



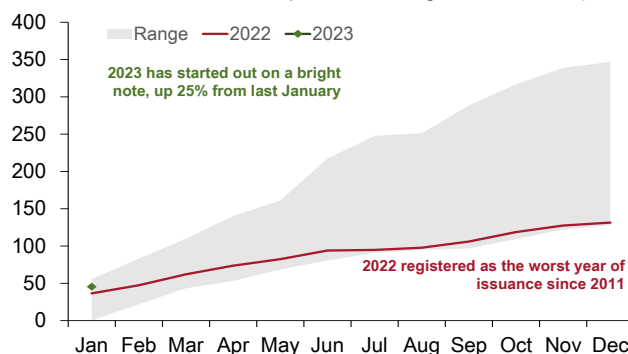
## JANUARY HIGHLIGHTS: BONDS ARE BACK

- **Emerging market hard currency issuance rebounded sharply in January, particularly sovereigns, with \$47.5 bn of corporate and sovereign issuance.** Total issuance in 2022 of \$131 bn was the lowest since 2011.
- **Sovereign issuance totaled \$39.8 bn, the second best month on record.** While January is typically one of the highest volume months of the year, issuance was up \$32 bn (130% y/y) over 2022. Investment grade sovereigns accounted for a relatively high 80% of issuance, though 4 high yield rated sovereigns were able to issue.
  - **IG Issuance:** Saudi Arabia led the way with \$9.7 bn, followed by Romania with \$6 bn split between dollar and euro-denominated issues to bookend the month. Hungary (\$4.2 bn), Mexico (\$4 bn), Philippines (\$3 bn), Indonesia (\$3 bn), Colombia (\$1.8 bn), and Bulgaria (\$1.6 bn) also issued.
  - **HY Issuance:** Türkiye (\$2.7 bn) issued for the fourth straight month, along with Serbia (\$1.7 bn), Montenegro (\$0.4 bn), and the Dominican Republic (\$1.8 bn)
- **Corporate issuance recovered but remained fairly modest at \$7.7 bn, with just \$1.8 bn from Chinese issuers.** EM ex. China corporates issued \$5.8 bn, the best month since Jan. 2022, but 28% lower than the average January of the last 3 years, which may reflect modest refinancing needs. Quasi sovereign issuance accounted for more than half the total, including Pemex (Mexico), Codelco (Chile), and Transnet (South Africa).
- **EM credit spreads tightened (-9bps) to their lowest level since June 2022, led by frontier and high yield sovereigns down close to 30 bps.** Investment grade spreads moved 10 bps wider, but generally remain near historical lows around 150 bps. The number of sovereigns trading at distressed levels eased to 15 (excluding RUS/BLR), or 22% of the EM bond index, though this falls to 8 when excluding defaults or restructuring processes.
  - **Ratings roundup:** Net downgrades have continued, albeit at a slower pace. Hungary was downgraded to BBB-, Nigeria was downgraded to CCC+, and Tunisia was downgraded to CCC, while Uzbekistan was upgraded to BB- (See Annex Tables 3 & 4).
- **Market activity could remain strong amid more benign financial conditions.** Sovereigns have tried to frontload issuance plans given the more favorable market conditions. Declining new issuance concessions and solid fund inflows signal a rebound in investor appetite for EM bonds. 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.
- **EM hard currency bond funds received steady inflows in January.** Hard currency fund inflows have reached nearly \$7 bn in January, and close to \$10 bn since mid-November.

