

LUMIA

## CRISES DE DETTE EXTÉRIEURE ET RESTRUCTURATIONS

Michel-Henry Bouchet  
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[www.developingfinance.org](http://www.developingfinance.org)

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**Origines des crises d'endettement?**

Croissance excessive de la masse monétaire      Absorption excessive

Pressions inflationnistes      Δ taux de dépense sur les biens nationaux et d'importations

Pressions sur la balance des paiements

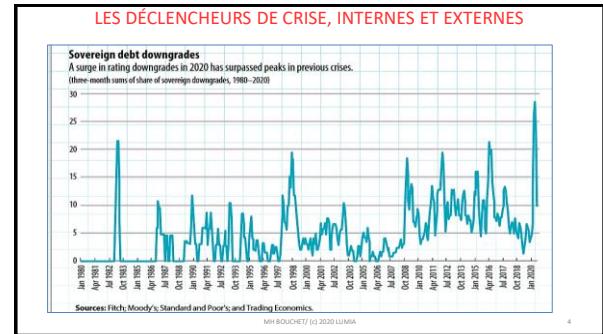
AJUSTEMENT

\* Politique de stabilisation = ajustement des taux de change et contrôle de l'offre de monnaie + diminution des crédits bancaires + taux d'intérêts

- \* Ajustements fiscaux
- Mesures structurelles d'ajustement
- Financement du FMI + Banque Mondiale + Club de Paris
- Retour sur les marchés de capitaux?

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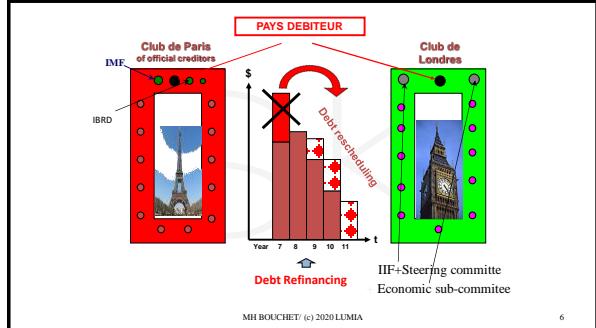


**Qui sont les principaux créanciers?:**

1. IFIs: FMI, Banque Mondiale et BDRs (BAD)
2. **Club de Paris**: 22 pays de l'OCDE (et Russie + Brésil)
3. Fournisseurs privés et dette commerciale
4. **Club de Londres** et banques internationales (IIF)
5. Euro-obligations = porteurs d'obligations, créanciers privés et institutionnels (fonds de pension)

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**LONDON & PARIS CLUB DEBT DEFAULTS**

COUNTRY	Main Debt Defaults & Restructuring 1991-2017				
	Restructuring	Haircut/loss level/\$ billion	Restructuring		Debt relief \$ billion
			Bonds & London Club	Paris Club	
Argentina	2001-2005	77%	61	2001-2014	n.a.
Cyprus	2009	68%	6.7	1999-2003	1
Ecuador	1996-2004	92%	0.2	1996-2004	85% 1.5
Dominican Rep	2004-2005	11%	1.3	2005	37% 0.2
Greece	2011-2012	31%	2012-2014	2012-2014	0.1
Guyana	1998-2004	91%		1996-2004	90% 0.1
Honduras	1998-2004	82%		2005	71% 0.2
Iceland	2008	95%		n.a.	0.1
Iraq	2005	89%	18	2004-2006	50% 12.5
Ireland	2010	55%	2.9	1998-2012	80% 4.7
Ivory Coast	1998-2004	45%	2.5	1998-2004	76% 0.5
Nicaragua	1995-2004	92%	1.1	1995-2004	96% 1.6
Nigeria	1991	40%	5.9	2003	60% 1.8
Pakistan	1999	15%	1.4	2001	0% 1.1
Peru	1994	94%	0.6	1994	6% 0.7
Philippines	1992	25%	4.5	1991-1994	0% 1.6
Poland	1994	49%	13.5	1990-1991	30
Portugal	1998-2004	93%	1.1	2001-2006	0% 0.5
Serbia	2004	62%	2.7	2003-2006	51% 4.3
Seychelles	2010	56%	0.3	2009-2015	0.02
Tanzania	2004	88%		2002	90% 0.7
Ukraine	1998-2004	15%	2.2	2001	0% 0.7
Uruguay	2003	10%	3.1	2003	20% 1
Vietnam	1997	52%	0.8	1993	50% 0.5
Yemen	2001	97%	0.6	2001	67% 0.1

