



JANUARY HIGHLIGHTS:

- **January's EM hard currency bond gross issuances were the largest since at least 2011, at \$58.3bn (\$56.9bn, Jan. 2024) supported by attractive yields and looser financial conditions.** Sovereign spreads have tightened on net for both emerging (-86bps, y/y) and frontier markets (-338bps, y/y). Notably EM high-yield sovereign spreads have rallied (-248bps, y/y) amid investor optimism over debt restructurings.
- **Sovereign issuance amounted to \$41.1bn in January across nine issuers, just shy of the \$44.3bn from a year ago.** Issuance was driven by sovereigns in Latin America and the Middle East and Northern Africa as Saudi Arabia (\$11.9bn) and Mexico (\$11bn) accounting for over half of the total. Other notable issuance included Indonesia (\$3.4bn) who split financing into four tranches between 5-year and 12-year maturities as well as the Philippines (\$3.3bn) who sold their largest amount since 2011. Chile also issued \$3.3bn. Among frontier and low-income countries, Benin (\$0.5bn) issued dollar bonds for the first time in nearly a year at a 16-year maturity, while Egypt (\$2bn) returned to markets after nearly two years with two tranches at 5-year and 8-year maturities.
- **Nonfinancial corporate issuance totaled \$18.7bn, higher than the past three Januarys, but below the September 2024 recent high (\$24.9 bn).** Only \$1bn was sold through Chinese corporates compared to \$5.8bn in November 2024. Nearly two thirds came from Latin America, specifically \$3.2bn from Brazil and \$2bn from Chile, and most of the debt was high yield.
- **EM sovereign spreads tightened on net by 86bps in January compared to last year, benefiting from the broad risk rally.** Frontier sovereign spreads also tightened 338bps over the past year. Similar trends were observed across sectors as investment grade and high yield spreads have tightened 15bps and 185bps, respectively. Investor optimism for high yield bonds have risen amid debt restructurings and fiscal reforms. Sri Lanka sovereign spreads tightened 2,387bps in December following its debt restructuring, while spreads in Honduras rose 41bps.
- **Hard currency bond fund outflows have persisted so far in 2025 with cumulative net outflows of \$1.8bn, above the same level of outflows the year before.** Local currency inflows, however, rose \$2.9bn in January while blended fund outflows moderated \$0.2bn. Returns over the past month have recovered since late last year.
- **Sovereign ratings for long term foreign currency credit were mixed in January, with two upgrades and two downgrades.** Fitch upgraded El Salvador's rating to B-, anticipating fiscal consolidation tied to the IMF's EFF program in late December, while Moody's raised Argentina's rating by one notch and improved their outlook. Conversely, Fitch downgraded Gabon's rating to CCC amid heightened liquidity strains and lowered Bolivia's rating by one notch due to growing uncertainty over its ability to service amortizations amid critically low external liquidity.
- **Higher US rates are expected to weigh on EM issuance in the coming months.** Although 10-year Treasuries have risen since the Fed began its cutting cycle, yields have since retreated from their mid-January peak. Nonetheless, several countries are planning international issuances later this year. Colombia aims to raise \$3.6bn to finance its fiscal deficit, while Peru plans to issue up to three sovereign bonds. Mongolia, buoyed by multiple November upgrades, is also set to issue, and Kuwait is expected to enter the market for the first time in eight years.

Overview

Chart 1. Pace of EM Sovereign and Corporate International Issuance

(USD billions, ex. CHN corporates, range since 2011)