## January 2022 Overview

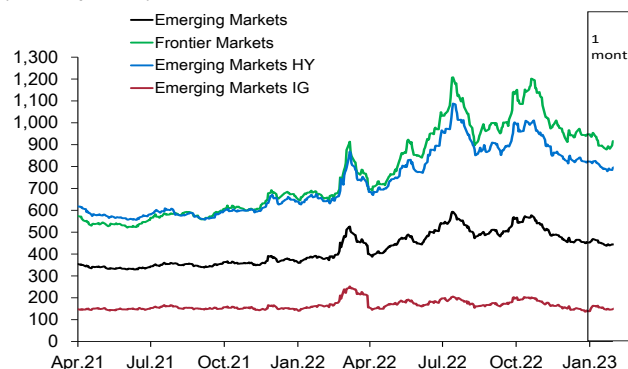
*Hard currency issuance (ex. China corporates) rebounded to \$45.7 bn in January*

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



*EM credit spreads have continued to narrow in January*

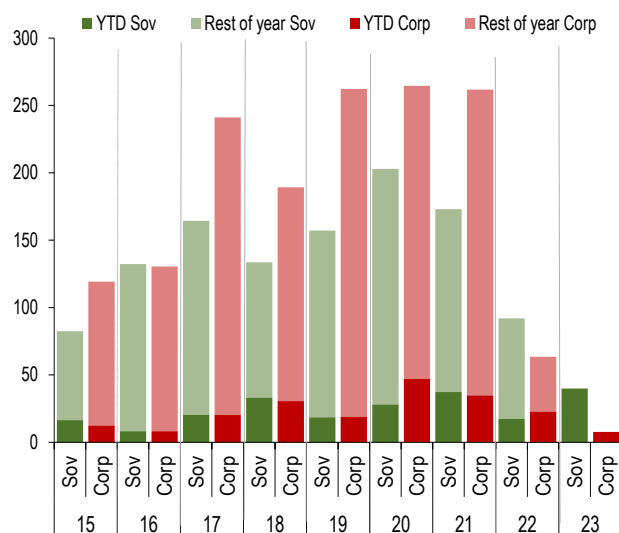
**2. Emerging and Frontier Market Spreads**  
(Basis points)



## Issuance Detail: Emerging Market Corporates and Sovereigns

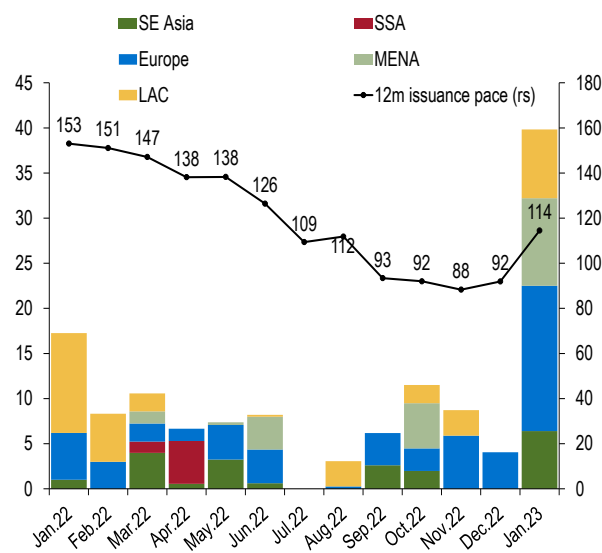
*Sovereign issuance had its best January on record, while corporate issuance started off slow*

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



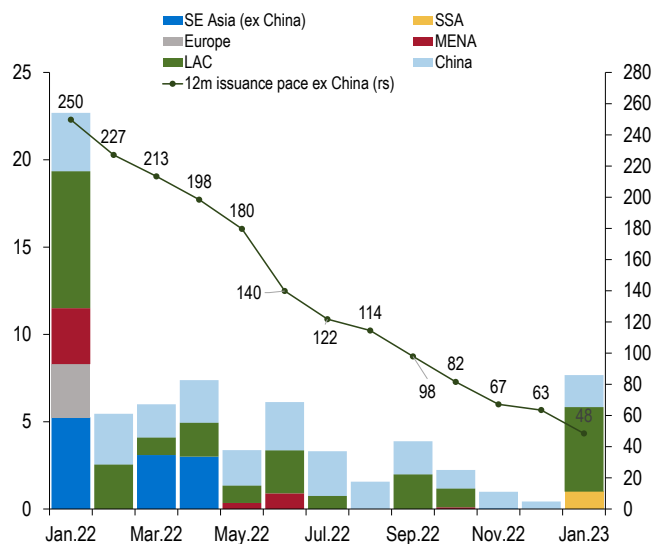
*Sovereign issuance of \$39.8 bn was bolstered by \$10 bn by Saudi Arabia, and \$16 bn from Europe*

