Ministerio de Economía y Finanzas

July 11th, 2023

Uruguay issued a new global bond denominated in nominal pesos with maturity in 2033, for USD 1.267 million equivalent

On Tuesday, July 11th, the government launched a new global bond denominated in local currency (in nominal pesos at a fixed-rate, UYU) with maturity in 2033. Concurrently, it launched a switch and cash tender offer for CPI–linked, nominal UYU and dollar-denominated global bonds of shorter maturity.

I. Transaction goals

1) Continue with the funding program for 2023.
2) Continue developing the bond market in nominal pesos at a nominal fixed-rate and establish a new benchmark bond at 10-year maturity.
3) Reduce refinancing risk and extend the average debt maturity profile in local currency.

II. Design of the transaction

The transaction was executed intra-day and involved:

- The issuance of a new global bond in nominal pesos at a fixed rate with maturity in 2033, and a switch and cash tender offer for nominal UYU global bonds with maturity in 2028 and 2031; CPI-linked global bonds with maturity in 2027 and 2028; and USD global bonds with maturity in 2024, 2025 and 2027 ("eligible bonds").
- Holders of eligible bonds could either "switch" into the new issue ("preferred tenders"), or tender them for cash ("non-preferred tenders").

Before the issuance, a marketing process for local and international investors was carried out in close coordination with the Central Bank.

III. Results

- **Total nominal amount issued was the equivalent of USD 1,267 million, at a 9.75% annual yield**. Of this total, USD 1 billion was for new money, and the remaining was used to fund the preferred tenders for the nominal UYU global bond with maturity in 2028; the CPI linked global bond with maturity in 2027 and the USD global bonds with maturity in 2024, 2025 and 2027.

- The joint order book generated traction from 73 accounts from the U.S., Europe, Asia, and Uruguay, and total demand for the new issuance peaked at **2,210 million**.

IV. Assessment

- This is the fourth time the government issues a nominal UYU bond (with no indexation to inflation) at a global scale.
- The deal implied an estimated new issue concession of less than 10 basis points (compared to yield on the bid side of the outstanding global bond in UYU with maturity of 2031, before the launch of the transaction).
- The sustained reduction in inflation in Uruguay, and the robustness of the BCU´s monetary policy framework, were important elements that contributed to the strength of the demand and the interest rate obtained.
- The transaction allows for a maturity extension in the nominal UYU curve, establishing a sovereign benchmark bond as an indicative reference for financing costs in pesos for Uruguay`s public and private sectors. Also, it strengthens the monetary policy's transmission channels and contributes to the financial de-dollarization process.