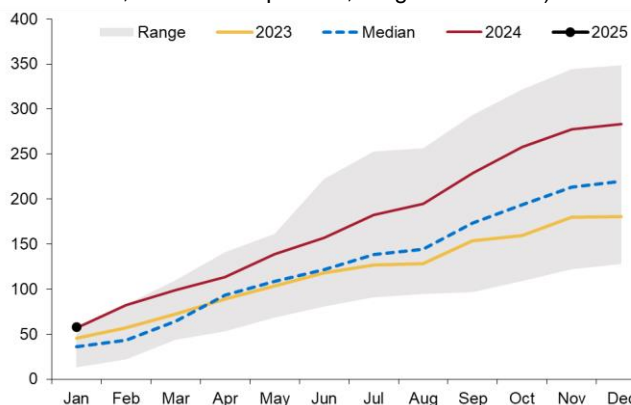
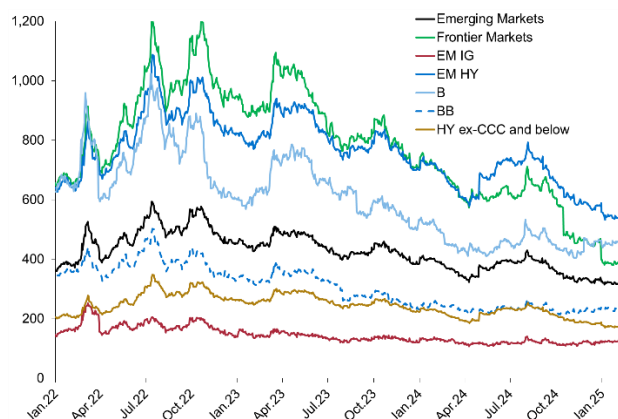


Chart 2. Emerging and Frontier Market Spreads (Basis points)



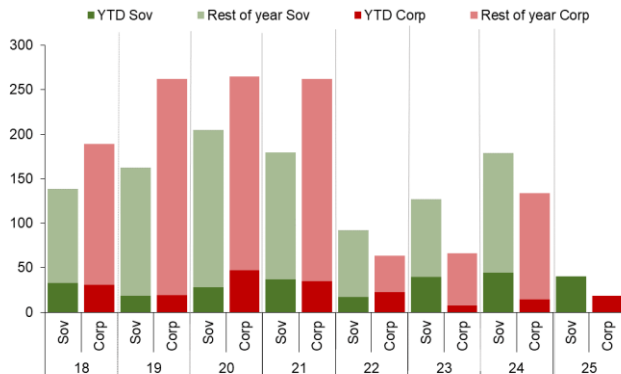
This monitor is produced by MCMGA. It captures international issuance, predominately denominated in hard currencies, and does not include domestically issued bonds in any currency. Issuance totals refer to proceeds.

Sources: Bloomberg, Bond Radar (issuance), EPFR (fund flows), JPMorgan (spreads), analyst reports, and IMF Staff.

Issuance Detail: Emerging Market Corporates and Sovereigns

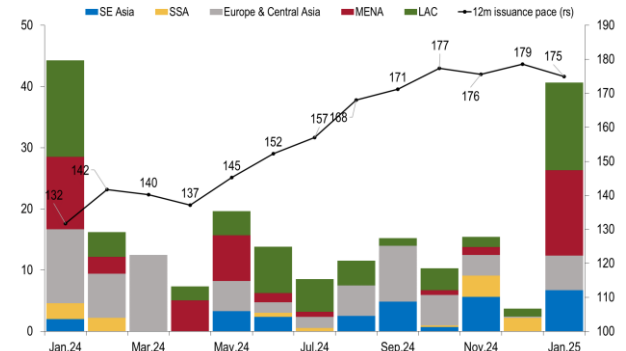
Corporate issuance so far this year is already above its 2024 level, while sovereign issuance is a little behind.

Chart 3. Total Sovereign and Corporate Issuance
(Historical monthly patterns, USD billions)



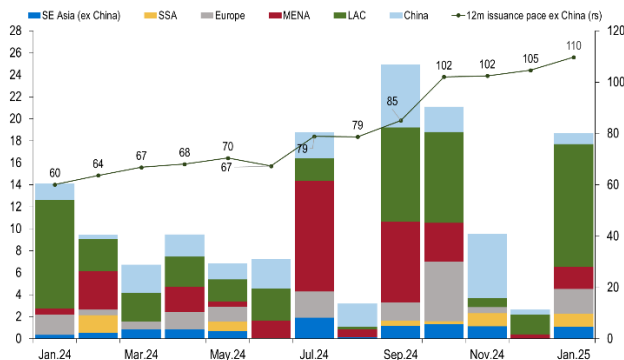
Sovereign issuance from Southeast Asia rose in January compared to last year, with notable issuance from Indonesia (\$3.4bn) and the Philippines (\$3.3bn).