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



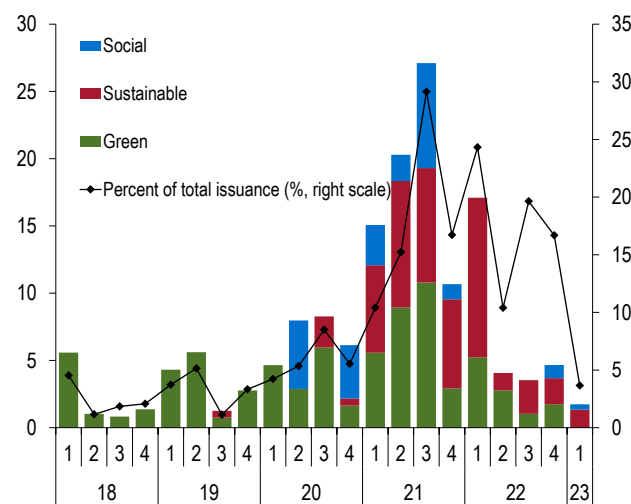
*Corporate issuance of \$7.7 bn was the largest in a year, led by Latin America, notably two SOEs (Pemex and Codelco)*

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



*Slow start to the year for ESG issuance, but included a sustainability bond for the Philippines*

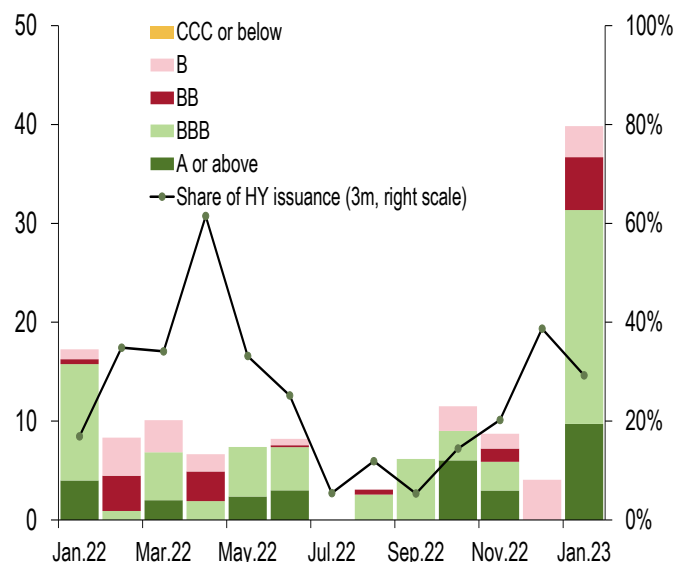
**Chart 6. ESG Issuance**  
(USD billions; percent; quarterly)



## Issuance Detail by Rating

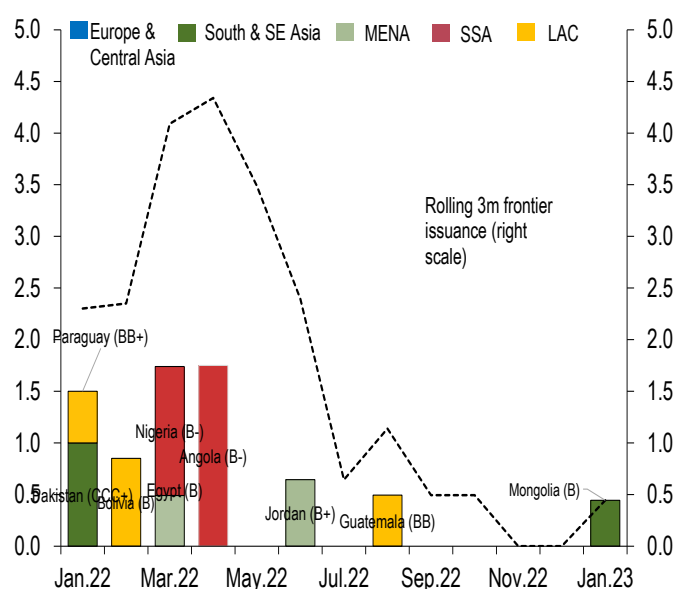
Several high yield sovereigns were able to issue, accounting for 20% of the total, though that remains below historical averages

