



Belize's Silver Lining...

After months of deliberation and consultations with market participants, Belize has finally reached what appears to be a silver lining in its restructuring proposal. The new proposal has also prompted rating agency Standard and Poor's to downgrade Belize's foreign currency rating from CC/Negative to Selective Default (SD), the first such downgrade in Belize's history.

Since the government's official announcement in August of its intention to seek debt relief on its approximately US one billion outstanding external debt, the government has put forward various proposals to market participants, some of which have been outrightly rejected as the terms of such proposals were quite unsatisfactory. This week, the Minister of National Development announced a proposal for a new twenty-two year U.S. Dollar bond issue. Furthermore, the coupon structure was the source of intense debate, with the outcome being a step-up basis closely aligned with the sovereign's ability to pay. Thus far, the proposed terms of the agreement are:

- An amortizing bond due 2029 with principal payments to begin in 2019
- Step-up coupon payments as follows:

4.25% in years 1-3

6.00% in years 4-5

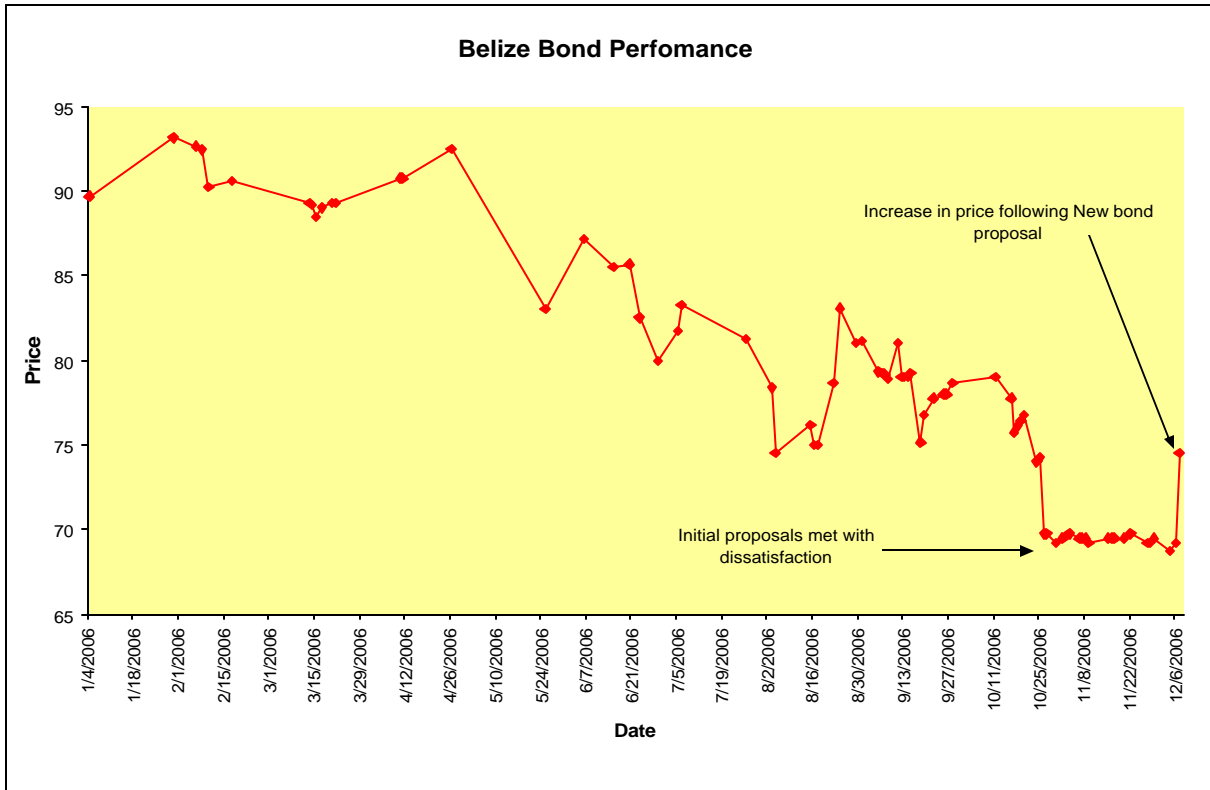
Coupon to level off at 8.50% in the remaining years

- All coupons are to be paid in cash on their respective due dates
- Creditors will receive cash payment at the closing of the transaction equal to the sum of unpaid interest on their claims accrued through the closing date.

The terms are relatively favorable considering that the level of coupon rates is more attractive than any of the three indicative restructuring scenarios put forward by the International Monetary Fund (IMF).

This new proposal has also brought on the downgrade to SD by Standard and Poor's, which typically represents the rating used during the transitory period for countries that are currently emerging from a debt crisis and determining their restructuring program. The agency has also voiced its intention to upgrade Belize to a rating most likely in the 'B' category, a rating higher than the CC rating it had prior to default, when the restructuring is complete.

Prior to the announcement, Belize US denominated bonds traded at \$65. On news of the above proposal, prices increased to \$75, indicating the attractiveness of the proposal to investors.



Overall, the restructuring follows closely on the heels of the IMF's proposal. This is not only a good sign for the sovereign but more importantly for investors who have felt the brunt of the economic downturn over the past months as yields soared and prices plunged. The close dialogue with these stakeholders also shows good faith on the Belize government's behalf and such decorum abodes well with current and future investors!

FINANCIAL & ECONOMIC INDICATORS

As at 7 December 2006

<u>Exchange Rate/US\$</u>	<u>Closing Value</u>	<u>Previous Week</u>
Yen	115.26	115.80
Euro	1.34	1.32
Jamaica	66.95	66.80
Guyana	201.4	201.40

<u>Commodity Prices</u>	<u>Closing Value</u>	<u>Previous Week</u>
Crude oil (US\$/bbl)	62.49	63.13
Natural Gas (US\$/mmbtu)	7.56	8.35
Gold (US\$/Troy Ounce)	633.56	648.00

Eurobond Indices (Returns, % YTD as of 7- Dec- 06)

Lehman Brothers Global Aggregate Index	4.03
JP Morgan EMBI+	-20.50
CMMB Eurobond Index	3.81

<u>Policy Interest Rates (%)</u>	<u>Closing Value</u>	<u>Previous Month</u>
United States	5.25	5.25
Euro Zone	3.25	3.25
Japan	0.26	0.25
Brazil	13.18	13.25
Trinidad	8.00	8.00
Jamaica	11.95	11.95
Barbados	4.75	4.75

<u>Market Interest Rates (%)</u>	<u>Closing Value</u>	<u>Previous Week</u>
US 90-day T-Bill	4.85	4.90
US 10-Yr Treasury	4.48	4.46
3-month UK Libor	5.27	5.25
Japan 90-day T-Bill	0.33	0.33
Brazil 90-day T-Bill	12.95	13.40
TT 90-day T-Bill	6.74	6.74
Jamaica 90-day T-Bill	11.73	11.57
Barbados 90-day T-Bill	6.60	6.49

Sources: Bloomberg, CMMB Research Centre, Central Bank of Trinidad and Tobago, Bank of Jamaica, Central Bank of Barbados, www.lehman.com

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