



JUNE 2022 HIGHLIGHTS

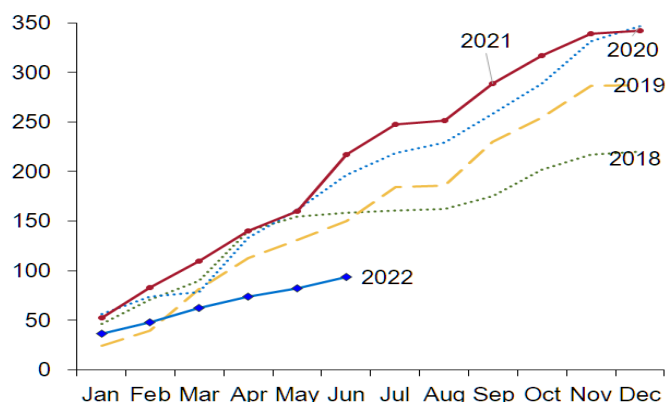
- **Hard currency issuance remained weak in June** as spreads widened on increased fears of a global slowdown and increased risk aversion. **Sovereign and corporate supply year-to-date is down over \$150 bn compared to the same period in 2021.**
- **Sovereign issuance was \$8.2 bn over the month, slightly higher than May's \$7.4 bn, but less than half of June 2021's \$20 bn.** The bulk of last month's sovereign issuance was from just two countries – Hungary (\$3.7 bn) and UAE (\$3.0 bn). YTD sovereign issuance stands at \$58 bn, compared to \$105 bn through the same period in 2021, marking the slowest pace since 2015. High yield issuance continues to remain especially weak, but June did see the first two frontier issuers since April – Jordan (\$650 mm) and the Bahamas (\$200 mm).
- **Corporate issuance also remained weak at \$4.2 bn.** More than half of that total came from one Brazil corporate – JBS, a large meat producer – which issued \$2.5 bn.
- **EM credit spreads widened markedly in June with the spread on JP Morgan's EMBI increasing by about 75 bps.** Frontier market spreads rose by nearly 200 bps, with the spread of the NEXGEM index ending the month at over 1000 bps. Investment grade sovereigns were not immune from the sell-off with the average spread rising by 27 bps to 192 bps.
- **Market conditions remain difficult despite treasury spreads falling well off of their recent high.** Treasury yields rose rapidly at the beginning of the month, with the 10-year nearly reaching 3.5% at mid-month before falling all the way to 3% by the end of June. Despite the lower yields, the latter half of the month was especially weak for issuance, with only one sovereign issuer since June 9. Issuance is likely to remain low over the coming months as uncertainty over the outlook remains clouded. Additionally, July and August tend to be two of the slowest months of the year for issuance (along with December) as investors are hesitant to take risk ahead of summer vacations. Analysts see possible issuers including Saudi Arabia, Brazil, Bahrain, and Colombia. Uruguay has expressed interest in issuing a new sustainability-linked bond sometime in Q3.

June 2022 Overview

Hard currency issuance (ex. China corporates) has continued its anemic pace, with \$93.6 bn YTD, the weakest since 2012

1. Pace of Sovereign and Corporate Issuance

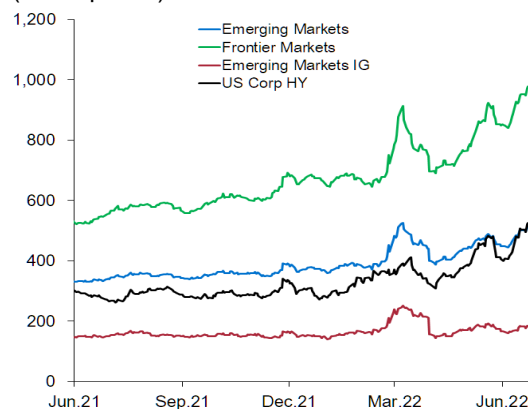
(USD billions, excluding China corporates)



Emerging market credit spreads rose nearly 100 bp in June, with Frontiers continuing to underperform.

