



SUMMER 2022 HIGHLIGHTS: JULY - AUGUST

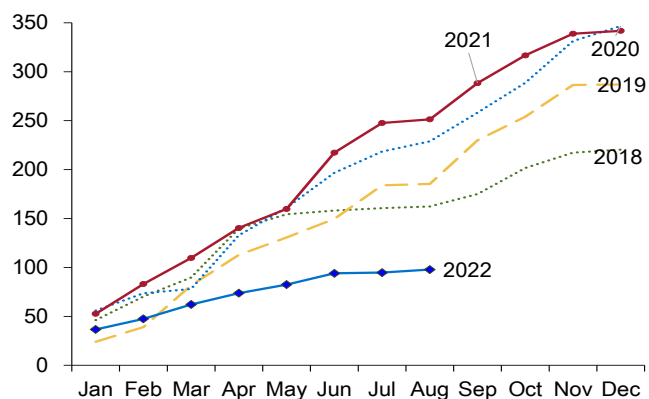
- **Emerging market issuance slowed to a trickle over the summer months, with just 3 sovereign issuers (\$3.1 bn) from July - August.** While August is typically a slow month, July has averaged nearly \$10 bn in sovereign issuance over the last 5 years.
- **Sovereign issuance was \$3.1 bn in August for a YTD total of \$62bn, down 50% y/y, and keeping 2022 on pace for the slowest year since 2015.**
 - **IG Issuance:** Mexico sold two sustainable bonds in August for a total of \$2.3 bn, including a multitranche yen dominated bond (\$0.5 bn), and a \$1.8 bn dollar bond. The latter was used primarily for a series of debt repurchases.
 - **HY Issuance:** Guatemala became the first frontier market to issue since June amid more favorable market conditions in early August, with a 7-year, \$0.5 bn dollar bond at a coupon of 5.3%. The bond still came with a new issue concession of about 40 bps over the secondary market though.
- **Corporate issuance continues to limp along, down 75% y/y, with under \$5 bn in new bonds from July - August.** América Móvil (Mexico) and several private and quasi-sovereign Chinese firms were the only issuers.
- **EM credit spreads have narrowed from their late-June peaks, though high yield spreads remain high by historical standards.** The share of EM sovereign issuers trading at distressed levels (spreads >1000 bps) has declined from nearly 35% to just over 20%. In particular, Egypt and Pakistan have seen spreads narrow by around 250 and 45 bps respectively, in part due pledges of external support and agreement with the IMF for the latter.
- **Market conditions remain challenging despite some easing of financial conditions.** The market remains open for investment grade and some stronger high yield issuers, but coupons and issuance concessions are likely to remain high, and several prospective issuers may choose to be patient if they can. Analysts see Uruguay as a strong possibility in the coming months, with the country interested in a sustainability-linked bond for Q3. GCC members like Bahrain, Abu Dhabi, and Saudi Arabia may issue before the end of the year, but high oil prices will mitigate any immediate cash needs. Colombia and South Africa are seen as likely candidates as well. Bond maturities for September are limited to Turkey (\$2.5bn) and smaller payments for Mexico, Philippines, and Ghana. Several high yield issuers (Morocco, Pakistan, Gabon, Mongolia) have redemptions due in December.
- **EM hard currency bond fund flows rebounded for 3 consecutive weeks of inflows from late July before renewed outflows last week.** YTD outflows have improved to -5.7% of assets under management.

