

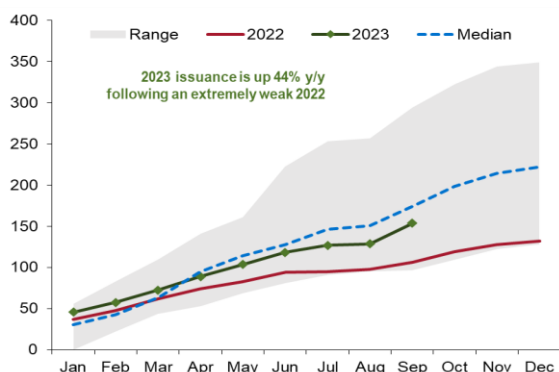


SEPTEMBER HIGHLIGHTS:

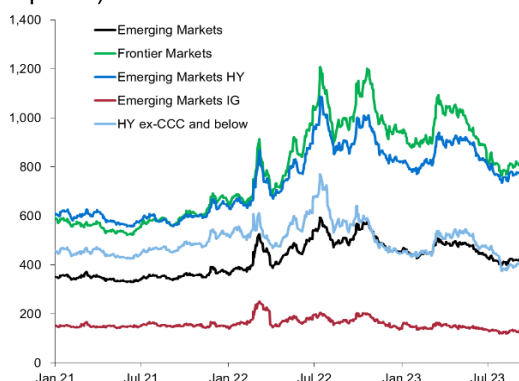
- **Despite the market selloff following the rise in Treasury yields, monthly EM bond issuance rose to \$25.8 bn in September (from \$5.2 bn in August and \$9.1 bn in July).** Sovereign and corporate issuance (ex. China) YTD remains below the historical median, as a very strong January for sovereigns has been offset by limited issuance since. Total YTD issuance is up +29% y/y (+44% y/y ex. CHN corp.) after a historically weak 2022.
- **Sovereign issuance edged higher to \$12.0 bn in September.** EM sovereigns who tapped international markets include Dominican Republic, Guatemala, Hungary, Panama, Romania, Trinidad & Tobago, and UAE. Overall, YTD sovereign issuance of \$105 bn is up +54% y/y, exceeding the historical median for the last decade, including a record January (\$40 bn). **Sovereigns rated A or above accounted for 30% of YTD issuance.**
- **Nonfinancial corporate issuance also accelerated to \$13.8 bn in September (from \$4.7 bn in August and \$5.3 bn in July),** although below the historical median (\$19.8 bn) seen in the previous decade. Ex-CHN corporates issued \$12.9 bn during the month, the largest since January 2022. In contrast, Chinese corporate issuance was quiet with only \$0.9 bn during the month, while its YTD issuance (\$11.0 bn) remains at the weakest level since 2010.
- **Secondary market for hard currency EM sovereigns' spreads widened +9 bps in September (+33 bps since July), led by high yield issuers (+55 bps since July).** Investment grade sovereign spreads widened marginally (+9 bps since July) but continue to trade near historical tight. High yield excluding CCC and below also widened +21 bps (+42bps since July) but remains around 25 bps tighter YTD. Frontier spreads were relatively unchanged during the month but have widened +57bps since July.
- **Credit ratings actions were relatively muted following multiple rating actions in August.** In September, Moody's downgraded Ethiopia's ratings to Caa3 from Caa2 (median CCC-), citing deterioration in the external profile against a backdrop of multiple shocks. Oman's ratings were upgraded to BB+ (median BB+) by Fitch and S&P, from BB following improved fiscal outlook. S&P also upgraded Jamaica's rating to BB- (median B+) from B+, citing expectations for continued improvements in the fiscal trajectory. The current rating is the highest it has received from S&P since it started rating the country in 1999.
- **Fund outflows continued in September.** Outflows for the five weeks ending 29 September, was estimated to be around 4.2% of total AUM, close to the outflows observed for full year of 2020. YTD hard currency returns slipped into losses in the first week of October (-0.4%) as the performance of Treasuries continues to drag down the asset class returns.
- **Market remains open for issuers with stronger fundamentals, but issuances are likely to remain sluggish.** The recent sell off in Treasuries and limited refinancing needs may suppress issuance for most sovereigns for the remainder of the year. Bifurcation of the asset class has broadly continued, and lower rated frontier issuers still struggle with market access. Uzbekistan, Poland, and Turkey are said to be mulling issuances in the near future. Brazil is reportedly readying its inaugural sustainable-bond issuance following the completion of several investor meetings over the past month.