Chart 4. EM Sovereign International Bond Issuance by Region
(USD billions)



Corporate issuance improved from January 2024 led by increased supply Brazil, Chile, Mexico, and Colombia.

Chart 5. Corporate International Bond Issuance by Region
(USD billions)



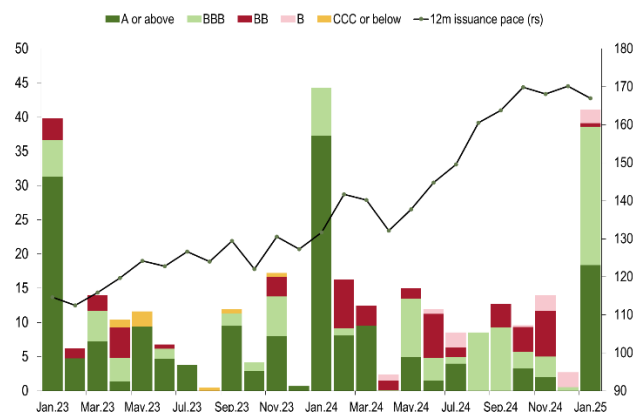
Seven sovereigns have tapped the primary markets since so far this year.

Chart 6. Country Sovereign Issuance Totals
(USD billions)

Issuer	2024	Oct-24	Nov-24	Dec-24	Jan-25
Romania	18.4	0.2	0.3	0.2	-
Saudi Arabia	16.6	-	-	-	11.9
Poland	15.9	3.3	0.6	-	3.1
Turkey	12.8	-	2.5	-	-
Indonesia	11.0	-	2.8	-	3.4
Mexico	10.7	-	-	-	11.0
United Arab Emirates	8.9	0.8	-	-	-
Chile	7.8	-	-	-	3.3
Brazil	6.4	-	-	-	-
Colombia	5.0	3.6	-	-	-
China	4.9	0.7	2.0	-	-
Peru	4.8	-	-	-	-
Bulgaria	4.8	-	-	-	-
Philippines	4.5	-	-	-	3.3
Hungary	4.3	-	-	-	2.6
South Africa	3.5	-	3.5	-	-
Uruguay	3.4	-	-	0.3	-
Bahrain	3.3	-	1.3	-	-
Panama	3.1	-	-	-	-
Dominican Republic	3.0	-	-	-	-
Côte d'Ivoire	2.6	-	-	-	-
Qatar	2.5	-	-	-	-
Nigeria	2.2	-	-	2.2	-
El Salvador	1.9	-	1.0	-	-
Croatia	1.6	-	-	-	-

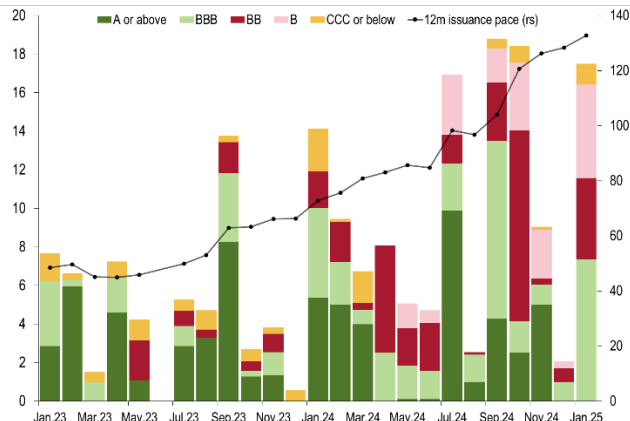
The majority of sovereign hard currency issuance in January was investment grade.

Chart 7. Sovereign Hard Currency Issuance by Rating
(USD billions; Percent)



A higher proportion of corporate debt issued in January was high yield than the past three months.

