SECTOR IN-DEPTH
31 January 2025

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Latin America & Caribbean

High-Yield Interest Q4 2024

Summary

» **Latin American cross-border high-yield bond issuance for corporate and infrastructure companies totaled $8.4 billion in Q4 2024, of which $6.7 billion was issued in October.** The quarterly issuance was well above that in the same period a year earlier, which amounted to $3.5 billion. Overall, the year-to-date issuance of $17.9 billion is above the issuances of the two previous years but remains below 2019-21 levels. A total of 11 companies tapped the bond market in Q4 2024, compared with seven in Q3 2024. Most issuances were limited to higher-rated issuers, with Ba category bonds making up 76% ($6.4 billion) of Q4 2024 issuance. Although the average coupon decreased to 8.2% in 2024 from 8.8% in 2023, the average tenor increased to 9.0 years in 2024 from 7.1-7.3 years in 2022-23.

» **LatAm high-yield universe comprised 129 corporate and infrastructure companies with $165 billion of outstanding rated cross-border debt as of 31 December 2024.** Petroleos Mexicanos (Pemex, B3 negative) alone accounted for $68 billion, or 41%, of the total. Ecopetrol S.A. (Ba1 stable) accounted for $13 billion, or 8%; and Petroleo Brasileiro S.A. - PETROBRAS (Petrobras, Ba1 positive) $12 billion, or 7%.

» **LatAm high-yield default rates will decline through 2025 as liquidity risk recedes**. The LatAm 12-month trailing speculative-grade default rate for nonfinancial companies (NFCs) dropped to 5.3% in December 2024 from 8.1% in June 2024, significantly lower than the peak of 11.5% in March 2024. We expect the LatAm default rate to hover between 4.8% and 5.3% in Q1 2025 and fall to 3.3% by December 2025. Our LatAm Liquidity Stress Indicator (LatAm LSI) remained high at 11.9% in December 2024, although it receded from the March 2024 peak of 14.7%.

» **Refinancing needs will remain manageable through 2025-26**. LatAm high-yield rated bond maturities will amount to $6.8 billion in 2025 and $10.1 billion in 2026, of which Pemex will account for $3.8 billion and $4.7 billion, respectively.

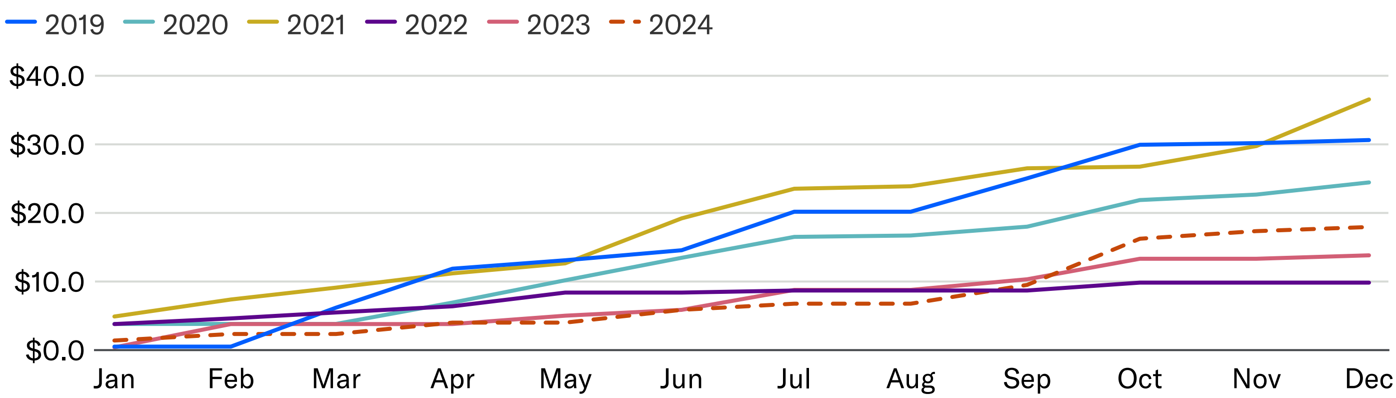
» **Covenant quality rose as the market peered round the corner to reopen**. The average covenant quality score (CQS) for Q4 2024 was 3.41 (weak ↑). The average CQS for the 12 bonds scored in 2024 was upper-tier weak (3.51), which is moderately more protective than the average weak protection (3.74) in 2023.

» **Rating movements lowered the downgrade/upgrade ratio to 0.8x in 2024 from 1.6x in 2023**. In Q4 2024, we upgraded 10 issuers, reflecting improvements in liquidity, refinancing efforts and the impact of sovereign rating upgrades. We also had five downgrades during the last quarter, reflecting weak operating performance, increased leverage and refinancing risk.

Cross-border high-yield bond issuance picked up in Q4, ending 2024 above the two previous years

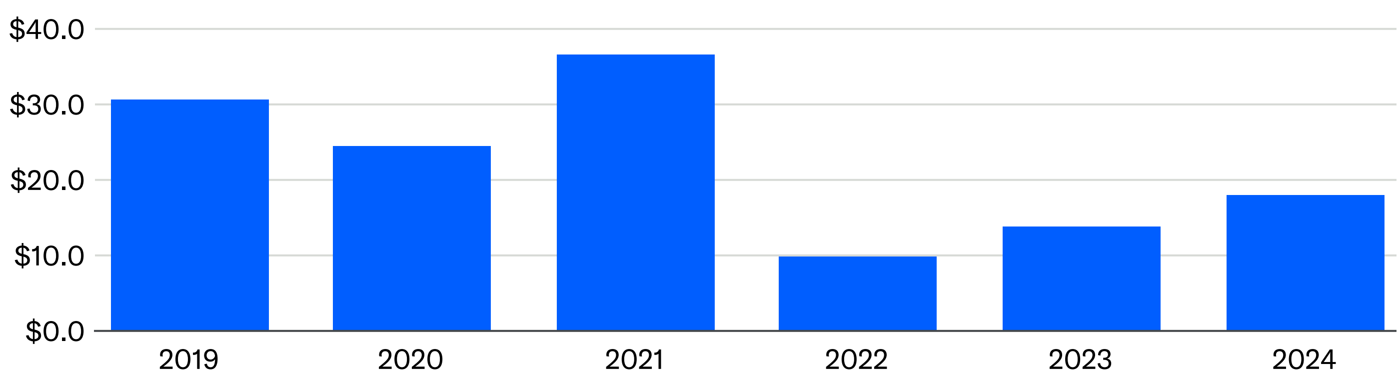
Volatile market access and higher funding costs have made it difficult for Latin American companies to refinance upcoming maturities since mid-2022, heightening liquidity risk. However, easier credit conditions, particularly toward the latter half of 2024, have enabled companies to manage liabilities with longer maturities, thereby improving their liquidity. Even so, lower-rated companies continue to face difficulties in accessing cross-border capital markets. Cross-border high-yield bond issuance for corporate and infrastructure companies amounted to $8.4 billion in Q4 2024, of which $6.7 billion was issued in October. The quarterly issuance was well above that in the same period a year earlier, which amounted to $3.5 billion. Overall, the year-to-date issuance of $17.9 billion is above the issuances in the two previous years, but remains below 2019-21 levels. A total of 11 companies tapped the bond market in Q4, compared with seven in Q3 2024.

Exhibit 1
Issuance by year
(in $ billions)



Source: Moody's Ratings

Exhibit 2
Accumulative issuance by period
(in $ billions)

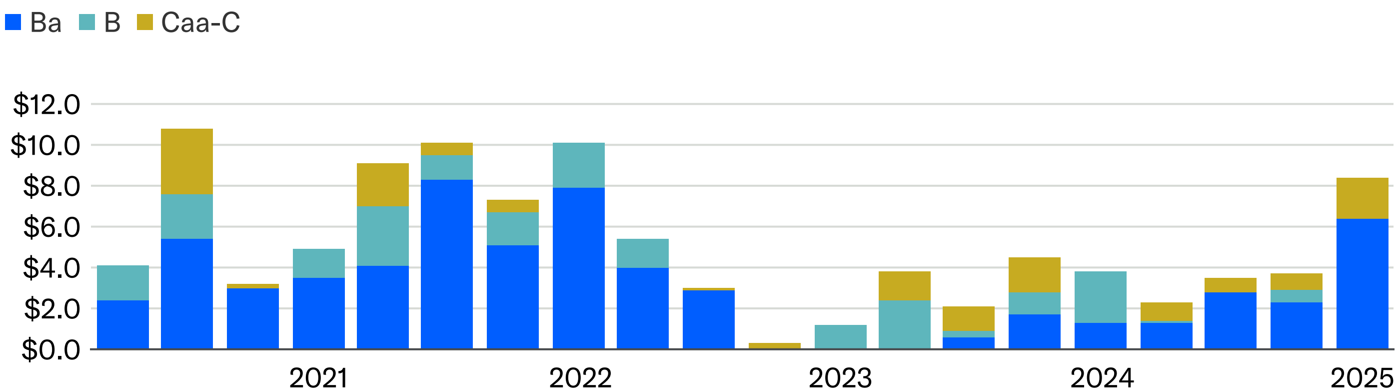


Source: Moody's Ratings

Average coupon remained historically high at 8.2% in 2024, but average tenor jumped to 9.0 years

LatAm high-yield bond issuance remained mainly available to higher-rated issuers in the Ba category, which accounted for 76%, or $6.4 billion, of new issuance in Q4 2024. In turn, the Caa category accounted for 24%, or $2.0 billion, of which $1.2 billion was issued by Argentine companies whose ratings are capped by the rating of the Government of Argentina (Caa3 positive).