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Source: IMF, IIF

### 1. Le Club de Paris

Club de Paris  
Paris Club

<http://www.clubdeparis.org/sections/donnees-chiffres/chiffres-clés>

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**1. LA RESTRUCTURATION DE LA DETTE PAR LE CLUB DE PARIS**

- Le Club de Paris est un groupe informel de 22 créanciers publics dont le rôle est de trouver des solutions coordonnées et durables aux difficultés de paiement de pays endettés.
- Les créanciers du Club de Paris accordent un allègement de dette pour les aider à rétablir leur situation financière, rééchelonnement/refinancement ou, en cas de traitements concessionnels, réduction des obligations du service de dettes pendant une période définie (traitements de flux) ou une date fixée (traitements de stock).
- L'origine du Club de Paris remonte en 1956.
- Depuis 1956, le Club de Paris a conclu 433 accords avec 90 pays endettés. Le montant total de la dette traitée par les accords du Club de Paris s'élève à >583 milliards de \$.

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## LA RESTRUCTURATION DE LA DETTE PAR LE CLUB DE PARIS

583Mds\$ Montant de la dette traitée 433 Nombre total de traitements 90 Pays utilisateurs 60 Pays "Termes Classiques"

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## LA RESTRUCTURATION DE LA DETTE PAR LE CLUB DE PARIS

### CHIFFRES CLÉS

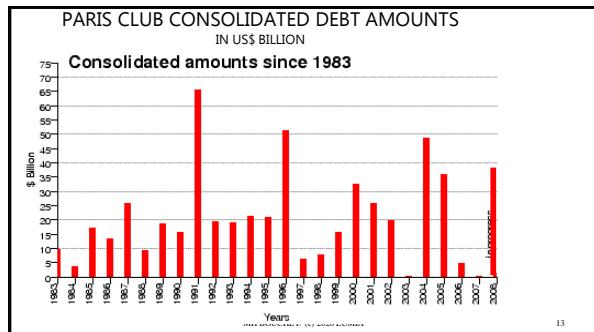
Nombre total des traitements	433
Nombre total des pays ayant signé un accord avec le Club de Paris	90
Montant total de la dette traitée	583 milliards de \$
Nombre de pays ayant bénéficié des "Termes Classiques"	60
Nombre de pays ayant bénéficié des "Termes de Houston"	21
Nombre de pays ayant bénéficié des "Termes de Naples"	36
Nombre de pays ayant bénéficié des "Termes de Cologne"	33

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## LES CRÉANCES DU CLUB DE PARIS

Pays emprunteur	Créances AfD	Créances NAPD	TOTAL
Niger	128	-	128
Nigéria	432	429	861
Chypre	162	180	342
Chagos	162	115	277
Indonésie	1 659	345	1 999
Pakistan	8 416	2 375	10 791
Grèce	141	-	141
Floride Nouvelle Guinée	147	29	147
Thaïlande	153	29	182
Allemagne	806	6	812
Portugal	7 989	158	8 147
Pologne	5	1 476	1 481
République Centrafricaine	-	2	2
République Dominicaine	697	-	697
République Tchèque	-	19	19
Roumanie	454	-	454
Malte	39	47	86
Saint-Christophe-et-Niévès	2	-	2
Barbade	3	-	3
Saint-Vincent et les Grenadines	3	-	3
Timor oriental	368	-	368
Bao Tome-et-Principe	1	16	17
Guinée	1 023	325	1 348
Grèce	286	1 657	1 943
Portugal	69	-	69
Sierra Leone	26	-	26
Slovénie	31	-	31
Grèce	-	1	1
Somalie	47	1 172	1 220
Grèce	479	3 120	3 599
Grenade	45	-	45
Sri Lanka	4 364	220	4 584
Grèce	48	-	48
Syrie	861	248	1 099
Indonésie	48	259	307
Vanuatu	917	240	1 157
Grèce	41	-	41
Thaïlande	3 406	-	3 406
Grèce	10	-	10
Tonga	-	1	1
Vénézuela	-	14	14
Total	22 287	114	22 401

