



OCTOBER HIGHLIGHTS

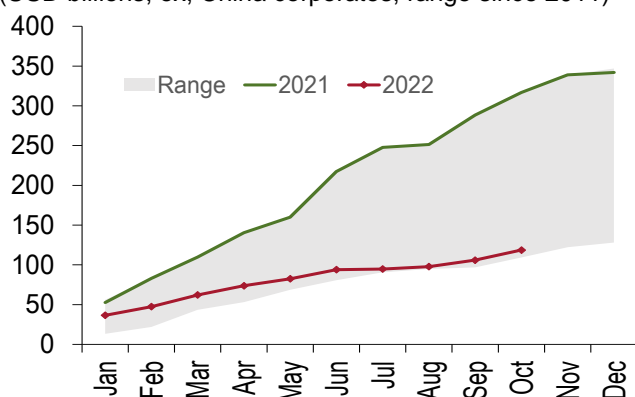
- **Emerging market hard currency issuance increased to \$13.7 bn, the best month since June, though volume remains extremely weak by historical standards.** Total nonfinancial corporate and sovereign issuance of \$141 bn YTD has declined 65% y/y, or \$260 bn behind last year's pace.
- **Sovereign issuance jumped to \$11.5 bn, the best since January, with IG-rated issuers leading the way.** YTD issuance of \$79 bn is down 50% y/y.
 - **IG Issuance:** Saudi Arabia issued \$5bn (2028 and 2032). Uruguay did a \$1 bn sustainability-linked bond tied to environmental goals. Other issuers include Philippines (\$2 bn) and Chile (\$1 bn).
 - **HY Issuance:** Turkey was the lone issuer, with a \$2.5 bn sukuk at a yield of 9.75% due 2025, compared to a similar sukuk due 2027 issued in February at a yield of 7.5%.
- **Corporate issuance continues to limp along, down 75% y/y, with less than \$3 bn in October.** New bond supply was led by Chile (Latam Airlines Group) and Chinese SOE (Shanghai Lingang Development Group).
- **EM credit spreads narrowed (-20 bps) in October, while frontier spreads were little changed on net.** HY spreads fell 43 bps back to 950 bps, while IG spreads traded 9 bps tighter. The # of sovereigns trading at distressed levels fell from 20 to 19 (inc. 25% of the benchmark index), while 40% of the index has yields above 10%.
 - **Ratings roundup:** The Bahamas (B+), Argentina (CCC-), Nigeria (B-), and Pakistan (CCC+) were downgraded, Nicaragua (B-) received an upgrade, and Fitch assigned Barbados a 'B' rating (See Annex).
- **Market conditions will remain difficult, particularly for lower rated issuers.** Prospective issuers may seek out brief windows of more favorable conditions, but analysts are skeptical of a sustained uptick in issuance for the rest of the year. Analysts see potential IG issuers including Panama and Peru, while 'BB' rated Brazil could come to market as well. Colombia was seen as a possibility, but a recent bond sell off may delay such plans. Several high yield issuers (Morocco, Pakistan, Gabon, Mongolia) have redemptions due in December. Poland and Turkey have begun investor calls to issue in early November.
- **EM hard currency bond fund outflows have continued, albeit at a slower pace.** Hard currency fund outflows slowed to \$2bn over the last 3 weeks of October, compared to \$6bn in the preceding 3 weeks. YTD losses increased to 9% of AUM (based on weekly data reporters only)

October 2022 Overview

Hard currency issuance (ex. China corporates) is on pace to be the weakest since 2011

1. Pace of Sovereign and Corporate Issuance

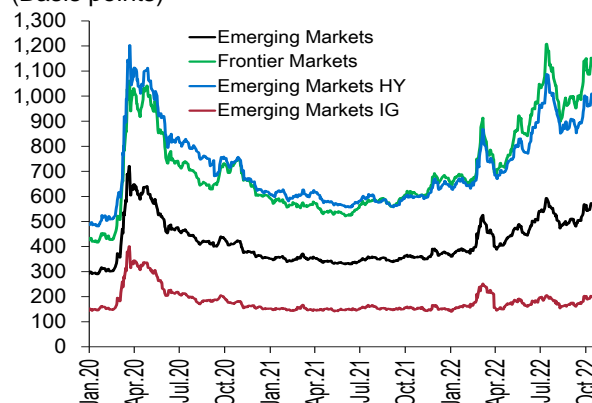
(USD billions, ex. China corporates, range since 2011)