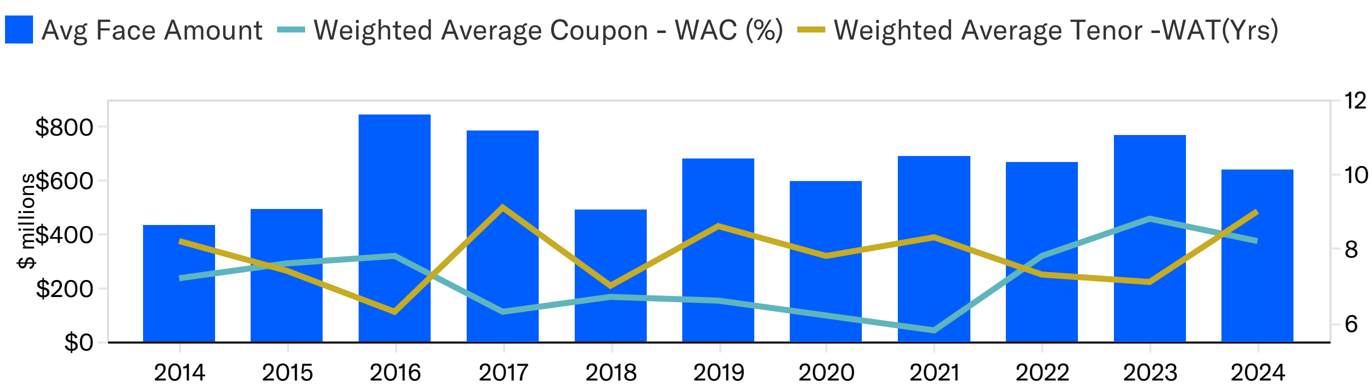
Exhibit 3
Rating distribution of LatAm high-yield debt issuance
(in $ billions)



Each bar represents a quarterly period, starting from Q1 2021 up to Q4 2024.
Source: Moody's Ratings

The average coupon for new issuance remained around historical highs at 8.2% in 2024, but was down from 8.8% in 2023. However, longer-term maturities increased the average tenor of new bond issuance to 9.0 years in 2024 from 7.1-7.3 years in 2022-23.

Exhibit 4
Historical average face amount, coupon and tenor

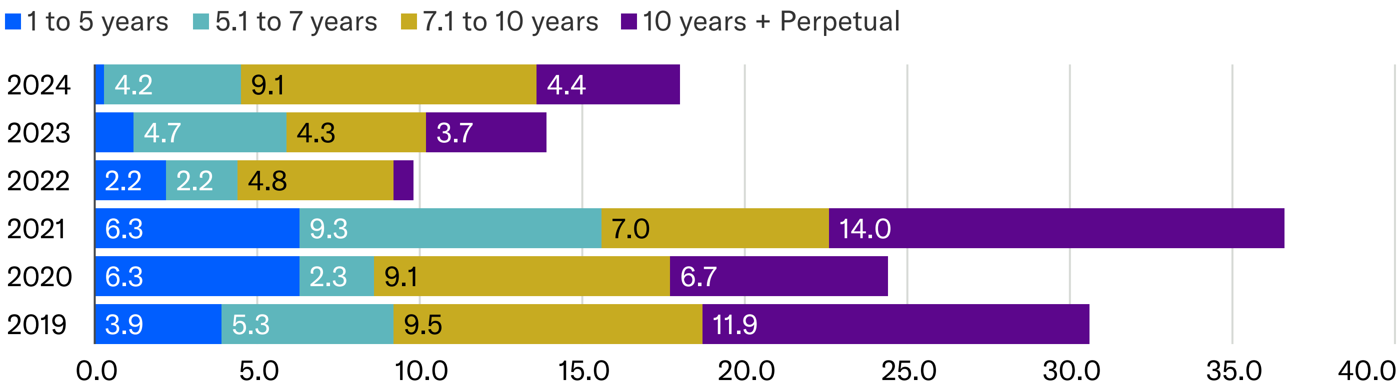


Source: Moody's Ratings

Exhibit 5

Maturities of 2024 high-yield issuances are concentrated in the more than seven years' bucket

Issuance by tenor



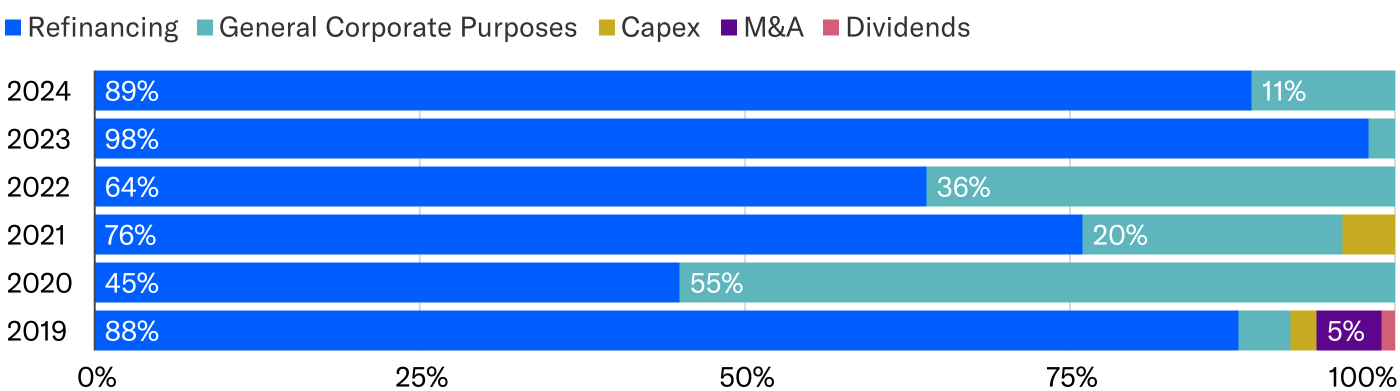
Source: Moody's Ratings

Additionally, issuance proceeds continued to be mostly used for refinancing and liability management purposes. Liability management accounted for $16.0 billion, or 89%, of new issuance in 2024, down from 98% in 2023, but this was higher than the average of 61% for 2020-22. General corporate purpose debt amounted to only $1.9 billion, or 11%, of the total issuance amount for the year.

Exhibit 6

Use of issuance proceeds for refinancing accounted for 89% of total issuance in 2024

Issuance by net proceeds



Source: Moody's Ratings

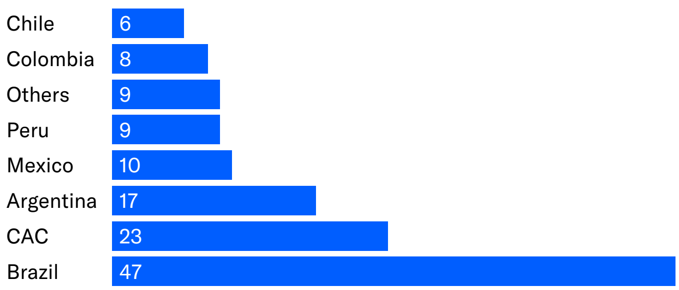
LatAm high-yield universe included 129 companies with $165 billion rated debt as of December 2024

The high-yield universe comprised 129 corporate and infrastructure companies in Latin America, with $165 billion of outstanding rated cross-border debt as of 31 December 2024. Pemex alone accounted for $68 billion, or 41%, of the total. Ecopetrol accounted for $13 billion, or 8%; and Petrobras $12 billion, or 7%.

