



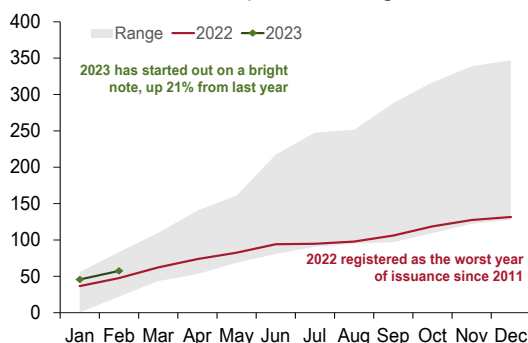
FEBRUARY HIGHLIGHTS: ISSUANCE SLOWS SHARPLY

- **Issuance from emerging markets fell sharply in February to \$12.8 billion in total, down from \$47.5 bn in January.** The drop was most pronounced among sovereigns.
- **Sovereign issuance totaled just \$6.2 bn, the lowest recorded in February since 2017, and below last year's \$8.2 bn.** The month saw just 3 sovereigns come to market, led by Poland's €3.5bn issue. Egypt was the sole high yield sovereign issuing during month, with a \$1.5bn 3-year sukuk. The only other sovereign to issue was the United Arab Emirates with a \$1bn placement.
- **Corporate issuance continues to be muted, with just \$6.6 bn issued, with just \$1.1 bn from Chinese issuers.** Issuance was dominated by \$4.5 from a Saudi Arabian entity called Greensaif, a consortium that owns 49% of Aramco Gas Pipelines.
- **Overall EM credit spreads widened modestly (3bp) while spreads on frontier sovereigns tightened (18bp).** There was divergence between investment grade and high yield sovereigns with the former tightening on the month (9bp) and the latter widening (18bp). The overall spread of IG EM sovereigns reached their lowest level since the GFC early in the month but widened as the month wore on. The number of sovereigns trading at distressed levels eased to 14 (excluding RUS/BLR), or 21% of the EM bond index.
 - **Ratings roundup:** Net downgrades have continued. Egypt was downgraded to B3 by Moody's, Pakistan was downgraded to CCC-/Caa3 by Fitch/Moody's, and Ukraine was downgraded to Ca by Moody's. Meanwhile, Costa Rica and Guatemala saw upgrades (See Annex Tables 3 & 4).
- **Looking ahead to March, activity is likely to remain muted but should exceed what we saw in February.** Already in the month, Morocco has issued \$2.5bn and Turkey \$2.25bn. Declining new issuance concessions and solid fund inflows signal a rebound in investor appetite for EM bonds. Costa Rica has reportedly hired banks to advise on a possible \$1.5 bn issue, but the timing of any transaction is not known. Market analysts see potential issuers including Chile, Mexico, Panama, and Poland, with Oman and Uzbekistan as possibilities in the HY segment. Some analysts also believe Angola, Kenya, and possibly Nigeria could issue in H1 2023 if current conditions hold.
- **Flows into hard currency funds reversed in February with both ETFs and mutual funds experiencing outflows.** Total outflows for the month totaled nearly \$2bn, but flows remain positive year-to-date at nearly \$5bn.

February 2023 Overview

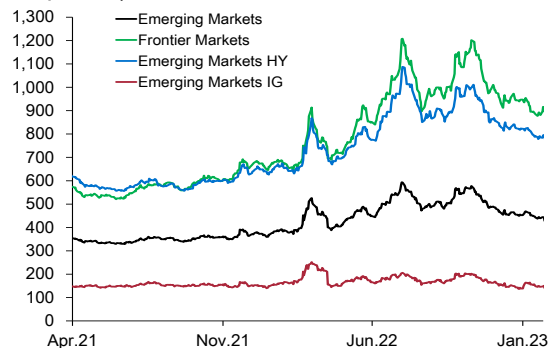
Hard currency issuance (ex. China corporates) stayed above 2022 levels at \$57.4 bn in February.

