

# Fitch, S&P cut Argentina's credit rating

● **Ratings agency Fitch downgraded the crisis-hit government's credit rating two notches to "CCC" from "B." Standard & Poor's dropped it a single grade from "B" to "B-."**

Buenos Aires, Argentina

Argentina's peso ended a tumultuous week Friday having shed 20 per cent in its value against the US dollar as both Fitch and S&P cut the South American country's long-term credit rating, citing increased uncertainty and a rising risk of default.

The peso gained 2.75pc to trade at 58.12 to the dollar on Friday, after several days of free-fall were halted Thursday following a joint appeal for calm by President Mauricio Macri and his center-left rival Alberto Fernandez.

But the outlook remains uncertain after markets went into turmoil following Macri's crushing defeat by the populist Fernandez in nationwide primary polls on Sunday.

"The Argentine peso has stabilized over the past few trading days but the collapse earlier this week has made a sovereign debt default highly likely," said analysts Capital Economics in a note.

Ratings agency Fitch downgraded the crisis-hit government's credit rating two notches to "CCC" from "B." Standard & Poor's dropped it a single grade from "B" to "B-."

"The pronounced turbulence of the financial market, with a significant depreciation of the Argentine peso and a rise in interest rates... has significantly weakened the already vulnerable financial profile," added S&P.

"The downgrade of Argentina's ratings reflects elevated policy uncertainty... a severe tightening of financing conditions and an expected deterioration



Argentina's President Mauricio Macri offers a press conference at Casa Rosada Presidential Palace in Buenos Aires

**The downgrade of Argentina's ratings reflects elevated policy uncertainty... a severe tightening of financing conditions and an expected deterioration in the macroeconomic environment that increase the likelihood of a sovereign default or restructuring of some kind**

FITCH

in the macroeconomic environment that increase the likelihood of a sovereign default or restructuring of some kind," Fitch said in its announcement.

## Increased risk

Fitch said the center-right's crushing political defeat in the primaries "increases risks of a break from the policy strategy of the current administration of Mauricio Macri guided by a program with the IMF."

Fernandez, now the clear favorite to unseat Macri in October's presidential election, has questioned the reform program backed by a \$56 billion rescue package from the International Monetary Fund.

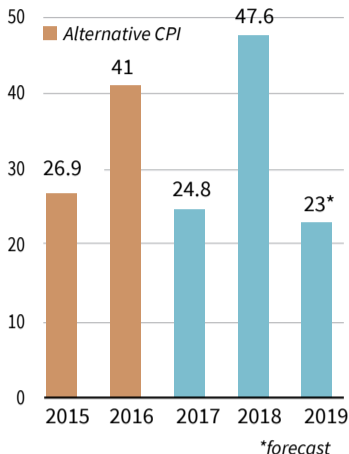
The country is currently in a recession and posted 22 percent inflation for the first half of the year -- one of the highest rates in the world -- but the IMF said Macri's reform program was beginning to yield results.

Macri reacted on Wednesday by announcing salary hikes and tax cuts in a bid to win back voters with the October 27 presi-

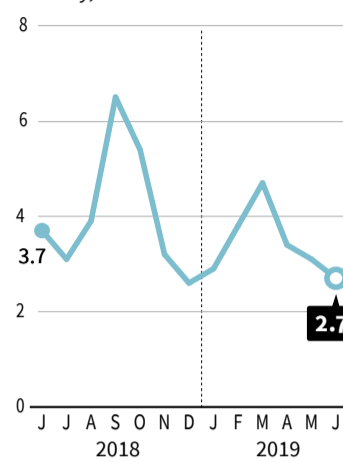
## Argentina's economy

### Inflation

Annual, in %

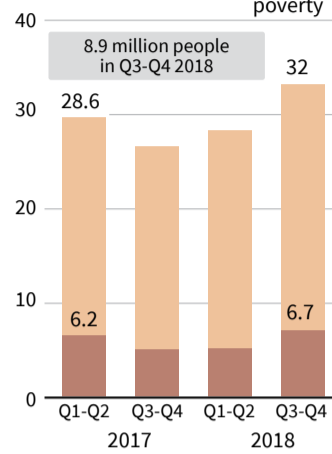


Monthly, in %



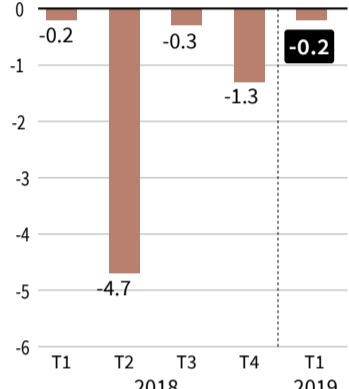
### Poverty

% of population



### GDP

Quarterly change in %



Sources: INDEC, Argentine Central Bank

### Peso plunges

Number of pesos to the dollar



\*\*opening price

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dential election looming.

