COUNTRY REPORT

Caribbean — Sovereign Credit / New Issue

Trinidad and Tobago

New Issue: USD Benchmark 12-Year Senior Unsecured Notes — Reiterating Neutral, Overweight the New Issue

Investment thesis: The Iran-conflict energy shock lifts Trinidad and Tobago's FY2025/26 hydrocarbon revenue outlook and modestly improves the fiscal trajectory, but structural production constraints, persistent transfer/subsidy rigidity and a rising debt-to-GDP ratio (above 70%) keep the credit story balanced rather than decisively better. We reiterate Neutral on the sovereign curve and see the new 12-year benchmark, marketed with a visible concession to the outstanding curve, as the more actionable expression of the view than the credit itself.

Issuer	Republic of Trinidad and Tobago
Instrument	New Senior Unsecured Notes, 12-year bullet
Size	USD Benchmark
Price talk (IPT)	+212.5bp area (~6.55% yield,estimate)
Ratings (issue)	Ba2 / BBB- (expected, consistent with existing curve)
Recommendation	Neutral (sovereign curve) / Overweight the new 2038 notes
Preferred entry	New 2038 notes at or near IPT; existing 2034/2036s as secondary-market cross-check

July 2026

Trinidad and Tobago is in the market with a new USD benchmark 12-year senior unsecured note (due July 2038), expected Ba2/BBB-, with price talk at approximately +212.5bp area. Proceeds are earmarked to redeem the 4.50% 2026 notes at maturity and for general budgetary purposes. We reiterate our Neutral recommendation on the sovereign curve and view the new notes as the more attractive expression of that view, given the concession on offer relative to the outstanding curve.

The fiscal backdrop is genuinely improving at the margin: the escalation of the Iran conflict and the associated closure risk around the Strait of Hormuz in late February pushed benchmark crude sharply higher, and we now estimate FY2025/26 hydrocarbon revenue roughly a quarter above our pre-shock baseline. Structural production constraints, however, limit how much of that windfall Trinidad and Tobago can actually capture, and the debt-to-GDP ratio has continued to climb through 70%, up from 66.3% in 2024.

At IPT, the new 2038 notes offer a yield of approximately 6.55% (Khorlan Capital estimate), a new-issue concession of roughly 12-19bp versus where the outstanding 2034s (194bp Z-spread) and 2036s (200bp) currently trade on a duration-adjusted basis. We see carry and a modest new-issue concession as the primary return drivers, with the credit re-rating itself contingent on confirmation, in the March/April fiscal data, that energy revenue is translating into a durable improvement in the primary balance.

FISCAL AND MACRO CREDIT ANALYSIS

Fiscal trajectory

The overall fiscal deficit narrowed only slightly to an estimated 4.9% of GDP in FY2024/25 from 5.2% in FY2023/24, a fifth consecutive year of double-digit-billion TTD shortfalls. Total revenue of roughly TTD 50.6bn (28.4% of GDP) remains below the FY2021/22 peak of TTD 54.6bn, which had been supported by exceptionally high energy prices, while expenditure of TTD 59.3bn (33.3% of GDP) continues to be dominated by transfers and subsidies (roughly 54% of spending). The debt-to-GDP ratio has risen from 66.3% in 2024 to approximately 70% as of February 2026.

