

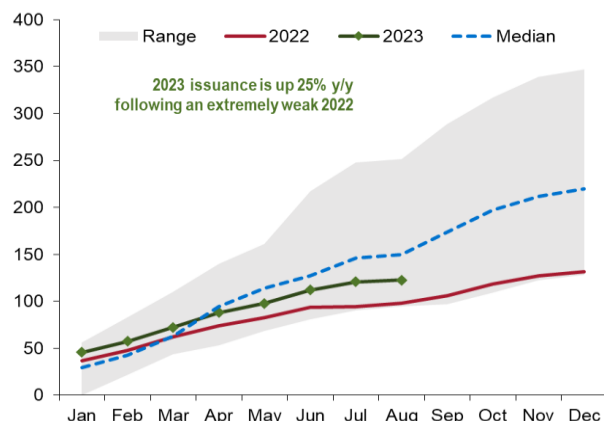


## AUGUST HIGHLIGHTS:

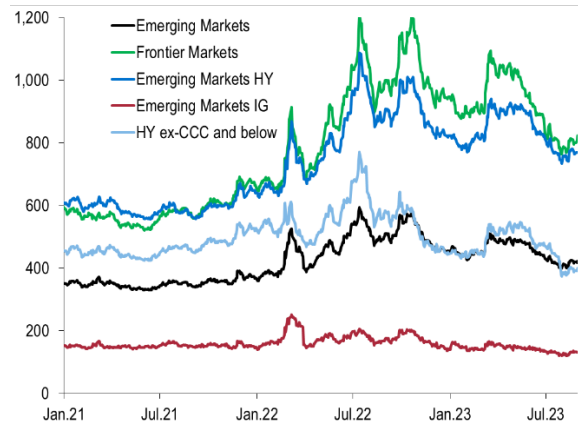
- **Total monthly EM bond issuances moderated to \$5.2 bn in August (from \$9.1 bn in July and \$15.0bn in June)**, due to the slowdown during the summer months. Sovereign and corporate issuances (ex. China) YTD remain below the historical median, as a very strong January for sovereigns has been offset by fairly pedestrian issuances since. Total YTD issuance is up +13% y/y (+25% y/y ex. CHN corp.) after a historically weak 2022.
- **Sovereign issuance edged lower to only \$0.5 bn in August**, with Gabon issuing a blue bond as part of a “debt-for-nature” transaction, a first for Africa involving private creditors. **Sovereigns rated A or above accounted for 34% of YTD issuance.** Sovereign issuance of \$87 bn YTD is up 42% y/y, which is the 50<sup>th</sup> percentile (YTD to August) since 2011, but still around 20% below the 2017-2021 average.
- **Nonfinancial corporate issuance also moderated, to \$4.7 bn in August**, led by Chinese corporate issuances despite the weak market sentiments. Chinese corporate issuances was at \$3.4 bn during the month, the largest since Nov, 2021, predominantly contributed by China Life Insurance’ \$2.0 bn 10-year bond issuance. Nonetheless, monthly volume remains below the 2018-2021 avg. of \$10 bn. EM ex. CHN contributed \$1.3 bn, led by Chile Electricity’s \$784.25 mn government-guarantee issuance.
- **Secondary market for hard currency EM sovereigns’ spreads widen +24 bps in August, led by high yield issuers (+46 bps).** Investment grade sovereigns’ spreads widen marginally (+7 bps) and continue to trade near historical tight. High yield excluding CCC and below also widen +21 bps, but remains ~40 bps tighter YTD. Frontier spreads widen 60 bps, led by distressed issuers, notably Bolivia (+286 bps) and Egypt (+200 bps).
- **Credit ratings actions were broadly balanced during August.** S&P upgraded Armenia’s and Republic of Bosnia and Herzegovina’s ratings to BB- (median BB-) and B+ (median B), respectively. Moody’s also upgraded Barbados’ rating to B3 (median B-). S&P downgraded Cameroon’s rating to CCC+ (median CCC+), while Fitch also downgraded Ecuador’s rating to CCC+ (median CCC+). Moody’s downgraded Niger’s ratings to Caa2, while placing the rating under review for further downgrade.
- **Hard currency fund outflows accelerated in August, following amidst concerns over China’s growth alongside rise in Treasury yields.** Outflows for the five weeks ending 30 August, was 3% of total AUM. YTD returns of 3.4% have been driven primarily by spreads, with Treasuries performance continue to drag the asset class returns in recent weeks.
- **Market remains open for issuers with stronger fundamentals, but issuance is likely to remain sluggish.** The recent sell off in Treasuries and limited refinancing needs may suppress issuance for most sovereigns in the next few months. Moreover, the bifurcation of the asset class has broadly continued, and several lower rated frontier issuers still struggle with market access. According to market analysts, sovereigns with largest issuance expectations for the remainder of the year include Indonesia, Mexico, China, South Korea, and Turkey.