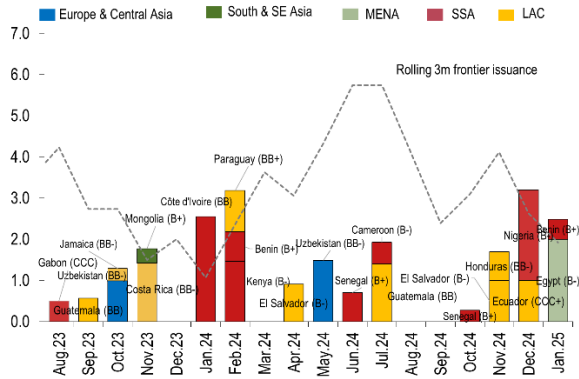
Chart 8. Corporate Hard Currency Issuance by Rating
(USD billions)



Issuance Detail: Emerging Market Corporates and Sovereigns

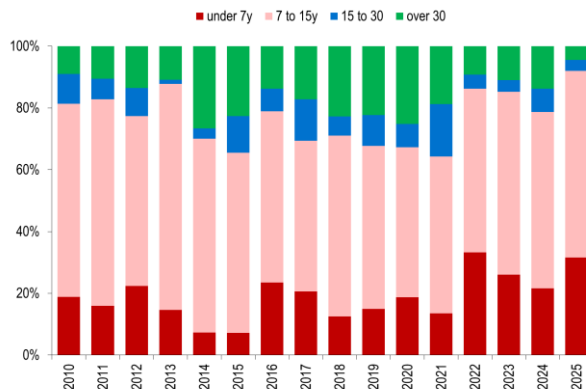
Benin (\$0.5bn) re-entered international markets after nearly a year, while Egypt (\$2bn) took nearly two years to return.

Chart 9. Frontier Sovereign Issuance by Rating
(USD billions)



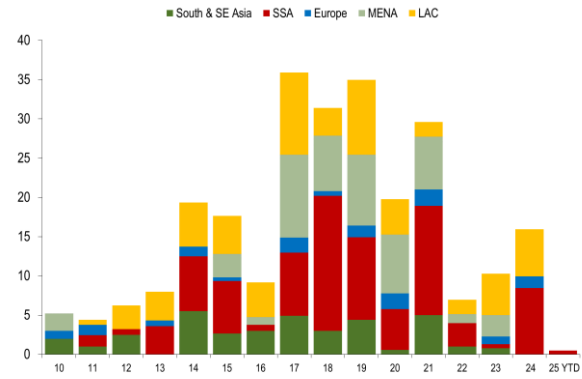
The average maturity has notably decreased so far this year and remains behind that seen in 2017-2021.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)



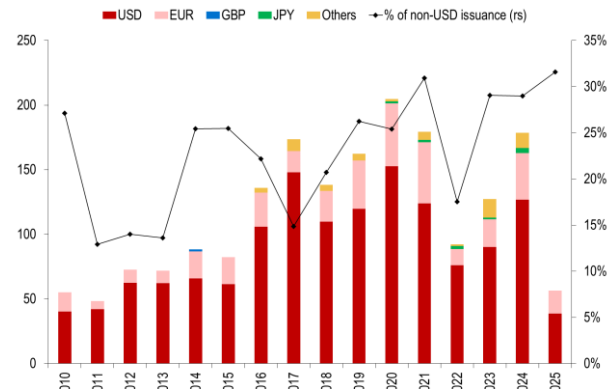
Frontier issuance in 2024 surpassed 2022 and 2023 levels, reflecting improvements in market access for sub-Saharan African economies.

Chart 10. Frontier Sovereign Issuance by Region
(USD billions)



US dollar denominated account for roughly somewhat less than 70% of total international bond issuances, down from last year.

Chart 12. EM Sovereign Issuance by Currency
(Percent)



Upcoming Amortizations

The pace of redemptions is expected to pick-up in the coming months, especially in early 2025. Near term amortizations include Philippines, Türkiye, and Saudi Arabia.