Overview

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



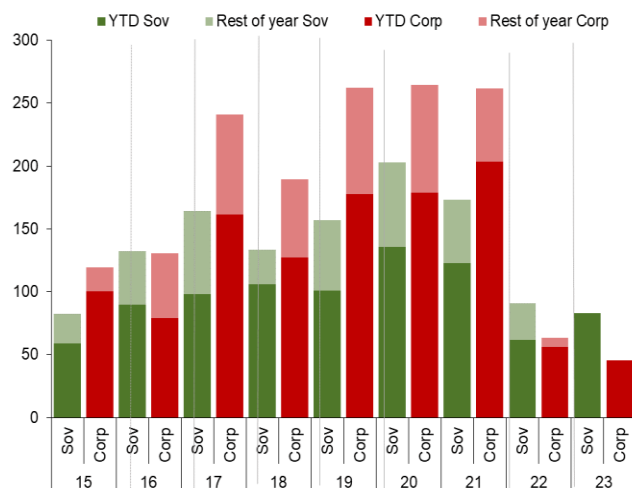
2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

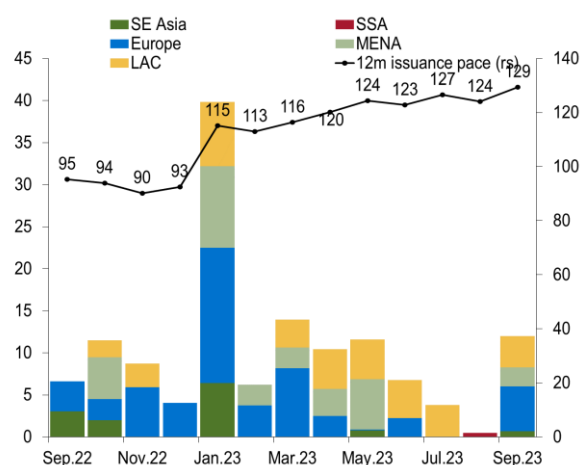
Corporate issuance has slowed further in 2023, while sovereign issuance continues to near 2022's issuance levels largely due to a historically weak 2022

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



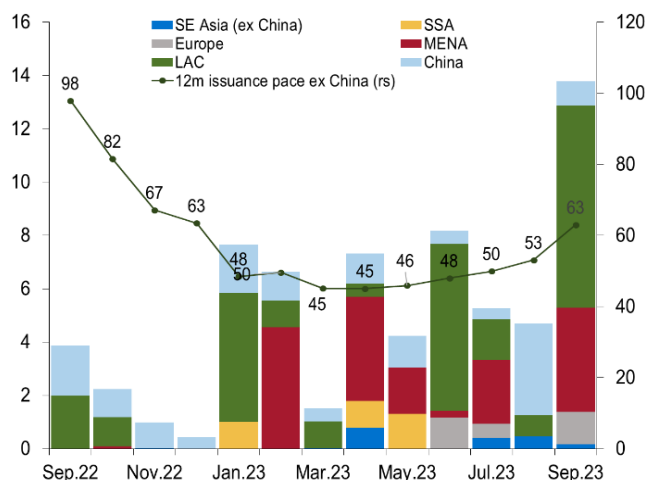
In September, the governments of Dominican Republic, Guatemala, Hungary, Panama, Romania, Trinidad & Tobago, and the UAE issued hard currency bonds

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



Corporate supply rose in September, led by LATAM corp. but China corp. issuances declined after a rebound in August