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



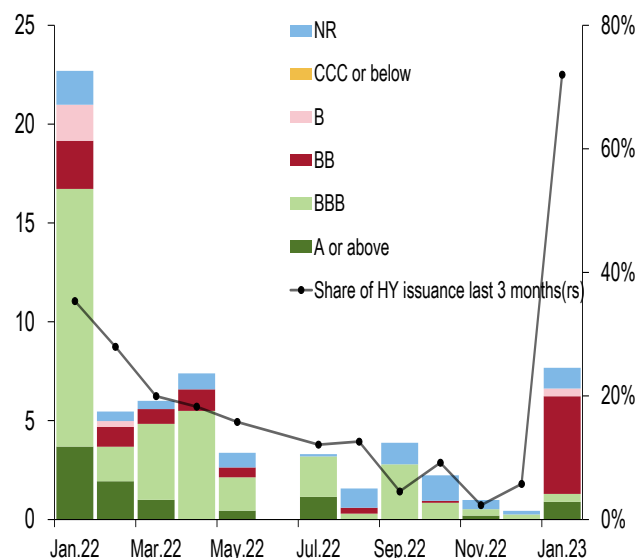
Mongolia became the first frontier to issue since August

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



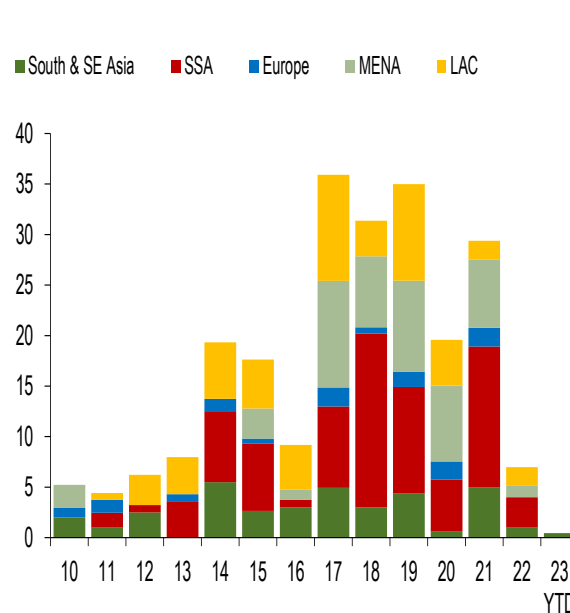
HY BB-rated issuance jumped in January, though largely led by state-owned firms.

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



Frontier issuance fell sharply in 2022, with a \$0.5 bn to start of 2023.

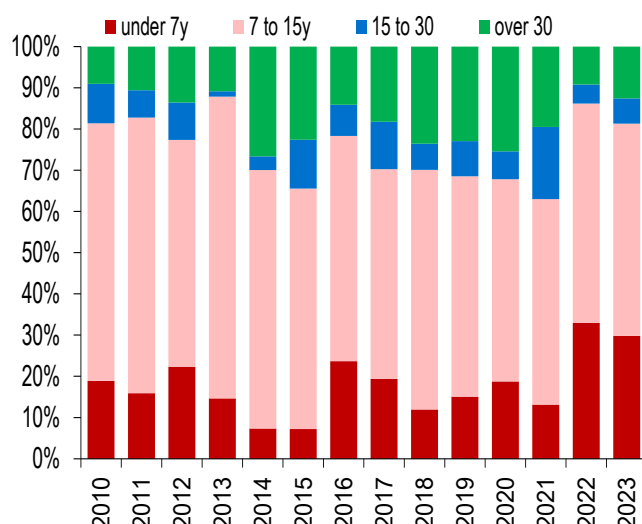
**Chart 10. Frontier Sovereign Issuance by Region**  
(USD billions)