Exhibit 7

Most of the 129 high-yield NFCs we rate are domiciled in Brazil, Central America and the Caribbean, and Argentina

Issuer count by country



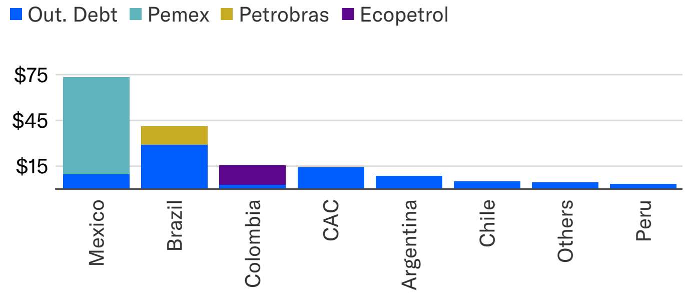
CAC stands for Central America and the Caribbean.

Source: Moody's Ratings

Exhibit 8

Mexico accounted for 44% of total rated debt ($73 billion), followed by Brazil with 25% ($41 billion)

Outstanding debt by country ($ billions) as of 31 December 2024



CAC stands for Central America and the Caribbean.

Source: Moody's Ratings

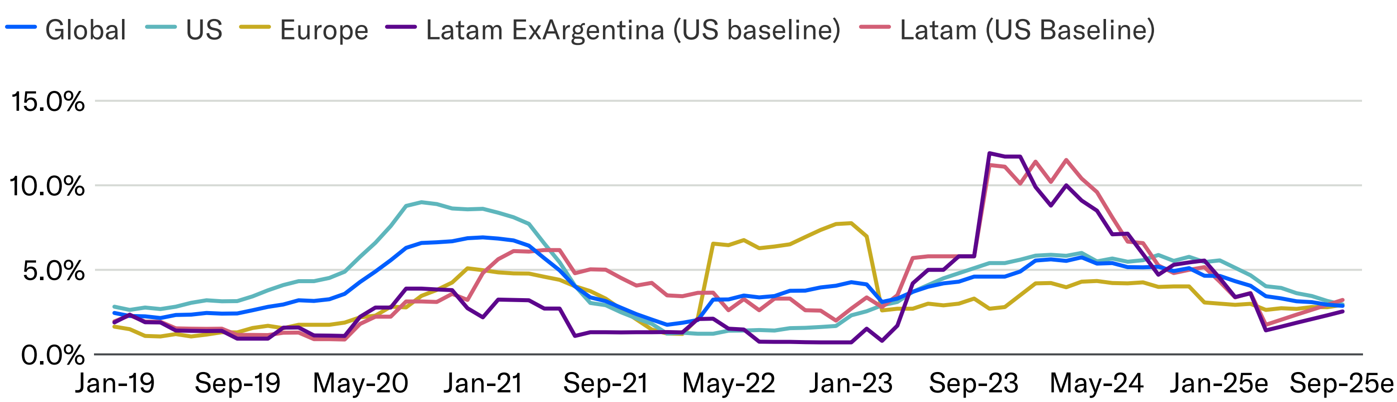
LatAm high-yield default rates will decline through 2025 as liquidity risk recedes

The LatAm 12-month trailing speculative-grade NFC default rate dropped to 5.3% in December 2024 from 8.1% in June 2024, down significantly from the peak of 11.5% in March 2024. We expect the LatAm default rate to hover between 4.8% and 5.3% in Q1 2025, before decreasing to 3.3% by December 2025. Easier credit conditions, particularly toward the latter half of 2024, have enabled companies to manage liabilities with longer maturities, thereby improving their liquidity. However, lower-rated companies continue to face difficulty in accessing cross-border capital markets. Moreover, Latin American NFCs will remain pressured by high interest rates, although these will be slightly lower than in 2023-24.

Globally, the trailing 12-month speculative-grade NFC default rate declined to 5.3% in December 2024 from 5.4% as of the end of June 2024, and will fall to around 2.8% by December 2025. Factors that underpin a lower default rate in 2025 include steady economic growth, robust corporate fundamentals, manageable near-term maturities and accessible capital markets. In addition, we continue to expect further interest rate cuts in major economies this year; however, the Trump administration is likely to impose higher tariffs, which may reignite inflation and slow the descent in policy interest rates (see our December 2024 Default report).

Exhibit 9

Speculative-grade NFC default rate



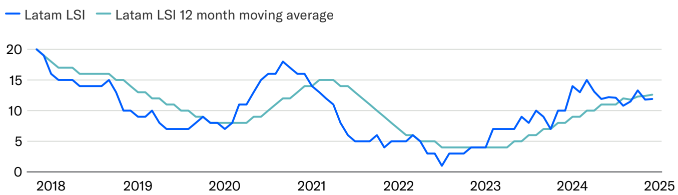
This global speculative-grade NFC default rate calculation does not include those defaulting and non-defaulting Russian issuers whose ratings we withdrew in March 2022. Data as of December 2024.

Source: Moody's Ratings

At the same time, our LatAm LSI remained high at 11.9% in December 2024, although it receded from the March 2024 peak of 14.7%, closing the gap with the last-12-month average of 12.6% as of December 2024. The LSI measures the percentage of high-yield companies with weak liquidity scores (SGL-4) as a proportion of total high-yield corporate family ratings. Weak liquidity scores are mostly assigned to low rating categories.

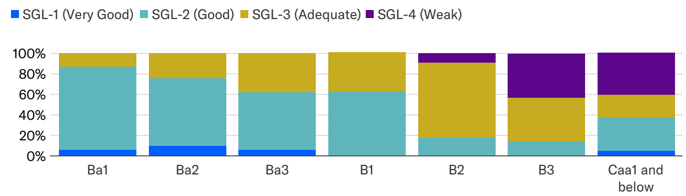
Companies with very good liquidity (SGL-1) accounted for 5.5% of the total as of December 2024. SGL-1 scores were only assigned to companies with a rating of Ba1-Ba2.

Exhibit 10
The LatAm LSI remained above the 12-month moving average in Q4 2024



Source: Moody's Ratings

Exhibit 11
Speculative-grade liquidity by rating



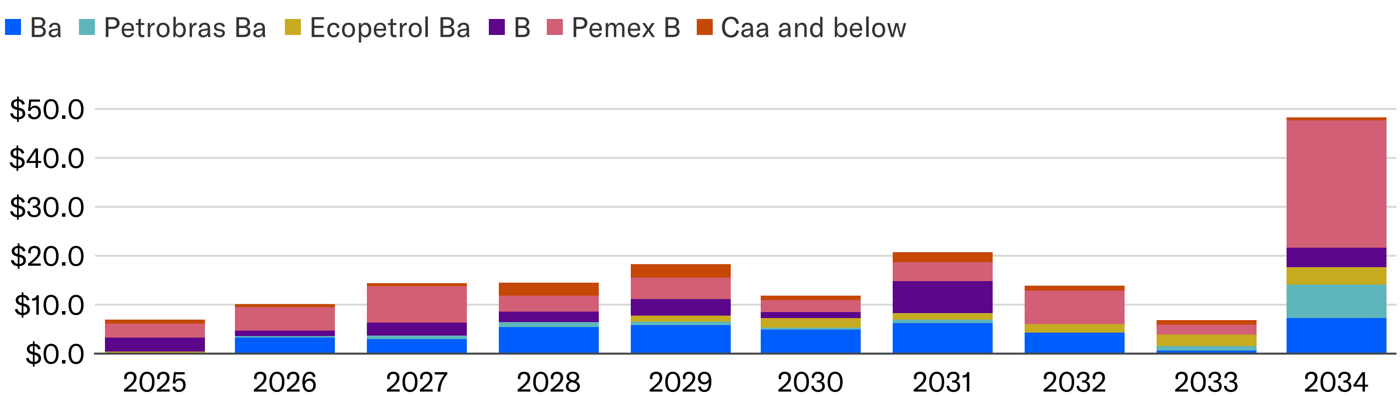
Source: Moody's Ratings

Refinancing needs will remain manageable through 2025-26

LatAm high-yield rated bonds due in 2025 amount to $6.8 billion. Maturities will rise to $10.1 billion in 2026 and $14.5 billion in 2027. Of these, Pemex will account for $3.8 billion in 2025, $4.7 billion in 2026 and $7.6 billion in 2027.

For 2025, around 82% of the maturities, or $5.6 billion, fall under the B category. This is followed by the Caa or lower categories, which make up 11%, or $765 million, and the Ba category, which accounts for 7%, or $463 million. In 2026, Ba-rated maturities will increase significantly to 36%, or $3.6 billion. The B category will continue to hold a substantial portion, representing 58%, or $5.9 billion, while the Caa and lower categories will account for 6%, or $526 million.

