



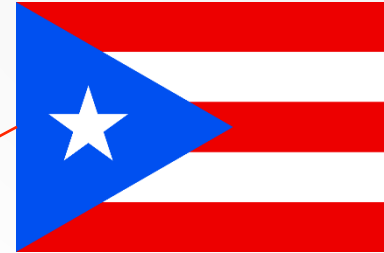
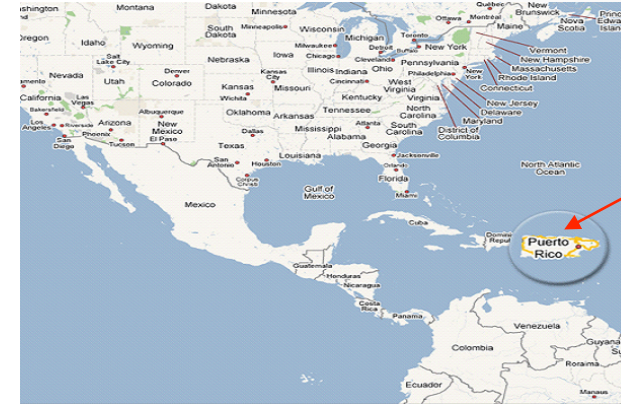
# COUNTRY RISK

- Puerto Rico's situation after Hurricane Maria destroyed the island
- Spain and Catalonia's referendum on independence

Team 7:  
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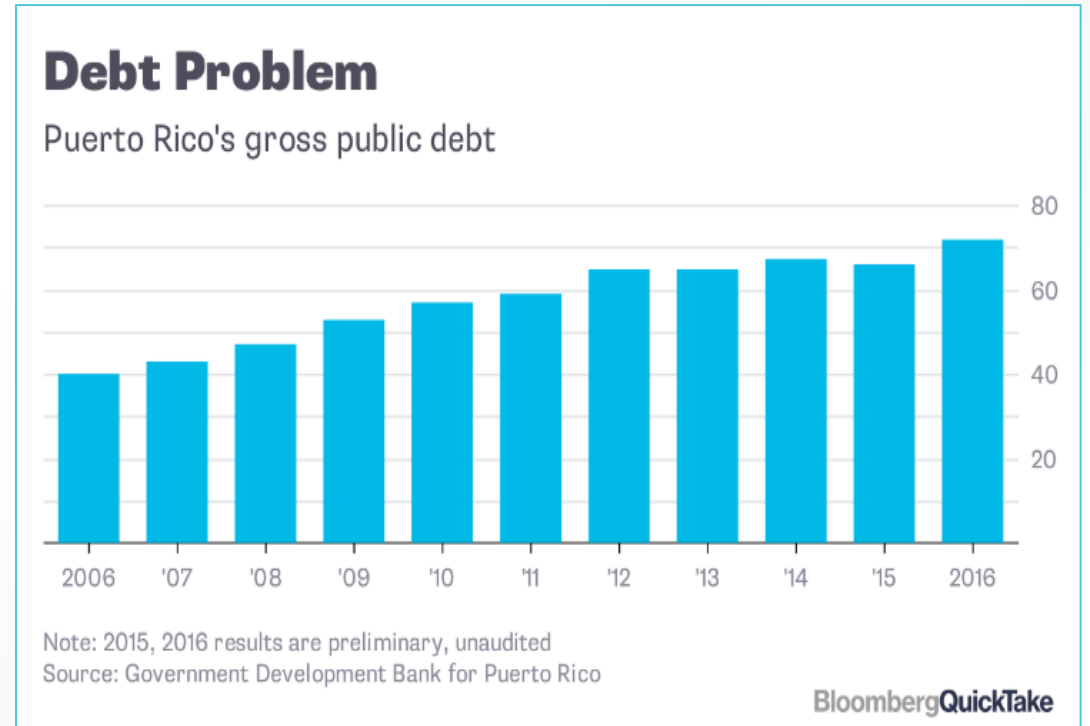
# PUERTO RICO

- Population: 3.4 Mn
- GDP: 103 Bn (2013)
- 4<sup>th</sup> state in terms of debt (After CA, NY and MA)
- Double poverty rate than MS (Poorest state of the 50)
- Bond Sales: \$126.6 Bn since 2000



# PUERTO RICO FACES SEVERAL ISSUES

- **Debt**  
\$75 Bn in Municipal debt  
Pension liability of more than \$50Bn
- **Depopulation**  
Lost 400,000 inhabitants since 2005
- **Destructions**  
\$95 Mn in hurricane-related damage  
(\$60 for reconstruction costs)
- **Health**  
Half the population still has no access to drinkable water after Maria