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



EM credit spreads have continued to narrow in February

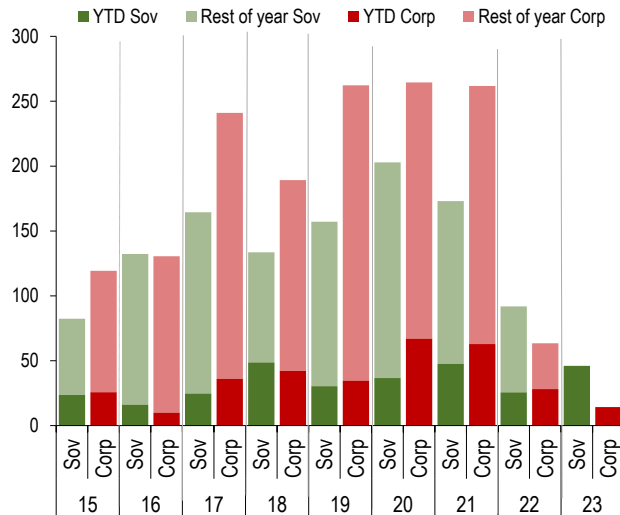
2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

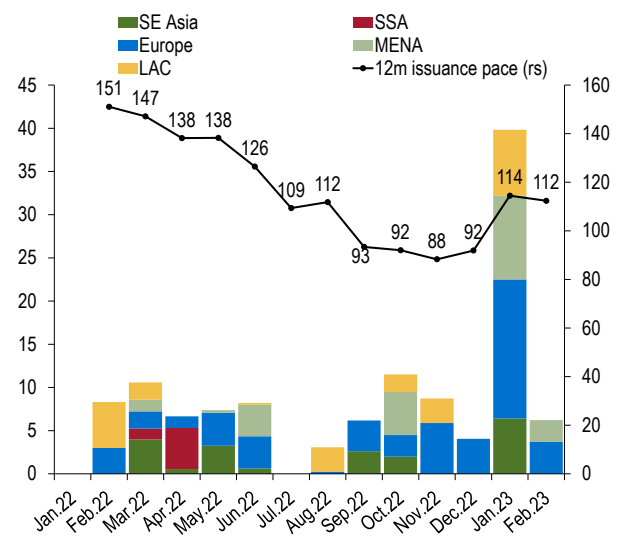
Although sovereign issuance slowed sharply in February, January's strong issuance keeps the year-to-date figures high compared to prior years. Corporate issuance is down.

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



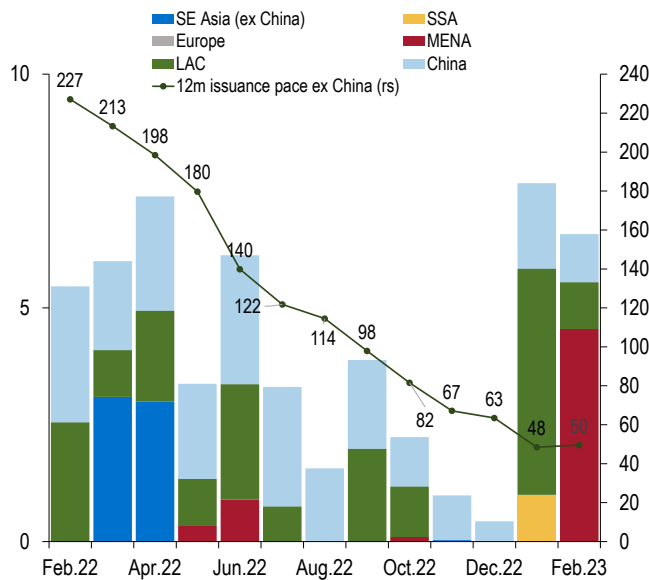
February only saw 3 sovereigns come to market, led by Poland's €3.5bn issue