Exhibit 12
Maturity schedule
($ billions)



Data as of 31 December 2024. Fallen angels omitted from historical data except when issuing debt as a high-yield entity. Historical balance shows rating at issuance date; upcoming maturities reflect current rating. Includes Moody's-rated debt at the issuer level only.
'2034' represents maturities from 2034 onward.
Source: Moody's Ratings

Exhibit 13
High-yield debt maturities due in the next 12 months
As of December 2024

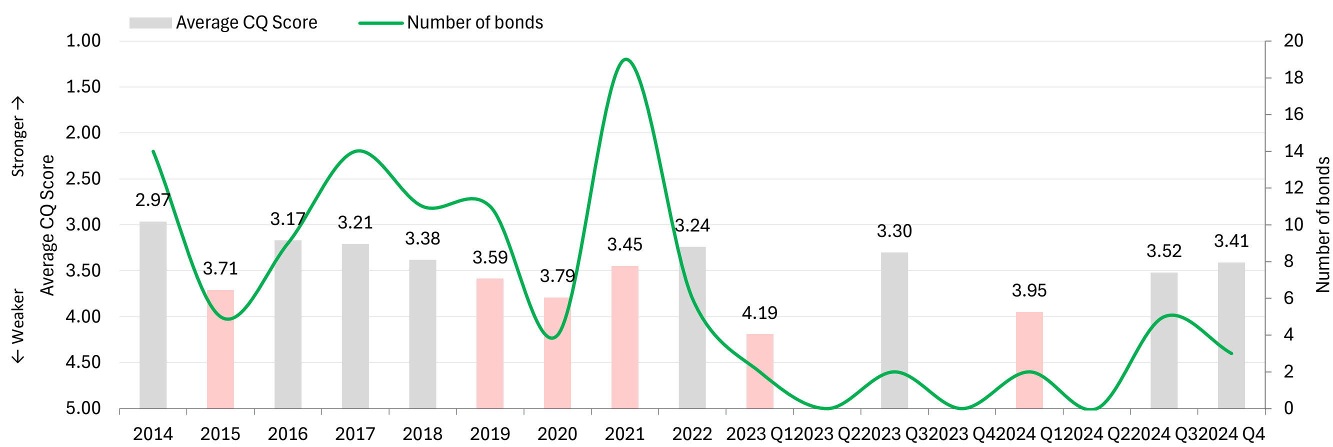
Issuer Name	Rating Q4 2024	Operational Domicile	Peer Group	Outstanding Amount ($ millions)	Maturity Date
Petroleos Mexicanos	B3	Mexico	Oil & Gas	635.4	15-Jan-25
Ecopetrol S.A.	Ba1	Colombia	Oil & Gas	462.7	16-Jan-25
Hidrovias International Finance S.a.r.l	B1	Brazil	Auto/Transportation/Aerospace & Defense	148.7	24-Jan-25
Pemex Project Funding Master Trust	B3	Mexico	Oil & Gas	1,028.9	24-Feb-25
Digicel International Finance Limited	B3	Bermuda	Telecom/Tech/Media	438.1	01-Apr-25
Empresa Distribuidora y Com. Norte S.A.	Caa3	Argentina	Utilities & Power	8.2	12-May-25
CITGO Petroleum Corporation	B3	Venezuela	Oil & Gas	1,125.0	15-Jun-25
YPF Sociedad Anonima	Caa3	Argentina	Oil & Gas	757.0	28-Jul-25
Petroleos Mexicanos	B3	Mexico	Oil & Gas	901.8	16-Oct-25
Petroleos Mexicanos	B3	Mexico	Oil & Gas	14.5	16-Oct-25
Total Play Telecomunicaciones, S.A.P.I. de C.	B3	Mexico	Telecom/Tech/Media	56.0	12-Nov-25
Petroleos Mexicanos	B3	Mexico	Oil & Gas	558.2	16-Nov-25
Petroleos Mexicanos	B3	Mexico	Oil & Gas	668.8	24-Nov-25

Source: Moody's Ratings

Covenant quality stable as market remains open

Three full-package bonds were reviewed in Q4 2024, falling from five in the previous quarter. The average CQS for Q4 2024 was 3.41 (weak ↑). Overall, the average CQS for the 12 bonds scored in 2024 was upper-tier weak (3.51). This is moderately more protective than the average weak protection (3.74) in 2023. A lower CQS denotes stronger covenant quality on a scale from 1.0 to 5.0.

Exhibit 14
The number of bond issuance reviewed fell in Q4 but the CQS strengthened



Source: Moody's Ratings

Refinancing dominated the use of proceeds for Latin American issuers, mirroring the trend in the rest of the world. When refinancing existing bonds, parties generally closely followed existing terms, as did the rest of the world. An exception to this was YPF, which issued a full-package bond in 2024, while its bond issued in 2019 was high-yield lite (lacking debt or cash leakage protection, or both).

Oil & Gas issuers remained significant in LatAm issuance, accounting for a third of the deals in 2024. Vista Energy Argentina S.A.U. had a CQS score of 3.58 (weak ↑), more protective than the average, which is unusual as Oil & Gas sector bonds typically have weaker protection than the market average. LD Celulose International GmbH had the strongest covenant protection in Q4 (2.60, moderate ↑), with an unusual $1 debt test, which stepped down each year until 2030.

The only high-yield-lite bond issued in Q4 2024 was the one issued by Ecopetrol, a Colombian Oil & Gas issuer.

Rating movements

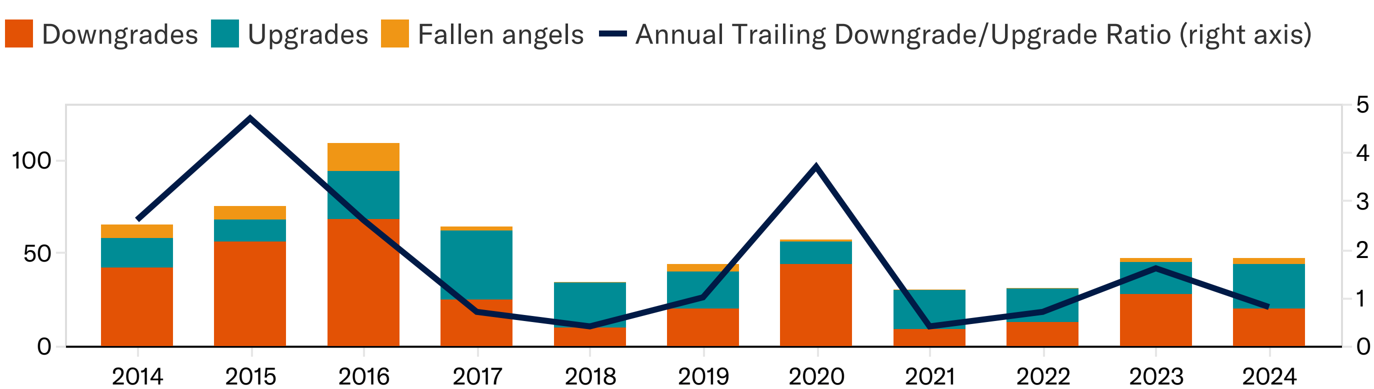
Rating improvements lowered the downgrade/upgrade ratio to 0.8x in 2024

During 2024, the downgrade/upgrade ratio declined to 0.8x from 1.6x in 2023. In Q4 2024, 10 issuers were upgraded, reflecting improvements in liquidity, refinancing efforts and the impact of sovereign rating upgrades. Regarding the latter, we upgraded Brazil's rating to Ba1 in October 2024, and maintained the positive outlook, reflecting the enhanced credibility of its fiscal policy and its overall institutional strength, which have eased borrowing costs and reduced its debt burden over the medium term.

In Q4 2024, we upgraded Acu Petroleo Luxembourg S.A R.L., Arcos Dorados Holdings Inc., Cemig Distribuicao S.A., Cemig Geracao e Transmissao S.A., Companhia Energetica de Minas Gerais - CEMIG and Localiza Rent a Car S.A. by one notch, to Ba1 stable from Ba2 positive; Instituto Costarricense de Electricidad (ICE) and Reventazon Finance Trust to Ba2 stable from Ba3 positive; Grupo Aeromexico S.A.B. de C.V. by two notches, to Ba3 stable from B2 positive; and Total Play Telecomunicaciones, S.A.P.I. de C. to B3 stable from Caa1 negative.