Summer 2022 Overview

Hard currency issuance (ex. China corporates) has continued its anemic pace, with \$97.8 bn YTD

1. Pace of Sovereign and Corporate Issuance

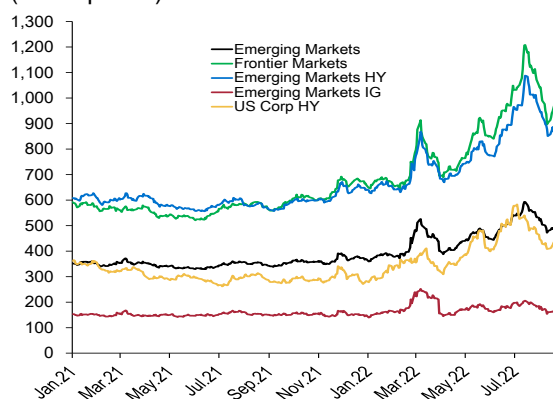
(USD billions, excluding China corporates)



Emerging market credit spreads tightened on net in August, though remain wider YTD

2. Emerging and Frontier Market Spreads

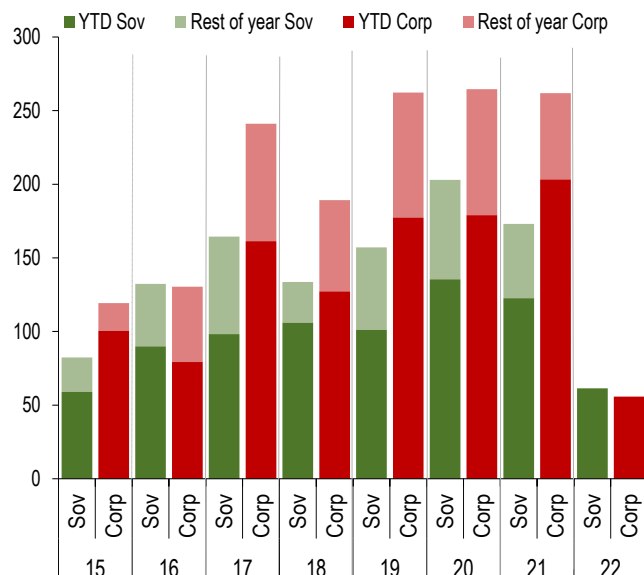
(Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

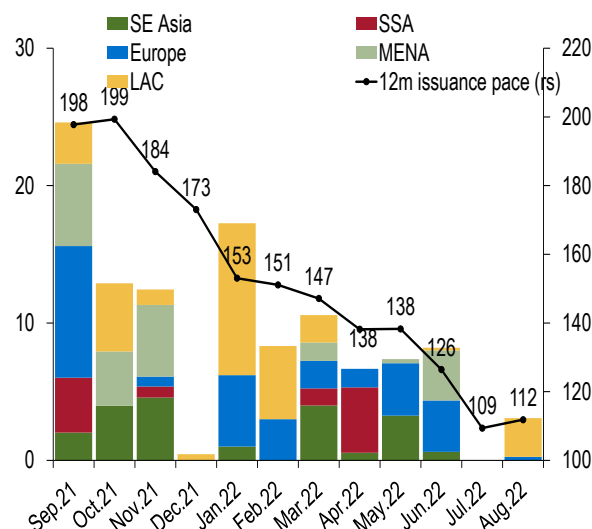
Total issuance is off to the slowest start since 2011, with sovereign and corporate supply down about \$200 bn from 2021

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



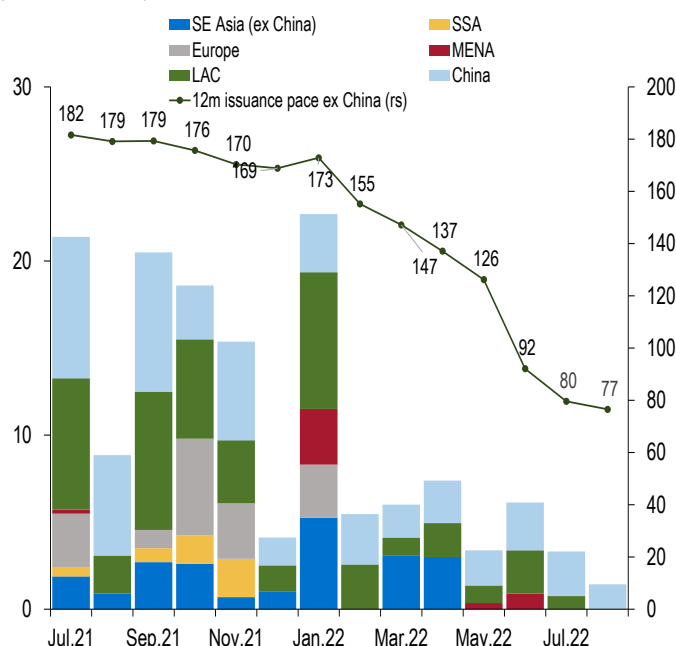
July saw no sovereign issuers, followed by 2 in August (Mexico twice, and Guatemala).