## Issuance Detail by Maturity and Currency

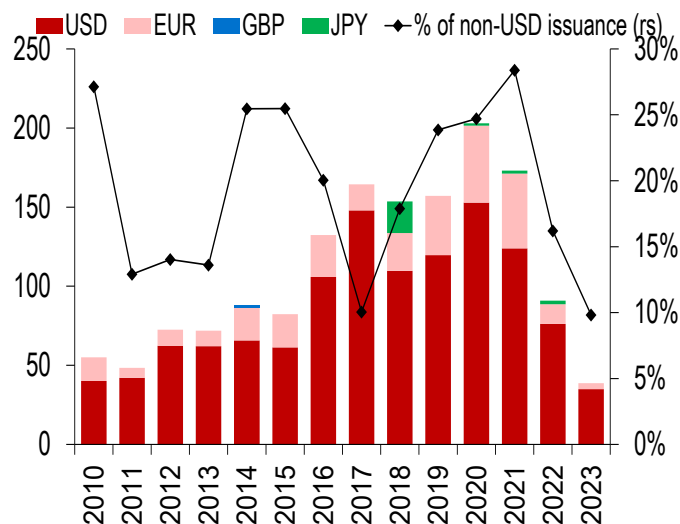
Average maturity for EM sovereigns declined in 2022 and remained fairly low through January, with 29% of bonds issued at under 7 years

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



Non-dollar denominated debt remained low in January at just 10% of issuance, with \$4 bn in euro denominated notes, notably Romania and Bulgaria.

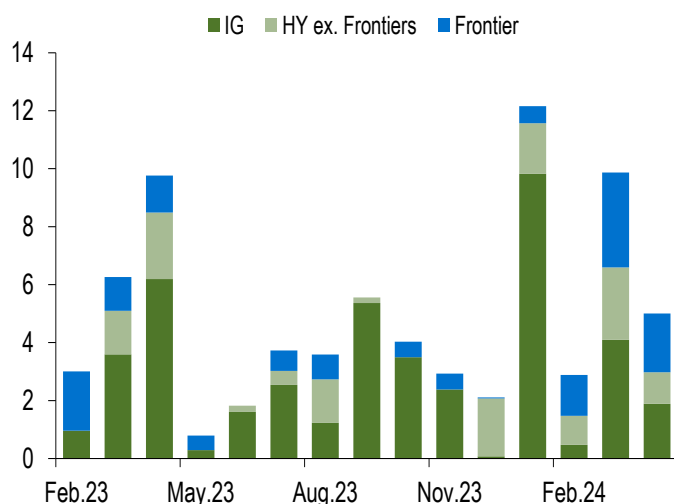
**Chart 12. EM Sovereign Issuance by Currency**  
(Percent)



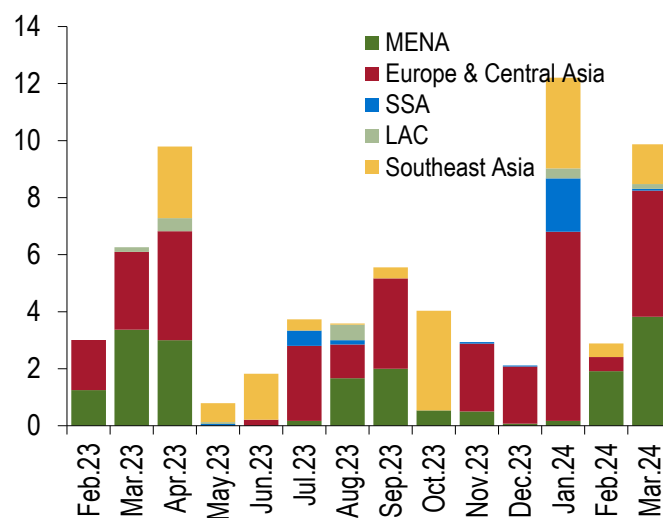
## Sovereign Amortizations

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)