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**CLUB DE PARIS: FONCTIONNEMENT**

- Un pays endetté est invité à une réunion de négociation avec ses créanciers du Club de Paris lorsqu'il a conclu un programme approprié avec le FMI qui montre que ce pays n'est pas en mesure de respecter ses obligations en matière de dette extérieure et qu'il a besoin d'un nouvel accord concernant les paiements envers ses créanciers extérieurs (principe de conditionnalité)
- Meetings are held in Paris. The Chairman is a senior official of the French Treasury. Deputies to the Chairman in the French Treasury serve as co-president and vice-president. The current Chairman is the head of the Treasury

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**SIX PRINCIPES:**

1. • **Solidarité:** Dans le cadre de leurs négociations avec un pays endetté, tous les membres du Club de Paris agissent en tant que groupe et sont sensibles aux répercussions que la gestion de leurs propres créances est susceptible d'avoir sur les créances d'autres membres.
2. • **Consensus:** Aucune décision ne peut être prise au sein du Club de Paris si elle ne reflète pas un consensus des pays créanciers participants.
3. **Partage d'informations:** Les membres du Club de Paris partagent régulièrement les informations et leurs points de vues avec chacun sur la situation des pays débiteurs
4. • **Cas par cas:** Le Club de Paris prend ses décisions au cas par cas de façon à s'adapter en permanence à la situation particulière de chaque pays débiteur.
5. **Conditionnalité:** Le Club de Paris rencontre un débiteur seulement lorsque :
  - il y a un besoin d'allègement de dette. Le pays débiteur doit fournir une description détaillée de sa situation économique et financière. Et le débiteur s'engage à mettre en œuvre les réformes pour restaurer sa situation économique et financière.
6. • **Comparabilité de traitement:** Le pays débiteur qui signe un accord avec ses créanciers du Club de Paris s'engage à ne pas accepter de ses créanciers non membres du Club de Paris bilatéraux et commerciaux un traitement de sa dette selon des termes moins favorables pour lui que ceux agréés dans le cadre du Club de Paris.

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**PRE AND POST CUT-OFF DATE DEBT?**

- To preserve new money and market access, only **pre cut-off date** debt is eligible to debt relief negotiations through rescheduling, refinancing, debt conversion and debt reduction

## PARIS CLUB DEBT RESTRUCTURING

► From debt rescheduling to debt reduction  
and debt conversion

- 09/1990: Houston terms: debt service rescheduling (15/8) for countries with GDP per capita <\$1345
- Toronto 1988 : 33% debt reduction: Menu approach
- 12/1991: London or « Enhanced Toronto terms » for 23 poorest countries: 50% reduction of eligible debt payments or consolidated debt in NPV, with promise of considering « stock reduction »
- Naples 1994 67% NPV (flow rescheduling) for EMCs with per capita GDP<US\$500 and D/X ratio >350%
- Lyon 1996 HIPC 80% debt stock rescheduling
- Cologne June 1999: debt stock reduction up to 80%

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## « LONDON TERMS » DEBT RESTRUCTURING

In December 1991, Paris Club creditors agreed to implement a new treatment on the debt of the poorest countries, called "London terms ", to raise the level of debt cancellation from the 33.33% as defined in Toronto terms to 50%.  
23 countries benefited from London terms between 1991 and 1994, when these terms were replaced by Naples terms.

London terms included the possibility for creditor countries to conduct, on a bilateral and voluntary basis, debt swaps with the debtor country. These swap operations in principle could be carried out without limit on official development aid loans, and up to 20% of the outstanding amount or 15 up to 30 million SDR for non-ODA credits.