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



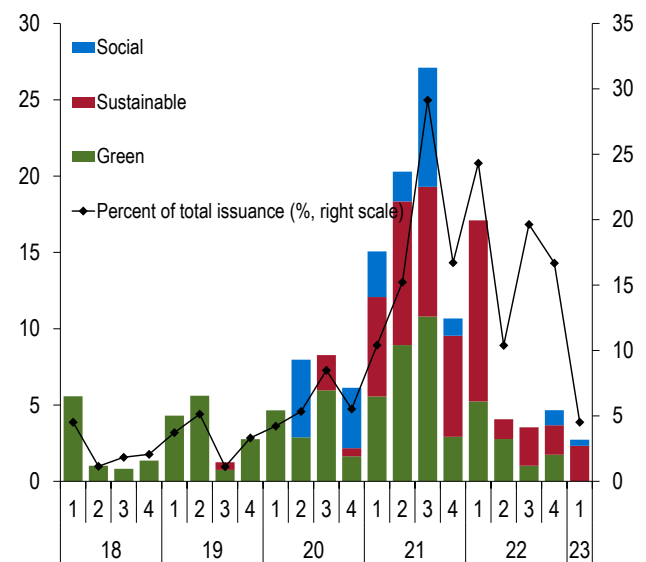
Corporate issuance was led by Saudi Arabia in February (\$4.5bn).

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



Slow start to the year for ESG issuance continued in February.

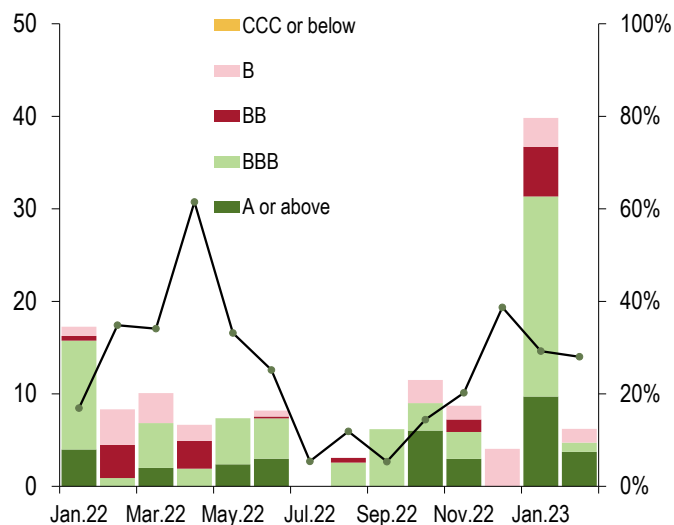
Chart 6. ESG Issuance
(USD billions; percent; quarterly)



Issuance Detail by Rating

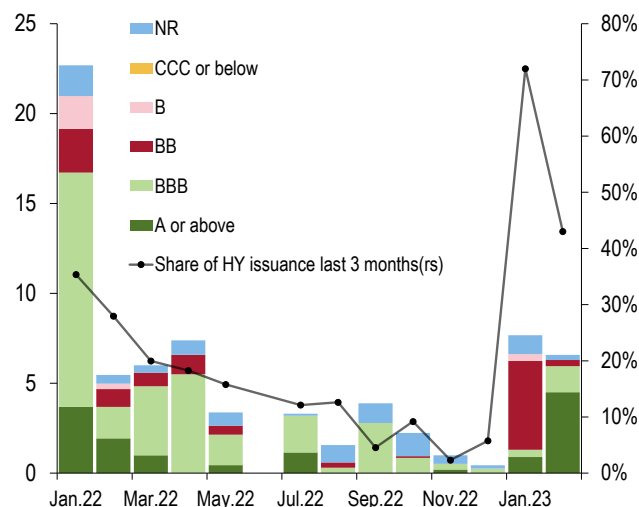
Several high yield sovereigns were able to issue, accounting for 20% of the total, though that remains below historical averages