EM credit spreads narrowed modestly in October, though frontier spreads show large differentiation

2. Emerging and Frontier Market Spreads

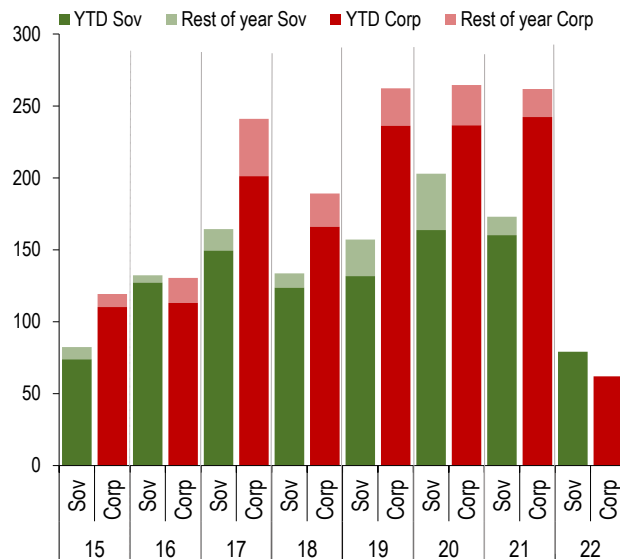
(Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

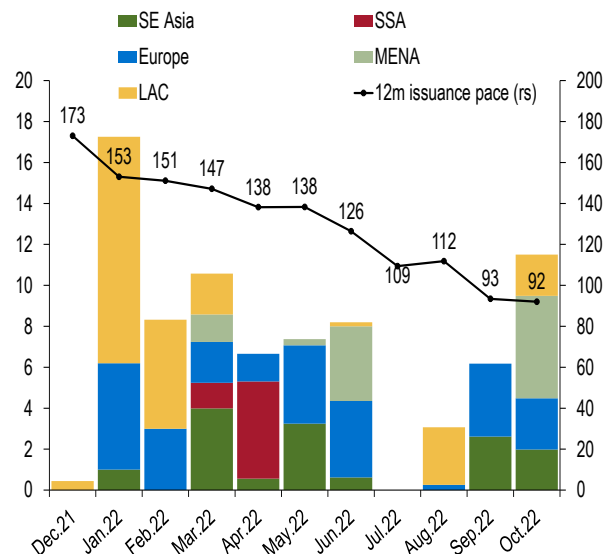
Sovereign and corporate issuance are down 50% y/y and 75% y/y respectively.

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



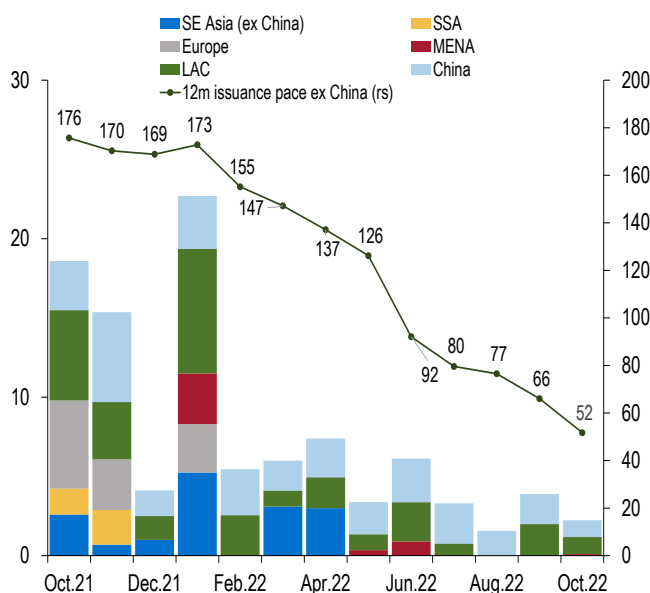
Sovereign issuance rebounded in October, bolstered by \$5 bn from Saudi Arabia, as well as Chile, Philippines, Uruguay, and Turkey.