Macri said the measures would "benefit 17 million workers and their families and all small and medium-sized businesses, formal and informal, state and private."

He also announced an unspecified increase in the monthly minimum wage -- currently 12,500 pesos, or \$208 -- saying it would benefit two million workers.

In Buenos Aires, the sudden crisis left many businesses reeling.

"It took us by surprise," said Juan Manuel Bujia, commercial manager of the Rodo home appliance chain that employs 400 people.

"A lot of people anticipating the increases have been coming in to buy knowing prices are go-

ing to be higher next week and next month," Bujia said.

He said his suppliers had already priced in 10 percent increases on Argentine products and up to 15 percent on imports. "We are trying to pass on as little as possible" to customers, he said.

US retailer Walmart, which has 92 branches in Argentina, said it had seen a 15-20 percent hike in sales volumes between Monday and Wednesday and had not yet increased prices.

"It happens to us when there is a foreign exchange movement and people want to beat any price shift, especially with essentials like oil, sugar, flour, yerba mate and some dairy products," Walmart official Juan Pablo Quiroga told AFP.

Quiroga said some suppliers

had notified the retailer of price increases "from the end of this week or next week."

Buenos Aires has a fraught history with the IMF, and Fitch said "policy credibility and market access could still be severely tested amid weak economic conditions, high public debt and inflation."

Argentina defaulted on its debt in 2001 during the worst economic crisis in its history, and it took years before it could restore its credibility in world financial markets.

Fernandez said this week he considered an exchange rate of 60 pesos to the dollar as "reasonable" and said it should no longer fluctuate wildly.

Going into last weekend's primary elections, the peso was trading at 46.5 to the dollar.

## UK court opens way for \$9bn claim against Nigeria

London, United Kingdom

A British judge on Friday gave the green light for a tiny private firm to seize more than \$9 billion in assets from the Nigerian government over a failed natural gas deal.

The amount represents one-fifth of the foreign reserves held by Africa's largest economy.

The decade-long dispute pits an unheralded firm founded by two Irish business partners against an energy-rich but politically-troubled nation of 200 million people.

The 2010 deal between the Process and Industrial Developments Limited (PID) company -- widely reported to be registered in the British Virgin Islands -- and the Nigerian government was meant to be a win-win for both sides.

It provided for PID to "build a state-of-the-art gas processing plant to refine natural gas... (that) Nigeria would receive free of charge to power its national electric grid," according to the company's website.



Nigerian President Muhammadu Buhari waves at the crowd while he drives around the venue during his inauguration for a second term in Abuja, Nigeria

P&ID intended to sell the by-products from the process on the global market for "profits in the billions of dollars."

London court documents released on Friday showed that the arrangement fell through in 2012 without P&ID ever breaking ground on the plant.

It sued Nigerian government for breaching the agreement by failing to provide the gas -- or install the promised pipelines.

An arbitration tribunal in London awarded the firm \$6.6 billion (5.9 billion euros) in damages in January 2017.

P&ID said accrued interest of \$1.2 million a day had pushed that amount to more than \$9 billion -- about one-fifth of Nigeria's declared foreign reserves of \$45 billion.

The government's legal team countered that English courts did not have the jurisdiction to settle the dispute.

It told the English court that the original agreement was struck under "Nigerian law, and that as a matter of Nigerian law

the seat of the arbitration was Nigeria.

The government's lawyers added that the settlement was "manifestly excessive and penal," according to court documents.

But P&ID insisted that it was up to the English arbitration tribunal to decide where the case should be heard -- and who should issue the final ruling.

Justice Christopher Butcher of the Commercial Court in London agreed.

"I am prepared to make an order enforcing the final award," he wrote in his ruling on Friday.

"I will receive submissions from the parties as to the precise form of order appropriate."

A lawyer representing P&ID said the firm intended to "begin the process of seizing Nigerian assets in order to satisfy this award as soon as possible," the Bloomberg news agency reported.

The Nigeria government issued no immediate comment.

## SoftBank plans to lend up to \$20bn to employees to invest in new fund: WSJ

Reuters

Japan's SoftBank Group Corp is planning to lend up to \$20 billion to its employees, including Chief Executive Masayoshi Son, to buy stakes in its second Vision Fund, the *Wall Street Journal* reported on Saturday, citing people familiar with the matter.

The loans are likely to have an interest rate of about 5pc, the *WSJ* said, citing a source.

The government of Kazakhstan, an investor in the fund, is expected to make a contribution of about \$3 billion while banks such as Goldman Sachs Group Inc, Britain's Standard Chartered PLC and Japan's Mitsubishi UFJ Financial Group Inc have also indicated they are willing to invest several hundred million dollars each.