the yield too low. The 8.63% interest rate was only 2.88 percentage points above the rate for US Treasury notes. Some financial analysts said perception of a stable Mexican economy more than compensated for the low yields.

In an interview with the Reuter news service, one banking source said he could have easily sold US$2 billion in bonds if the Mexican government had increased the offering beyond the original US$1 billion. "Mexico still has a safe-haven status, which is not necessarily the case in other Latin American and European economies," said analyst Peter Harvey of Foreign & Colonial Emerging Markets Ltd. in London. The bond issue probably does not signal a major return of Mexico to the bond market.

The SHCP said the government is planning another issue of US$500 million later this year to cover the remainder of the US$1.5 billion due to mature this year, but no other issues are anticipated. In 1997, the government issued about US$5.7 billion in bonds, a sharp contrast to the US$26.7 billion placed on European, Asian, and US markets the previous year. Last year's issues, however, were close to the US$4.7 billion placed during 1995. (Sources: Notimex, Bloomberg News service, 03/04/98; El Universal, Reuter, 03/05/98; Excelsior, 02/24/98, 03/06/98; El Economista, The News, 03/05/98; 03/06/98; El Financiero International, 03/09/98)

-- End --