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



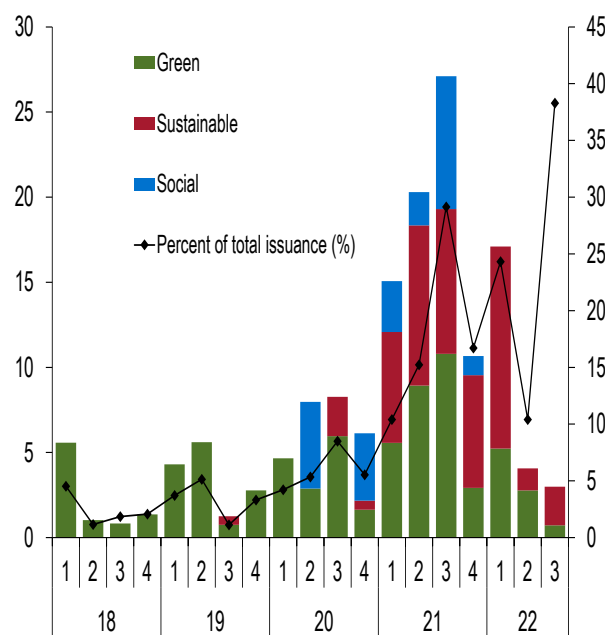
Corporate issuance remained muted in July-August, with no EM ex. China bonds in August.

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



ESG has declined in line with overall issuance but has been a favored financing source for several investment grade issuers this year (Chile, Mexico, Indonesia).

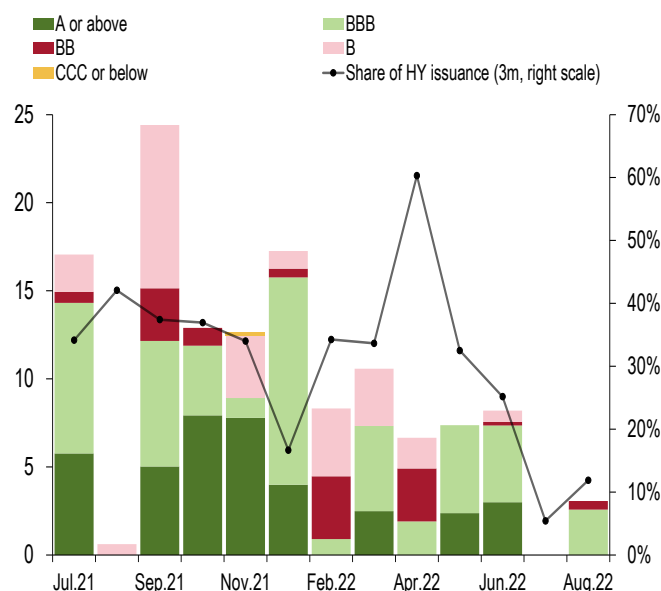
Chart 6. ESG Issuance
(USD billions; percent; quarterly)