2. Emerging and Frontier Market Spreads

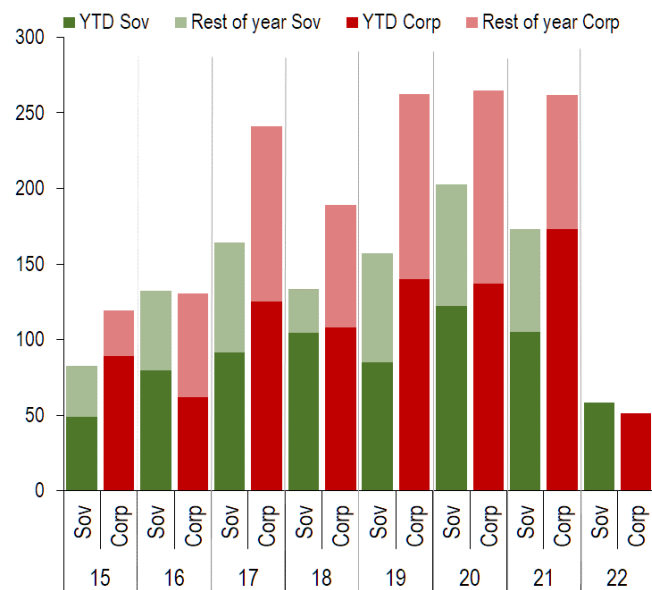
(Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

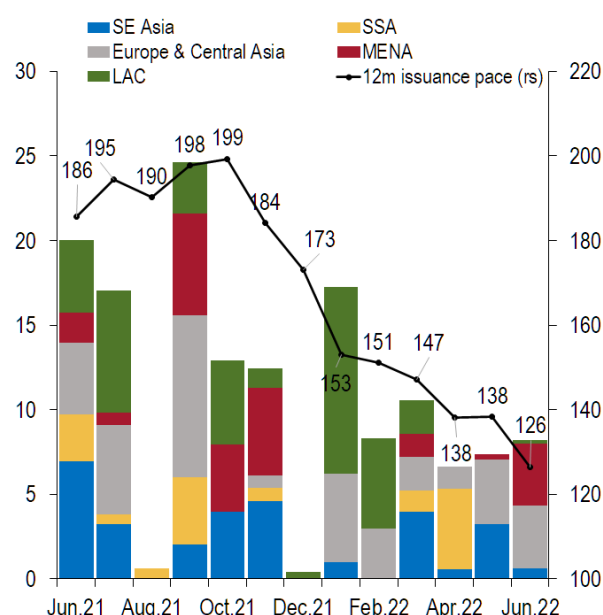
Total issuance is off to the slowest start since 2012, with sovereign and corporate supply down more than \$150 bn YTD compared to 2021

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



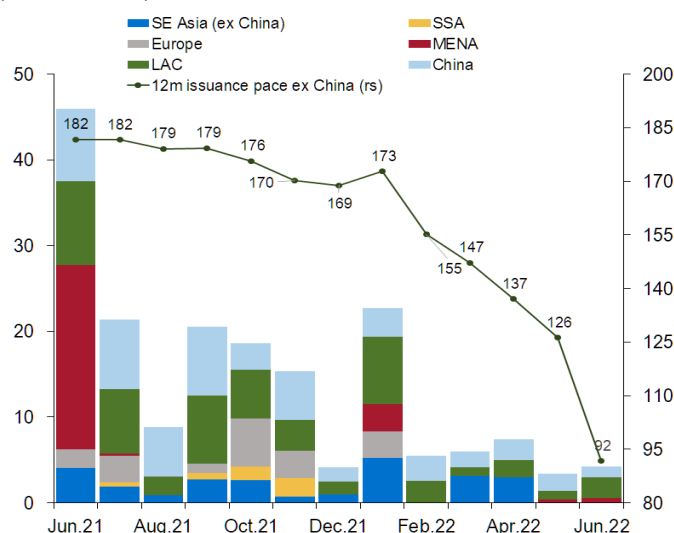
June saw 5 sovereign issuers, but only 2 (UAE and Hungary) with more than \$1 bn USD-equivalent in issuance