Chart 13. EM Sovereign Maturities by Rating
(USD billions)

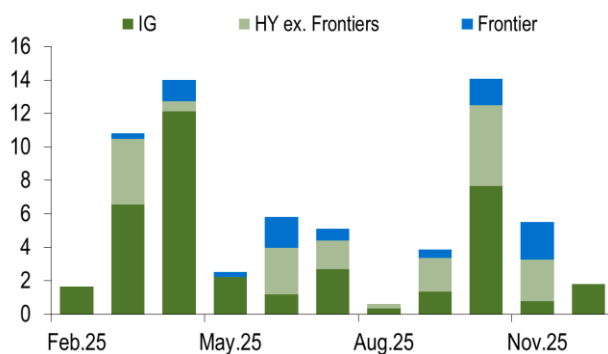
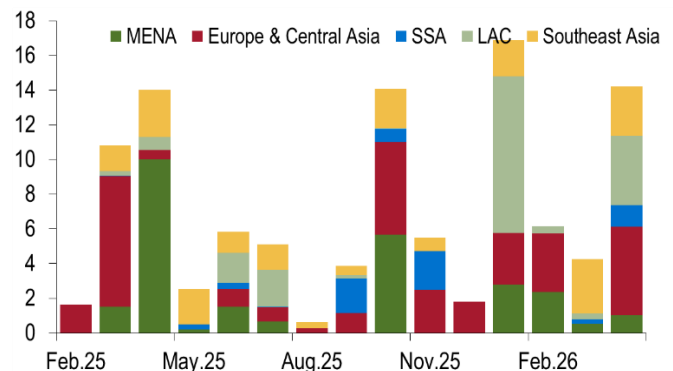


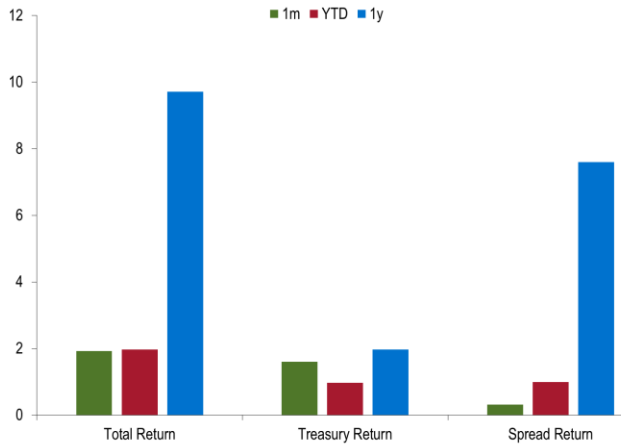
Chart 14. EM Sovereign Amortizations by Region
(USD billions)



Fund Flows and Bond Returns

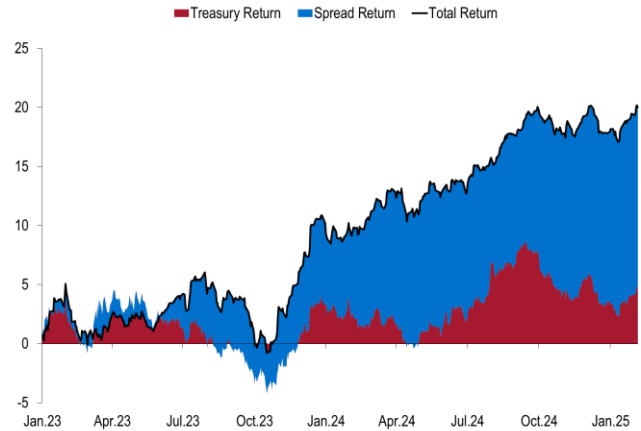
Returns have picked up pace notably on the back of the recent rally in US Treasury combined with tightening EM sovereign spreads.

Chart 15. Sovereign Hard Currency Bond Returns
(Percent)