## Overview

### 1. Pace of Sovereign and Corporate Issuance (USD billions, ex. CHN corporates, range since 2011)



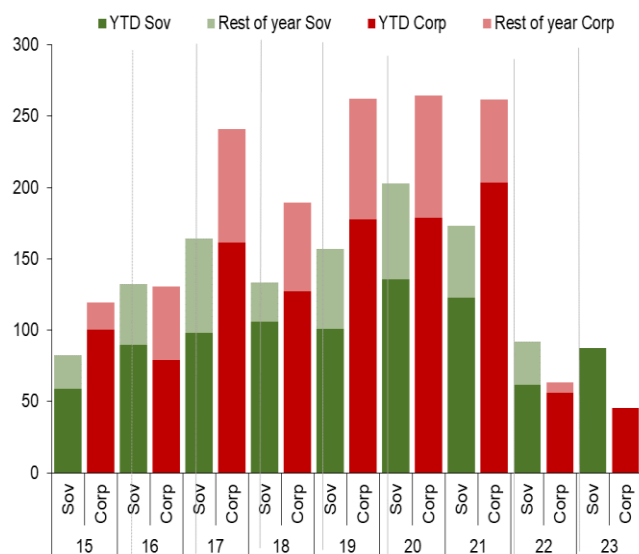
### 2. Emerging and Frontier Market Spreads (Basis points)



## Issuance Detail: Emerging Market Corporates and Sovereigns

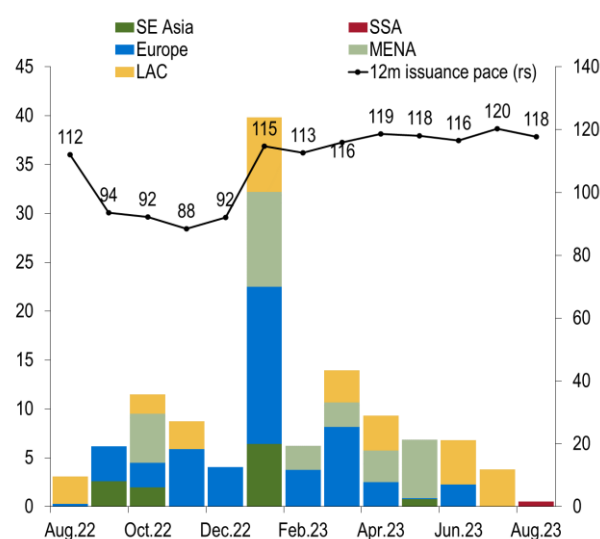
Corporate issuance has slowed further in 2023, while sovereign issuance continues to near 2022's issuance levels largely due to a historically weak 2022