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



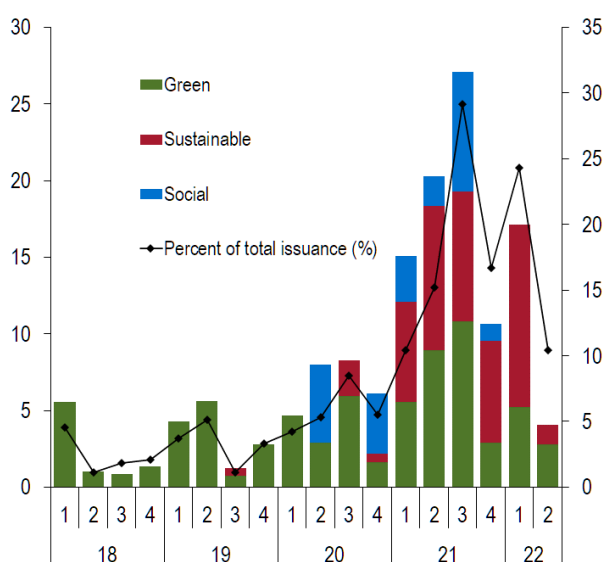
Corporate issuance remained muted in June with only \$4.2 bn

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



ESG has declined in line with overall issuance, and only accounted for 10% of all issuance in Q2, down from nearly 25% in Q1

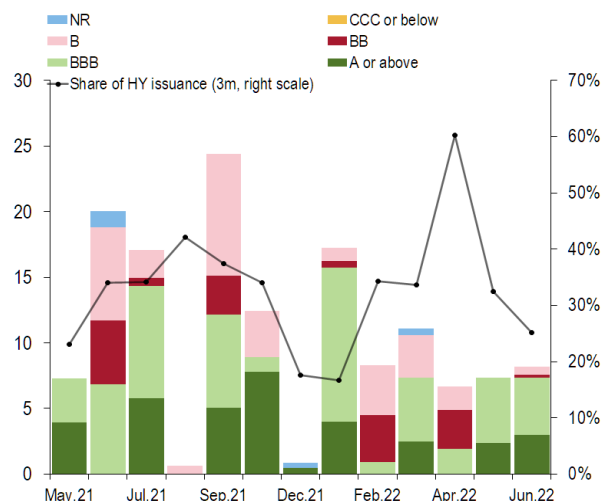
Chart 6. ESG Issuance
(USD billions; percent; quarterly)



Issuance Detail by Rating

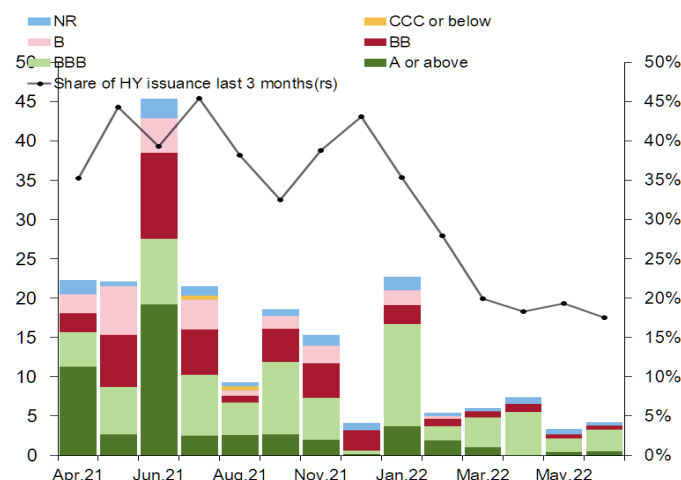
High yield issuance remains especially weak with only Jordan (\$650mm) and the Bahamas (\$200mm) coming to market.

