

Fitch: Latin America Structured Finance 2008: Outlook Stable

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14 Feb 2008 11:13 AM (EST) Fitch Ratings-Chicago-14 February 2008: While Latin American structured finance markets were affected by the global credit crisis, overall collateral performance and issuance volumes were not impacted to the same degree as the U.S. and global securitization markets, according to a Fitch Ratings Special Report, 'Latin American Structured Finance 2007 Year in Review and 2008 Outlook', released today. However, while not directly related to Latin American, the continued global credit and liquidity crisis will continue to have effects within the Latin American local markets. 'In 2007, Fitch saw another strong year in terms of performance and issuance for Latin American structured finance as these markets were not overly exposed to the performance issues of CDOs, SIVs and subprime mortgages,' said Greg Kabance, Managing Director in the Latin America Structured Finance Group. 'Similarly, while RMBS transactions make up the single largest asset class within the region, the performance of the underlying collateral continued to perform in line with expectations.' Overall issuance volume for 2007 was approximately flat compared with 2006. However, there were significant pockets of growth, including Mexican residential mortgage-backed securities (RMBS), Argentine consumer loans and cross-border issuance, across various asset classes. On the cross-border side, actual issuance increased to \$4.6 billion in 2007 compared with \$3.7 billion in 2006, with a significant drop-off during the second half of the year. Local market issuance in the second-half of the 2007 totaled \$7 billion, surpassing first-half issuance levels of \$6 billion. However, that total of \$13 billion was lower than the previous year. 'Local markets remained fairly insulated from the global credit crisis for most of 2007, but the effects are starting to become more apparent in 2008,' said Kabance. 'If the opening months of 2008 are any indication, issuance in Latin America will be challenged to grow significantly during the year, although collateral performance within the region should remain stable.' Despite upheaval in the global credit markets, Latin America saw no major negative credit events in 2007. As a reflection of the generally positive macroeconomic credit conditions, Fitch did not have a single downgrade within our cross-border structured finance portfolio in 2007. There were 18 upgrades to individual tranches within Fitch's Latin American portfolio. Following the upgrades on sovereign ratings within the year, including Brazil, Colombia, Mexico and Uruguay, certain structured transactions within those countries were also revised upward. Fitch expects continued healthy performance within the sovereigns of Latin America in a base case for 2008. This will be an important lynchpin for the continued performance within the cross-border and local securitization markets. However, Fitch will continue to monitor the Latin American sovereigns in the context of the ongoing global credit crisis and the overall health of the U.S. and global economies. The full report includes detailed analyses of structured finance markets in Latin America by country. 'Latin American Structured Finance 2007 Year in Review and 2008 Outlook', is available on the Fitch Ratings web site, 'www.fitchratings.com'. Contact: Greg Kabance +1-312-368-2052 or Mark Salgado +1 312-368-2080, Chicago. Media Relations: Christopher Kimble, New York, Tel: +1 212-908-0226. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.