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



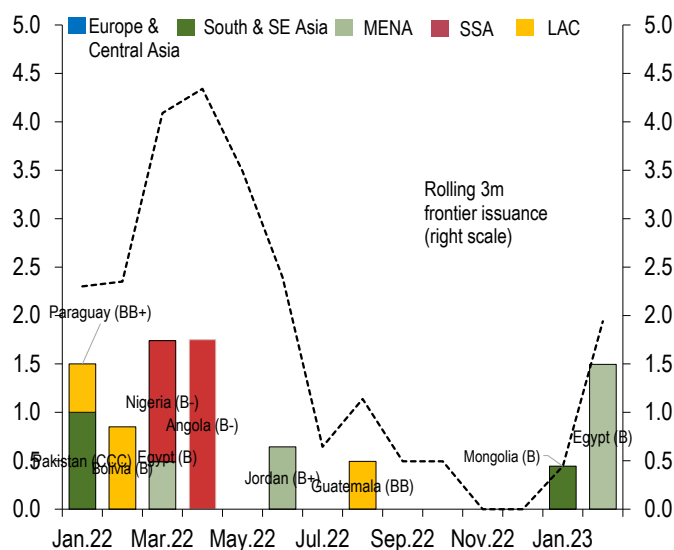
HY rated issuance largely dried up following a jump in January.

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



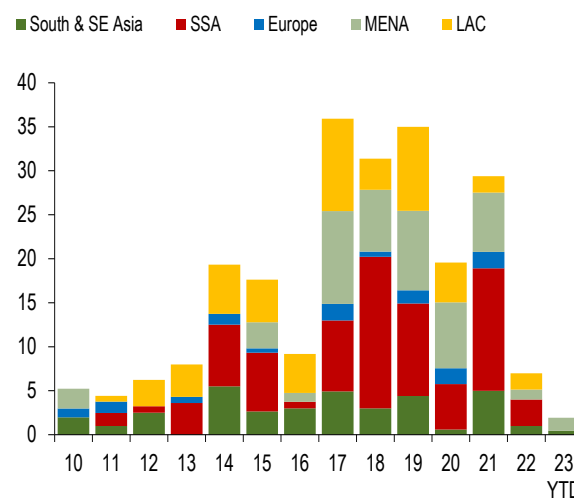
Egypt made its first issuance since March 2022.

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



Frontier issuance fell sharply in 2022, and is off to just a \$0.5 bn to start for 2023.

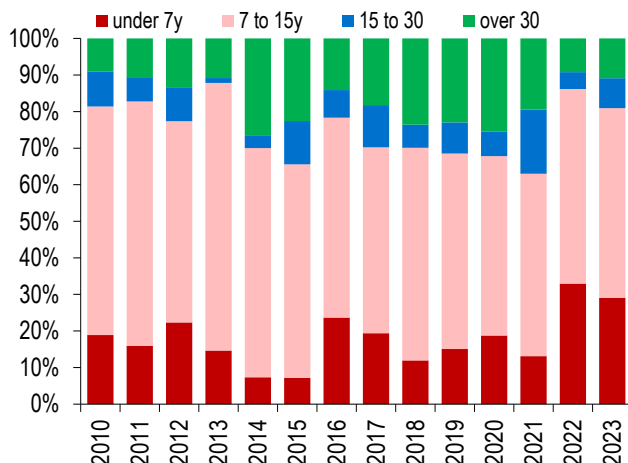
Chart 10. Frontier Sovereign Issuance by Region
(USD billions)



Issuance Detail by Maturity and Currency

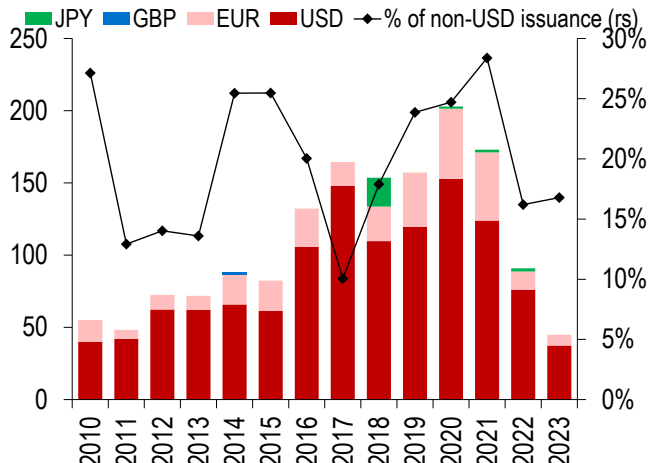
Average maturity for EM sovereigns declined in 2022 and has remained fairly low to start the year.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)



While a significant share of February's sovereign issuance was in currencies other than dollars, the total for the year remains low.

