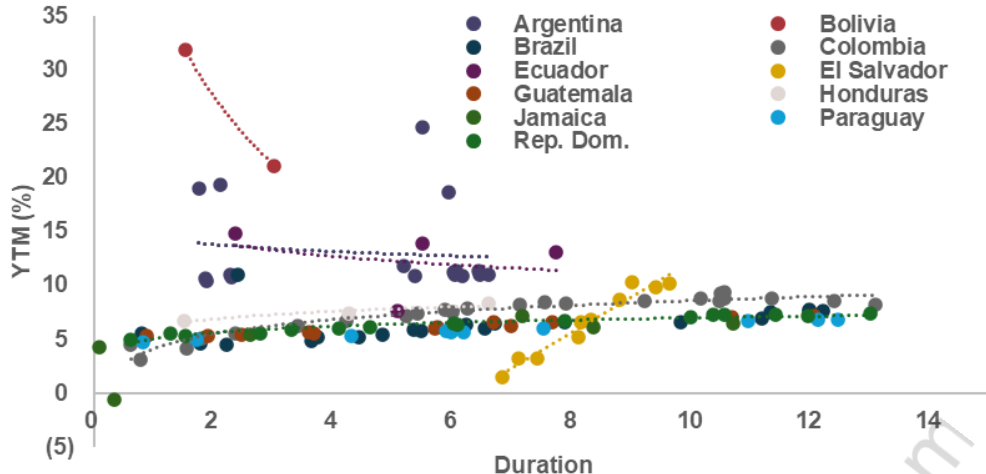


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YIELD CURVE



Source: REDD based on Cbonds.

ARGENTINA

Argentina posts fiscal surplus, but reserve buildup lags ahead of IMF review

- Argentina's monthly inflation slowed to [2.8% in April](#), down from 3.7% in March, with annual inflation at 47.3%. Meanwhile, the public sector posted a [financial surplus](#) of ARS 572bn in April.
- The government used part of the [USD 12bn disbursement](#) from the International Monetary Fund to cancel non-transferable notes held by the central bank, fully repaying those maturing in 2025 and 2026 and partially canceling the 2029 note, in a move aimed at strengthening the BCRA's balance sheet.
- On 12 May, Fitch Ratings [upgraded Argentina's](#) long-term foreign- and local-currency IDRs to CCC+ from CCC. The move reflects improved external liquidity and stronger policy credibility following a new IMF program and FX market liberalization.
- Economy Minister Luis Caputo reiterated Argentina's commitment to regaining [market access](#) and improving its credit rating, targeting a return as soon as 2025. He said the government will meet the reserve targets agreed upon with the IMF. Economists expect the IMF to [issue a waiver](#) if Argentina misses its June reserve accumulation targets.
- Jaime Reusche of [Moody's Ratings](#) said that Argentina's return to investment grade will take years and require several presidential terms to implement structural reforms. In January, the agency raised its foreign currency ceiling to Caa3.
- To help meet IMF targets, Argentina is negotiating a [USD 2bn repo loan](#) backed by USD 3.5bn in guarantees and seeking to accelerate USD 3.6bn in multilateral loans. It also raised USD 6.46bn in local debt and USD 1bn through the [BONTE 2030 bond](#) for non-resident investors. The government aims to meet IMF targets and end the year with a USD 4bn net reserve surplus.
- The central bank tightened [FX access rules](#) for repayments of foreign-currency corporate debt and extended the [minimum holding period](#) for new corporate debt to 18 months. Meanwhile, non-resident investors can buy Treasury debt without prior approval if maturities exceed 180 days.

- A [two-stage plan](#) to formalize undeclared USD was launched, with the second phase requiring congressional approval. The [IMF warned](#) that the plan must align with anti-money laundering standards. [A bill](#) was submitted to Congress on 5 June and is expected to begin being debated in the coming weeks.
- CAF approved a [USD 300m loan](#) for the Alimantar food aid program, bringing total funding to USD 1.1bn.
- Argentina extended [reduced export taxes](#) on wheat and barley through March 2026, but excluded soy and corn.
- Politically, Milei's party La Libertad Avanza (LLA) won the Buenos Aires City [mid-term election](#), solidifying its leadership over the pro-business right.
- Lastly, Argentina unveiled a USD 6.6bn plan to [expand its power grid](#) by 5,610km—adding 38.3% capacity—through 17 tendered projects funded by end-user tariffs once operational.

ANALYSIS

The Argentine administration remains focused on curbing inflation, which slowed to 2.8% in April and is expected to dip below 2% in May. Fiscal consolidation remains on track, with the government posting a primary surplus of 0.6% of GDP and an overall surplus of 0.2% of GDP in 4M25. While Argentina's fiscal and monetary targets remain within reach, international reserve accumulation continues to pose a challenge ahead of the IMF's first technical review, now postponed to late July.

In order to boost reserves and secure funding for upcoming bond maturities, the government issued an ARS-denominated bond subscribed in USD and secured a USD 2bn REPO agreement with international banks. Still, meeting the IMF program targets may require further efforts.

On the political front, Argentina's Supreme Court has upheld former President Cristina Fernandez de Kirchner's 2022 conviction in the "Vialidad" corruption case. She received a six-year prison sentence and a lifetime ban from holding public office. The ruling bars her from running in the September legislative elections in Buenos Aires province, effectively removing her from the ballot.

The decision has shaken Argentina's political landscape. Removing the Peronist movement's leading figurehead ahead of the October midterms could either galvanize her supporters to unify forces or deepen internal fragmentation as other politicians vie for leadership. Fernandez's supporters have mobilized in Buenos Aires and in other major cities, blocking highways and staging rallies, while labor unions have threatened a nationwide strike in response to her conviction.

Meanwhile, markets appeared to welcome her removal, with a modest rally in the Merval index and sovereign bonds, on hopes for deeper market reforms under President Javier Milei.