S&P Reaffirms T&T Rating, Outlook Unchanged: Implications For Investors

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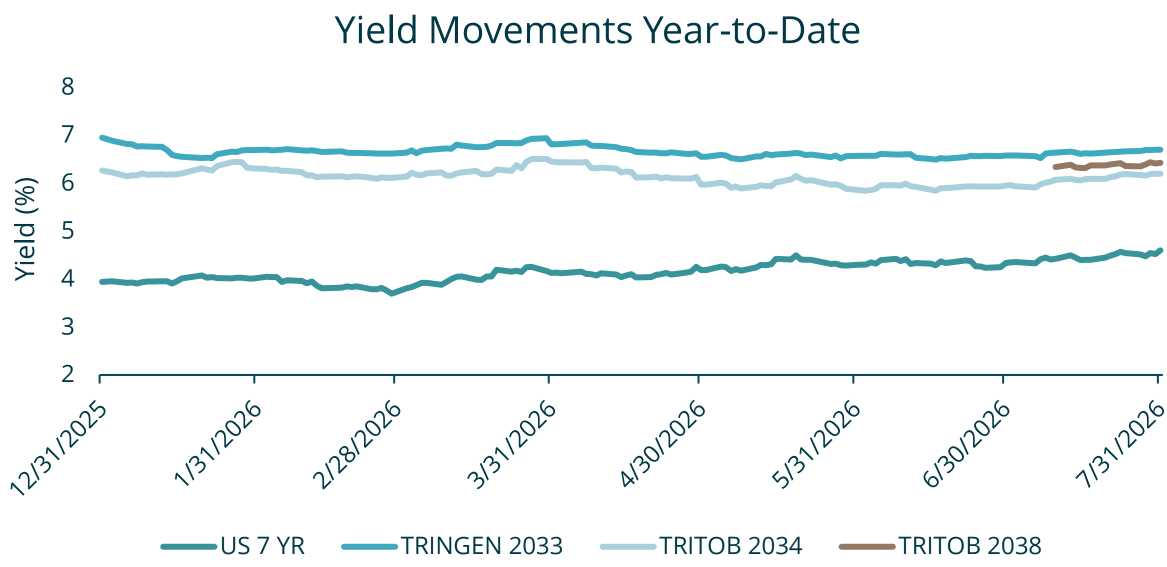
S&P Affirms Investment Grade Rating, But Challenges Persist

In July 2026, S&P Global Ratings reaffirmed Trinidad and Tobago's BBB-/A-3 sovereign credit ratings while maintaining its negative outlook. The country's investment-grade status was preserved but the rating agency signalled that credit risks remain elevated.

The affirmation reflects the country's substantial financial assets, an expected increase in government revenues over the next few years, and an improvement in energy sector output in the short to medium term. However, continued concerns regarding weak long term economic growth, limited progress on diversification, ongoing fiscal pressures and a gradual erosion of fiscal buffers continue to weigh on the outlook. As a result, a possible downgrade over the next 12 months is likely if fiscal, economic and external metrics fail to improve.

Market reaction was muted, considering investors have been operating under a negative outlook since September 2025. While sovereign T&T bond yields moved higher in the days following the announcement, the increase was consistent with an upward trend in U.S. treasury yields, suggesting that broader dynamics were primarily responsible for the market movement.

Corporate bond performance was also relatively stable, pointing to limited impact from the sovereign rating action. This suggests that much of the impact had already been priced.



What This Means For Investors

For investors the rating decision provides near term confidence. The limited market reaction indicates that that investors remain comfortable with the country's current ability to meet its obligations and concern about a potential downgrade is not an immediate driver of performance.

Investor focus is likely to remain on factors that determine whether the BBB- rating can hold over the medium term. These include fiscal performance, foreign exchange availability, economic diversification and growth from new energy projects among other things.

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Market/ Trade Activity
Overall trade activity and sentiment among Trinidad & Tobago sovereign bonds is little changed, while activity in corporate names such as TRINGEN remains relatively inactive.

- TSTT is reportedly considering refinancing its 2029 USD bond, subject to prevailing market conditions. Since the announcement, prices of the TSTT note have fallen. Trade volumes however remain small.

- Additionally, the recently issued TRITOB 2038 continues to trade below issue price as primary investors exit and new holders buy to gain exposure.

Country / Issuer	Coupon	Maturity	S&P	Indicative Offer Level	Indicative Offer Yield
Trinidad & Tobago	5.88%	5/17/2027	BBB-	100.95	4.62%
Trinidad & Tobago	4.50%	6/26/2030	BBB-	96.65	5.46%
Trinidad & Tobago	5.95%	1/14/2031	BBB-	100.7	5.76%
Trinidad & Tobago	6.40%	6/26/2034	BBB-	101.7	6.12%
Trinidad & Tobago	6.50%	1/28/2036	BBB-	101.55	6.28%
Trinidad & Tobago	6.20%	7/16/2038	BBB-	98.5	6.38%
TPHLTT	9.00%	8/12/2029	BB	102.75	2.25%
TCMSTT	8.88%	10/18/2029	BB-	102.5	7.45%
TRNGEN	7.75%	6/16/2033	BB+	105.15	6.63%
POSWDL	7.88%	2/19/2040	NR	103.95	7.08%
NGCTT	6.05%	1/15/2036	BBB-	94.35	6.87%

What Happens If A Downgrade Occurs?

A future downgrade could have more significant implications for both sovereign and corporate issuers including:

- Higher borrowing costs, particularly for new debt issuances, as investors demand greater compensation for perceived credit risk. Existing bond holders may experience a decline in bond prices.
- Wider credit spread on T&T international bonds relative to the benchmarks
- Potential rating pressure on corporate bonds, particularly those linked to the sovereign.
- A possible slowdown in participation or a drop in demand for bonds from some institutional investors.

The extent of the market's reaction will largely depend on investor confidence in the long term economic trajectory. Given that much of the sovereign debt matures over the medium to long term any action and outlook revision will remain dependent on the country's fiscal and economic fundamentals.

About Sheppard

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