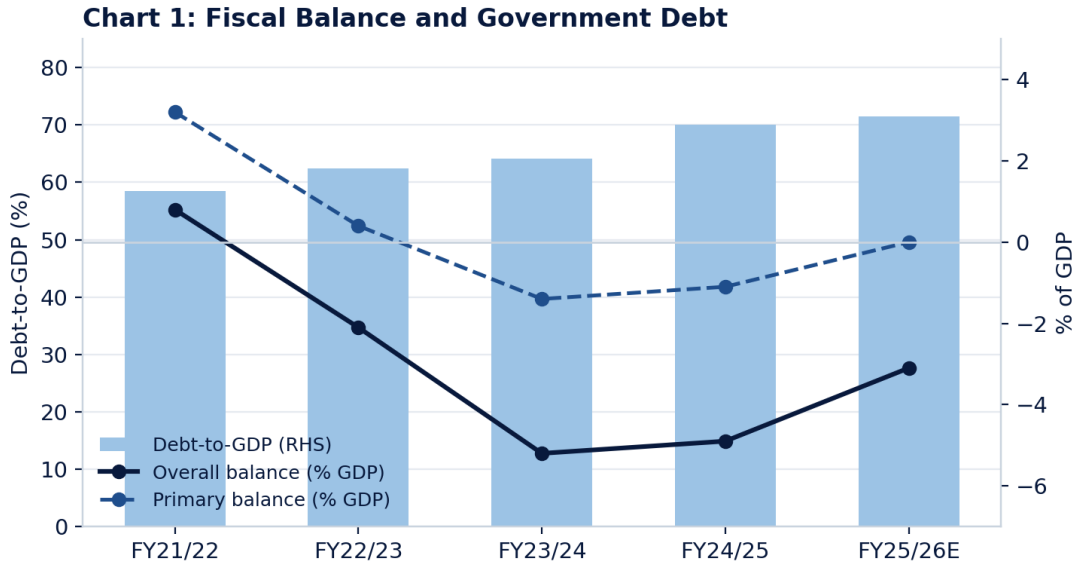

Figure 1. Debt-to-GDP has drifted structurally higher even as the primary balance stabilizes near breakeven.

Energy price upside

The FY2025/26 budget was built on a conservative USD 73.25/bbl oil assumption. The escalation of the Iran conflict pushed WTI from around USD 65/bbl to briefly near USD 119/bbl, with LNG benchmarks (JKM, TTF) moving even more sharply. We now model FY2025/26 average crude near USD 80/bbl, roughly a quarter above the prior baseline, which lifts projected hydrocarbon revenue for the year to an estimated TTD 15-16bn. Under this scenario we estimate the overall fiscal deficit narrows to approximately 3.1% of GDP with the primary balance close to breakeven.

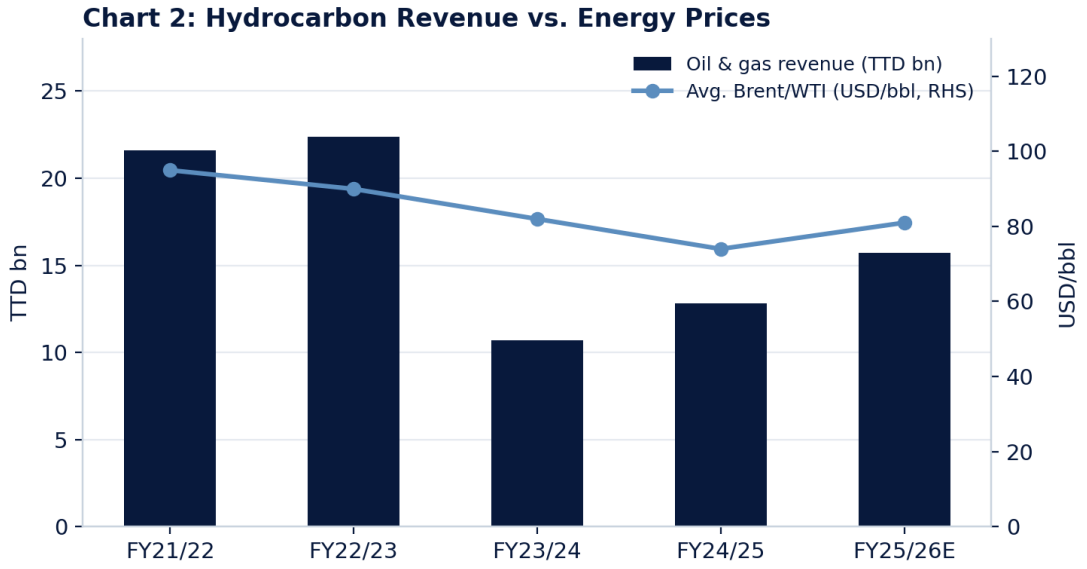

Figure 2. Hydrocarbon revenue tracks the energy-price cycle closely; structural output constraints cap the magnitude of the current windfall.

Structural constraints and medium-term catalysts

Production capacity, not price, remains the binding constraint on Trinidad and Tobago's ability to capture the windfall: we do not expect a meaningful increase in output in 2026. Medium-term catalysts include the potential reactivation of the Pointe-à-Pierre refinery (reportedly under discussion with international partners), and new upstream projects — Manatee, Mento and Coconut — scheduled from 2027, alongside the still-undecided Dragon gas field, which remains a latent but unconfirmed upside catalyst pending a final investment decision.

BOND CURVE STRATEGY & NEW-ISSUE POSITIONING

The table below sets out the outstanding TRITOB curve alongside our estimated positioning for the new 12-year issue. The curve is upward sloping and has steepened modestly over the past month as short rates eased while the belly and long end drifted higher.