Further, we had five downgrades during the last quarter, reflecting weak operating performance, increased leverage and refinancing risk. These comprise the downgrades of Telefonica del Peru S.A.A., by two notches, to Caa1 review for downgrade from B2 negative; Frigorifico Concepcion S.A. to B2 review for downgrade from B1 stable; MC Brazil Downstream Trading S.A.R.L. and Refinaria de Mataripe S.A. to B1 negative from Ba3 negative; and NG Packaging & Recycling Corporation Holdings to Ba2 stable from Ba1 review for downgrade.

Exhibit 15
Rating actions



Source: Moody's Ratings

Outlooks stabilized in Q4 2024

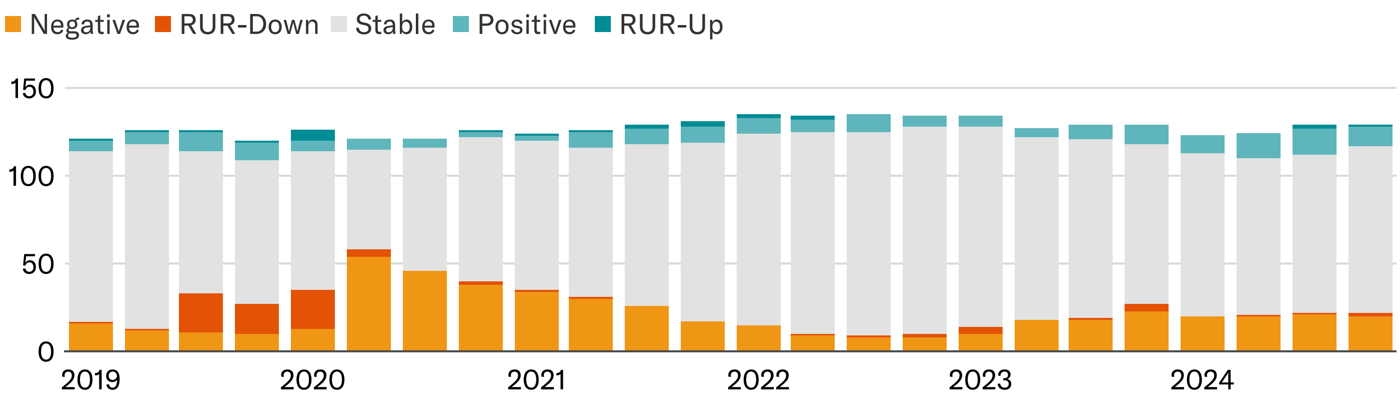
The percentage of positive outlooks and ratings on review for upgrade decreased to 9% in December from 13% in September. The percentage of negative outlooks and reviews for downgrade was 17% in December, the same as in the previous quarter, and still below the 21% recorded in December 2023. Stable outlooks increased to 74% in December from 70% in September.

» During the quarter, Petrobras, Ultrapar Participacoes S.A. and Yinson Boronia Production B.V. entered the crossover zone as potential rising stars (Ba1 positive) because of the change in their outlooks from stable.

» Further, we moved PRIO S.A. (Ba3 positive) to positive following the announcement of the signing of an agreement to acquire 40% of Peregrino and Camposol S.A. (B3 positive) given the improvement in their liquidity outlooks to positive from stable.

» We moved ENA Norte Trust (Ba1 negative) to negative from stable because of an increase in its remaining debt balance at maturity compared with projections.

Exhibit 16
Historical outlooks

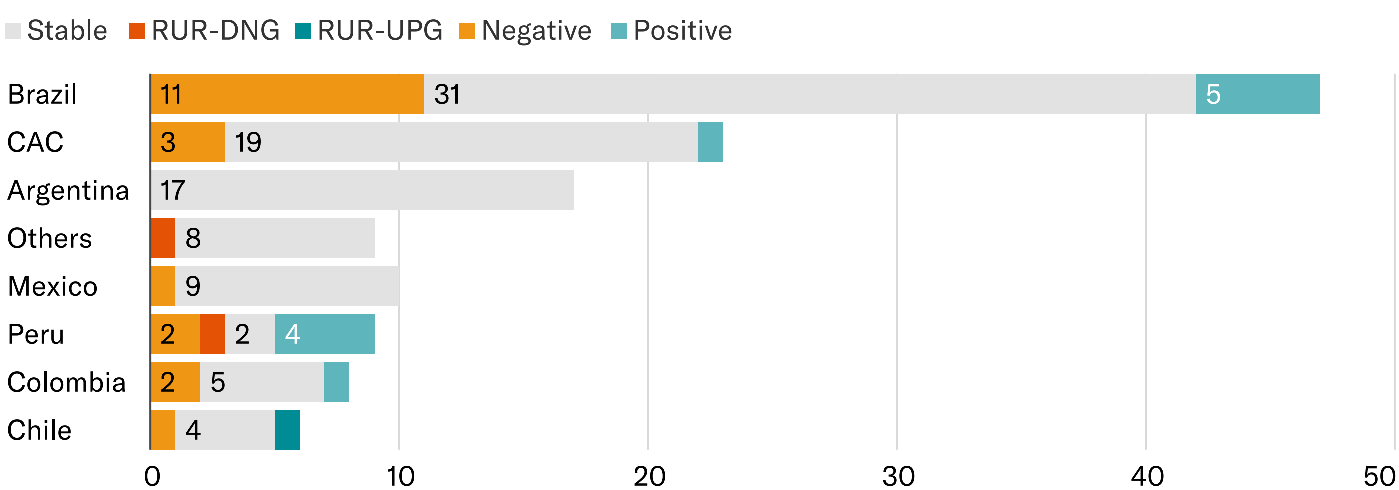


Source: Moody's Ratings

Outlooks by country

As of December 2024, a total of 22 issuers had a negative/review for downgrade outlook. Brazilian issuers accounted for 50% of total issuers with a negative/review for downgrade outlook. Further, taking into account the latest changes, Brazilian and Peruvian issuers accounted for 82% of total issuers with a positive/review for upgrade outlook in the region as of 31 December 2024.

Exhibit 17
Outlooks by country

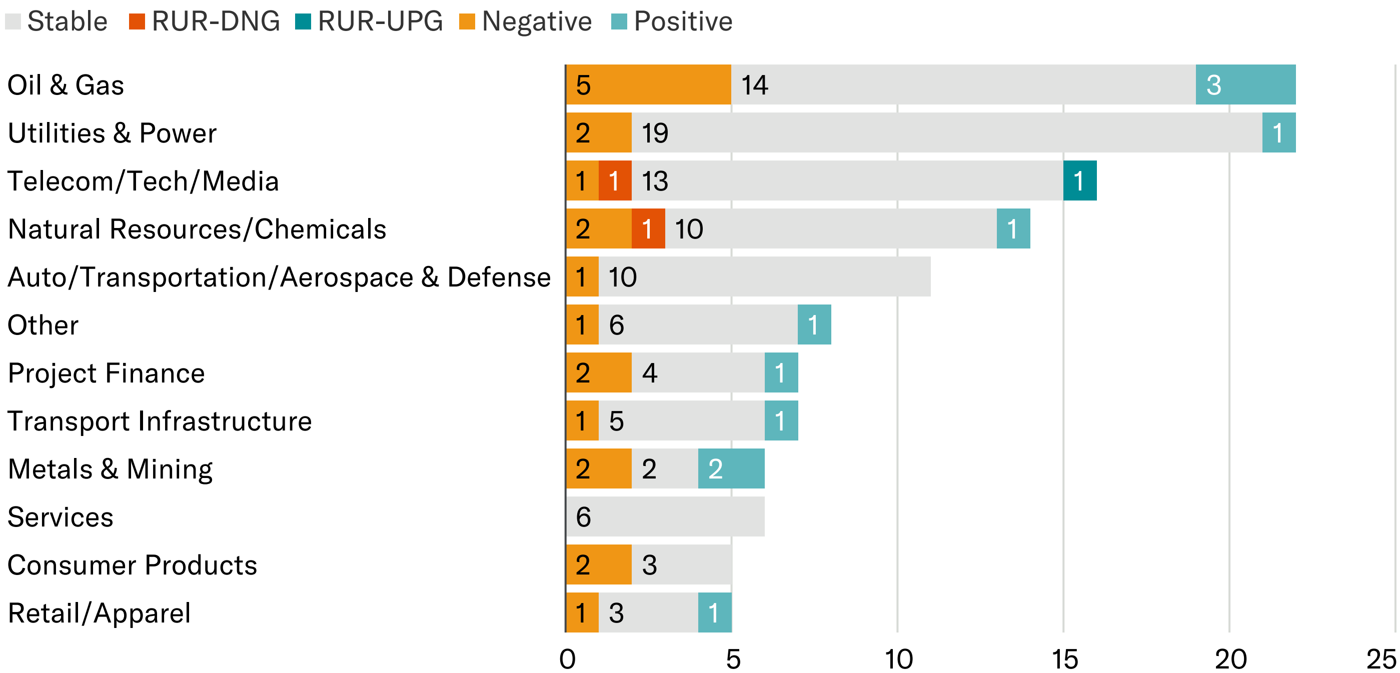


CAC = Central America and the Caribbean.
Source: Moody's Ratings

Outlooks by sector

In Q4 2024, Oil & Gas issuers accounted for 25% of total issuers with a negative/review for downgrade outlook in the region. However, given the change in the outlooks on Petrobras and PRIO to positive, Oil & Gas issuers also accounted for 27% of total issuers with a positive/review for upgrade outlook.