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## PARIS CLUB DEBT RESTRUCTURING UNDER THE « LONDON TERMS »

- Non-ODA credits = 50% debt cancellation with 4 options:
  - "debt reduction option" ("DR"): 50% of the claims treated were cancelled (after possible topping-up), the outstanding part being rescheduled at the appropriate market rate (23 years repayment period including 6-year grace and progressive payments).
  - "debt service reduction option" ("DSR"): the claims treated were rescheduled at a reduced interest rate (23 years repayment period with progressive payments).
  - "moratorium interest capitalization option" ("MIC"): the claims treated were rescheduled at a reduced interest rate (23-year repayment period including 6-year grace and progressive payments).
  - "commercial option": the claims treated were restructured at the appropriate market rate over a longer period (25-year repayment period including 14-year grace). This was a non-concessional option.
- ODA credits = rescheduled at an interest rate at least as favorable as the original concessional interest rate applying to these loans (30-year repayment period including 12-year grace and progressive repayment).

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## VIETNAM AND THE PARIS CLUB 12/93

- Amounts treated = \$544 million
- Repayment profile treatment = London terms (50% debt cancellation)
- Cutoff date= January 01, 1990
- Participating creditors: AUSTRALIA , AUSTRIA , BELGIUM , DENMARK , FRANCE , GERMANY , ITALY , NETHERLANDS , NORWAY , UNITED KINGDOM , UNITED STATES OF AMERICA
- Observers: JAPAN , SPAIN , SWEDEN , Asian Development Bank , IMF , OECD , UNCTAD , World Bank

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**TERMES DE COLOGNE:  
CÔTE D'IVOIRE DEBT RELIEF AGREEMENT 11/2011**

1. Paris Club external debt relief following the approval by the International Monetary Fund (IMF) of a new 3-year arrangement under the Extended Credit Facility on November 4, 2011.
2. "Cologne terms" for implementation of the HIPC initiative interim debt relief = 80%
3. On an exceptional basis, creditors have agreed to defer and reschedule over a ten-year period the repayment of maturities due on **short term and post-cut off date debts**; and, over an eight-year period the arrears on those claims. They also agreed to defer all the interest due on the amounts treated.
4. To reduce the debt service (including the arrears) due to Paris Club creditors between 1st July 2011 and 30 June 2014 by more than **78%** which corresponds to \$1822 million, of which \$397 million cancelled.

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**ACCORD SUR LA DETTE ENTRE CUBA ET LE GROUPE DES CRÉANCIERS DE CUBA (12/2015)**

Les représentants du Groupe des Créditeurs de Cuba et du Gouvernement de la République de Cuba sont parvenus le 12 décembre 2015 à un accord d'apurement de la dette en arriérés au Groupe des Créditeurs de Cuba, soit 2,6 milliards de dollars, sur une période de 18 ans.

Cet accord offre un cadre de résolution définitive et durable à la question des arriérés dus par la République de Cuba au Groupe des Créditeurs de Cuba, soit un stock total de dette de 11,1 milliards de dollars (dont les intérêts de retard) au 31 octobre 2015.

Groupe des Créditeurs de Cuba = Australie, l'Autriche, la Belgique, le Canada, le Danemark, la Finlande, la France, l'Italie, le Japon, les Pays-Bas, l'Espagne, la Suède, la Suisse et le Royaume-Uni.

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**Le Club de Londres  
et la restructuration  
des dettes  
souveraines  
avec les banques  
internationales**



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**DEBT RESTRUCTURING OF LONDON CLUB DEBT**

- Commercial banks' claims on EMCs and OECD countries
- The debt renegotiation workouts

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### QU'EST-CE QUE LE « CLUB DE LONDRES »?

- Since the 1970s, countries facing default have used the London Club process to restructure sovereign debt owed to banks.
- The London Club has evolved as an ad hoc forum for restructuring negotiations. Each London Club is formed at the initiative of the **debtor country** and is dissolved when a restructuring agreement is signed.
- Ad hoc London Club "Advisory Committees" are chaired by a leading financial bank.
- Recently, Advisory Committees have included representatives from nonbank creditors (fund managers holding sovereign bonds)



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### QU'EST-CE QUE LE CLUB DE LONDRES/ « LONDON CLUB »?

