

The Best-Performing Emerging Market Readies a New Eurobond

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- Angola picks Deutsche, Goldman, ICBC for possible 10-year deal
- Devaluations since January have lowered Angolan currency risk

Angola, whose Eurobonds have outperformed those of all its emerging-market peers this year, is readying a new dollar transaction to take advantage of higher oil prices and a new program with the International Monetary Fund.

The OPEC member plans to issue at least \$2 billion of debt in international markets next month, Portuguese news agency Lusa reported on Sunday, citing Finance Minister Archer Mangureira, who was scheduled to meet investors in New York on Monday to promote the sale. The announcement took place days after the IMF pledged to help the southern African country address economic challenges.

Deutsche Bank AG, Goldman Sachs Group Inc. and Industrial & Commercial Bank of China Ltd. are managing the meetings and a possible sale of 10-year notes, a person familiar with the matter said on Monday. After the U.S. meetings, the roadshow will continue in Europe, said the person, who asked not to be identified because they're not authorized to speak publicly about the matter.

“The timing for the Eurobond sale makes sense for Angola as the country is benefiting from rising oil prices and a new IMF program assisting the government’s economic policy and reform plans,” said Tiago Dionisio, a Lisbon-based analyst at Eaglestone Advisory SA. “It’s now or never.”

A series of devaluations starting in January under new President Joao Lourenco, who came to power in September, has brought Angola’s kwanza closer to its market value and lessened the currency risk for bondholders. Angola, which relies on oil for more than 90 percent of its export revenue, needs to bolster its foreign reserves to pay for imports and international suppliers.



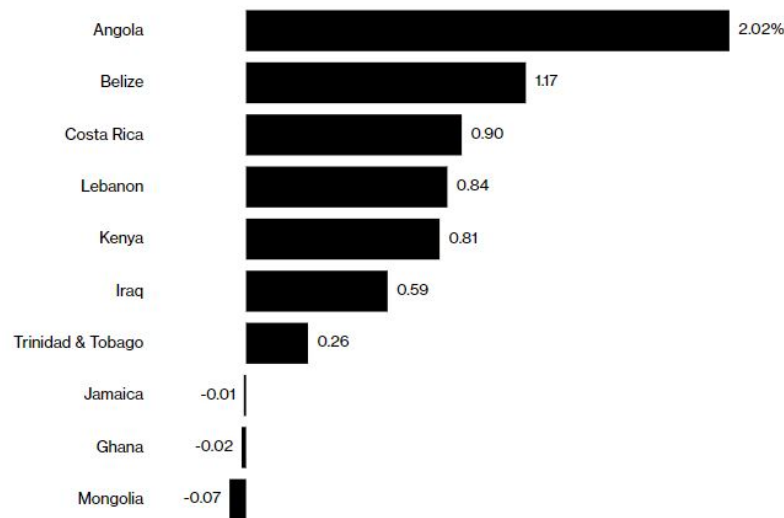
The kwanza has now lost 55 percent of its value against the dollar since June 2014, when Brent crude began its slide from a peak of \$115 a barrel. It's overtaken Nigeria's naira as the worst-performing major oil currency in that period, excluding crisis-ridden Venezuela's bolivar.

The yield on Angola's \$1.5 billion 2025 Eurobond climbed 10 basis points to 7.07 percent by 5:30 p.m. in London, still 179 basis points lower than a year ago. Angolan securities have returned 2 percent in 2018, the most in the Bloomberg Barclays Emerging Markets USD Sovereign Bond Index, which includes more than 70 countries.

Angola on Top

Nation's Eurobonds are the best-performing in emerging markets this year

■ Best-performing nations in Bloomberg Barclays Emerging Markets USD Sovereign Bond Index



Source: Bloomberg

NOTE: Year-to-date total return for dollar bonds; excludes Mozambique and Venezuela, which are in default

Investors have turned bullish on Angola since Lourenco replaced Jose Eduardo dos Santos, who had ruled the former Portuguese colony since 1979. As well as the currency reforms, Lourenco replaced the head of the central bank, sovereign wealth fund and state oil company Sonangol, in moves his administration said were aimed at fighting corruption and improving transparency.

There will be investor appetite for the debt provided it offers a yield premium over the existing bonds, said Jan Dehn, London-based head of research at Ashmore Group Plc, which manages about \$60 billion of emerging-market assets and held Angolan Eurobonds at the end of last year, according to filings.

“There have been very important changes to do with the transfer of leadership,” Dehn said. “Fundamentally, it’s been healthy. The improvement’s been reflected in the movement of the bonds.”