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



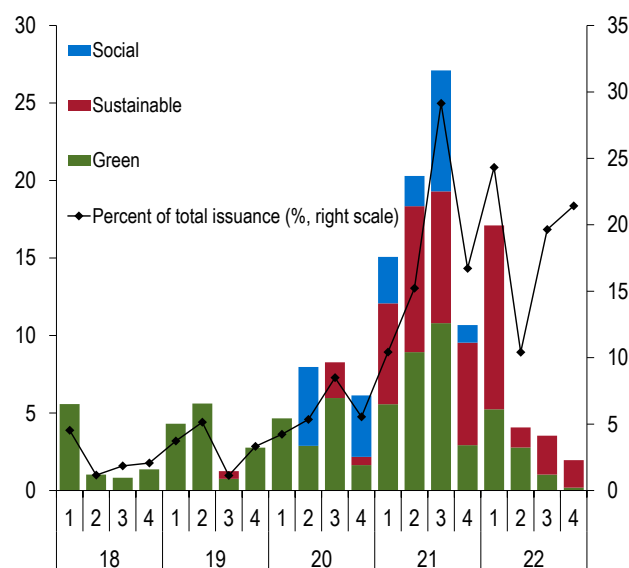
Corporate issuance was limited to \$2.1 bn.

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



Uruguay issued an SLB tied to carbon emissions and forestry, with a step up/step down coupon. ESG issuance held steady at around 20% of total corp. and sovereign.

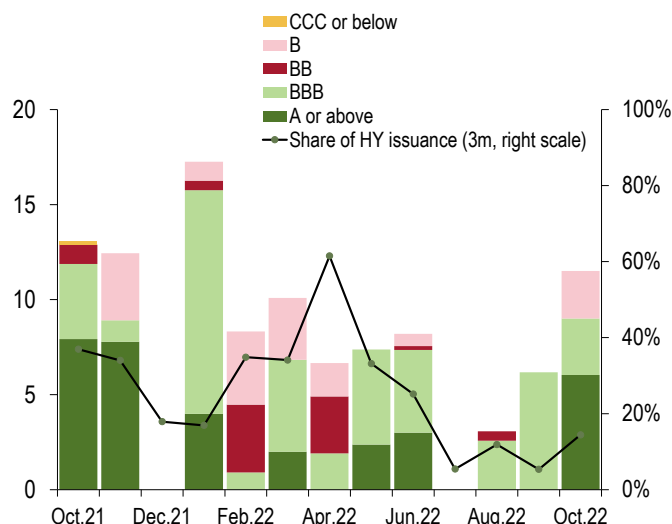
Chart 6. ESG Issuance
(USD billions; percent; quarterly)



Issuance Detail by Rating

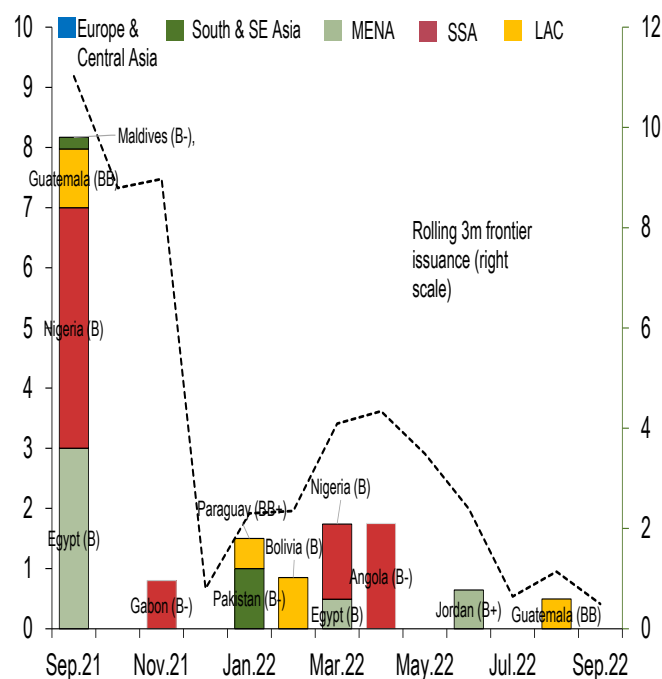
Turkey returned for the HY segment, though sub-investment grade issuers have driven barely 10% of supply since June.