**Chart 3. Sovereign and Corporate Issuance History**  
(USD billions)



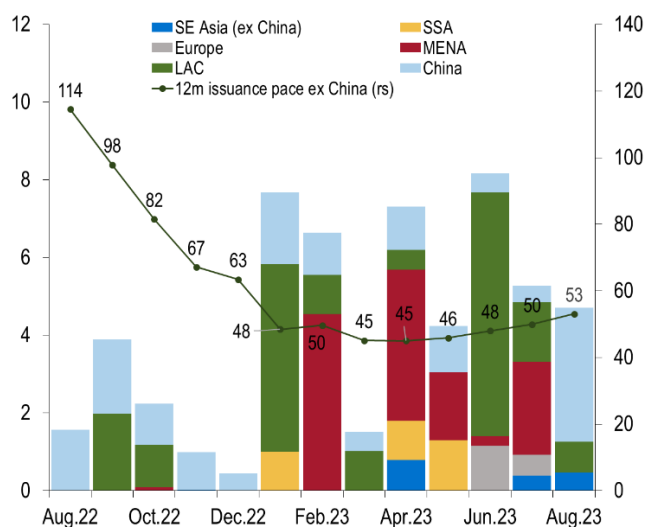
In July and August, the governments of Chile, Uruguay, Panama and Gabon issued hard currency bonds

**Chart 4. EM Sovereign Hard Currency Issuance by Region**  
(USD billions)



Corporate supply moderated after May's peak, with China corp. issuances posted \$3.4bn in August despite weak market sentiments

**Chart 5. Corporate Hard Currency Issuance by Region**  
(USD billions)



Saudi Arabia has accounted for nearly 18% of sovereign issuance in 2023

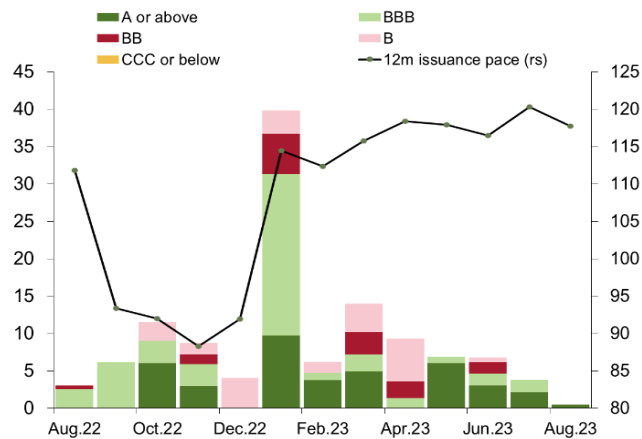
**Chart 6. Country Sovereign Issuance Totals**  
(USD billions)

Issuer	2021	2022	2023	Jun-23	Jul-23	Aug-23	Sep-23
Saudi Arabia	10.0	5.0	15.7	-	-	-	-
Poland	-	5.1	8.7	-	-	-	-
Turkey	10.0	13.0	7.4	-	-	-	-
Hungary	5.3	5.2	6.5	-	-	-	1.9
Romania	8.2	8.5	6.1	-	-	-	-
Mexico	9.1	7.3	5.3	-	-	-	-
Chile	15.5	7.0	5.2	3.0	2.1	-	-
Indonesia	12.2	8.2	3.7	-	-	-	-
Philippines	6.0	4.8	3.0	-	-	-	-
Panama	4.7	4.0	2.5	-	0.7	-	-
Morocco	-	-	2.5	-	-	-	-
Brazil	2.2	-	2.2	-	-	-	-
Bahrain	4.0	-	2.0	-	-	-	-
Colombia	6.1	1.3	1.8	-	-	-	-
Dominican Republic	2.5	3.6	1.8	-	-	-	-
Serbia	3.2	-	1.7	-	-	-	-
Croatia	2.4	1.4	1.6	1.6	-	-	-
Bulgaria	-	2.2	1.6	-	-	-	-
Costa Rica	-	-	1.5	-	-	-	-
Egypt	6.8	0.5	1.5	-	-	-	-
Jordan	-	0.6	1.2	-	-	-	-
Uruguay	1.0	1.0	1.0	-	1.0	-	-