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



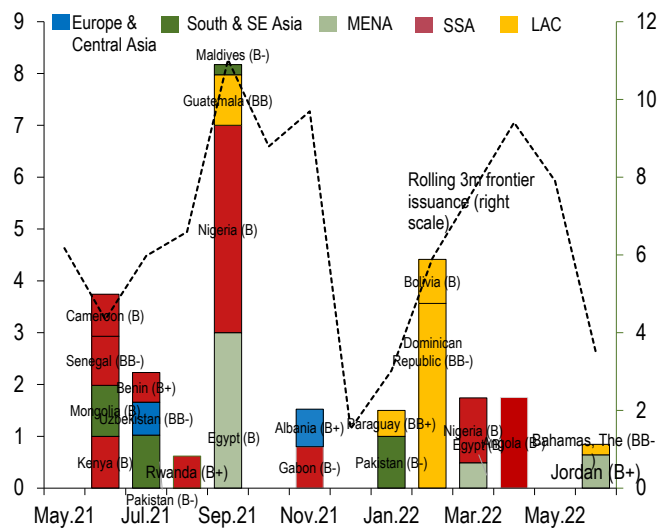
HY corporate issuers continue to largely avoid the primary bond market.

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



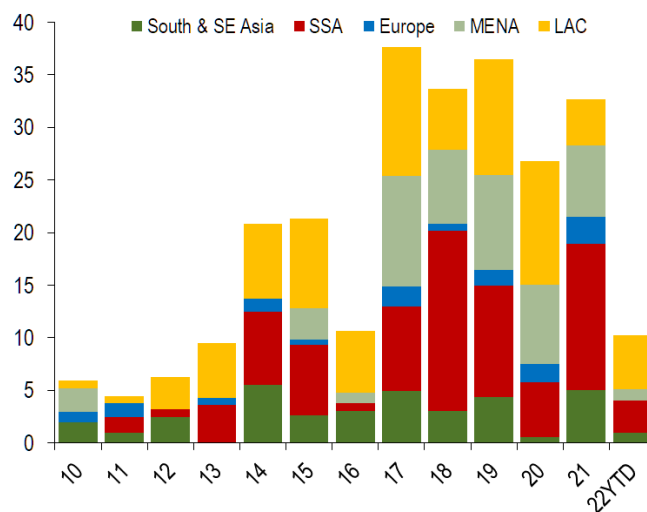
After no frontiers issued in May, both Jordan and the Bahamas managed to issue last month, but in relatively small size.

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



Frontier issuance (\$10.2 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 19% of issuance at greater than 15 yrs maturity, compared to 37% in 2021.

Dollar issuance has accounted for 84% of total supply in 2022, compared to 72% in 2021.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)

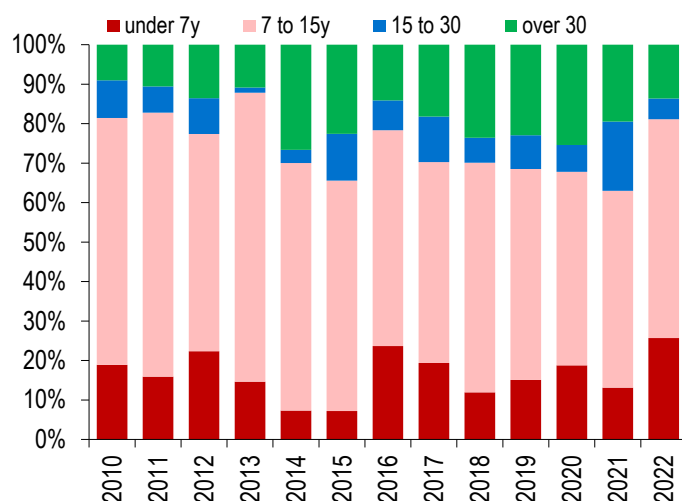
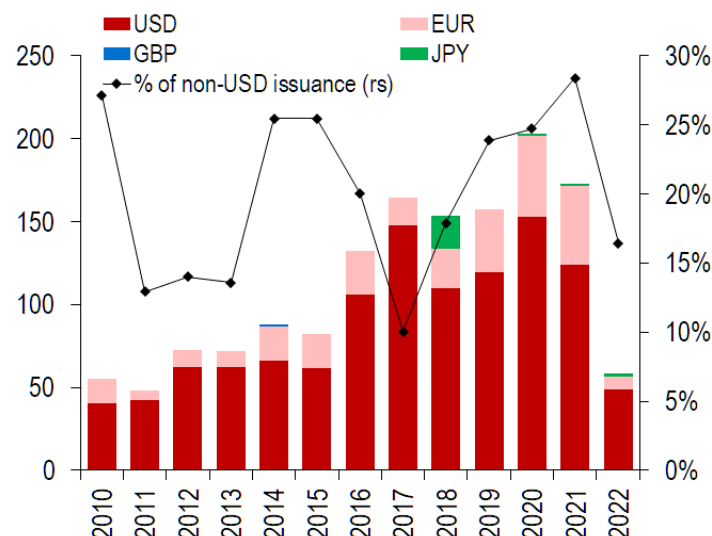


