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El Salvador's 2023 Bond Offers 'Handsome' Risk-Reward: BancTrust

By Maria Elena Vizcaino

(Bloomberg) -- El Salvador bond due in 2023 offers a "handsome" risk-reward following a selloff this week spurred by President Nayib Bukele's plan to sell \$1 billion in Bitcoin-related bonds, according to BancTrust & Co.

- "El Salvador could muddle through at least until the February 2024 presidential elections," making the bonds attractive as long as the government nationalizes pension funds, avoids sanctions from the U.S. and the fiscal deficit remains in the range of 3-4% of GDP, head of strategy Ramiro Blazquez wrote on Wednesday
- In that scenario, the 2023 bond would return 28% per year
- "IMF financing is not going to happen given that the IMF demands an adjustment of up to 4ppt of GDP in the next four years, conflicting with Bukele's re-election goal"
- Beyond 2024, the "Bitcoin financing scheme and explosive debt dynamics could lead to a balance-of-payment and systemic crisis and bring about the demise of dollarization"
- NOTE: Bitcoin Bond Plan Sends El Salvador's Dollar Debt Diving

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