- *ad hoc* forum for restructuring negotiations.
- Each London Club is formed at the initiative of the debtor country
- London Club "Advisory Committees" are chaired by a leading financial firm with representatives from a cross-section of international banks
- Meetings in London, New York, Paris, and other financial centers.
- IIF + Economic Subcommittee = macroeconomic, BOP analysis and debt sustainability reports to the Advisory Committees

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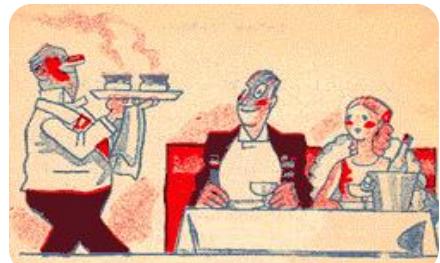
### WHAT IS THE IIF?

- The Institute of International Finance, Inc. (IIF), is the world's only global association of financial institutions.
- Created in 1983 in response to the international debt crisis, the IIF has evolved to meet the changing needs of the financial community.
- Members include most of the world's largest commercial banks and investment banks, as well as insurance companies and investment management firms. Among the Institute's Associate members are MNCs, trading companies, ECAs, and multilateral agencies.
- The Institute has more than **450 members** headquartered in more than 70 countries.

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### L'APPROCHE PAR LE MENU DES RESTRUCTURATIONS DE DETTE



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### THE 1989-2018 BRADY DEBT REDUCTION PLAN

► Debtor countries:

1. Strict macroeconomic adjustment programs under the monitoring of the IMF/WB (SALs)
2. Cofinance LT debt repayment guarantees with purchase of zero-coupon bonds

► London Club banks:

1. Provide deep discounts through interest or debt stock reduction
2. Get accounting and regulatory incentives (provisioning)
3. Shift to specific purpose financing and voluntary lending (2003-2013)

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### BRADY PLAN'S OBJECTIVES

- Objective: defaulted sovereign London Club bank loans would be exchanged for collateralized, easily **tradeable** 30-year bonds, with bullet repayment
- London Club banks would grant some amount of debt relief to debtor nations, in some proportion of secondary market discounts.
- The new Brady bonds would be guaranteed by zero-coupon US Treasury bonds which the defaulting nation would purchase with financing support from the IMF/World Bank.

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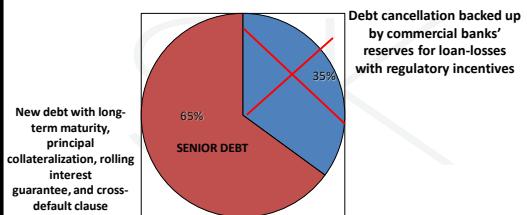
### BRADY BONDS

- Brady Bonds are named after former U.S. Treasury Secretary Nicholas Brady.
- Brady bonds have their principal guaranteed as well as x semi-annual interest payments, whose guarantee is rolled over.
- Bullet repayment is collateralized by 30-year zero coupon bonds, with a specific-purpose issue of the US Treasury, the Banque de France or the BIS.
- Cross-default clause

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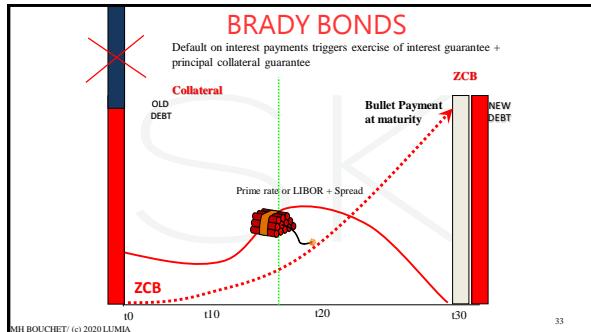
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### THE BRADY PLAN IN ACTION