## Issuance Detail

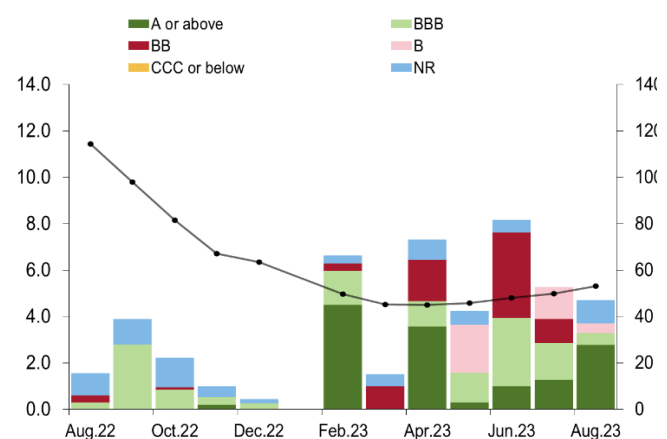
Investment grade sovereigns continued to make up most of the issuance for this year.

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



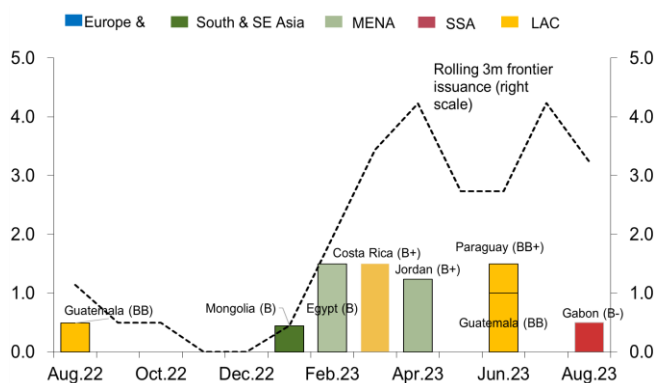
High yield issuance moderated after peaking in June with higher proportion of investment grade issuances

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



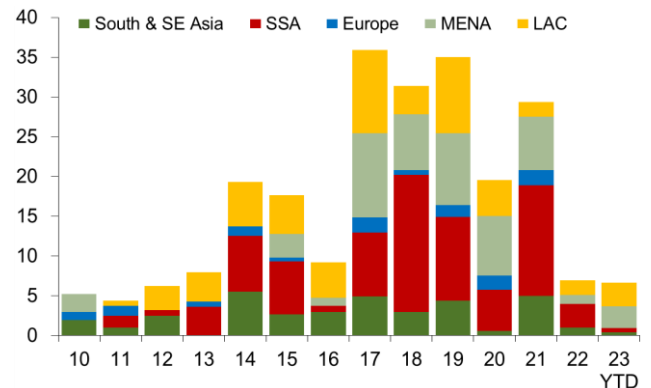
Gabon was the only sovereign issuer in the past month, with a USD 500 mn issuance of a 15-year blue bond

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



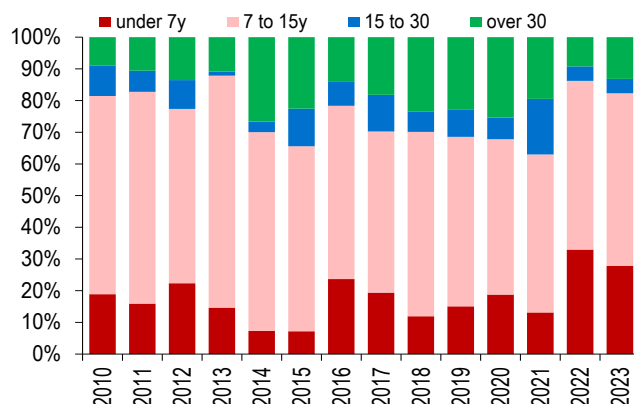
Seven frontiers have issued in 2023 for \$6.7bn YTD in a continuation of the weak market dynamics seen in 2022.