Chart 12. EM Sovereign Issuance by Currency
(Percent)



Sovereign Amortizations

Sovereign principal payments* are modest until September. Upcoming payments in the next 3 months include Bahrain, Uruguay, Mexico, Iraq, Turkey, Ukraine, the Philippines, Zambia, and Sri Lanka.

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

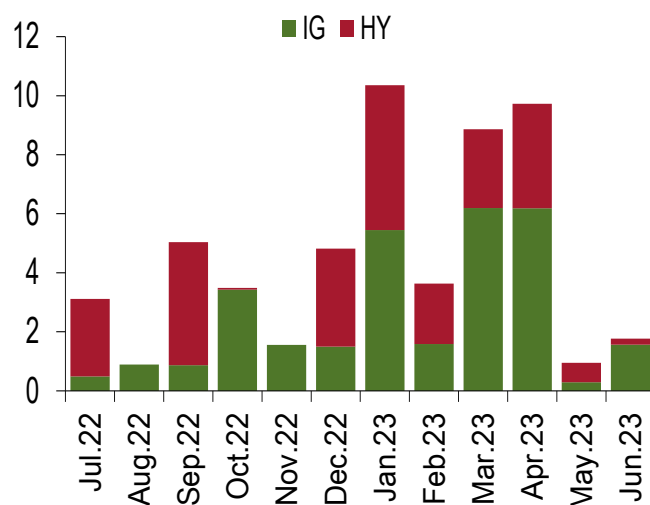
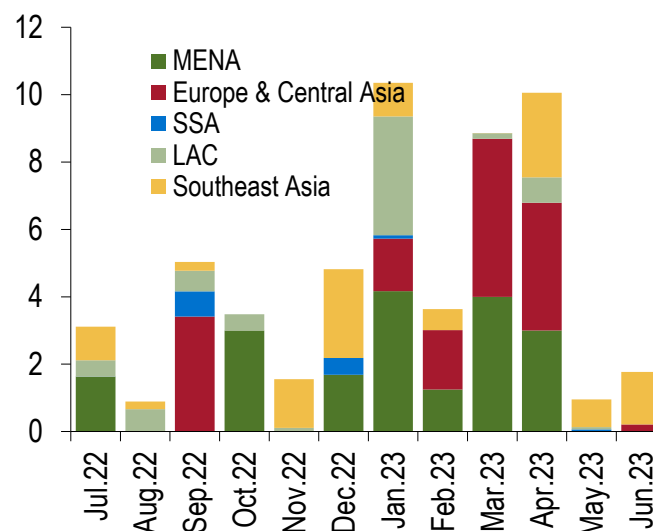


Chart 14. EM Sovereign Amortizations by Region
(US billions)