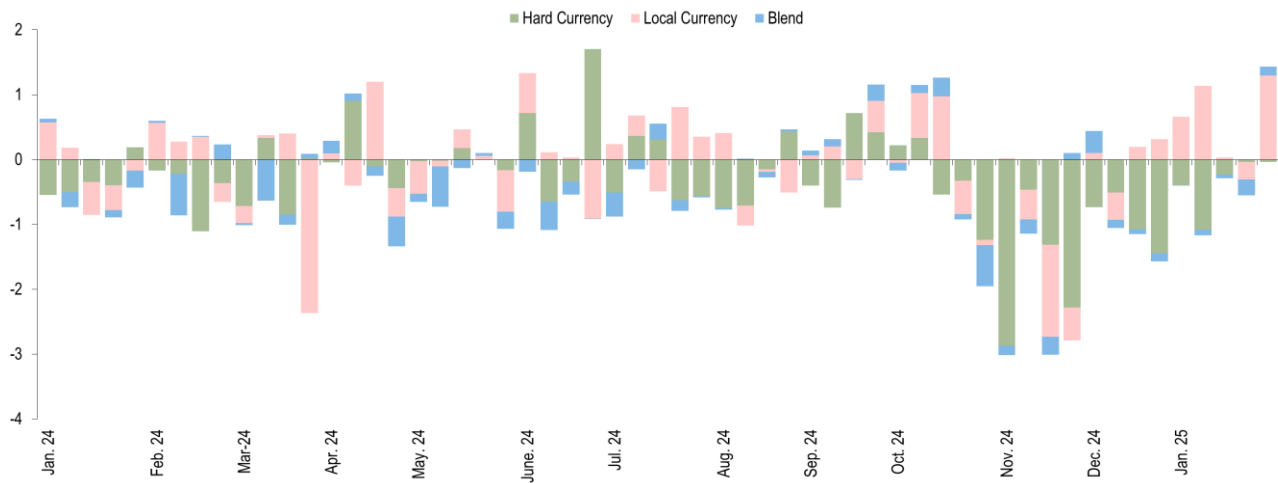
The recent fall in treasury yields has wiped out some of the losses seen over since September.

Chart 16. Sovereign Hard Currency Bond Returns
(Percent, cumulative since Jan. 23)



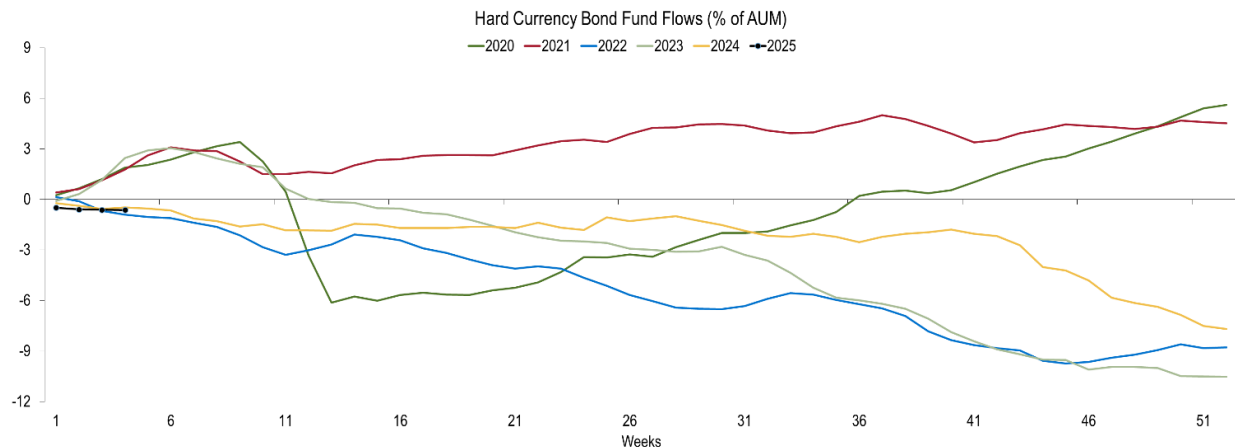
Net inflows were positive in January led by local currency funds, .

Chart 17. ETF and Mutual Fund Flows
(USD billions)



Hard currency bond funds' flows remain weak, but not nearly so severe as was seen the prior two years.

Chart 18. Hard Currency Fund Flows
(Percent of AUM, cumulative, by year)



Sovereign Spreads and Yields

EM HC sovereign spreads mostly tightened in January. Sri Lanka was a clear top performer as its index spread fell over amid a bond exchange.