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



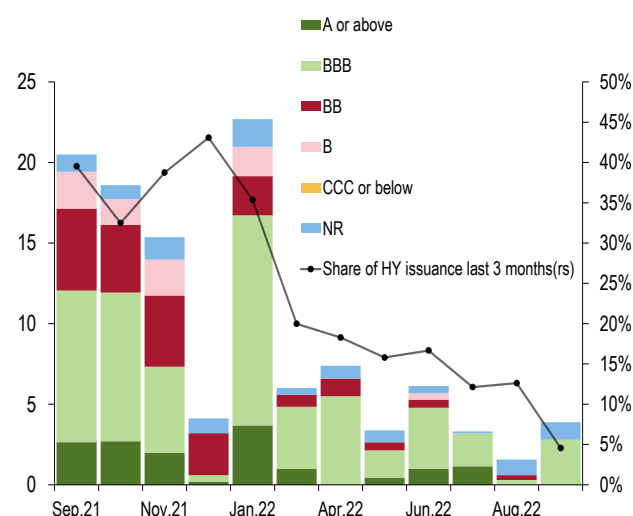
No frontier markets issued in October, with Guatemala the last to do so in August (\$0.5 bn).

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



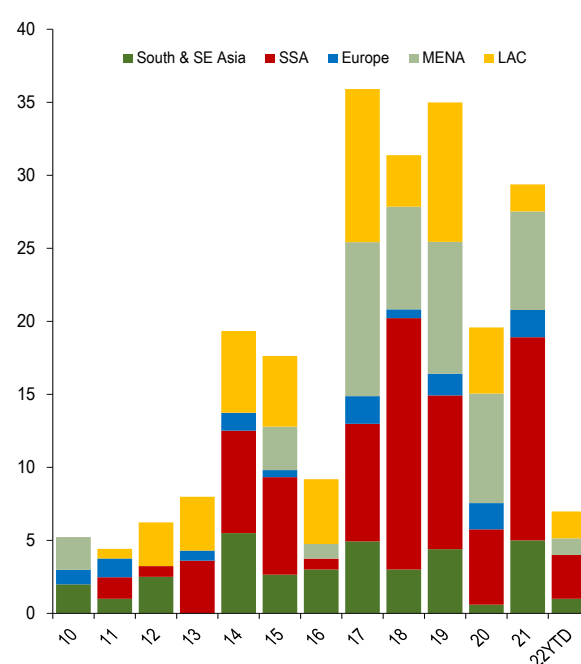
HY corporate issuers continue to largely avoid the primary bond market.

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



Frontier issuance (\$7 bn YTD) remains well off the pace of recent years.

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



Issuance Detail by Maturity and Currency

Average maturity for EM sovereigns has declined in 2022, with 29% of bonds issued at under 7 years, the highest in over a decade.

Dollar denominated debt has dominated in 2022, with over 80% of issuance.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)

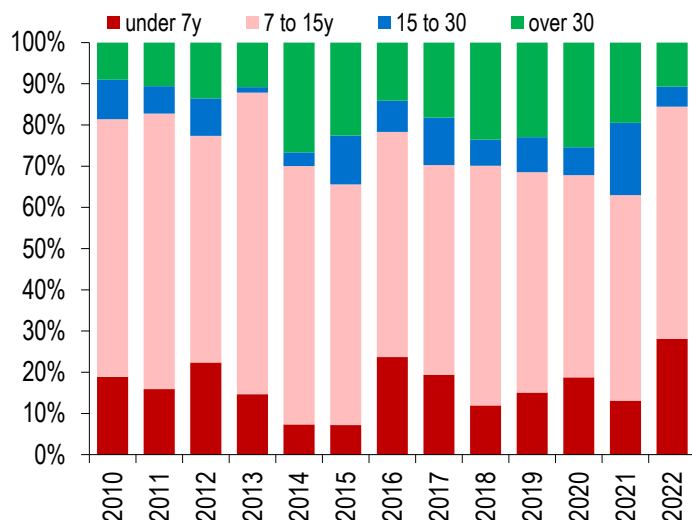
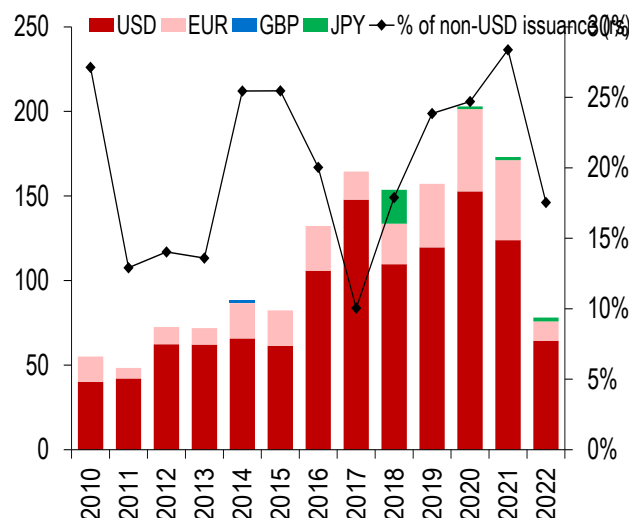


