

# Fitch: Argentina's Missed Coupon Payments Raises Possibility of Default

1 de julio de 2014

View article @Fitch Rating's Web: click here 01 Jul 2014 2:24 PM (EDT)Fitch Ratings-New York: Argentina's entry into the grace period related to its coupon payments on foreign law exchanged securities, due on June 30, raises the specter of a possible default, according to Fitch Ratings. The grace period for these securities ends on July 30, 2014. Fitch currently rates Argentina's Foreign Currency IDR 'CC', which already incorporates a very high default risk. In addition, Fitch understands that coupon payments of exchanged bonds issued under local law that were also due on June 30 (Discount bonds denominated in USD and ARS) were made in a timely manner and without interruption. Fitch currently rates Argentina's local law bonds 'B-'. The legal process related to the dispute between Argentina and certain holdout creditors that did not participate in the 2005 and 2010 exchange offers culminated with the denial of Argentina's cert petition to the U.S. Supreme Court. As such, the U.S. Lower Court ruling holds, and prohibits Argentina from making payments to exchanged bond holders unless payments are also made to plaintiffs in the case. Fitch recognizes that negotiations could occur between the government of Argentina and holdout creditors, although the success and timing of such a process is difficult to predict. Fitch will continue to monitor developments in the coming weeks. Absent a negotiated settlement with the holdouts or a reinstatement of a stay order allowing Argentina to continue servicing its exchanged bond debt, there is a high risk that Argentina will not make the overdue coupon payment at the end of the grace period. In such a scenario, Fitch would downgrade Argentina's FC IDR to 'RD' (Restricted Default) and the bond ratings of the affected securities to 'D' (Default). Moreover, Argentina's Local Currency rating of 'B-' with a Negative Outlook could also face downward pressure in this scenario. On the other hand, a successful agreement with holdout creditors that settles this case definitively and reduces the risk of interruption in payments to exchanged bond holders would be credit positive.

Contacts Primary Analyst Santiago Mosquera Director +1-212-908-0271 Fitch Ratings, Inc. 33 Whitehall Street New York, NY 10004 Secondary Analyst Shelly Shetty Senior Director +1-212-908-0324 Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: [brian.bertsch@fitchratings.com](mailto:brian.bertsch@fitchratings.com); Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: [elizabeth.fogerty@fitchratings.com](mailto:elizabeth.fogerty@fitchratings.com). Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'. ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '[WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM)'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.