Chart 12. EM Sovereign Issuance by Currency
(Percent)



Sovereign Amortizations

Bond maturities are set to pick up in March and April. Among non-defaulted HY issuers, Iraq and Turkey have large redemptions due. Among investment grade, Qatar, Saudi Arabia, Bulgaria, Indonesia, and Croatia have maturities due.

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

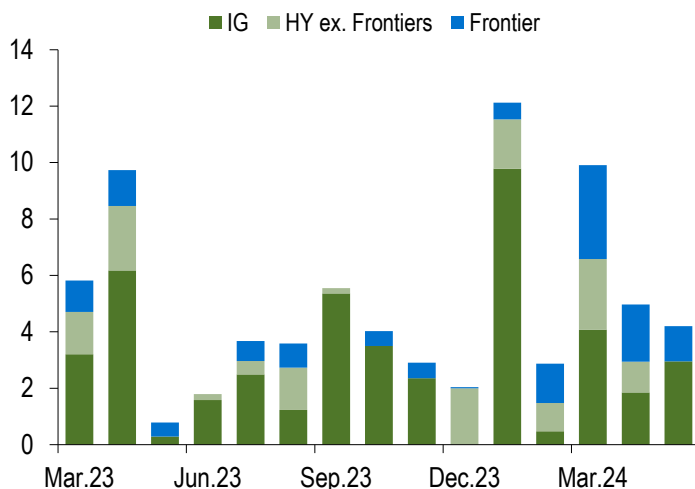
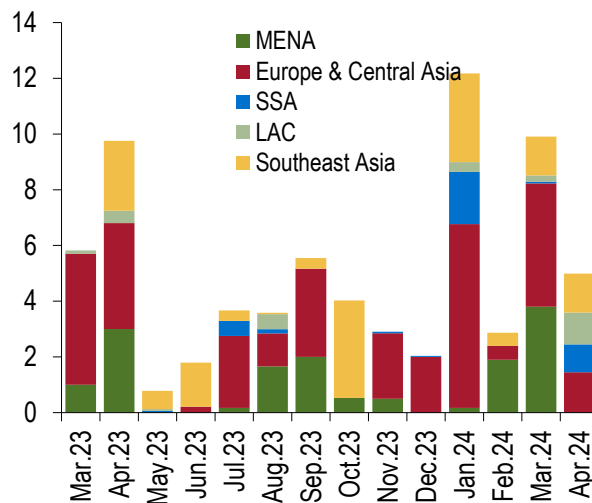


Chart 14. EM Sovereign Amortizations by Region
(US billions)

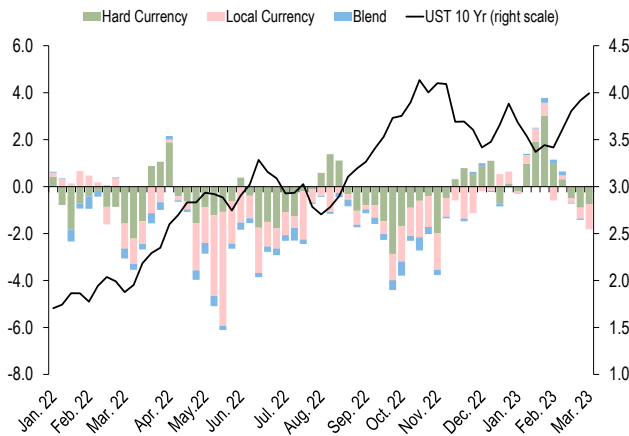


Note: does not include SOEs. MCM list of EMs does not include Czechia, Slovakia, Baltics, or Israel.