Bond	Cpn	Maturity	Bid	Ask	YTM	Z-sprd	Rating	Khorlan View
TRITOB	4.500	4-Aug-2026	99.86	100.07	6.44	113	Ba2/BBB-	Hold to maturity
TRITOB	5.875	17-May-2027	100.55	101.06	5.19	89	Ba2/BBB-	Neutral
TRITOB	4.500	26-Jun-2030	96.16	96.60	5.59	151	Ba2/BBB-	Neutral
TRITOB	5.950	14-Jan-2031	100.61	101.14	5.79	169	Ba2/BBB-	Neutral
TRITOB	6.400	26-Jun-2034	101.94	102.52	6.09	194	Ba2/BBB-	Rich to new deal
TRITOB	6.500	28-Jan-2036	102.26	102.81	6.18	200	Ba2/BBB-	Rich to new deal
TRITOB (New)	**~6.55 (IPT)**	**16-Jul-2038**	**New issue**		**~6.55**	**~212.5**	**Ba2/BBB- (exp.)**	**Overweight**

Source: Bloomberg, Khorlan Capital estimates. New-issue row reflects initial price talk; final terms subject to change at pricing.

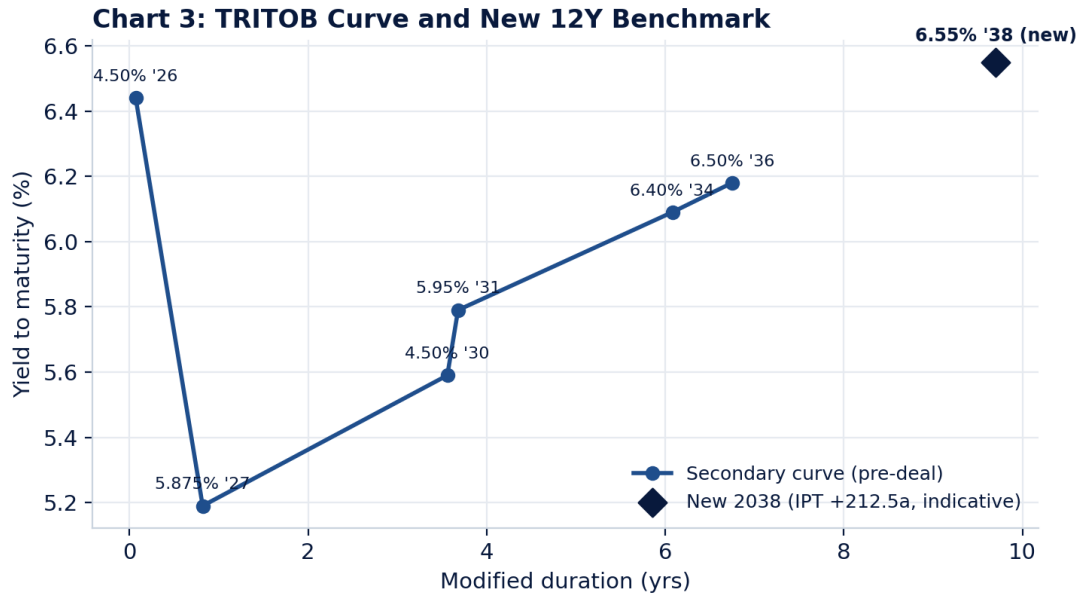

Figure 3. The new 2038 benchmark screens with a modest concession to the belly/long end of the outstanding curve.

Curve shape: the new 12-year benchmark is being marketed at initial price talk of approximately +212.5bp, a roughly 12-19bp concession to where the outstanding 2034s (194bp) and 2036s (200bp) currently trade, consistent with a new-issue premium typical for a benchmark-sized EM sovereign deal. Proceeds are earmarked to redeem the 4.50% 2026 notes at maturity and for general budgetary purposes — a liability-management-friendly use of proceeds that should support the deal's reception.

Preferred maturity: the new 2038 point, for the new-issue concession and improved on-the-run liquidity versus the seasoned 2034/2036s. Rich: TRITOB 6.40% 2034 and 6.50% 2036, which have compressed back to pre-conflict spread levels and screen tight relative to the new deal. Roll-down is limited in the belly given the curve's relatively flat 3-7yr segment; it is more visible in the 7-12yr segment where the new bond sits.

RELATIVE VALUE

Against BB/BB+ rated sovereign peers, TRITOB trades wide of the median BB+ credit (approximately 105bp) but inside several BB names with weaker external buffers. The rating-adjusted picture is broadly fair: Trinidad and Tobago's net hydrocarbon-exporter status and moderate external liquidity justify a spread inside higher-beta oil importers, but the rising debt-to-GDP trajectory argues against paying up to trade through the BB+ median.