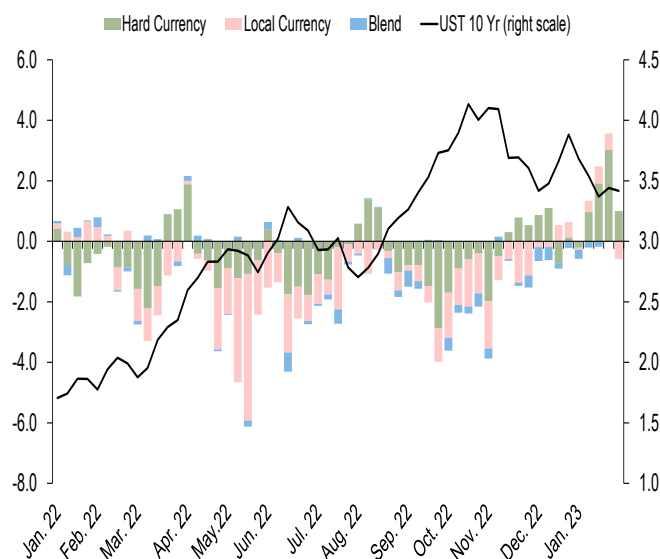


Note: does not include SOEs. MCM list of EMs does not include Czechia, Slovakia, Baltics, or Israel.

## Flows: EM Debt Dedicated Funds

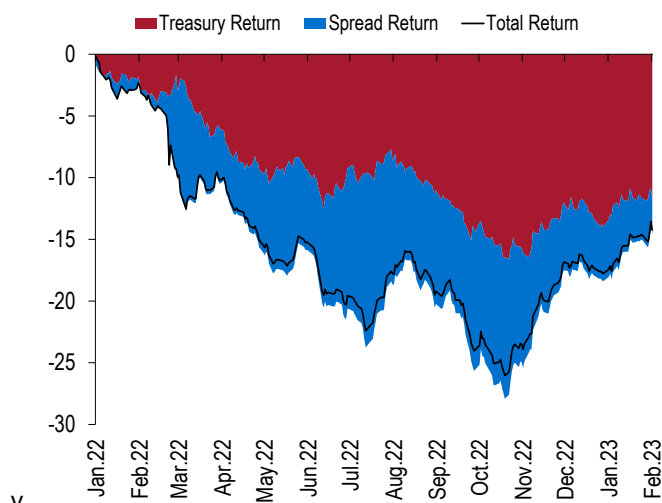
Hard currency fund flows have picked up since December, though the most recent week saw inflows slow

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



Bonds have rallied since October, with spreads tightening and Treasury yields falling

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



## Spreads on Hard Currency Bonds

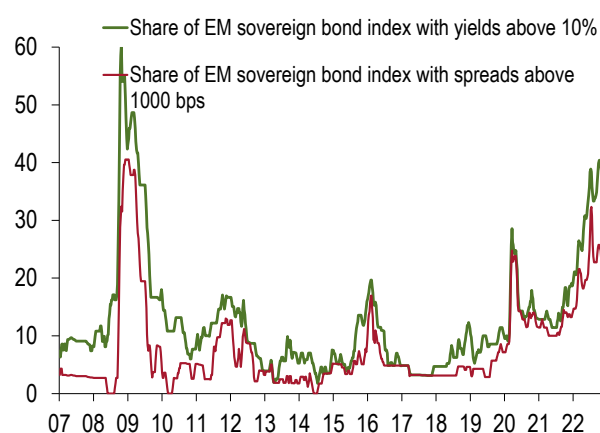
Several frontiers saw spreads tighten, including El Salvador, Tajikistan, Pakistan, and Mongolia, while Tunisia lagged notably.