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



Saudi Arabia has accounted for more than 15% of sovereign issuance in 2023

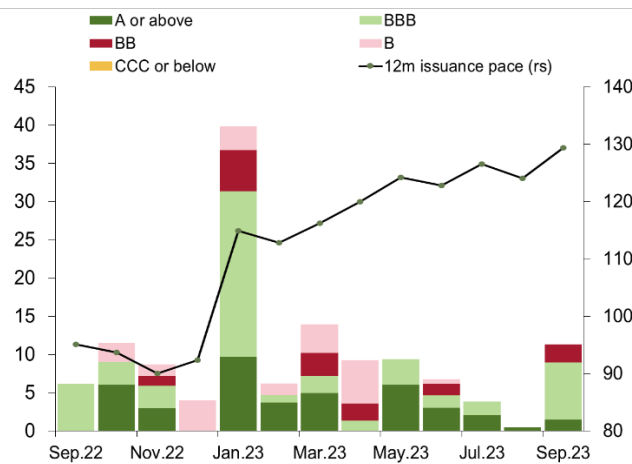
Chart 6. Country Sovereign Issuance Totals
(USD billions)

Issuer	2021	2022	2023	Jul-23	Aug-23	Sep-23
Saudi Arabia	10.0	5.0	15.7	-	-	-
Romania	8.2	8.5	9.5	-	-	3.5
Poland	-	5.1	8.7	-	-	-
Chile	18.9	7.0	8.5	2.1	-	-
Turkey	10.0	13.0	7.4	-	-	-
Hungary	5.3	5.2	6.5	-	-	1.9
Mexico	9.1	7.3	5.3	-	-	-
Panama	4.7	4.0	3.9	0.7	-	1.4
Indonesia	12.2	8.2	3.7	-	-	-
United Arab Emirates	10.9	4.2	3.2	-	-	2.3
Dominican Republic	4.6	3.6	3.1	-	-	1.3
Philippines	6.0	4.8	3.0	-	-	-
Peru	10.0	-	2.5	-	-	-
Morocco	-	-	2.5	-	-	-
Brazil	2.2	-	2.2	-	-	-
Bahrain	4.0	-	2.0	-	-	-
Colombia	6.1	1.3	1.8	-	-	-
Serbia	3.2	-	1.7	-	-	-
Croatia	2.4	1.4	1.6	-	-	-
Bulgaria	-	2.2	1.6	-	-	-
Guatemala	1.0	0.5	1.6	-	-	0.6
Costa Rica	-	-	1.5	-	-	-

Issuance Detail

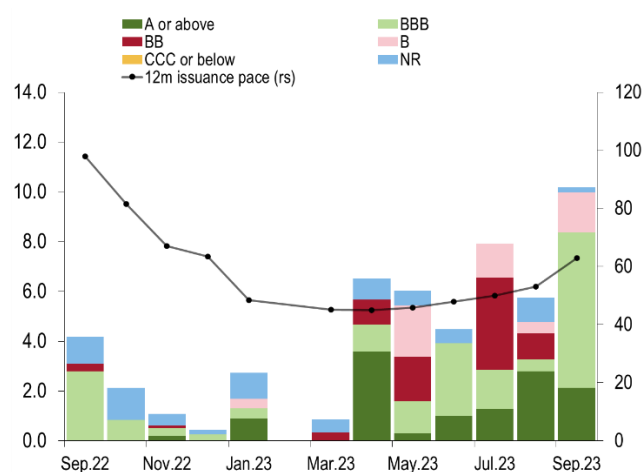
Investment grade sovereigns continued to make up most of the issuance for this year.

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



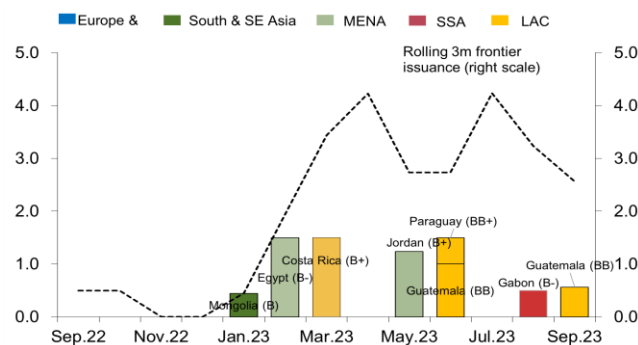
High yield issuance moderated after peaking in June with higher proportion of investment grade issuances