Chart 12. EM Sovereign Issuance by Currency
(Percent)



Sovereign Amortizations

Bond maturities in November are limited to IG issuers (China, Indonesia, Uruguay). Several high yield issuers (Morocco, Pakistan, Gabon, Mongolia) have redemptions due in December, before a brisk start to 2023 with over \$10 bn due in January.

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

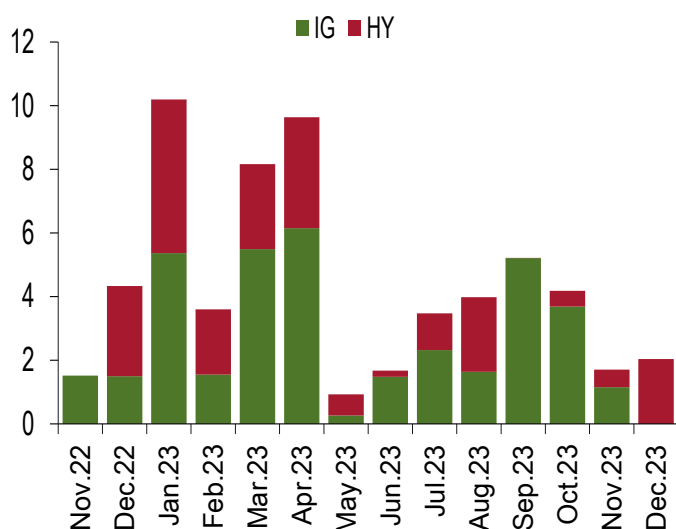
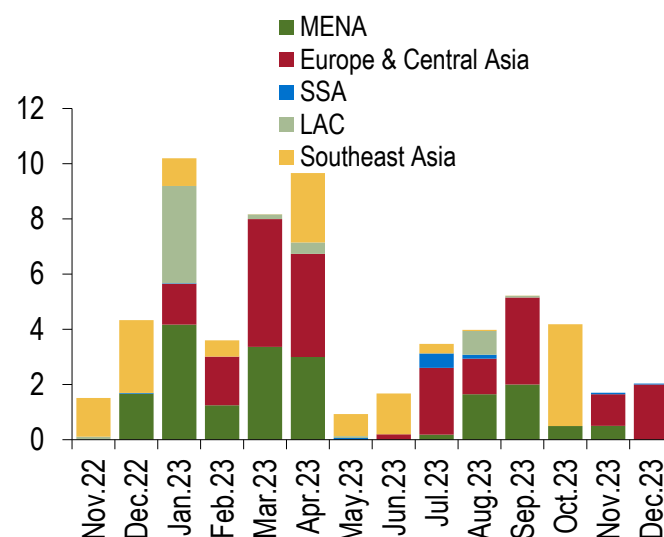


Chart 14. EM Sovereign Amortizations by Region
(US billions)

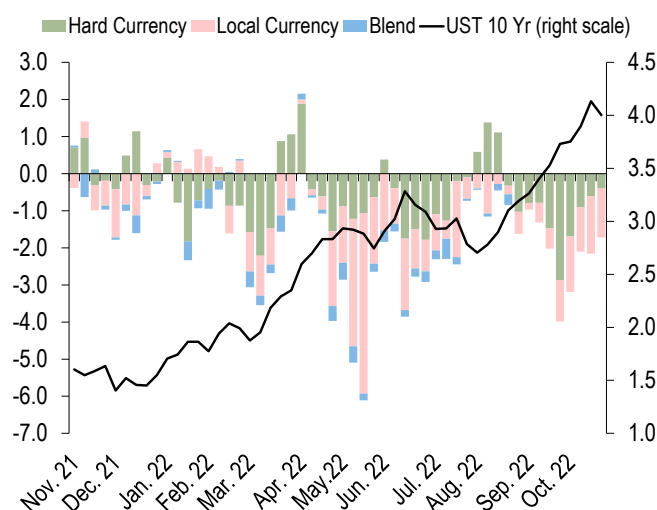


Note: does not include SOEs. MCM list of EMs does not include Czechia, Slovakia, Baltics, or Israel.