Chart 19. Major Laggards and Gainers Last Month on Credit Spreads

(Basis points; restricted to issuers with spreads below 2500)

Top-10 Leaders			Top-10 Laggards		
try	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Sri Lanka	(2,387)	328	Philippines	1	83
Ecuador	(315)	903	Costa Rica	1	201
Suriname	(160)	416	Namibia	1	137
Gabon	(138)	766	Qatar	2	63
Ukraine	(115)	729	Morocco	3	155
Mozambique	(102)	978	United Arab Emirates	3	98
Ghana	(79)	578	India	5	92
Bolivia	(62)	2,026	Trinidad And Tobago	5	214
Iraq	(59)	215	Chile	6	126
Pakistan	(48)	603	Jordan	6	340
Senegal	(33)	534	Uruguay	7	94
Brazil	(30)	219	Kazakhstan	9	94
Zambia	(25)	(80)	South Africa	10	281
Kuwait	(20)	28	Jamaica	10	165
Armenia	(19)	246	Honduras	41	421

The median yield has increased some but remains below 7% and more than 30% of issuers have yields above 8 percent.

Chart 20. Distribution of Yields in EM Bond Index
(Share, 4-week average)

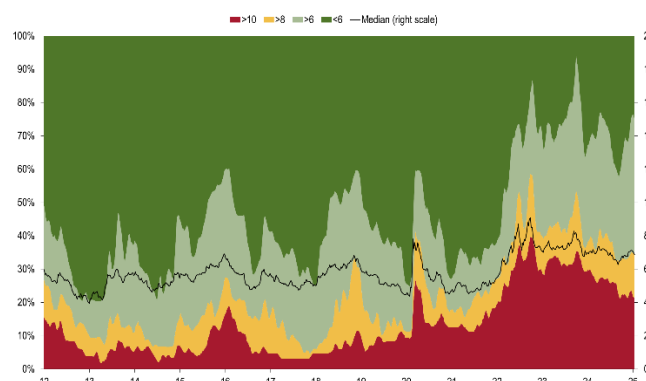


Chart 21. Spreads by Rating and Country

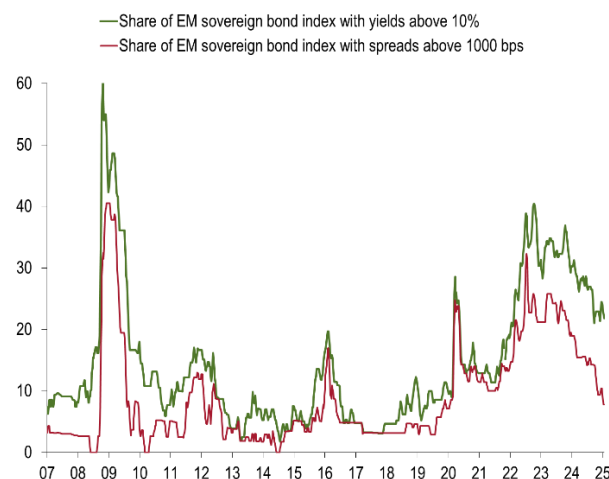
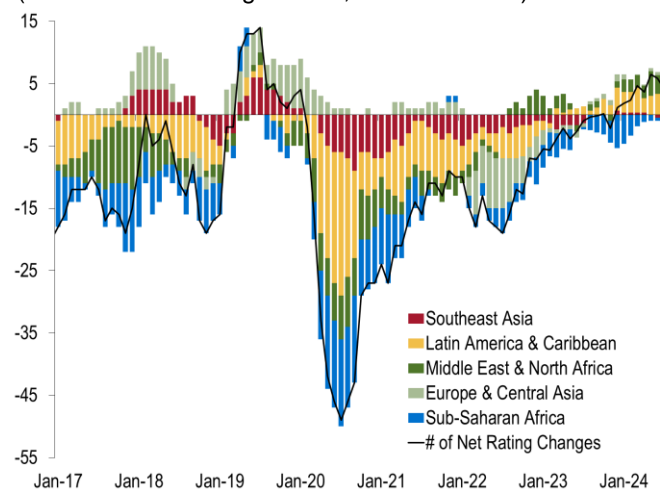
(Basis points, median rating)