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



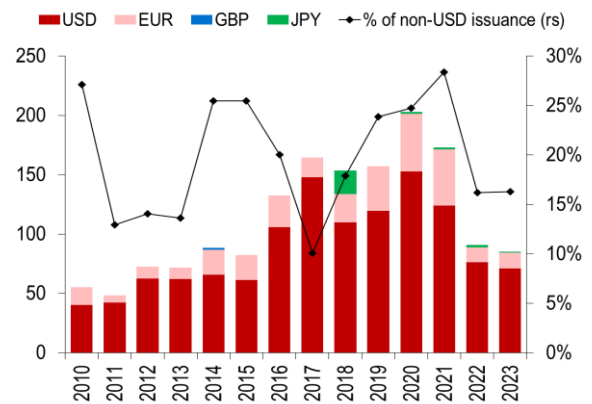
Average maturity has increased in 2023, but remains low by historical standards.

**Chart 11. EM Sovereign Issuance by Maturity**  
(Percent)



Non-dollar denominated issuance continues to be low in 2023

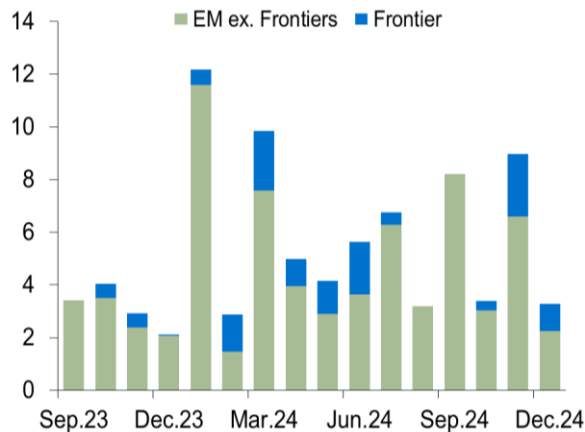
**Chart 12. EM Sovereign Issuance by Currency**  
(Percent)



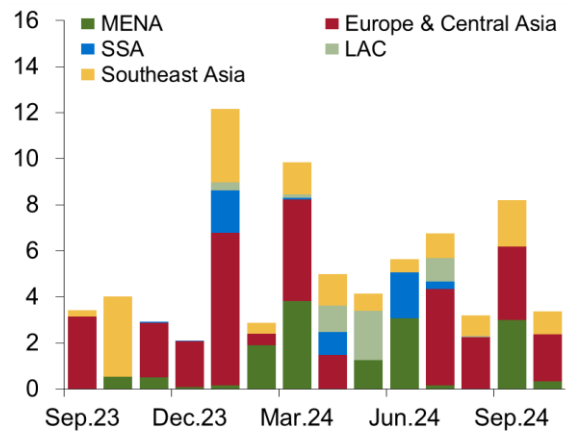
## Upcoming Amortizations

Bond redemptions will moderate until the end of the year, with an outsize volume in January 2024. Among frontiers, Tunisia (October) and Egypt (November) have large upcoming payments for the remainder of the year.

**Chart 13. EM Sovereign Maturities by Rating**  
(US billions)



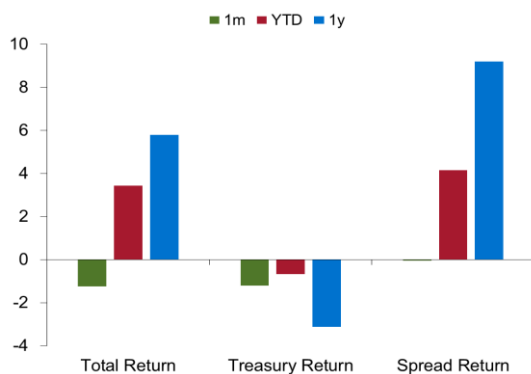
**Chart 14. EM Sovereign Amortizations by Region**  
(US billions)



## Fund Flows and Bond Returns

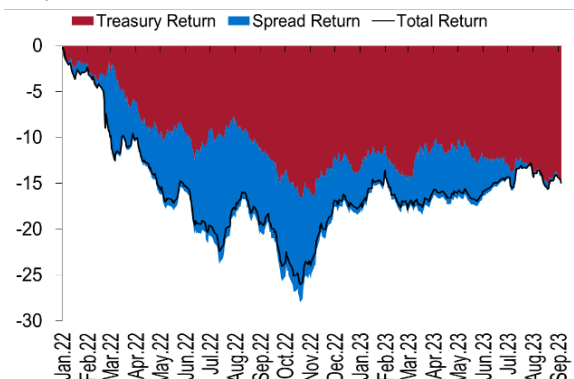
Losses were primarily driven by higher Treasury yields over the past month

