

Argentina returns to bond market after 15 years

By [Elliott Banks](#), News Editor (2016/17)

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Mr Macri .Image: Ciudad Autónoma de Buenos Aires

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The Argentine government has negotiated a deal to repay billions of dollars in bond payments owed to several U.S hedge funds. A bond is government issued security in which investors receive interest, and essentially operates like a loan. The deal comes after years of refusal by previous Peronist administrations to negotiate with U.S hedge funds who purchased bonds during the country's default in 2001. This breakthrough is due to the new president of Argentina Mauricio Macri, who vowed on his election in November to improve the economic situation of Argentina with the negotiation being a top priority for his government.

But why has it taken so long? The reason the negotiation has taken so long is because the old government under Cristina Fernandez de Kirchner refused to talk with the hedge funds suing the Argentine government. She referred to the funds as 'Vulture Funds' for demanding repayment on the bonds after Argentina defaulted on nearly \$100 billion of debt.

The funds in question only held a small proportion of this debt, with the U.S court-appointed mediator Daniel Pollack hailing the resolution: "It gives me the greatest pleasure to announce that the 15-year pitched battle between the Republic of Argentina and Elliott Management, led by Paul Singer, is now well on its way to being resolved."

Macri's government has negotiated to pay \$4.65 billion, which represents roughly 75 per cent of the overall bill with interest owed to the New York based hedge fund Elliott Management. This deal follows a long string of settlements done by the new administration designed to bring Argentina back into global financial markets. *The Boston Globe* reports that this deal is in conjunction with a deal to pay \$2 billion to other funds as well as \$1.34 billion to 50,000 Italian bondholders.

The deal is a significant boost to Latin America's second largest economy, as Mr Macri tries to rebuild confidence in Buenos Aires internationally. After the previous defaults, two in the last fifteen years with one as recently as 2014, it has been a top priority of Mr Macri's new government to rebuild confidence. This is because while this legal action has been going on, the country has had limited access to debt market and has struggled to raise capital. On the news that a settlement had been reached, the Buenos Aires Stock Exchange's benchmark Merval Index was up by 3 per cent.



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