Flows: EM Debt Dedicated Funds

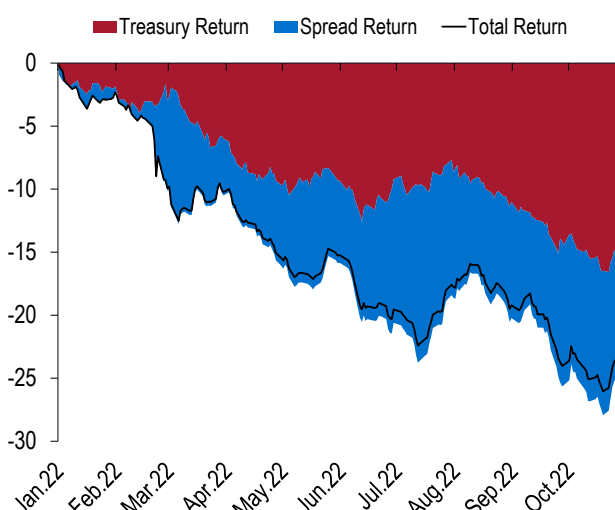
Hard currency fund outflows decelerated in late October but have persisted after a brief August relief rally.

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



Duration and Treasury driven losses continue to play a large role in losses near 25% YTD.

Chart 16. Sovereign Hard Currency Bond Returns (YTD, percent, based on JPM bond index)



Spreads on Hard Currency Bonds

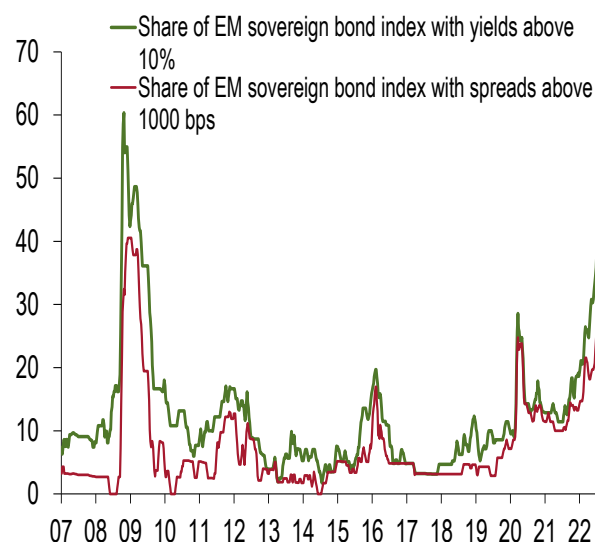
Pakistan and Ghana were major underperformers in October, even as other frontiers has spreads tighten materially.

Chart 17. Major Laggards and Gainers Last Month on Credit Spreads (Basis points; restricted to issuers with spreads below 1500)

Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Tunisia	(218)	2,382	Russia	0	0
El Salvador	(184)	2,072	United Arab	1	147
Ecuador	(183)	1,570	Tajikistan	3	1,734
Angola	(174)	779	China	7	8
Gabon	(164)	831	Saudi Arabia	9	139
Iraq	(150)	809	Malaysia	12	129
Egypt	(141)	960	Bolivia	21	597
Serbia	(93)	294	India	23	211
Namibia	(91)	388	Georgia	26	425
Kenya	(88)	938	Mozambique	33	1,144
Turkey	(74)	526	Vietnam	93	202
Guatemala	(70)	263	Honduras	103	800
South Africa	(66)	350	Suriname	213	1,536
Ivory Coast	(64)	502	Pakistan	669	3,329
Jordan	(64)	452	Ghana	944	3,400

The share of EM sovereign issuers trading at distressed levels (spreads >1000 bps) held steady near 25%, with 40% having yields above 10%.