**Chart 15. Sovereign Hard Currency Bond Returns**  
(percent)



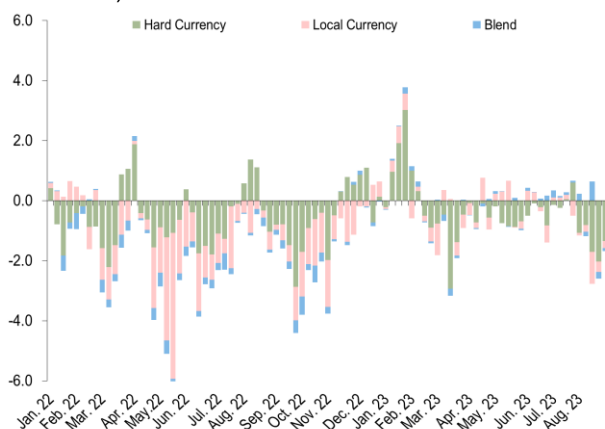
Since 2022, losses on hard currency sovereign bonds have been substantial, as Treasury yields trend higher

**Chart 16. Sovereign Hard Currency Bond Returns**  
(percent, cumulative)



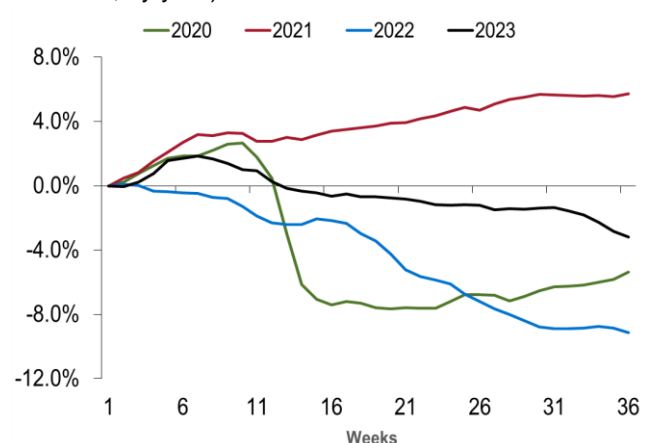
Hard currency fund outflows accelerated in August amidst weaker sentiment, averaging \$1.4 bn over the past 5 weeks

**Chart 17. ETF and Mutual Fund Flows**  
(US billions)



Outflows remain modest as a share of AUM but are accumulating closer towards 2020 levels

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



## Sovereign Spreads on Hard Currency Bonds

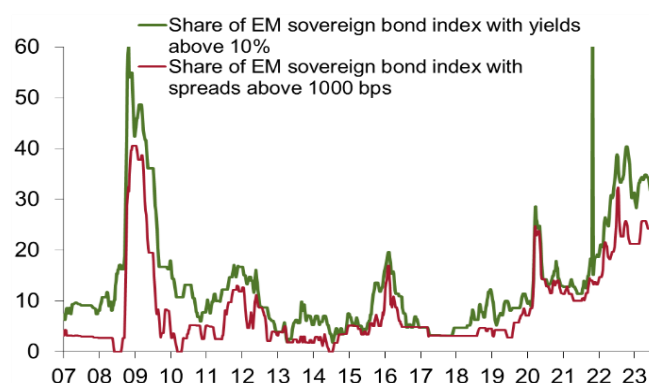
Spreads generally widen in August, with Egypt and Bolivia being major laggards.