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



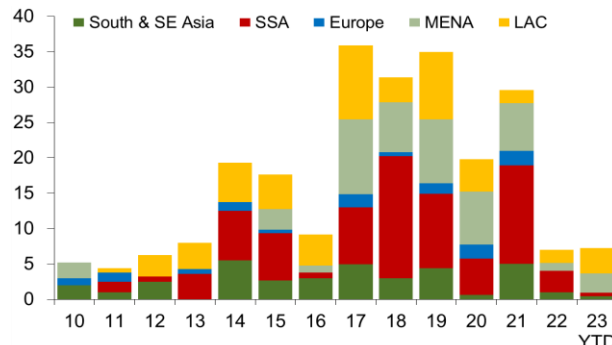
Guatemala was the only frontier sovereign issuer in the past month, with a USD 565 mn issuance of a 9-year bond

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



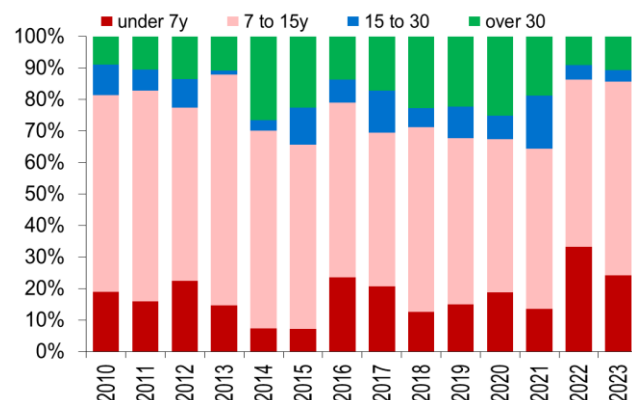
Seven frontiers have issued in 2023 for \$6.7bn YTD in a continuation of the weak market dynamics seen in 2022.

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



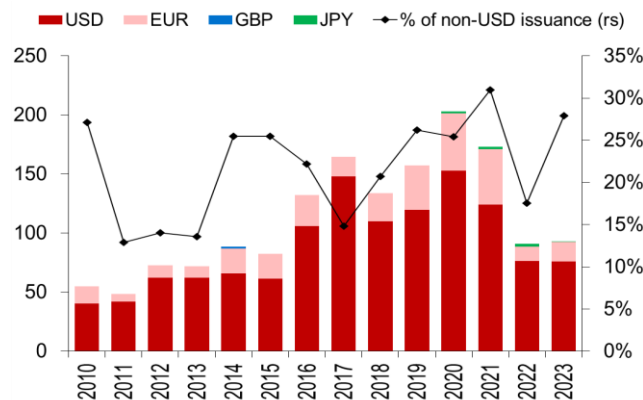
Average maturity has increased in 2023, but remains low by historical standards.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)



Non-dollar denominated issuance continues to be low, despite high US yields

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)

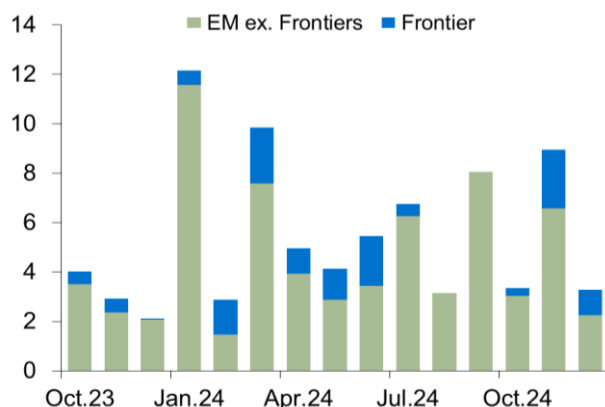
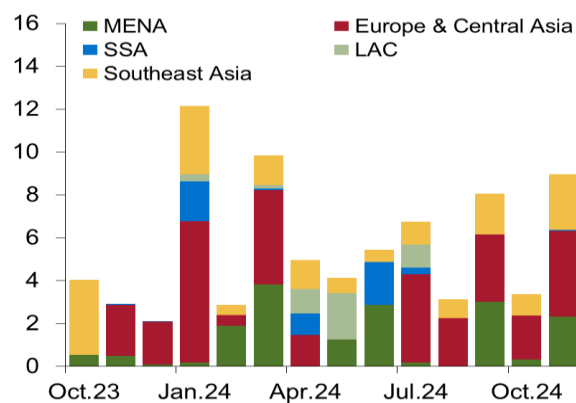