**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	(371)	1,482	Georgia	17	229
Tajikistan	(301)	1,128	Kenya	20	662
Pakistan	(250)	2,467	Philippines	21	110
Mongolia	(196)	335	Saudi Arabia	21	120
Kazakhstan	(90)	150	Honduras	22	552
Angola	(80)	622	Trinidad And Tobago	25	211
Ecuador	(39)	1,216	Morocco	29	249
Mozambique	(35)	901	Nigeria	32	830
Senegal	(30)	516	Croatia	44	68
Mexico	(29)	306	Ivory Coast	47	388
Gabon	(25)	579	Armenia	49	323
Serbia	(17)	253	Turkey	62	467
Vietnam	(17)	81	Bolivia	117	684
Egypt	(13)	789	Suriname	150	1,812
Iraq	(12)	487	Tunisia	462	2,496

The share of EM sovereign issuers trading at distressed levels (spreads >1000 bps) fell to 22%, with under 30% now having yields above 10%.

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



## Annex

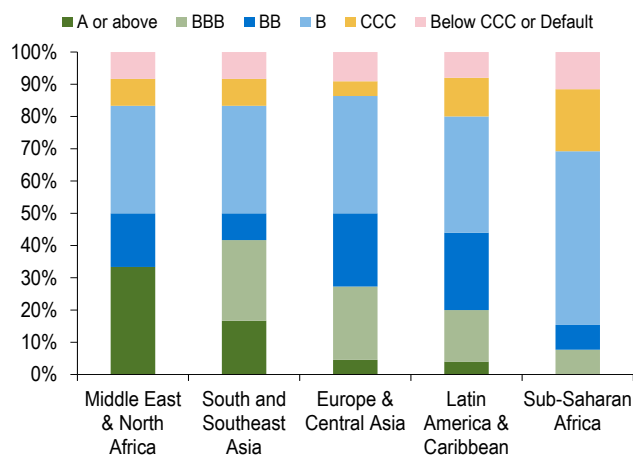
Annex Table 1. Top 2022 Issuers: Sovereign Bonds (USD billions)

Issuer	2021	2022	2023	Nov-22	Dec-22	Jan-23
Turkey	10.0	13.0	2.7	1.5	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	1.4	-	4.2
Poland	-	5.1	-	3.0	-	-
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	-	-	-	-
Panama	4.7	4.0	-	1.5	-	-
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	1.3	-	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	-	-	-	-
Bahamas, The	-	0.2	-	-	-	-

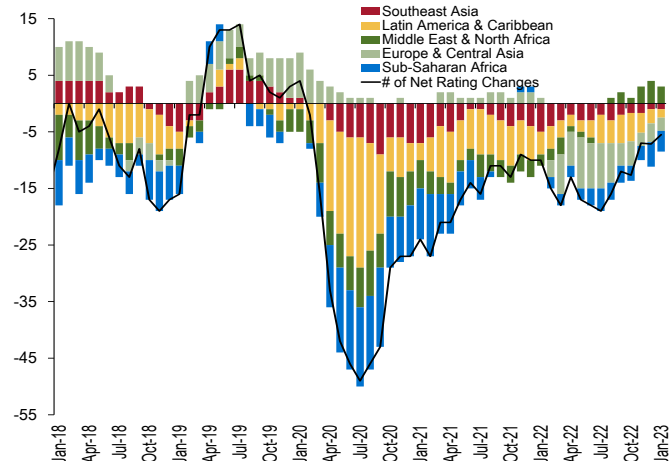
Annex Table 2. Top Issuers: Corporate Bonds (USD billions)

Issuer	2021	2022	2023	Nov-22	Dec-22	Jan-23
China	93.0	23.9	1.8	1.0	0.4	1.8
Brazil	24.4	9.6	-	-	-	-
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	-	-	-	-
Guatemala	0.7	2.0	-	-	-	-
United Arab Emirates	10.6	1.6	-	-	-	-
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	-	0.0	-	-
South Africa	5.2	-	1.0	-	-	1.0

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 Dec. 22		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
Hungary	BBB	BBB-		Baa2	BBB		Baa2
Nigeria	B-	B-	B-	Caa1	B-	B-	B3 *-
Tunisia	CCC+	NR	CCC+	Caa2	NR	CCC+	Caa1 *-
Uzbekistan	BB-	BB-	BB-	Ba3u	BB-	BB-	B1

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".