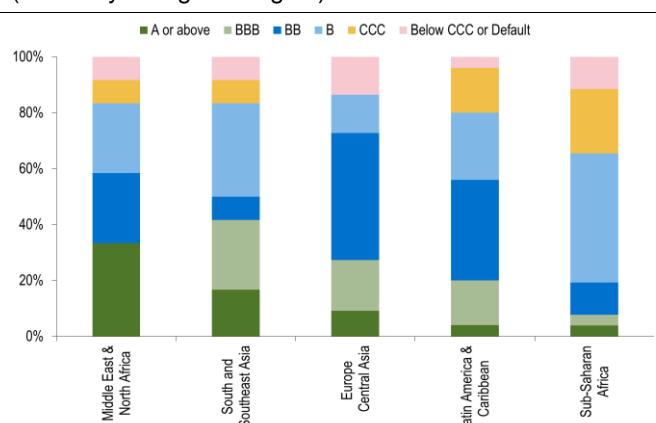
Annex

Annex Table 1. Issuance Coupons by Rating, Sovereign USD bonds
(Percent)

Maturity (yrs)	A or above			BBB			BB			B		
	<7	7 to 15	>15	<7	7 to 15	>15	<7	7 to 15	>15	<7	7 to 15	>15
Jan.21	3.1	2.9	3.2	4.9	6.1	4.7	5.3	4.7				
Feb.21								3.9	6.7			
Mar.21	4.4	3.5	3.3					5.5	8.5			
Apr.21	3.3	3.1	3.7		2.8							
May.21		4.4	2.8									
Jun.21	2.6	3.0	3.1	4.9	4.8	4.4		4.9	4.5			
Jul.21	3.2	2.9	2.9				6.0	7.9	7.4			
Aug.21												
Sep.21		2.9	2.6	6.1	5.0		7.3	7.6	6.8			
Oct.21	2.8	3.0	3.2			5.2						
Nov.21		2.3	3.3					3.9	5.6			
Dec.21												
Jan.22	3.6	3.8	3.5	3.8						8.0		
Feb.22					5.8		7.3	7.5				
Mar.22	4.2	3.9	3.6				8.5					
Apr.22				7.3	5.9				8.8			
May.22	5.0	5.3										
Jun.22	5.0	5.3	4.8									
Jul.22												
Aug.22	4.9	6.0			5.3							
Sep.22		4.7	4.8									
Oct.22	5.5	5.5					9.8					
Nov.22	5.5	6.6		8.0				9.9	9.9			
Dec.22												
Jan.23	5.1	5.9	4.7	6.8	7.5	6.3		9.4				
Feb.23	6.5							10.9				
Mar.23	5.8	6.6	5.5		6.5	6.3				9.4		
Apr.23		6.3			6.8		6.3	8.4				
May.23	4.4											
Jun.23		5.0	5.3		6.2							
Jul.23	6.4											
Aug.23												
Sep.23	6.1	6.1		7.1								
Oct.23		3.4				7.9						
Nov.23	5.6	6.1		6.3	8.0		7.9	8.5				
Dec.23												
Jan.24	5.5	5.3	4.8	7.0								
Feb.24		7.1	7.8	7.0			7.7	7.9	7.6			
Mar.24	5.5	5.1	4.6				7.3					
Apr.24					8.4		0.3	9.3				
May.24	5.4	5.3	5.3	6.9								
Jun.24	4.9	6.4		6.1	6.0	5.1						
Jul.24					6.6	6.1	7.1	9.5				
Aug.24	5.5	5.0	4.4									
Sep.24	5.2	5.3		6.5								
Oct.24	5.5	5.1		8.1			7.8					
Nov.24		4.5		6.8	8.3							
Dec.24							10.0					
Jan.25	6.0	5.6	6.0	8.4			9.5	8.6				

Annex Table 2. Share of Distressed Issuers in EM Bond Index
(Share, 3-week average)

Annex Table 3. Net Ratings Updates
(Number of net rating actions, six month sum)

Annex Table 4. Latest Ratings Actions

	New Median rating	Latest			End Dec. 24		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
EL Salvador	B-	B-	B-	B3	B-	CCC+	B3
Gabon	CCC	NR	CCC	Caa2	NR	CCC+	Caa2
Argentina	CCC	CCC	CCCu	Caa3	CCC	CCCu	Ca
Bolivia	CCC-	CCC+	CCC-	Caa3	CCC+	CCC	Caa3

Annex Table 5. Ratings by Region
(Share by rating and region)


Note: Annex Table 4 incorporates S&P, Fitch, and Moody's ratings agencies. Size of ratings adjustment not reflected; a ratings change by any agency counts as "1".