

# Fitch Latin America High Yield Report: Overall Trends Positive With Some Currency and China Risks

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Fitch Ratings has published its second comprehensive report of Latin America corporates rated 'B+' and below. The report includes detailed credit analyses of 37 corporates rated in this range, complete with organization charts with debt overlays, covenant synopses and individual recovery calculations. 'Latin America corporate issuers have performed well since the financial crisis began in mid-2007,' according to Joe Bormann, Managing Director and lead author of the report. 'The overall credit quality of Fitch's lowest-rated companies in the region is healthy and the trends are positive. Many debt issuers have benefited from the record amount of money moving into emerging markets by refinance existing debt.' From a macro perspective, Fitch's outlook for all Latin America corporates is positive due to slow but steady global GDP growth in combination with strong regional growth. During 2010 and 2011, Fitch predicts the overall Latin American economy will grow by 4.3% and 4.1% respectively. Fitch notes, however, the presence of several near-term risks could negatively affect regional corporate credit quality. Near the top of the list is the appreciation of many currencies in the region versus the U.S. dollar, particularly the Brazilian real. The strengthening currencies in the region threaten the competitive positions of companies in export industries such as steel, pulp, beef, soybeans, iron ore, and copper. Strong currencies also make imports into the region more attractive, as do improvements in ports and roads. An additional variable that needs monitoring is China. Exports to China are very important for Latin American companies and have facilitated the growth of government reserve levels during the past decade. If the Chinese government fails to curtail the growth rate of lending, global capacity for certain products could expand beyond demand, resulting in a flood of Chinese exports and falling global prices. Conversely, if the government tightens its credit-fueled stimulus too quickly and too harshly, China's demand for Latin American export products could wane rapidly. The full report is titled 'Latin America High Yield: Comprehensive Analysis of B+ Issuers and Below' is available on the Fitch web site at '[www.fitchratings.com](http://www.fitchratings.com).' Fitch currently rates approximately 550 non-financial corporate issuers in Latin America. International credit ratings have been assigned to 146 of these issuers, of which 83 are rated in the high yield ('BB+' and below) category. Contact: Joe Bormann, CFA Managing Director +1-312-368-3349 Fitch, Inc. 70 W. Madison Street Chicago, IL 60602 Daniel Kastholm, CFA Managing Director of Latin America Corporates +1-312-368-2070 Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: [brian.bertsch@fitchratings.com](mailto:brian.bertsch@fitchratings.com). Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).