Flows: EM Debt Dedicated Funds

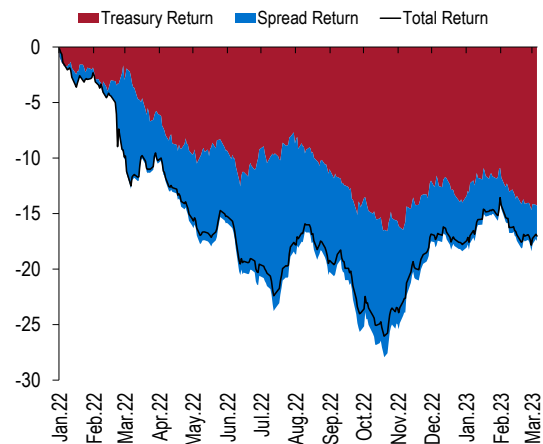
The pick up in hard currency fund flows in December has continued to fade, along with local currency outflows.

Chart 15. Bond Fund Flows and US 10-year yield
(USD billions, 2-week sum; percent)



Bonds sold-off in February, with spreads widening and Treasury yields rising.

Chart 16. Sovereign Hard Currency Bond Returns
(cumulative since Jan 2022, percent, based on JPM bond index)



Spreads on Hard Currency Bonds

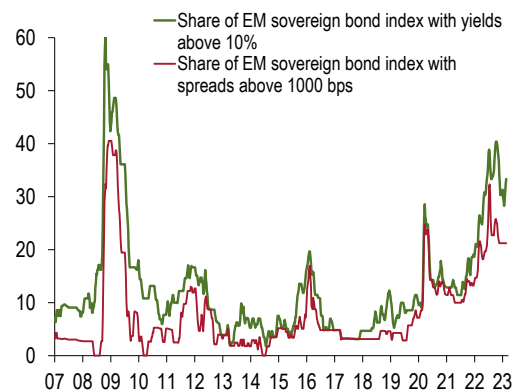
Several frontiers saw spreads tighten, including Tunisia, El Salvador and Nigeria while Cameroon lagged notably.

Chart 17. 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	(94)	1,388	Hungary	(1)	212
Nigeria	(73)	757	Qatar	(0)	94
Honduras	(62)	490	South Africa	4	305
Kenya	(49)	613	Colombia	12	388
Trinidad And Toba	(47)	164	Mexico	14	320
Namibia	(46)	269	Gabon	28	607
Turkey	(44)	423	Senegal	31	547
Jamaica	(42)	194	Mongolia	31	366
Tajikistan	(42)	1,086	Angola	31	653
Costa Rica	(41)	301	Mozambique	58	959
Iraq	(37)	450	Bolivia	60	744
Georgia	(33)	196	Egypt	113	902
Kazakhstan	(33)	117	Suriname	129	1,941
Bahrain	(33)	251	Ecuador	446	1,662
Croatia	(32)	36	Cameroon	653	730

The share of EM sovereign issuers trading at distressed levels (spreads >1000 bps) stayed above 20%, with just over 30% now having yields above 10%.

Chart 18. Share of Distressed Issuers in EM Bond Index
(share, 3 week average)



Annex

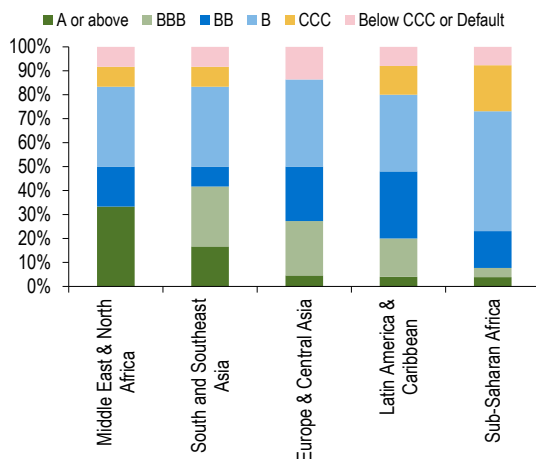
Annex Table 1. Top 2022 Issuers: Sovereign Bonds (USD billions)