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### Types of Brady Bonds

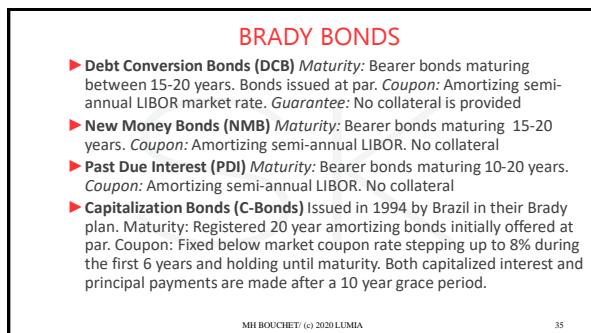
► **Par Bonds** *Maturity:* Registered 30 year bullet issued at par *Coupon:* Fixed rate semi-annual below market coupon *Guarantee:* Rolling interest guarantees from 12 to 18 months Generally principal is collateralized by U.S. Treasury zero-coupon bonds

► **Discount Bonds (DB)** *Maturity:* Registered 30 year bullet amortization issued at discount *Coupon:* Floating rate semi-annual LIBOR *Guarantee:* Rolling interest guarantees from 12 to 18 months.

► **Front Loaded Interest Reduction Bonds (FLIRB)** *Maturity:* Bearer 15 to 20 year semi-annual bond. Bond has amortization feature in which a set proportion of bonds are redeemed semi-annually. *Coupon:* LIBOR market rate until maturity. *Guarantee:* Rolling interest guarantees generally of 12 months available only the first 5 or 6 years.

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**EXEMPLES DE BRADY BONDS**

► Arg Par	48.000	50.000
► Arg FRB	41.000	42.000
► Arg '27	31.000	33.000
► Brz C	75.250	75.437
► Brz '27	72.750	73.000
► Bul IAB	85.000	85.500
► Mex Par	93.000	93.250
► Pol Par	75.250	76.250
► Rus '28	107.750	108.000
► Ven DCB	78.250	78.750
► Vie Par	44.000	45.000

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## VIETNAM & BRADY

- Brady debt restructuring (12/97)=  
► (P= 311 million) + (PDI= 486)  
= **797 million**
- 30-year bonds with 50% discount, par bonds, and buyback at 44%

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## SNAPSHOT AT VIETNAM'S GOVERNMENT SECURITIES

Issuer	Coupon	Maturity	Series	Rtg	Freq	Mtg Type	Exclde	Entry Curr	Ask Px
1) VIETNAM (REP OF)	6.875	01/15/16	REGS	B+	S/A	BULLET	VN	USD	106.2500
2) VIETNAM (REP OF)	6.875	01/15/16	144A	B+	S/A	BULLET	VN	USD	106.2500
3) VIETNAM-PDI	VIR	03/12/16	US	NR	S/A	SINKABLE	VN	USD	N.A.
4) VIETNAM-PDI	VIR	03/12/16	10VR	NR	S/A	SINKABLE	VN	USD	88.0000
5) VIETNAM (REP OF)	6.750	01/29/20	REGS	B+	S/A	BULLET	VN	USD	101.5000
6) VIETNAM (REP OF)	6.750	01/29/20	144B	B+	S/A	BULLET	VN	USD	102.2500
7) VIETNAM-PAR	3.750	03/12/28	US	NR	S/A	CALL/SINK VN	USD	N.A.	
8) VIETNAM-PAR	4.000	03/12/28	30VR	B+	S/A	CALL/SINK VN	USD	75.0000	
9) VIETNAM-DSC	FLORT	03/13/28	30VR	B+	S/A	BULLET	VN	USD	84.0000
10) VIETNAM-DSC	FLORT	03/13/28	US	NR	S/A	BULLET	VN	USD	N.A.
11) VIETNAM-DM LOAN	0.000	12/29/49	DM	NR	S/A	CALL/SINK VN	DEM	N.A.	
12) VIETNAM-US\$ LOAN	0.000	12/29/49	US\$	NR	S/A	CALL/SINK VN	USD	N.A.	

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## THE GREEK 2011-12 MENU-BASED « BRADY DEBT RESTRUCTURING » = 65% « HAIR CUT »

1. **Par Bond** Exchange into a 30 year instrument (4% coupon)
  2. **Par Bond** with refinancing of rolling-over maturing Greek government bonds over 30 years
  3. **Discount Bond** Exchange into a 30 year instrument with 20% discount and 5% coupon
  4. **Discount Bond** Exchange into a 15 year instrument with 5,9% coupon
  5. Buyback at 35% price (65% discount) of London Club debt (11/2012)
- For instruments, 1, 2 and 3 the principal is fully collateralized by 30 year zero coupon AAA Bonds.  
 ► For instrument 4, the principal is partially collateralized through funds held in an escrow account.