# RISKS

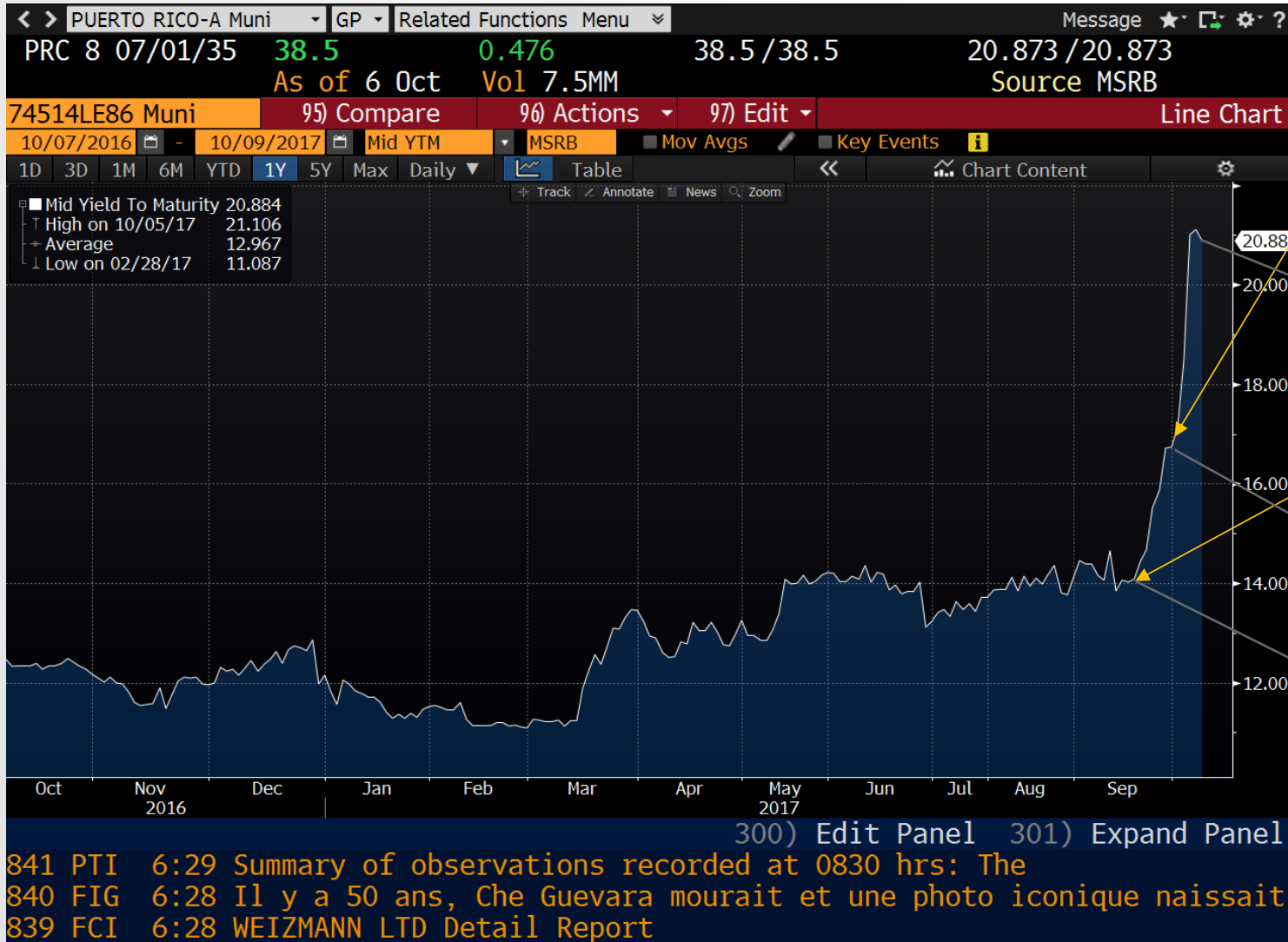
HUMANITARIAN CRISIS + BAD ECONOMIC SITUATION  
→ PUERTO RICO MAY NOT BE ABLE TO PAY BACK ITS CREDITORS

- Half electricity, 90% of undrinkable water, loss of 80% crop value
- \$75Bn Municipal debt
- Prices didn't plunge like this even when Puerto Rico's governor declared its debts unpayable in June 2015
- Banks + Most people in the U.S. with a mutual fund invested.

DONALD TRUMP'S SPEAK SCARE WALL STREET AND EVERY KIND OF CREDITORS ON THE MUNICIPAL MARKET

- \$29Bn disaster Aid package for recovery
- Uncertainty in the market
- But the suggestion seems unworkable unless bankruptcy
- The island will recover if residents stay in Puerto Rico.

# PUERTO RICO – A BENCHMARK GENERAL OBLIGATION BOND DUE IN 2035



October 3<sup>rd</sup>, Trump: "We're going to wipe that [the debt of Puerto Rico] up"  
 Price went from 44 cents to 32 cents

September 20<sup>th</sup>, Hurricane Maria hits Puerto Rico's Island

\$0.32

\$0.44

\$0.56

# CATALONIA'S REFERENDUM ON INDEPENDENCE



# WHY ?

- A question of identity
- A tax claim



# RISKS

- Geography: enclosed in a rejected Spain
- Out of the European Union
- Loss of its accession to all the international treaties and organizations
- Loss of its prosperity



# MARKETS CONSEQUENCES

10 year Spanish yield since June 2017



# MARKETS CONSEQUENCES

Equity Banco De Sabadell SA since September