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



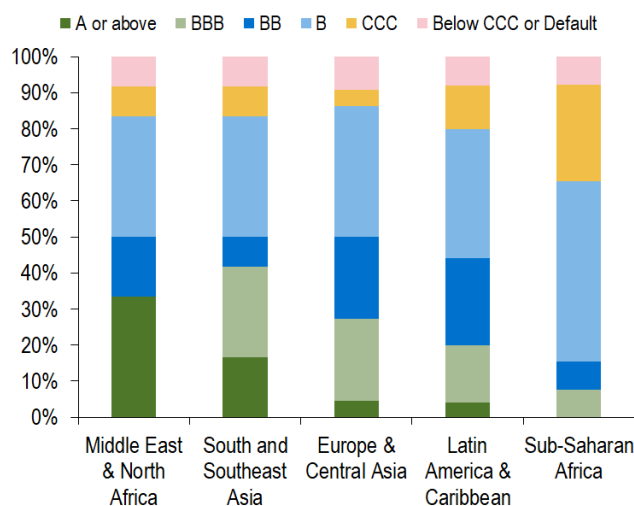
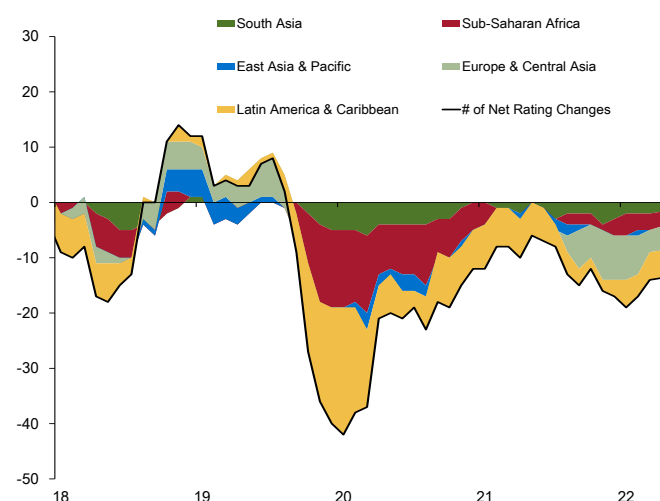
Annex

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

Issuer	2021	2022	Aug-22	Sep-22	Oct-22
Romania	8.2	8.5	0.3	1.3	-
Indonesia	12.2	8.2	-	2.6	-
Turkey	10.0	7.5	-	-	2.5
Mexico	9.1	7.3	2.3	-	-
Chile	15.5	7.0	-	-	1.0
Saudi Arabia	10.0	5.0	-	-	5.0
Philippines	6.0	4.8	-	-	2.0
United Arab Emirates	10.9	4.2	-	-	-
Hungary	5.3	3.7	-	-	-
Dominican Republic	2.5	3.6	-	-	-
South Africa	-	3.0	-	-	-
Panama	4.7	2.5	-	-	-
Bulgaria	-	2.2	-	2.2	-
Poland	-	2.1	-	-	-
Angola	-	1.8	-	-	-
Croatia	2.4	1.4	-	-	-
Nigeria	4.0	1.3	-	-	-
Pakistan	3.5	1.0	-	-	-
Uruguay	1.0	1.0	-	-	1.0
Bolivia	-	0.9	-	-	-
Jordan	-	0.6	-	-	-
Paraguay	0.9	0.5	-	-	-
Guatemala	1.0	0.5	0.5	-	-
Egypt	6.8	0.5	-	-	-
Bahamas, The	-	0.2	-	-	-

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

Issuer	2021	2022	Aug-22	Sep-22	Oct-22
China	93.0	22.5	1.6	1.9	1.1
Brazil	24.4	9.6	-	2.0	-
India	14.0	6.0	-	-	-
Mexico	17.1	4.3	-	-	-
Chile	10.3	3.7	-	-	1.1
Indonesia	8.8	3.0	-	-	-
Saudi Arabia	6.9	2.9	-	-	-
Guatemala	0.7	2.0	-	-	-
United Arab Emirates	10.6	1.6	-	-	0.1
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	-	-	-

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 Sept. 22		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
The Bahamas	B+	B+		B1	B+		Ba3
Argentina	CCC-	CCC+	CCC-u	Ca	CCC+	CCCu	Ca
Barbados	B-	B-	B	Caa1	B-	#N/A N/A	Caa1
Laos, PDR	CC	#N/A N/A	WD	Caa3	#N/A N/A	CCC-	Caa3
Pakistan	CCC+	B-	CCC+	Caa1	B-	B-	B3
Nigeria	B-	B-	B	B3 *-	B-	B	B2
Nicaragua	B-	B	B-	B3	B-	B-	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".