Calculation: IIF & <http://www.voxeu.org/index.php?q=node/6818>

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## LA CONTAGION...

### Spillover of the Greek debt crisis

Spreads between benchmark and German 10-year bond yields (percentage points)



Source: Refinitiv

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### CHALLENGES OF THE GREEK DEBT RESTRUCTURING WORKOUT 2011-13

- ▶ 1. Pari passu: Private investors insist that government bailout lenders would be treated the same way as the private sector, to lessen the risk of another cut in their payouts down the line
- ▶ 2. New bonds issued to private investors as part of the haircut to be governed by London rather than Greek law
- ▶ 3. Threat of free riders and legal actions: VEGA Hedge Fund

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### EXTERNAL DEBT ANALYSIS: DEBT CRISIS FORECAST

- ▶ Liquidity & Solvency indicators
- ▶ CDS, bond spread evolution and secondary market of commercial bank claims =
- 1. Early warning indicators of payment default
- 2. Barometer of market confidence
- ▶ Most traded debt: Mexico, Russia, Brazil, Argentina, Nigeria, Russia, Vietnam

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**Weak Liquidity:**  
 Angola, Nicaragua, Cameroon, Albania, Congo, Tanzania, Zaire (Rep. Democr.),  
 Zambia, Iraq, North Korea

**Limited Liquidity:**  
 Cuba, Egypt, Jordan, Madagascar, Panama, Jamaica, Ivory Coast, Senegal

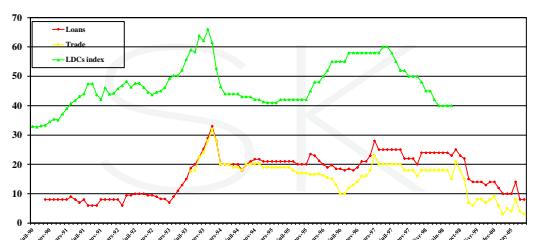
**Moderate Liquidity:**  
 Nigeria, Morocco, Costa Rica, Bulgaria, Peru, Russia, Vietnam

**Good Liquidity**  
 Brady Bonds + Eurobonds= Argentina, Brazil, Ecuador, Mexico, Philippines, Poland,  
 Venezuela, South Africa, Turkey

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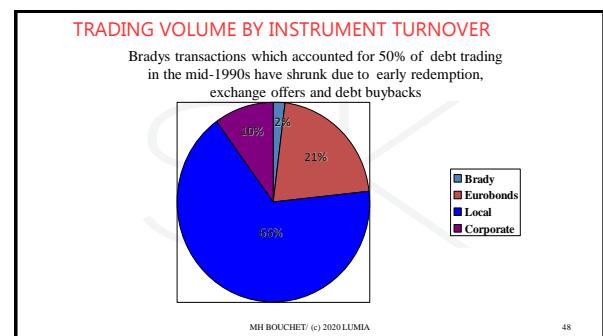
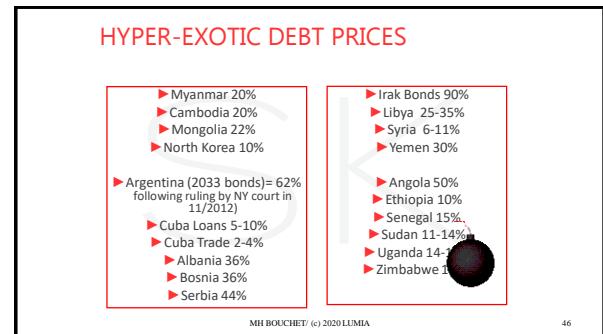
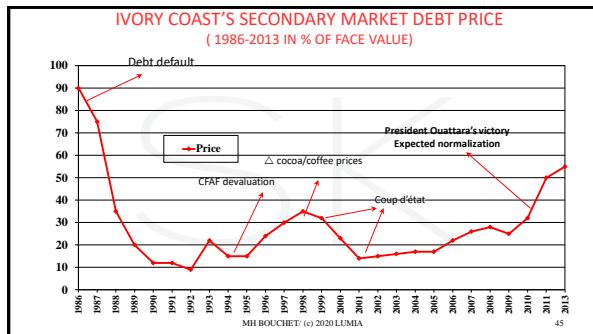
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### SECONDARY MARKET PRICES OF CUBA'S LONDON CLUB DEBT (1990-2011 in percent of face value)