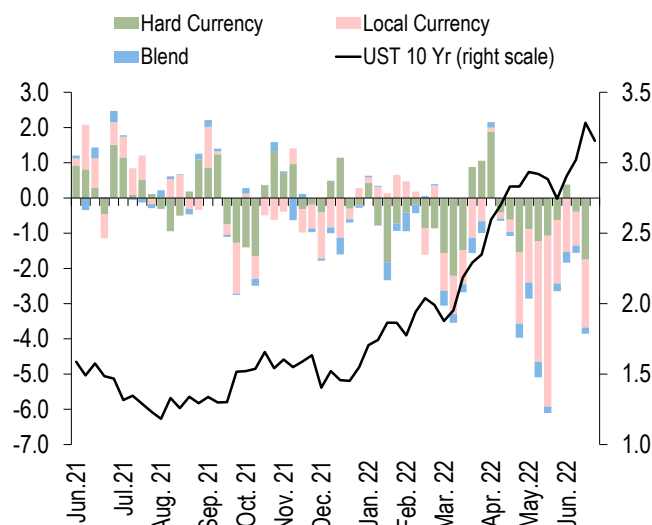


Note: does not include SOEs. MCM list of EMs does not include Czechia, Slovakia, Baltics, or Israel.

Flows: EM Debt Dedicated Funds

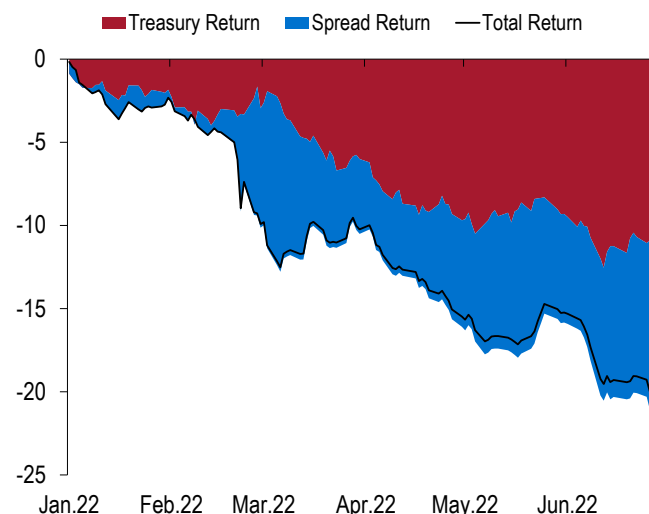
Hard currency fund outflows have been persistent since mid-April after initial stabilizing following the Russia shock.

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



Bond returns continue to plummet thanks to the increases in both spreads and treasury yields.

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



Spreads on Hard Currency Bonds

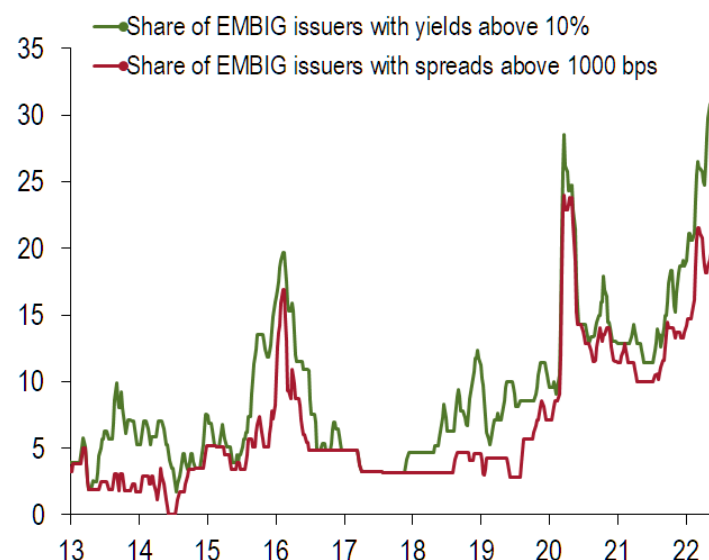
Angola, Namibia, Gabon, and Iraq were the biggest non-distressed underperformers in June.

Chart 17. Major Laggards and Gainers Last Month on Credit spreads (Basis points; change in November)

Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Croatia	(23)	78	South Africa	117	442
China	(6)	8	Georgia	130	519
Malaysia	4	131	Turkey	133	738
Trinidad And Tobago	9	349	Jordan	151	630
United Arab Emirates	17	152	Senegal	179	735
Uruguay	25	162	Ivory Coast	180	627
India	25	194	Iraq	214	696
Kuwait	27	43	Gabon	246	882
Qatar	27	125	Namibia	250	663
Hungary	28	230	Angola	265	937

More than 30% of EM issuers have yields above 10%, up from less than 20% at the start of 2022.

Chart 18. Share of Distressed Issuers
(share, 3 week average)



Annex: Country Level Issuers

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

Issuer	2021	2022	Apr-22	May-22	Jun-22	Jul-22
Romania	8.2	6.9	-	1.7	-	-
Chile	15.5	6.0	-	-	-	-
Indonesia	12.2	5.6	-	3.3	0.6	-
Turkey	10.0	5.0	-	-	-	-
Mexico	9.1	5.0	-	-	-	-
United Arab Emirates	10.9	4.2	-	0.3	3.0	-
Hungary	5.3	3.7	-	-	3.7	-
Dominican Republic	2.5	3.6	-	-	-	-
South Africa	-	3.0	3.0	-	-	-
Philippines	6.0	2.8	0.6	-	-	-
Panama	4.7	2.5	-	-	-	-
Poland	-	2.1	-	2.1	-	-
Angola	-	1.8	1.8	-	-	-
Croatia	2.4	1.4	1.4	-	-	-
Nigeria	4.0	1.3	-	-	-	-
Pakistan	3.5	1.0	-	-	-	-
Bolivia	-	0.9	-	-	-	-
Jordan	-	0.6	-	-	0.6	-
Paraguay	0.9	0.5	-	-	-	-
Egypt	6.8	0.5	-	-	-	-
Bahamas, The	-	0.2	-	-	0.2	-

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

Issuer	2021	2022	Apr-22	May-22	Jun-22
China	93.0	15.4	2.4	2.0	1.2
Brazil	24.4	7.6	1.4	-	2.5
India	14.0	6.0	-	-	-
Mexico	17.1	3.6	-	-	-
Indonesia	8.8	3.0	3.0	-	-
Saudi Arabia	6.9	2.9	-	-	-
Chile	10.3	2.6	-	0.5	-
Guatemala	0.7	2.0	-	-	-
United Arab Emirates	10.6	1.5	-	0.4	0.5
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	0.5	-	-
Trinidad and Tobago	-	0.5	-	0.5	-
Turkey	2.7	0.5	-	-	-
Georgia	0.5	0.3	-	-	-
Philippines	3.2	0.1	-	-	-

Annex Table 3. Average USD Sovereign Bond Coupons By Maturity and Rating

Maturity (years)	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.20		2.5			3.1	3.8		3.9	5.2		6.6	7.3
Feb.20							4.5	5.5			6.4	8.4
Mar.20						4.5						
Apr.20	2.7	3.1	4.1	3.3		4.3		5.2	6.1			
May.20	1.7		3.3				6.3	7.4		5.8	7.6	8.9
Jun.20				2.3		4.0	2.2	3.5		5.5	6.1	
Jul.20					3.0	4.0					6.2	9.5
Aug.20	0.8	1.7	2.7									
Sep.20				2.8				4.8	6.3	5.3	4.0	
Oct.20	0.5	1.2	2.3		2.8							
Nov.20					2.3	3.3					6.0	
Dec.20					2.4	3.3	2.2				6.2	
Jan.21		2.1	3.3		2.3	3.5	4.5	4.2	5.5	4.9	5.2	6.3
Feb.21										3.9	5.9	7.5
Mar.21			3.5		3.1	4.0				6.1	7.9	8.9
Apr.21		2.1	3.1		3.4	4.3	2.9					
May.21		2.3	3.3		2.3							
Jun.21				1.5	2.3	3.5		4.4	4.9	4.4	5.5	
Jul.21		2.6	3.2		2.7	3.2				5.9	6.7	8.5
Aug.21												
Sep.21		2.0	3.2		2.2	3.3		4.0	4.9	5.8	6.6	8.5
Oct.21		2.2	3.2		3.1	3.8			5.1			
Nov.21			3.4								4.8	
Dec.21												
Jan.22	2.8	3.5	4.1	3.1	3.5	4.5	3.9				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				4.9	5.4							
Jun.22		4.1	5.0		5.6							

Note: Only USD bonds included.