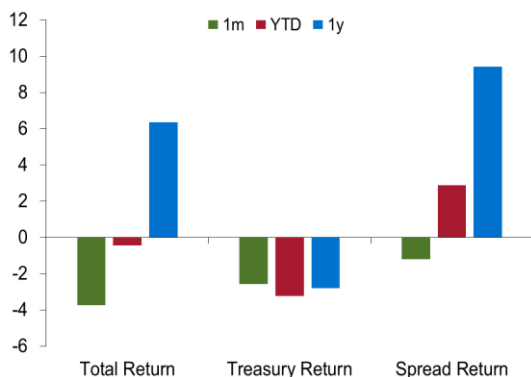
Chart 14. EM Sovereign Amortizations by Region
(US billions)



Fund Flows and Bond Returns

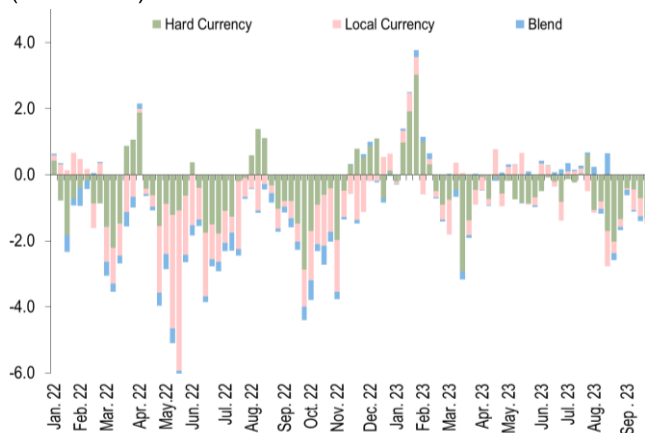
Losses were primarily driven by higher Treasury yields this year while spreads returns were positive

Chart 15. Sovereign Hard Currency Bond Returns
(percent)



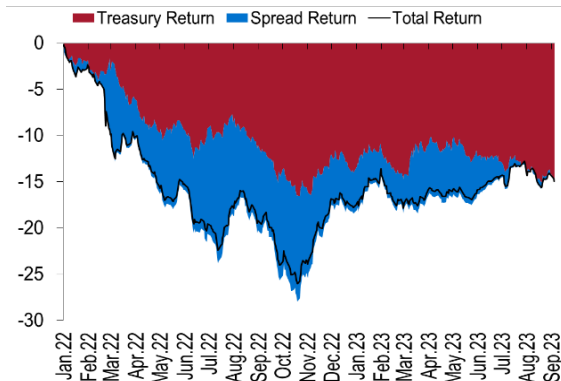
Hard currency fund outflows continued in September amidst weaker sentiment, averaging \$4.5 bn over the past 6 weeks

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



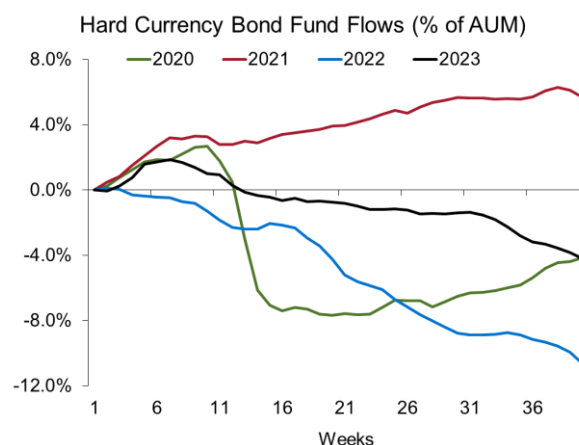
Since 2022, losses on hard currency sovereign bonds have been substantial, as Treasury yields trend higher

