



Press Statement

16 December 2010

MBC LAUDS HISTORIC BOND SWAP

The Makati Business Club lauds and congratulates the Aquino government's finance team, led by Finance Secretary Cesar V. Purisima, for its recent successful bond swap whereby nearly P200 billion of the country's old debts were exchanged for new 10- and 25-year bonds. Investors' willingness to accept the longer-dated debt papers clearly show their sustained elevated confidence in the long-term economic prospects under the present administration as well as beyond it.

The transaction was laudable for a number of reasons. It lengthened the maturity profile of the country's foreign debt, making it more manageable for the Aquino administration, which wants to focus its limited resources for investment in infrastructure and for social services aimed at alleviating poverty and meeting the Philippines' Millennium Development Goals targets. We note with great satisfaction that more than 80% of the bond exchange went to the longer 25-year maturity.

The bond swap, furthermore, did not raise any new money and thus did not add to the overall debt burden of the country, which becomes a boon to the government's ongoing program of "growth-friendly fiscal consolidation."

The bond deal also provided a liquid benchmark for the longer-dated bonds, specifically the 10- to 25-year segment of the yield curve, thereby opening the path for Philippine corporations to issue their own long-dated bonds. This, too, is a great windfall to the continued development of the Philippine capital markets.

We praise the timing of the bond swap, as the Aquino administration took advantage of the renewed global appetite for emerging market and Asian currencies and papers. As a result, the pricing of the deal was well within expectations, with the new 10-year bonds due in 2020 fetching a 5.875% yield, and the new 25-year papers due in 2035 fetching 8.125%.

All in all, given the success of this landmark bond swap, we look forward to further successes of the Aquino administration and the growth and development of the Philippine economy.

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