RUSSIA SAYS SANCTIONS NO OBSTACLE TO FIRST EUROBONDS SINCE 2013

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Russia vowed to return to global bond markets under sanctions, unfazed by concerns that warnings issued to banks in the U.S. and Europe can scuttle its first offering of international debt since 2013.

The government in Moscow wont be held back by the restrictions and is studying the possible timing of selling Eurobonds this year, Finance Minister Anton Siluanov said on Thursday. Low yields on global bond markets are driving investor interest in Russian securities, he said.

Russia is putting on a brave face after the U.S. warned banks that participating in its Eurobond sale would run counter to foreign policy and the European Union told lenders to be mindful of the indirect risks of violating the blocs economic sanctions. A funding crunch and Russias widest budget shortfall in five years are adding urgency to the need to shore up public finances hobbled by oils collapse.

The U.S. and European authorities think they are doing harm to Russia by imposing such sanctions, Siluanov said during a lecture at a university in Moscow. It is nothing of the sort. They are harming their own investors, and its not clear who is suffering more.

While Russia itself wasnt subject to the sanctions imposed on some of its biggest companies in response to President Vladimir Putins role in the Ukraine crisis, the U.S. advisory represents a red flag for the compliance departments of European lenders with American branches.

Move Soon

I think they can get a deal done and will move soon if they think they can get it done, said Paul McNamara, a money manager who helps oversee $4.3 billion of assets at GAM UK in London. Its likely to be smaller and higher-yielding in the current atmosphere. Its not only banks, but asset managers who would be reluctant to annoy officials.

European and U.S. banks are continuing to look with interest at Russian government debt, according to Siluanov. Russian markets have been buoyed by the recovery in oil prices from a 13-year low over the past month, with the ruble leading gains among developing nations.

Russia, with its low debt and rather predictable economic policy, seems to be one of the most attractive countries among emerging markets, Siluanov said.

The Russian Finance Ministry in February invited 25 banks from nine countries, including Bank of

China, Goldman Sachs Group Inc. and Barclays Plc, to organize the issue of a $3 billion Eurobond. All six American lenders approached to submit proposals indicated they wont take part, people familiar with the plans said this month.

The government is embarking on an experiment by issuing external debt under sanctions and will have to pay a bigger premium than usual, former Finance Minister Alexei Kudrin said earlier Thursday.

Kaynak/Source: