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Argentine Bid to Revive Debt Negotiations Sends Bonds Higher (2)

- Argentina would pay \$13 billion more under terms of new offer
- Bonds rise more than 1 cent after government sweetened offer

By Scott Squires and Jaqueline Ting Quesada

(Bloomberg) -- Argentina's bonds climbed after the government made a fresh offer to restructure its debt, giving bondholders about \$13 billion dollars more than its initial proposal announced in April.

The country's \$2.6 billion in century bonds gained 1.6 cents to trade at 39.7 cents on the dollar. Bonds due next year followed suit, rising 1.8 cents to 43 cents on the dollar.

"This is the first offer that looks serious," said Diego Ferro, founder of M2M capital in New York. "The question is whether or not it's enough, and whether or not its going to get over the hurdle for Argentina's biggest creditors."

South America's second largest economy is renegotiating \$65 billion of debt as the economy endures its third year of recession and the government imposes one of the region's strictest lock-downs to combat the spread of coronavirus. The rally in bonds reflects renewed, if cautious, bondholder optimism that a deal can be reached after more than six weeks of talks.



Argentina defaulted for the ninth time in its history on May 22, with the government repeatedly extending the deadline for a deal as negotiations drag on between offer and counteroffer. Before the latest proposal, one creditor group, the Argentina Creditor Committee, appeared closer to an accord with the government, while two other groups complained last week that talks had broken down.

"The economic terms of the proposal are still well below the level that we believe is appropriate for Argentina's ability to pay," said Carl Ross, sovereign debt analyst at Grantham Mayo Van Otterloo & Co., which is a member of the ACC group. "But we are reserving judgement right now on a deal until we see the fine details, the legal details, and the rest of the offer."

Read More: [Argentina Improves Debt Offer in Latest Move to Reach Deal](#)

Bondholders Gramercy Funds Management and Fintech Advisory issued a joint statement welcoming the latest proposal.

"We look forward to supporting Argentina's offer as it provides for the debt sustainability that is crucial for durable, high and inclusive economic growth," they said in the statement.

Stocks also jumped on Tuesday, with shares of agriculture company Cresud SACIF surging as much as 40% to their highest level in a month.

Even some Argentine opposition leaders praised the deal, including former Finance Minister and Central Bank chief Luis Caputo, who in a tweet called the proposal fair and said it should achieve a high level of participation.

The new schedule of debt services proposed by the government involves debt relief of \$31.5 billion, compared to \$44.8 billion in Argentina's original offer, Marcos Buscaglia, founding partner of Alberdi Partners in Buenos Aires, wrote in a note to clients.

The proposal seeks to reduce creditor losses on the bonds' principal, increase coupons and shorten bond maturities, according to a release published Sunday evening. The proposal will include minimum participation thresholds as a condition to go forward, according to the release, without disclosing the percentages needed.

Still, any agreement over restructuring the debt won't be the end of Argentina's problems. The country will also have to come to terms with the impacts of the coronavirus pandemic, including how to finance its aid packages.

"Unfortunately for Argentina, a successful debt resolution is the lower hanging fruit," said Patrick Esteruelas, head of research at Emso Asset Management. "Argentina is dealing with an extremely complicated backdrop that is rife with challenges, first of which is how to close the funding gap without having to monetize the deficit."

Here's what others are saying about Argentina's latest debt offer:

Marcelo Assalin, William Blair Investment Management

- "I think we are close to an agreement. The government understands that they need to keep market access and they are willing to compromise."
- "There's definitely an upside here."

Fernando Losada, Oppenheimer & Co.

- "There is still a month to negotiate, and the logical solution would be to negotiate in order to reach the minimums to activate the collective action clauses."
- "A partial restructuring, leaving many creditors out, would be a very bad idea."

Siobhan Morden, Amherst Pierpont Securities

- Argentina's latest debt proposal while reasonable, still presents risks as it was not negotiated with the joint Ad Hoc and Exchange bondholder group
- Joint group could still block a deal with their 35% share

Joaquin Almeyra, Bulltick LLC

- "My biggest concern today is not the restructuring, because at this point Argentina showed a reasonable offer and that's a positive thing"
- "My concern is what Argentina is going to be left after Covid. What is the plan for the future and how does the government plan to solve all the problems in the mid term?"

Juan Manuel Pazos, TPCG Valores SA

- "All in all we put the value of the average exit menu at almost 54 cents using a 10% discount, biased heavily in favor of 2005 indenture bonds"

(Updates bond prices throughout, adds bondholder comment in sixth paragraph.)

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