**Chart 19. Major Laggards and Gainers Last Month on Credit Spreads** (Basis points; restricted to issuers with spreads below 2500)

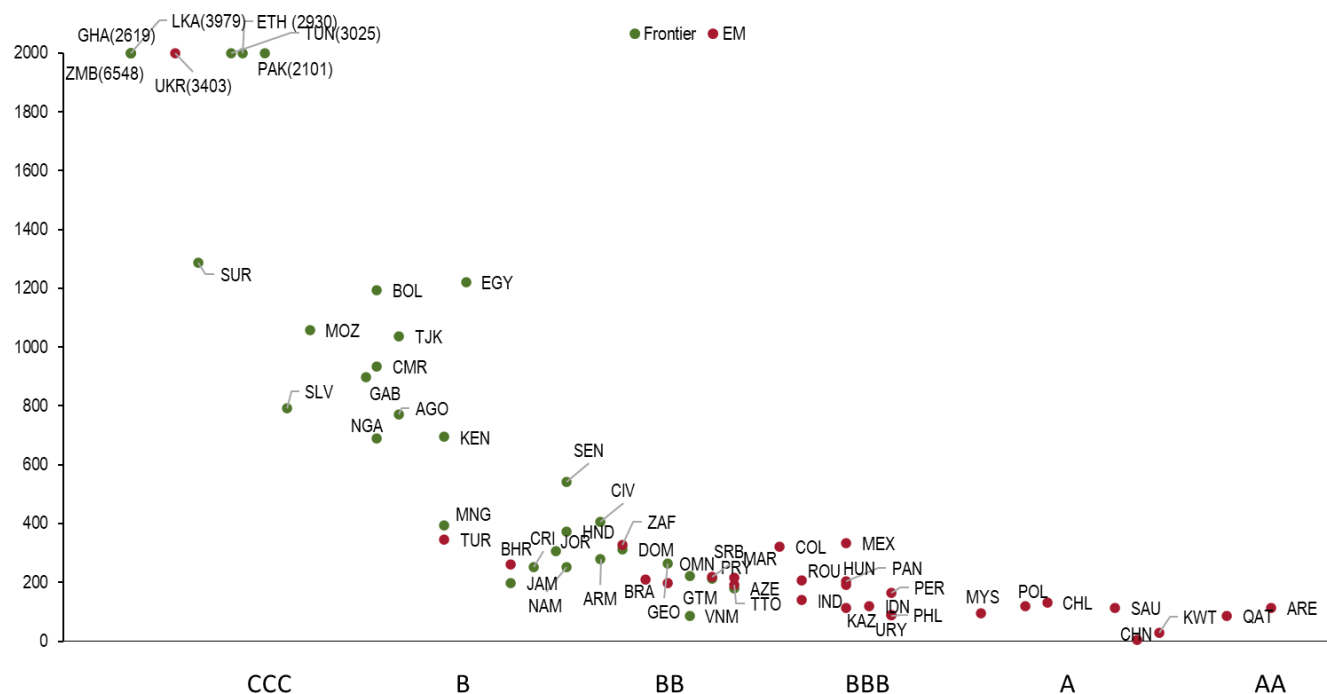
Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
El Salvador	(143)	792	Suriname	23	1,287
Honduras	(99)	372	South Africa	34	327
Ecuador	(84)	1,850	Iraq	51	479
Costa Rica	(10)	252	Senegal	62	541
Jordan	(4)	306	Mongolia	63	394
Vietnam	(3)	86	Kenya	66	694
China	(1)	5	Tajikistan	72	1,037
Uruguay	(1)	88	Ivory Coast	75	405
Turkey	1	346	Angola	101	770
Peru	1	164	Nigeria	102	690
Guatemala	1	221	Mozambique	111	1,057
Oman	5	197	Cameroon	142	933
Armenia	6	279	Pakistan	153	2,101
Saudi Arabia	6	114	Egypt	200	1,220
Qatar	7	86	Bolivia	286	1,194

The share of EM sovereign issuers in the benchmark index trading at distressed levels (spreads >1000 bps) stayed near 25%, with close to 33% having yields above 10%.

