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Egypt to tap Eurobond market for \$1-1.5 bln

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By Patrick Werr and Dina Zayed

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CAIRO - Egypt said on Friday it aims to tap the Eurobond market for \$1 billion-1.5 billion within weeks, its first such issue since 2007, which analysts said should be well received.

"The markets are favourable. There is a huge demand from investors in London, New York and Asia," Finance Minister Youssef Boutros-Ghali told Reuters. "We plan to test the outer limits of maturities. We are testing 20 to 30 years."

"We are contemplating \$1 billion to \$1.5 billion," he said.

Analysts had not expected an issue so soon but said it should draw a positive response given low global interest rates and growing interest in investing in Egypt.

"It does come as a bit of a surprise," Tarek Elalaily of Beltone Financial said. "More people are starting to look at frontier and emerging markets ... It does make sense for an international investor to diversify their sovereign bond portfolio with an allocation to Egypt."

Mohamed Abu Basha of EFG-Hermes said: "If you want to issue a Eurobond, now is a good time, because interest rates globally are very low."

DECENT APPETITE

Egypt has emerged from the world financial crisis relatively unscathed. Its economy grew 4.7 percent in the fiscal year ending last June and a government minister last month forecast 5.5 percent growth in fiscal 2010/11.

Conservative lending by banks, which are flush with cash, helped the economy weather the crisis along with relatively resilient tourism receipts, earnings from the Suez Canal and remittances from workers abroad.

Boutros-Ghali said the bond issue was not designed to fund the budget deficit. "I am doing that very comfortably domestically," he said.

He said the deficit for the current fiscal year, to the end of June, could be lower than the government's estimate of 98 billion Egyptian pounds (\$18 billion), or 8.4 percent of predicted gross domestic product, which was based on economic growth of 4.7 percent.

He said it now looked like the economy would grow 5.1 or 5.2 percent. "Thus, the deficit would be lower," he said.

Mohamed Assaad, adviser to the minister on public debt management, said there was "decent appetite" for Egyptian international paper because it was not a regular issuer and did not have a lot of outstanding Eurobonds.


He said it would be the first issue since 2007 and would be launched "maybe in the coming 7-8 weeks, something like that".

Assaad said Egypt had \$1 billion maturing in 2011, \$1.25 billion maturing in 2015 and which was guaranteed by the U.S. government, and 6 billion Egyptian pounds (\$1.1 billion) of global notes maturing in 2012.

Boutros-Ghali said no price had been set for the new issue "but it is looking very attractive". He said the issue was "coming within weeks" and was to refinance 10-year Eurobonds issued in May 2001.

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