Exhibit 18
Outlooks by industry



Source: Moody's Ratings

Key credit research across Latin America

Key country research

Moody's Ratings upgrades Argentina's ratings to Caa3, changes outlook to positive from stable

On 24 January, Moody's Ratings upgraded the Government of Argentina's long-term foreign-currency and local-currency issuer ratings to Caa3 from Ca. The outlook was changed to positive from stable. The upgrade reflects our view that the government's forceful policy shift has enabled a fiscal and monetary adjustment that is helping to address economic imbalances and to stabilize external finances, decreasing the likelihood of a credit event. Significant risks related to the country's ability to cover upcoming external debt payments remain, including those associated with the removal of capital and exchange controls, or negative shocks that could lead to a credit event with significant losses for bondholders. The positive outlook reflects the upside potential for the ratings as Argentina continues to move toward the next phase of its macroeconomic adjustment. An orderly transition to a more open capital account would be consistent with higher ratings (see report).

Moody's Ratings changes Panama's outlook to negative from stable, affirms Baa3 ratings

On 24 November, Moody's Ratings changed the outlook on the Government of Panama's ratings to negative from stable, and affirmed the issuer and senior unsecured long-term ratings at Baa3, and the senior unsecured shelf long-term ratings at (P)Baa3. The negative outlook reflects the larger-than-expected deterioration of the fiscal balance in 2024 and significant hurdles to deliver rapid fiscal consolidation that point to risks that the sovereign's debt and debt affordability metrics weaken significantly (see report).

Moody's Ratings changes Mexico's outlook to negative from stable, affirms Baa2 ratings

On 14 November, Moody's Ratings changed the outlook on the Government of Mexico's ratings to negative from stable and affirmed the issuer and senior unsecured long-term ratings at Baa2, and the senior unsecured MTN program and senior unsecured shelf long-term ratings at (P)Baa2. The outlook change is driven by our view of a weakening in the policymaking and institutional settings that risks undermining fiscal and economic outcomes. Deteriorating debt affordability and further government spending rigidity make fiscal consolidation difficult, following the widening in the government deficit this year — a deviation from a long-standing track record of low deficits regardless of economic pressures (see report).

Moody's Ratings upgrades Brazil's ratings to Ba1 and maintains the positive outlook

On 1 October, Moody's Ratings upgraded the Government of Brazil's long-term issuer and senior unsecured bond ratings to Ba1 from Ba2, and its senior unsecured shelf rating to (P)Ba1 from (P)Ba2; and maintained the positive outlook. The upgrade reflects the significant credit improvements, which we expect to continue, including a more robust growth performance than previously assessed and a growing track record of economic and fiscal reforms that lend resilience to the credit profile, although the credibility of Brazil's fiscal framework is still moderate, as reflected in a relatively high cost of debt (see report).

Sector research

The State of the Consumer (December 2024) – Latin America: Higher real wages and falling rates support robust private consumption

A strong regional job market, real wage growth and positive consumer sentiment support consumer spending in Brazil, Mexico, Chile and Colombia, even as countries' economies are growing more slowly. Monetary policy easing also supports consumer credit, except in Brazil, where policy is restrictive. As the effects of previous shocks fade, the global economy is coming closer to a new macro normality, but changes in US trade policies and idiosyncratic factors among different Latin American countries will influence both countries' growth and consumer behavior in 2025 (see report).

Credit Conditions – Latin America: Corporate credit quality largely holding despite uneven economic growth

Economic growth will be uneven and relatively slow throughout Latin America in 2024-25, accelerating in 2025 in Colombia and Peru, while decelerating in Brazil, Mexico and Chile. Still-elevated interest rates will continue to weigh on debt affordability, even as a more benign credit environment gradually improves liquidity risk for Latin American companies and infrastructure groups. Corporate and infrastructure borrowing in the region remains stifled (see report).

Credit Conditions – Brazil: Metrics continue to improve for companies, even as high interest rates persist

Credit quality will continue to improve through 2025 for Brazil's (Ba1 positive) 52 rated non-financial and infrastructure companies, with overall corporate EBITDA expanding by some 6% in 2024 and another 3% in 2025. The recovery in services sectors, a robust labor market and higher real wages all help with consumer sentiment. Brazilian GDP will advance by about 2.5% in 2024 and 2.2% in 2025, even with high interest rates weighing on debt affordability. Despite higher interest rates in the short term, credit metrics will continue to gradually improve for Brazilian companies into 2025, following the brisk issuance and refinancing in 2024 (see report).

Credit Conditions – Peru: Corporate direction turns mildly positive as political churn tests investor confidence

Credit quality for Peru's (Baa1 stable) 18 rated nonfinancial companies and infrastructure firms will have positive, although fragile, momentum through 2025. Domestic consumption and business confidence will continue to improve, although at a relatively low pace compared with pre-pandemic levels, and the utilities and mining sectors will continue to draw considerable investment. However, sociopolitical stability remains critical to Peru's positive momentum and its ability to attract investment. Despite a favorable legal and regulatory structure for foreign lending, lender confidence and access to financing are likely to remain limited in Peru until the 2026 general presidential election (see report).

Credit Conditions – Mexico: Companies wary over investor sentiment in 2024-25 after sweeping regulatory overhaul

Mexico's (Baa2 negative) 25 rated companies and infrastructure firms face moderate credit risk in 2024-25. An abrupt change to the country's judiciary and regulation puts business confidence at risk, including foreign investment in Mexico, creating additional bottlenecks that hinder its nearshoring potential and risking changes to the USMCA trade agreement. Mexico's new President Claudia Sheinbaum is likely to continue her predecessor's stance against autonomous regulatory bodies, merging them into government ministries. As investors become more cautious, Mexican companies will amass more cash as they hesitate to commit to new capital investments. Mexico's economy will lose some of its vibrancy, expanding by just 1.5% in 2024 and 1.3% in 2025 after a 3.2% increase in 2023 (see report).

Credit Conditions – Colombia: Companies and infrastructure await steady 2024-25, but borrowing costs remain high

Credit quality will generally remain steady for Colombia's (Baa2 negative) 15 rated companies and infrastructure groups through 2024-25. Colombian companies are bracing for higher energy costs as natural gas supplies shrink, but with no noticeable cost to corporate credit quality through 2025. Improving hydrological conditions are easing the strain on Colombia's electric grid, but persistently high interest rates will dampen the power providers' gains in credit quality (see report).

Credit Conditions – Chile: Easing inflation and rates offer companies and infrastructure modest boost in 2024-25

Credit quality for Chile's (A2 stable) 23 rated nonfinancial companies and infrastructure firms will remain fairly steady through 2025. Free cash flow is improving for unregulated utilities, airlines, mining, and pulp and paper companies, and EBITDA is recovering. Companies focused on the domestic market will benefit as declining inflation and monetary easing improve their cash flow generation and debt levels. Consumer confidence and discretionary consumption will both pick up, but only gradually (see report).

Credit Conditions – Argentina: Inflation and currency risks persist as government strives for economic stability

Credit quality will begin to recover through the end of 2025 for the 24 rated Argentine non-financial companies, infrastructure firms and regional and local governments; however, macroeconomic risks remain acute. Argentina (Caa3 positive) is staging a gradual economic recovery, and inflation is receding. Certain regulatory changes will favor power, utility, and oil and gas companies. A gradual loosening of capital controls under President Javier Milei allows large nonfinancial companies to strengthen liquidity through liability management in the international bond markets (see report).

