

## ECONOMIC ANALYSIS

## Colombia issues global bonds maturing in 2044 and 2024 with the some of the lowest emission rates ever

Chile Unit / Colombia Unit / Latin America Unit / Mexico Unit / Peru Unit

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### Colombia – Successful bond emission

Colombia issued USD1bn in dollar-denominated global bonds maturing in 2044 and 2024. The rate of the 30-year bond was 4.848 %, the lowest ever observed for long-term public debt, while that obtained for the 10-year bond, 3,673 %, was the second lowest on record for the respective term (behind the 2.718 % obtained in 2013). The operation was a success, split between 227 investors (from the United States, Europe, Latin America and Asia) and with orders surpassing 7.7 times the amount being offered (orders totalled USD7.7bn). It is worth mentioning that following the emission the bonds maturing in 2024 and 2044 now amount to USD2.1bn and USD2.5bn, respectively. According to the Minister of Finance, Mauricio Cardenas, the success of this operation seems to reflect the international market's recognition of the successful management of the Colombian economy. The aim of the transaction was to pre-finance 2015 requirements (estimated to be around USD3bn).

### Chile – No surprises in the traders' expectation survey

The traders' survey came out with inflation estimates for the current month at +0.4% MoM (BBVAe: 0.3%/+0.5% MoM), while long-term inflation expectations (13 to 24 months ahead) remain anchored to the CB's 3.0% target. Results also revealed expectations of a stable policy rate for the next 12-months (at 3.00%). Lastly, traders forecast that the exchange-rate will reach USDCLP590 on a three-month horizon.

### Mexico – Retail sales surprised to the upside, increasing by 5.0% YoY, sa, in August

This increase, above our forecast (BBVA Research: 2.7% YoY, sa), represents the largest annual increase since December 2013 (5.3% YoY, sa). On a monthly basis, the retail sales growth was 0.6%, sa. A greater generation of formal jobs in August (57,689 jobs) and a recovery of productive activity (industrial production registered a monthly growth of 0.37% in August) seem to be behind the rise in revenues for the supply of goods and services in the retail Business Enterprises. We will have to closely monitor this indicator, since it is based on a new statistical design, which introduced important changes to the previous calculation methodology. For example, with the old way of measuring retail sales in July had an annual growth rate of 1.6%, sa, while according to the new methodology the increased was 1.0%, sa.

## What to watch today

### Brazil – Labour market report (September, 8:00hrs)

We expect to see some signs of a slight moderation in the labour market even though the unemployment rate should remain at very low levels in September, around 5.1% according to our estimations.

### Mexico – Inflation (first half of October, 09:00hrs NYT)

We forecast that annual inflation will edge up to 4.29% in the first half of October. We anticipate fortnightly rises, of 0.46% and 0.16% respectively, for headline and core inflation in the first half of October. If our forecasts are accurate, in annual terms headline inflation should be 4.29% (up from 4.22% in September) while core inflation should be 3.37% (compared to 3.34% in September). The main explanation for the significant increase in inflation in the first half of this month is the start of the seasonal increase in electricity tariffs, now that the subsidies, that were implemented during the hot season, have ended. Furthermore, our price tracker suggests that the pressure on beef prices has continued. We continue to expect headline and core inflation to come in at 3.84% and 3.39% respectively by the end of the year.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
IGP-M Inflation 2nd Preview	20 Oct	Oct	0.03%	--	0.13%	0.31%
Tax Collections	23 Oct	Sep	91750M	--	--	94378M
IBGE Inflation IPCA-15 MoM	21 Oct	Oct	0.51%	0.53%	0.48%	0.39%
FGV CPI IPC-S	23 Oct	Oct	0.49%	--	--	0.49%
Unemployment Rate	23 Oct	Sep	5.2%	5.1%	--	5.0%
FGV Consumer Confidence	24 Oct	Oct	--	--	--	103.0
Current Account Balance	24 Oct	Sep	-\$7000M	-\$7000M	--	-\$5489M
<b>Chile</b>						
PII MoM	24 Oct	Sep	--	--	--	-0.1%
<b>Colombia</b>						
Trade Balance	20 Oct	Aug	-\$504.1M	\$421.5M	\$158.9M	-\$779.4M
Vehicle Sales	23 Oct	Sep	--	--	--	27658
<b>Mexico</b>						
Retail Sales Y oY	22 Oct	Aug	2.7%	2.7%	4.4%	2.0%
Bi-Weekly CPI	23 Oct	Oct	0.46%	0.46%	--	0.02%
Bi-Weekly Core CPI	23 Oct	Oct	0.14%	0.16%	--	0.03%
Bi-Weekly CPI Y oY	23 Oct	Oct	4.28%	4.29%	--	4.22%
Economic Activity IGAE Y oY	24 Oct	Aug	2.30%	2.7%	--	2.52%

## Most recent Latam reports

Date	Description
10.21.2014	<a href="#">Brazil Economic Watch: Tell me who you export to and what you make, and I'll tell you how competitive you are</a>
10.20.2014	<a href="#">Mexico Banking Flash: Banking deposits: growth slows, but stays in double figures</a>
10.17.2014	<a href="#">Colombia Economic Watch: The NAIRU falls in Colombia and gets closer to a single-digit rate (in Spanish)</a>
10.16.2014	<a href="#">Chile Flash: Central bank cut the policy rate by 25bp introducing a neutral tone (in Spanish)</a>
10.15.2014	<a href="#">Peru Flash: Output growth remains weak (in Spanish)</a>
10.10.2014	<a href="#">Mexico Flash: In September 2014 formal employment registered a higher annual growth rate (4.1%), than the one of the previous month (3.1%)</a>
10.10.2014	<a href="#">Mexico Flash: Industrial Production increased 2.1%, YoY, sa, in August</a>
10.09.2014	<a href="#">Peru Flash: The Central Bank keeps the policy rate on hold (in Spanish)</a>
10.09.2014	<a href="#">Mexico Inflation Flash: Non-core food price pressures receded in the second half of the month as we expected</a>
10.08.2014	<a href="#">Chile Flash: September's CPI rise 0.8% MoM, slightly above market expectations (in Spanish)</a>

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