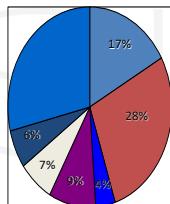


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### TRADING VOLUME BY COUNTRY (EMTA)



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### THE EVOLVING STRUCTURE IN THE SECONDARY DEBT MARKET

#### MARKET SHARE COMPARISON

	2005	1997
Eurobonds	48%	23%
Local Instruments	47%	25%
Options and Warrants	2%	6%
Brady Bonds	2%	41%
Loans	>1%	5%

Source: EMTA

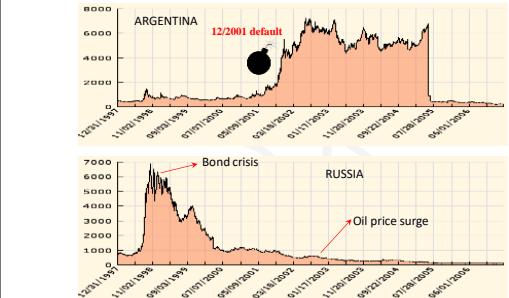
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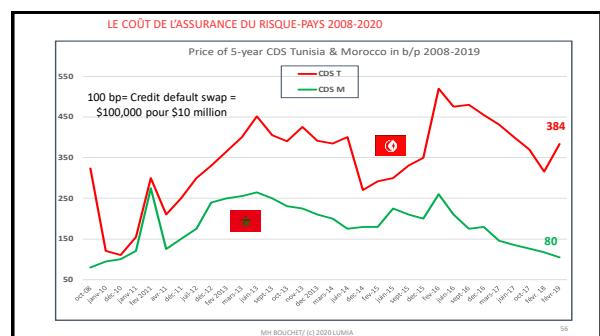
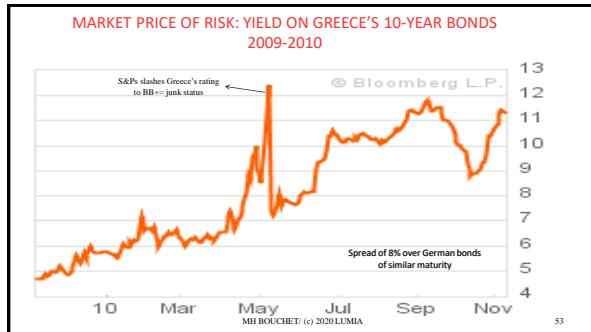
### EMERGING MARKET BOND SPREAD INDEX 1997-2008



### ARGENTINA'S AND RUSSIA'S SHRINKING SPREADS 1997-2008

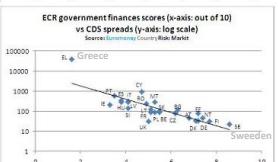
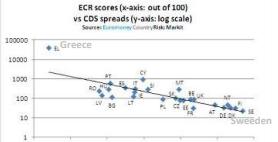


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**CDS SPREADS AS EARLY COUNTRY-RISK WARNING INDICATORS?**

CDS SPREAD OF 200 BP IMPLIES THAT IT COSTS \$200,000/YEAR TO INSURE \$10 MILLION WORTH OF DEBT



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**EXTERNAL DEBT ANALYSIS:  
DEBT CRISIS FORECAST**

- ▶ Bond spread evolution and secondary market of commercial bank claims =
- 1. Early warning indicator of payment default
- 2. Barometer of market confidence
- ▶ Most traded debt: Mexico, Russia, Brazil, Argentina, Nigeria

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