Nonfinancial Corporates – Latin America & Caribbean: 2025 Outlook – Stable on mixed growth, but operating environment implies hazards

Our stable outlook for 2025 for Latin American nonfinancial companies reflects the region's variable credit implications from four key credit themes that will influence corporate credit quality worldwide: Finding macro normal; geopolitical tensions; global transitions; and digitalization and disruption (see report).

Metals & Mining – Global: Outlook stable with mild base metals gains, boost for gold, and risks for steel and bulks

The outlook on the global metals and mining industry is stable. We expect the aggregate EBITDA for the sector to decline by about 3% through late 2025 and early 2026, but business conditions in the broad industry will not differ significantly over that period. We have adjusted our 12-month price assumptions and price-sensitivity ranges for certain metals and mining commodities to reflect changing market fundamentals (see report).

Telecommunications – Global: Outlook stable: growth to slow on price fatigue, but tech may offer opportunity

The outlook on the global telecommunications sector is stable. We forecast revenue growth of around 1.7% in 2025. Furthermore, 2025 may see further evolution as technologies such as 5G, fibre to the home and generative AI merge to create new opportunities (see report).

Paper, Packaging & Forest Products – Global: Outlook update: Revised to stable as pulp prices tumble, but packaging remains solid

The outlook on the global paper, packaging and forest products sector has been revised to stable from positive as pulp prices plummet and weak demand for wood products continues. Industrial packaging, however, will post solid growth. We expect consolidated EBITDA for the 41 paper and forest product companies we rate globally to rise 2.9% over the next 12 months, down from our projected 7.7% growth in July for a similar number of companies (see report).

Petroleos Mexicanos: Severe credit risks would persist under two different policy scenarios in new administration

Petroleos Mexicanos' (PEMEX, B3 negative) credit metrics continue to weaken, posting negative free cash flow as Mexico's (Baa2 negative) national oil company continues to focus on its loss-making refining business to increase fuel production, and limit its investment in exploration and production. We assume that the Mexican government will continue to support PEMEX in meeting debt payments, and that the company's operational strategy will remain mostly unchanged, at least in 2025. However, PEMEX's primary credit risks are shifting to the financial realm, away from oil production — particularly related to how it will manage and address escalating debt obligations in 2026-27 (see report).

Petroleo Brasileiro S.A. – PETROBRAS: New business plan increases investments and allows for higher leverage

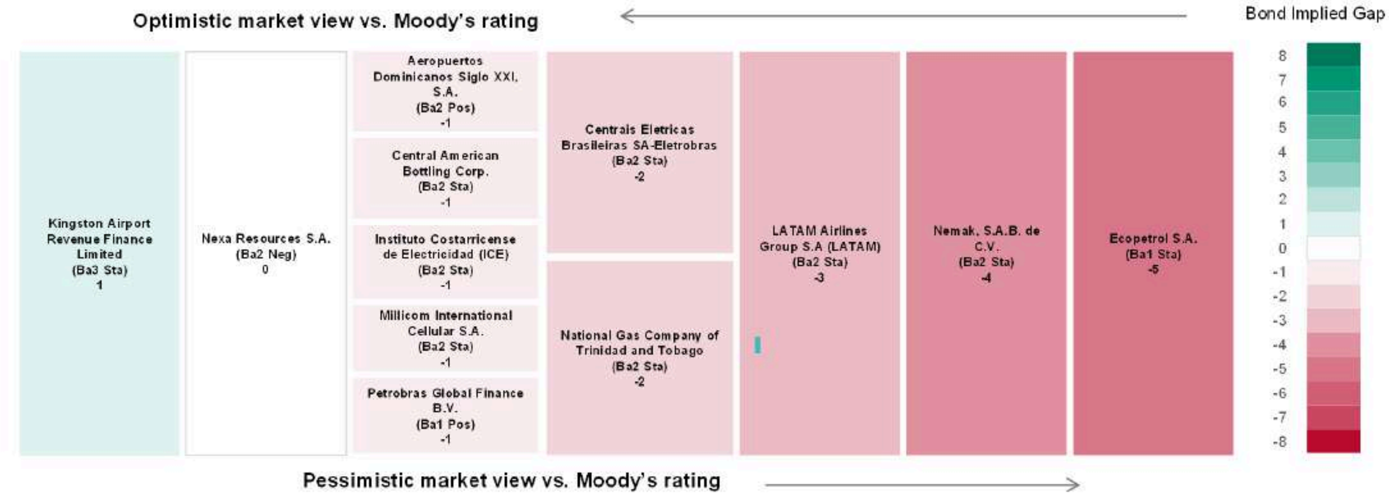
On 21 November, Petroleo Brasileiro – PETROBRAS (Petrobras, Ba1 positive) published its strategic plan for 2025-29. The new plan increases total investments for the period compared with the previous 2024-28 plan; allows for a higher level of gross debt, which could lead to an increase in leverage and a lower level of cash on balance sheet; and includes the possibility of higher dividend payments. Nonetheless, the additional investments and planned dividends can be covered by the company's operational cash generation of about $30 billion-$34 billion in 2025, based on Brent crude averaging $65 a barrel and Petrobras maintaining a robust pipeline of projects that generate high returns (see report).

Companhia Siderurgica Nacional (CSN): Sale of mining unit stake will reduce CSN's net leverage, a credit positive

On 5 November, the board of Brazilian steel producer Companhia Nacional Siderurgica (CSN, Ba2 negative) approved the sale of a minority stake of up to 11% in subsidiary CSN Mineração to Itochu Corporation (A2 stable) for about BRL4.4 billion ($765 million). The sale is credit positive for CSN because it will use the proceeds to strengthen its cash position and net leverage ratio. CSN could potentially use part of the proceeds to pay down debt. Additionally, Itochu will continue to be a partner in accelerating the global expansion of CSN's trading business (see report).

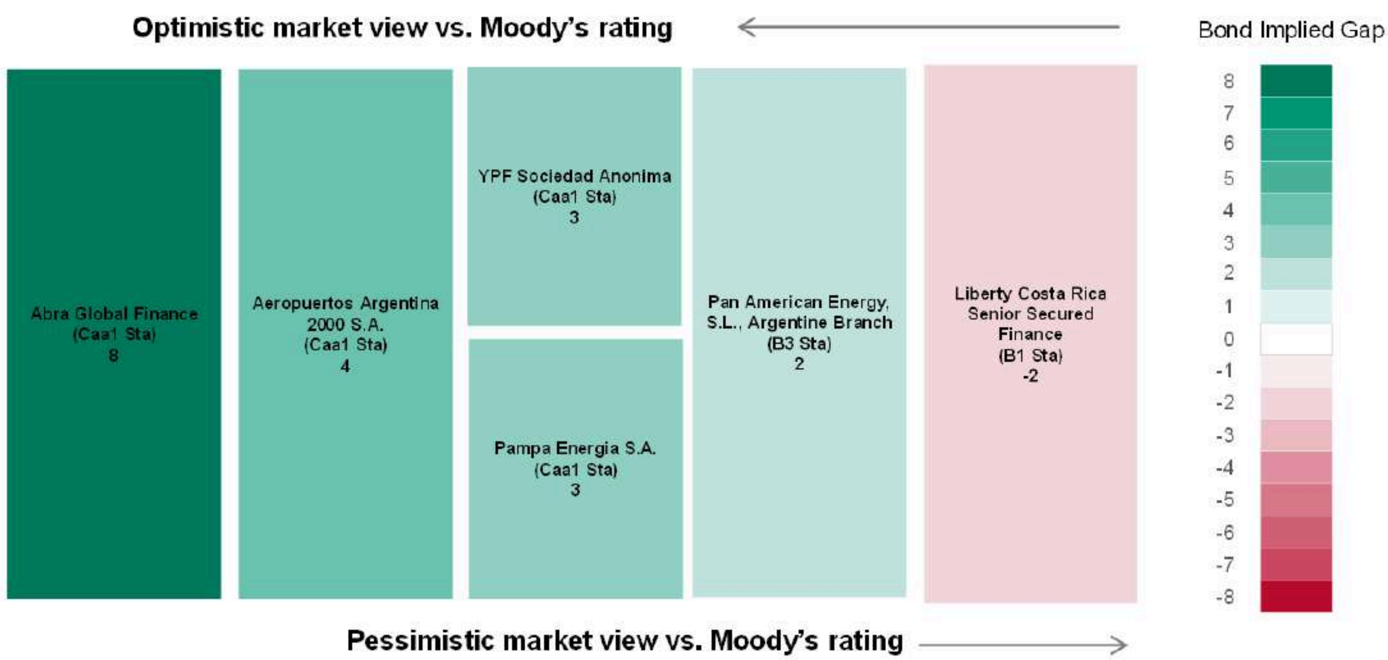
Moody's bond-implied ratings

Exhibit 19
High-yield issuers, Ba1-Ba3
As of 27 January 2024



Moody's bond-implied chart offers a wide-ranging view of the gap between the appropriate bond-implied rating (BIR) and Moody's fundamental rating. The BIR is derived from daily market pricing data. The chart helps illustrate credit risk and relative value signals as perceived by the public bond markets. Moody's BIR is independent from the ratings and rating process of Moody's Investors Service.
Source: Moody's Ratings

