

Public Debt Coordination Committee Press Release

The Public Debt Coordination Committee (PDCC), headed by the Manager of Economic Policy and Markets of the Central Bank of Uruguay (BCU) and the Director of the Debt Management Unit at the Ministry of Economy and Finance (MEF), met on March 18th.

During the meeting, the following agenda was addressed:

- **Analysis of the international and regional financial context, as well as the recent performance of sovereign global bonds.** The Committee discussed the strategic change in the Federal Reserve's monetary policy, and market expectations on the stability of short-term reference rates during 2019. The FED decision, together with the high level of international liquidity, and a shortage of issuance of sovereign bonds, has resulted in an increase in the price of global dollars' bonds from emerging markets, including those from Uruguay. At a regional level, there is an increase in the volatility and financial uncertainty in Argentina. At a local level, although there have been gradual changes in the agents' portfolio preferences, the pace of monetization of the economy has not slowed down. In light of this context, different lines of action were assessed in order to achieve simultaneously the objectives of monetary policy, while meeting the financing needs of the government.
- **Government financing strategy.** The Committee evaluated the financing needs of the government for the rest of the year, as well as different funding alternatives, both in the domestic and external markets. The importance of keeping a stable currency debt structure (local and foreign) of the sovereign debt was underlined, with a focus on domestic market issuance, both through regular calendar auctions and by potential joint issuance and liability management operations by both institutions.
- **Issuances of Treasury Notes linked to nominal wages.** The commitment to deepen the market in Pension Unit was affirmed. Going forward, this will imply

lengthening the maturity of issuances and establishing a yield curve, as well as encouraging the participation of other issuers in this market, including publicly-owned companies.

- **Regulatory changes to promote the use of financial derivatives by SOEs, both in over-the-counter markets and formal markets.** The Committee valued positively the enactment of the regulatory decree that provides state-owned enterprises that ability to more effectively manage their financial indebtedness and market risks through financial derivative instruments. Likewise, the BCU has promoted changes in the regulatory framework by generating the figure of “specialized investor”, which will contemplate public companies, allowing them to access exchange-traded markets for derivative transactions.

The next meeting of the Committee will take place in June 2019.