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



Outflows remain modest as a share of AUM but are accelerating and on-track to exceed 2020 levels

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



Sovereign Spreads on Hard Currency Bonds

Spreads generally widened in September, with Kenya and Cameroon 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
Suriname	(136)	1,151	Guatemala	7	228
Pakistan	(126)	1,975	Dominican Repb.	7	319
Gabon	(111)	786	Turkey	8	354
Mozambique	(109)	949	Namibia	10	261
Ecuador	(61)	1,789	Peru	10	174
El Salvador	(55)	737	Uruguay	10	98
Egypt	(44)	1,176	South Africa	10	337
Iraq	(42)	437	Azerbaijan	13	192
Mongolia	(29)	365	Nigeria	13	703
Georgia	(19)	245	Colombia	14	335
Trinidad And Tobago	(19)	174	Panama	18	221
Kazakhstan	(18)	94	Armenia	24	303
Honduras	(17)	355	Jordan	25	331
Jamaica	(13)	186	Cameroon	36	969
Bahrain	(11)	250	Kenya	111	805

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)

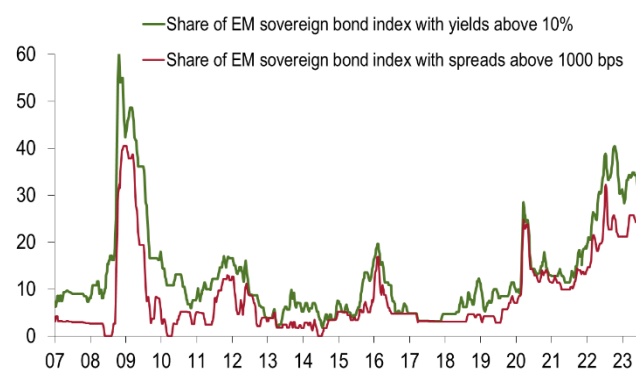


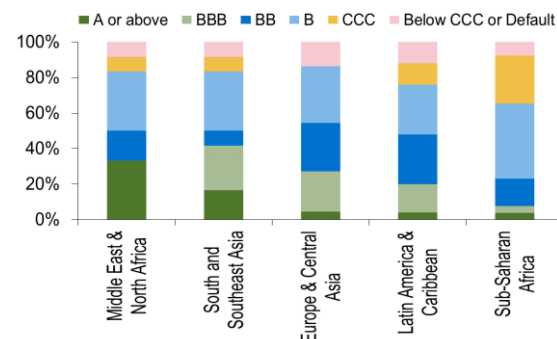
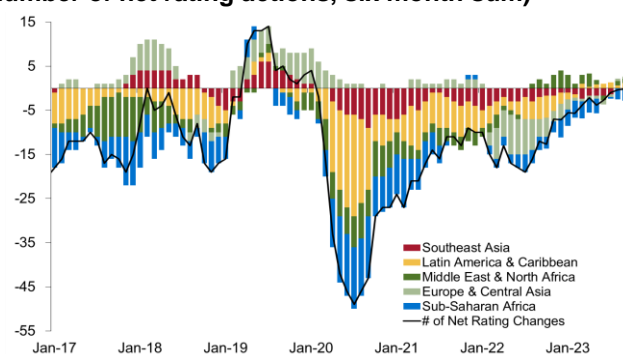
Chart 21. Spreads by Rating and Country (basis points, median rating)



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	5.4	
Jul.21	2.6	3.1		2.7	3.2		4.3	4.8		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	2.0	3.1		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					6.2				
Jul.23					6.4							
Aug.23		6.1										
Sep.23		4.9			6.5	6.9		6.5				

Annex Table 2. Ratings by Region
(share by rating and region)**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 Aug. 23		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
Ethiopia	CCC-	CCC	CCC-	Caa3	CCC	CCC-	Caa2
Oman	BB+	BB+	BB+	Ba2	BB	BB	Ba2
Jamaica	B+	BB-	NR	B2	B+	NR	B2

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".