**Chart 20. Share of Distressed Issuers in EM Bond Index** (share, 3 week average)



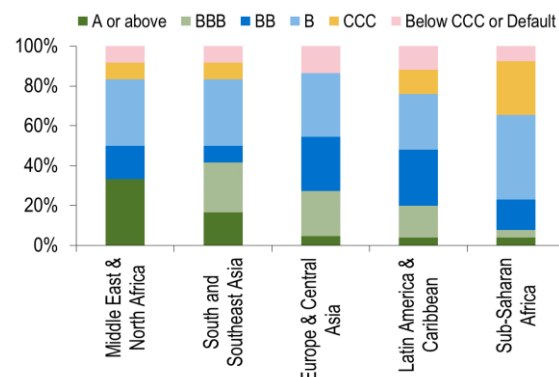
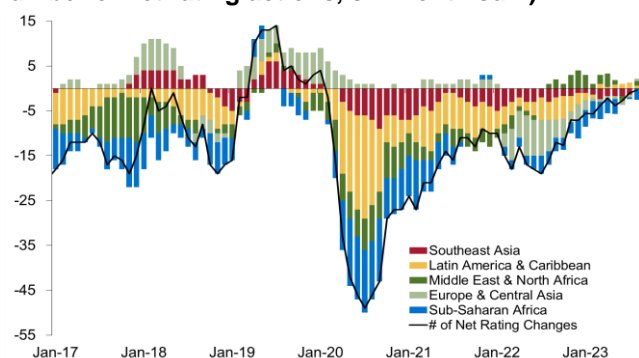
**Chart 21. Spreads by Rating and Country** (basis points, median rating)



## Annex

**Annex Table 1. Issuance Coupons by Rating, 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	2.4	3.3		2.4	3.6		4.9	4.3	5.9	4.8	5.1	6.3
Feb.21										3.9	5.9	7.5
Mar.21		3.5		3.2	3.7					3.0	7.9	8.9
Apr.21	2.1	3.1		3.3	4.2		2.8					
May.21	2.5	3.1		4.4								
Jun.21				1.5	2.3	3.8	4.3	4.8		4.3	5.4	
Jul.21	2.6	3.1		2.7	3.2					6.0	7.1	8.9
Aug.21												
Sep.21	1.9	3.1		2.1	3.2		3.7	4.7		5.8	6.7	8.5
Oct.21	1.0	1.9	2.9	3.0	3.6			5.2				
Nov.21		3.3									4.8	
Dec.21												
Jan.22	2.8	3.5	4.0	3.0	3.5	4.5	3.8				8.0	
Feb.22							5.8			7.3	7.5	
Mar.22		4.3	3.2	3.6	4.3					8.6	8.4	
Apr.22							5.9	7.3			8.8	
May.22				4.8	5.4							
Jun.22		4.1	5.0		5.4							
Jul.22												
Aug.22				5.4			5.3					
Sep.22				4.2	4.7	5.5						
Oct.22	5.3	5.5		5.2	5.7	6.0				9.8		
Nov.22	5.5	5.8		6.4	7.6		8.0			9.9		
Dec.22										9.9		
Jan.23	4.8	4.9	5.0	5.0	5.9	6.4	6.3	7.0			9.4	
Feb.23					6.5					10.9		
Mar.23		4.9	5.5	6.1	6.3	6.9	6.0	6.5		9.4	6.6	
Apr.23					6.3			6.0		7.5	7.7	
May.23	4.2	4.3										
Jun.23		5.0	5.3									
Jul.23				6.4								
Aug.23		6.1										

**Annex Table 2. Ratings by Region**  
(share by rating and region)**Annex Table 4. Net Ratings Updates**  
(number of net rating actions, six month sum)**Annex Table 4. Latest Ratings Actions**

	New Median rating	Latest			End Jul. 23		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
Armenia	BB-	BB-	BB-	Ba3	B+	BB-	Ba3
Barbados	B-	B-	B	B3	B-	B	Caa1
Republic of Bosnia and Herzegovina	B	B+	NR	B3	B	NR	B3
Cameroon	CCC+	CCC+	B	Caa1u	B-	B	Caa1u
Ecuador	CCC+	B-	CCC+	Caa3	B-	B-	Caa3
Niger	CCC	NR	NR	Caa2 *-	NR	NR	B3

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".