

## Colombia's Bond 'Kings' Disappear in Worst Latin Debt Market

By **Andrea Jaramillo** | Bloomberg News - 9:05 AM EDT, April 17, 2008

Colombian brokerages are gutting bond trading desks as rising inflation and rules against setting prices by telephone turn the country into the worst performer of Latin America's biggest debt markets.

The five biggest proprietary bond trading firms in Colombia -- Interbolsa SA, Asesores en Valores SA, Alianza Valores SA, Serfinco SA and Global Securities SA -- have 33 traders who make wagers with their firm's capital. That's down more than 80 percent from two years ago, when the companies had at least 245, traders at the brokerages said.

Colombia's benchmark bonds tumbled 17 percent in the past two years, the worst among the six biggest Latin American markets, according to data compiled by Bloomberg. Daily debt trading on the stock exchange tumbled 64 percent to \$1.5 billion in February from a year earlier after the government stopped traders from talking by telephone in an effort to make the market more transparent.

"The loss of jobs here was dramatic," said Alejandro Martinez, 37, who resigned as head trader at Interbolsa, Colombia's largest brokerage, in February to start an investment fund. Interbolsa has 18 proprietary bond traders, down from 170, the firm said.

Trading is slowing as President Alvaro Uribe increases sales of peso-denominated bonds to reduce foreign currency debt. The government, which has 101 trillion pesos, about \$56 billion, of local securities, said in December it plans to almost double auctions this year to 12 trillion pesos.

Asesores en Valores shut down its 35-person proprietary bond trading desk last year, said Manuel Rey, the firm's chief economist. Alianza Valores cut its number to three from 20 in 2006, according to a person familiar with the situation who declined to be identified because he wasn't authorized to speak for the firm.

Serfinco has eight, down from 20, said a trader who also declined to be identified because he doesn't have permission to comment on behalf of the firm. Global Securities has four, said a person familiar there, who also couldn't speak for the brokerage.

**A larger proportion of traders in Colombia are losing their jobs than on Wall Street, where about 25 percent of fixed-income trading positions have been eliminated since subprime mortgages contaminated credit markets in July, said Gustavo Dolfino, president of New York-based executive search firm Whiterock Group LLC.**

[Citigroup Inc.](#), [Lehman Brothers Holdings Inc.](#), [Morgan Stanley](#) and the rest of the securities industry have cut more than 34,000 employees in the past nine months as writedowns and credit losses climbed to \$245 billion since the beginning of 2007, according to data compiled by Bloomberg.

In Colombia, trading profits disappeared as the yield on the government's benchmark 11 percent bond due 2020 jumped 2.5 percentage points over the past two years to 11.12 percent and the price dropped 20 centavos to 99 centavos per peso. Yields on similar-maturity Brazilian securities fell 0.93 percentage point and Mexico's dropped 1.38 percentage points.

Yields may reach 12 percent by year-end, the highest since Colombia issued the benchmark bonds in 2005 as the central bank struggles to curb inflation, said Camilo Perez, head analyst at Banco de Bogota SA, Colombia's second-biggest bank. The annual inflation rate climbed to 5.9 percent in March from 4.1 percent two years earlier and hit a four-year high of 6.4 percent in February. The central bank, Banco de la Republica, raised its interest-rate target 3.75 percentage points over the past two years to 9.75 percent to stem price rises.

“Inflation is a huge worry” Perez said. “We're not very optimistic.”

Slowing inflation in 2003 sparked a rally, prompting brokerages to hire traders. Inflation fell to a four-decade low by mid-2005 and the yield on the benchmark 2020 securities, known as TES, fell to a record 7.09 percent in February 2006.

Interbolsa's profit rose almost three-fold in 2005 to 45.2 billion pesos from 15.8 billion pesos in 2004. The bank used some of the earnings to expand its offices in Zona Rosa, a northern Bogota neighborhood known for sushi bars, French restaurants and five-star hotels.

“The traders were kings,” said Martinez.

Profits plummeted when inflation started to rise and the government clamped down on telephone trading in 2006, forcing traders to offer bonds on systems managed by the stock exchange and central bank. Interbolsa's earnings fell 49 percent in 2006 to 23.2 billion pesos.

The decline in trading forced the government to abandon its rule. Uribe signed a decree last week that allows telephone trading again in a bid to bolster the market.

Rey became a trader at Asesores, leaving his job as an analyst, after he saw traders driving \$160,000 [Porsche](#) Cayenne SUVs. He returned to research in October, when the brokerage shut down its proprietary desk. “Guys were coming in and making so much money in the first two hours of the day, they'd simply leave,” said Rey, who is now the firm's chief economist. “That dance, in which everyone made money, is over.”

With reporting by Guillermo Parra-Bernal, Alex Lange, Yalman Onaran and Caroline Salas in New York.