Exhibit 20
High-yield issuers, B1 and lower



This Moody's bond-implied chart offers a wide-ranging view of the gap between the appropriate BIR and Moody's fundamental rating. The BIR is derived from daily market pricing data. The chart helps illustrate credit risk and relative value signals as perceived by the public bond markets. Moody's BIR is independent from the ratings and rating process of Moody's Investors Service.
Source: Moody's Ratings

Exhibit 21

High-yield debt issuances – 2024

Issuer - Name	Initial Debt Rating	Issuance date	Original Face Amount ($ millions)	Coupon	Maturity Date	Orig. Debt Currency	Maturity Type	Use of Funds	Operating Domicile
YPF Sociedad Anonima	Caa3	1/17/2024	800.0	9.500	1/17/2031	U.S. Dollar	Sinkable\Callable\Make Whole	Refinancing	Argentina
Cosan Luxembourg S.A.	Ba2	1/26/2024	600.0	7.250	6/27/2031	U.S. Dollar	At Maturity\Callable\Make Whole	General Corporate Purposes	Brazil
Gran Tierra Energy Inc. - add-on	B2	2/6/2024	100.0	9.500	10/15/2029	U.S. Dollar	Sinkable\Callable\Make Whole	Refinancing	Colombia
Azul Secured Finance LLP - add-on	Caa2	2/8/2024	148.7	11.930	8/28/2028	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	Brazil
FS Luxembourg S.a r.l.	Ba3	2/12/2024	500.0	8.875	2/12/2031	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	Brazil
CSN Resources S.A. - add-on	Ba2	2/13/2024	200.0	8.875	12/5/2030	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	Brazil
Millicom International Cellular S.A.	Ba2	4/2/2024	450.0	7.375	4/2/2032	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	CAC
Movida Participacoes S.A.	Ba3	4/11/2024	500.0	7.850	4/11/2029	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	Brazil
Total Play Telecomunicaciones, S.A.P.I. de C.	Caa1	4/23/2024	305.4	10.500	12/31/2028	U.S. Dollar	Sinkable\Callable\Make Whole	Refinancing	Mexico
Pan American Energy, S.L.	Caa1	4/30/2024	400.0	8.500	4/30/2032	U.S. Dollar	Sinkable\Callable\Make Whole	General Corporate Purposes	Argentina
Yinson Boronia Production B.V.	Ba1	6/4/2024	1,035.0	8.947	7/31/2042	U.S. Dollar	Sinkable\Make Whole	Refinancing	Brazil
AES Andes S.A.	Ba1	6/10/2024	530.0	8.150	6/10/2055	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	Chile
Aegea Finance S.a r.l. - add-on	Ba3	6/25/2024	300.0	9.000	1/20/2031	U.S. Dollar	At Maturity\Callable\Make Whole	General Corporate Purposes	Brazil
Aeropuertos Dominicanos Siglo XXI, S.A.	Ba2	7/9/2024	500.0	7.000	6/30/2034	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	CAC
OHI Group S.A.	B2	7/22/2024	400.0	13.000	7/22/2029	U.S. Dollar	Sinkable\Callable\Make Whole	Refinancing	Brazil
Volcan Compania Minera S.A.A. y Subsidiarias	Caa1	9/10/2024	299.9	8.750	1/24/2030	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	Peru
YPF Sociedad Anonima	Caa3	9/11/2024	540.6	8.750	9/11/2031	U.S. Dollar	Sinkable\Callable\Make Whole	Refinancing	Argentina
Centrais Eletricas Brasileiras SA-Eletrobras	Ba2	9/11/2024	750.0	6.500	1/11/2035	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	Brazil
Petrobras Global Finance B.V.	Ba1	9/13/2024	1,000.0	6.000	1/13/2035	U.S. Dollar	At Maturity\Callable\Make Whole	Refinancing	Brazil
Gran Tierra Energy Inc. - add-on	B2	9/18/2024	150.0	9.500	10/15/2029	U.S. Dollar	Sinkable\Callable\Make Whole	Refinancing	Colombia
Kingston Airport Revenue Finance Limited	Ba3	10/2/2024	480.0	6.750	12/15/2036	U.S. Dollar	Sinkable\Callable\Make Whole	Refinancing	CAC

LD Celulose S.A.	Ba3	10/3/2024	650.0	7.950	1/26/2032	U.S. Dollar	At Maturity \Callable\Make Whole	Refinancing	Brazil
Cable & Wireless Communications Limited	Ba3	10/3/2024	1,000.0	7.125	10/15/2032	U.S. Dollar	At Maturity \Callable\Make Whole	Refinancing	CAC
LATAM Airlines Group S.A (LATAM)	Ba2	10/15/2024	1,400.0	7.875	4/15/2030	U.S. Dollar	At Maturity \Callable\Make Whole	Refinancing	Chile
YPF Energia Electrica S.A.	Caa3	10/16/2024	420.0	7.875	10/16/2032	U.S. Dollar	Sinkable\Callable \Make Whole	Refinancing	Argentina
Ecopetrol S.A.	Ba1	10/21/2024	1,750.0	7.750	2/1/2032	U.S. Dollar	At Maturity \Callable\Make Whole	Refinancing	Colombia
Abra Global Finance	Caa1	10/22/2024	510.0	14.000	10/22/2029	U.S. Dollar	At Maturity - Split PIK	Refinancing	Brazil
Generacion Mediterranea S.A.	Caa3	10/30/2024	141.0	11.000	11/1/2031	U.S. Dollar	Sinkable\Callable \Make Whole	Refinancing	Argentina
GRUPO AEROMEXICO S.A.B. de C.V.	Ba3	11/14/2024	500.0	8.250	11/15/2029	U.S. Dollar	At Maturity \Callable	Refinancing	Mexico
GRUPO AEROMEXICO S.A.B. de C.V.	Ba3	11/14/2024	610.0	8.625	11/15/2031	U.S. Dollar	At Maturity \Callable	Refinancing	Mexico
Vista Energy Argentina S.A.U.	Caa2	12/10/2024	600.0	7.625	12/10/2035	U.S. Dollar	Sinkable\Callable \Make Whole	General Corporate Purposes	Argentina

Source: Moody's Ratings

Moody's related publications

- Outlooks:
  - Leveraged Finance – Global: 2025 Outlook – Improving credit conditions will boost deal flow, but risks to persist (21 November 2024)
  - Nonfinancial Companies – Global Industry Sector Outlooks: ISO positive peak may be over as still-high rates and slowing growth strain earnings (31 October 2024)
- Issuer Comments and Issuer In-Depths:
  - Hidrovias do Brasil S.A.: Hidrovias Liquidity Bolstered by Ultrapar's support (30 December 2024)
  - Klabin S.A.: Strategic alliance with TIMO and financial policy revamp enhance financial resilience (1 November 2024)
  - Samarco Mineracao S.A., Vale S.A., BHP Group Limited: Settlement for Fundão dam collapse reduces uncertainty, but increases cash disbursements from prior agreements (30 October 2024)
  - Centrais Eletricas Brasileiras SA-Eletrobras: Ratings are unaffected by the upgrade of Brazil's ratings (10 October 2024)
  - Celulosa Arauco y Constitucion S.A.: Investment in new Brazil pulp mill will make company more competitive but temporarily increase its leverage (3 October 2024)
- Sovereign Research:
  - Government of Bahamas: Bahamas debt-for-nature swap improves maturity profile (26 November 2024)
  - Government of Uruguay: Presidential election headed to a runoff; pension reform plebiscite rejected (31 October 2024)
  - Government Policy – Mexico: New designation shows state support but threatens performance for PEMEX and CFE (25 October 2024)
  - Government of Dominican Republic: Withdrawal of Fiscal Modernization Law limits prospect of credit positive revenue reforms (24 October 2024)
  - Government of Dominican Republic: Fiscal Modernization Law proposes reforms to broaden tax base and increase revenues (18 October 2024)
  - Government of El Salvador: Bond buyback reduces repayment risk and is considered liability management, not a distressed exchange (17 October 2024)

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