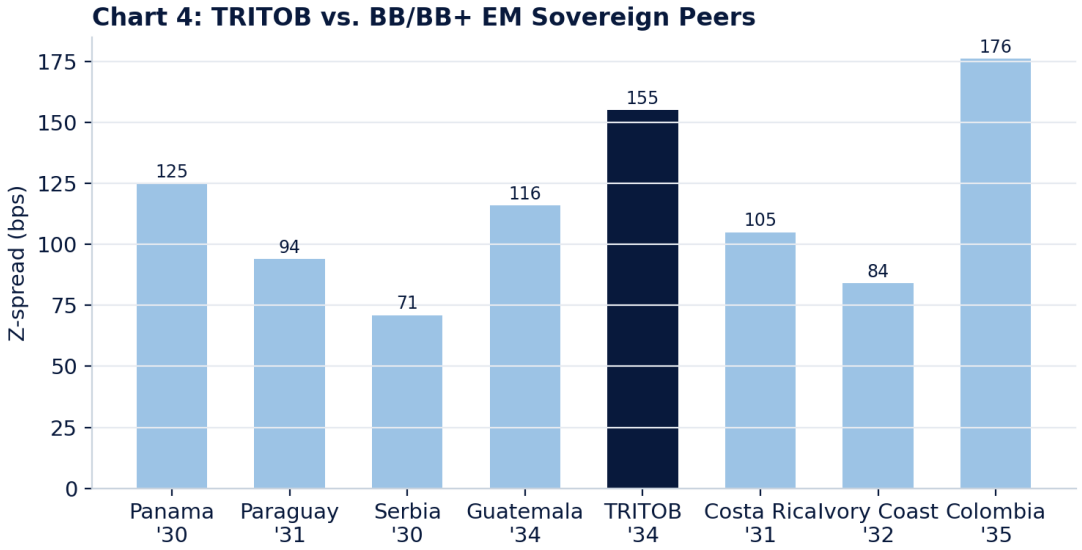

Figure 4. TRITOB spreads sit between the BB+ median and wider BB-rated peers — broadly fair for the rating.

Spread differential to the BB+ median of roughly 50bp is consistent with TRITOB's higher debt load and weaker fiscal trend versus higher-rated peers. Liquidity premium: the new benchmark should improve on-the-run liquidity versus the seasoned 2034/2036 bonds. Event risk (energy price reversal, wage settlements) appears adequately, not generously, compensated at current levels, and the sovereign curve screens broadly in line with the EM USD sovereign HY index on a duration-adjusted basis, arguing against a directional spread-compression trade at current levels.

CREDIT VIEW

Trinidad and Tobago — New 12Y Senior Unsecured Notes

Recommendation: Neutral (sovereign curve) / Overweight the new 2038 notes
Preferred bond: New 2038 notes at or inside IPT +212.5bp
Valuation: ~12-19bp new-issue concession to the outstanding 2034/2036 curve
Catalyst: March/April fiscal print confirming energy-revenue pass-through; final pricing and allocation on the new deal
Main risk: Reversal of the energy-price windfall; pending public-sector wage/backpay settlements pressuring expenditure

KEY RISKS

- Commodity/energy risk: a reversal of the Iran-conflict energy-price premium would remove the primary fiscal tailwind behind the current view.
- Structural production constraints: Trinidad and Tobago cannot fully capitalize on higher energy prices given capacity limits, capping the upside case.
- Expenditure rigidity: pending multi-year public-sector wage and backpay settlements could erode recent spending discipline.
- Debt sustainability: continued drift in the debt-to-GDP ratio above 70% would pressure the credit absent faster fiscal consolidation.
- Spread risk: TRITOB spreads have already normalized to pre-conflict levels, limiting room for further compression; broader EM sovereign spread widening would pressure secondary performance.
- Rates risk: as a fixed-coupon bullet, the new notes carry standard duration risk to US rates.
- New-issue/allocation risk: final pricing and allocation could move tighter than IPT, reducing the concession available to investors.

CONCLUSION

We reiterate a Neutral stance on the Trinidad and Tobago sovereign curve: the energy-price shock is a genuine fiscal tailwind, but production constraints, a debt-to-GDP ratio above 70% and unresolved spending rigidities keep the credit story balanced rather than compelling, and spreads have already normalized back to pre-conflict levels. The new 12-year benchmark is the more attractive expression of the view, offering a visible concession to the outstanding curve and improved on-the-run liquidity.

We would move to Overweight the sovereign credit more broadly on confirmation, in the March/April fiscal data, that the energy windfall is translating into a durable improvement in the primary balance; we would move to Underweight on evidence that wage/backpay settlements are eroding the recent expenditure discipline. We would revisit our target OAS on the new issue upon final pricing and allocation details.

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