Issuer	2021	2022	2023	Dec-22	Jan-23	Feb-23
Turkey	10.0	13.0	2.7	4.1	2.7	-
Romania	8.2	8.5	6.0	-	6.0	-
Indonesia	12.2	8.2	3.0	-	3.0	-
Mexico	9.1	7.3	4.0	-	4.0	-
Chile	15.5	7.0	-	-	-	-
Hungary	5.3	5.2	4.2	-	4.2	-
Poland	-	5.1	3.7	-	-	3.7
Saudi Arabia	10.0	5.0	9.7	-	9.7	-
Philippines	6.0	4.8	3.0	-	3.0	-
United Arab Emirates	10.9	4.2	1.0	-	-	1.0
Panama	4.7	4.0	-	-	-	-
Dominican Republic	2.5	3.6	1.8	-	1.8	-
South Africa	-	3.0	-	-	-	-
Bulgaria	-	2.2	1.6	-	1.6	-
Angola	-	1.8	-	-	-	-
Croatia	2.4	1.4	-	-	-	-
Colombia	6.1	1.3	1.8	-	1.8	-
Nigeria	4.0	1.3	-	-	-	-
Pakistan	3.5	1.0	-	-	-	-
Uruguay	1.0	1.0	-	-	-	-
Bolivia	-	0.9	-	-	-	-
Jordan	-	0.6	-	-	-	-
Paraguay	0.9	0.5	-	-	-	-
Guatemala	1.0	0.5	-	-	-	-
Egypt	6.8	0.5	1.5	-	-	1.5

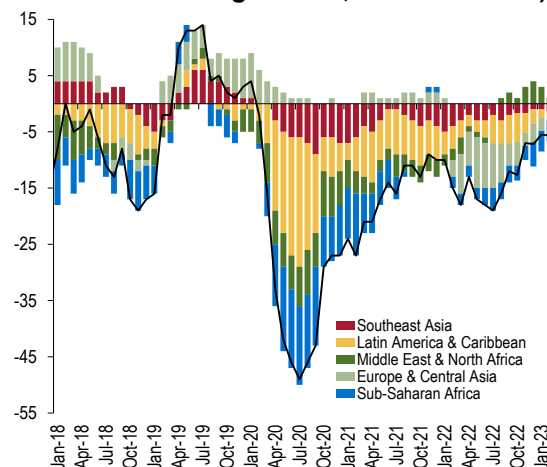
Annex Table 2. Top Issuers: Corporate Bonds (USD billions)

Issuer	2021	2022	2023	Dec-22	Jan-23	Feb-23
China	93.0	23.9	2.9	0.4	1.8	1.0
Brazil	24.4	9.6	1.0	-	-	1.0
India	14.0	6.0	-	-	-	-
Mexico	17.1	4.3	2.0	-	2.0	-
Chile	10.3	3.7	0.9	-	0.9	-
Indonesia	8.8	3.0	-	-	-	-
Saudi Arabia	6.9	2.9	4.5	-	-	4.5
Guatemala	0.7	2.0	-	-	-	-
United Arab Emirates	10.6	1.6	0.0	-	-	0.0
Thailand	1.5	1.3	-	-	-	-
Serbia	0.5	1.1	-	-	-	-
Malaysia	6.1	1.0	-	-	-	-
Hungary	1.2	0.6	-	-	-	-
Romania	0.4	0.6	-	-	-	-
Peru	3.7	0.5	-	-	-	-
Trinidad and Tobago	-	0.5	-	-	-	-
Turkey	2.7	0.5	-	-	-	-
Georgia	0.5	0.3	-	-	-	-
Philippines	3.2	0.1	-	-	-	-
South Africa	5.2	-	1.0	-	1.0	-
Lebanon	-	-	-	-	-	-
Argentina	0.3	-	-	-	-	-

Annex Table 3. Ratings by Region (share by rating and region)



Annex Table 4. Net Ratings Updates (number of net rating actions, six month sum)



Annex Table 5. Latest Ratings Actions

	New Median rating	Latest			End Jan. 23		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
Costa Rica	B+	B+	BB-	B2	B		B2
Ghana	C	SD	RD	Ca	SD	C	Ca
Guatemala	BB	BB-	BB	Ba1	BB-	BB-	Ba1
Egypt	B	B	B+	B3	B	B+	B2
Pakistan	CCC-	CCC+	CCC-	Caa3	CCC+	CCC+	Caa1
Ukraine	CC	CCC+	CC	Ca	CCC+		Caa3

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".