Issuance Detail by Rating

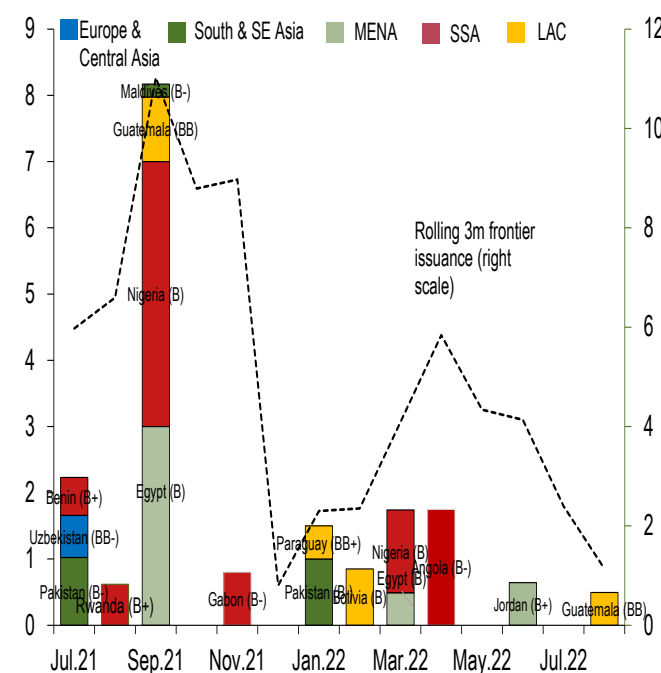
High yield issuers have accounted for barely 10% of issuance since June.

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



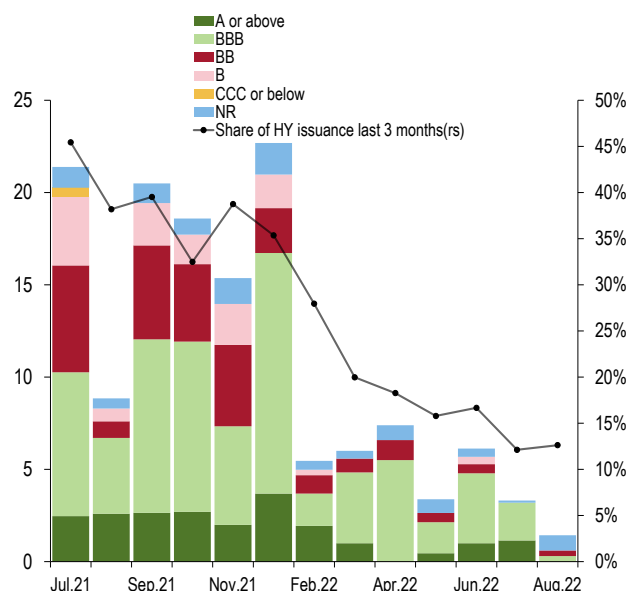
Guatemala issued \$0.5 bn in August.

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



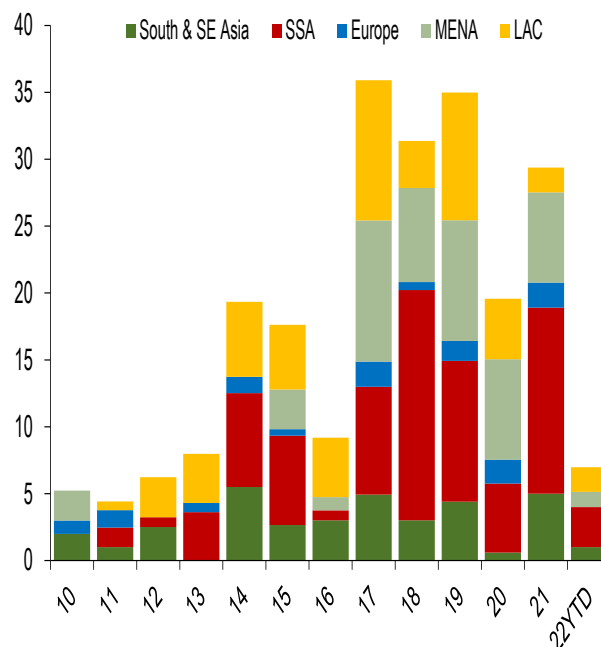
HY corporate issuers continue to largely avoid the primary bond market.

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



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

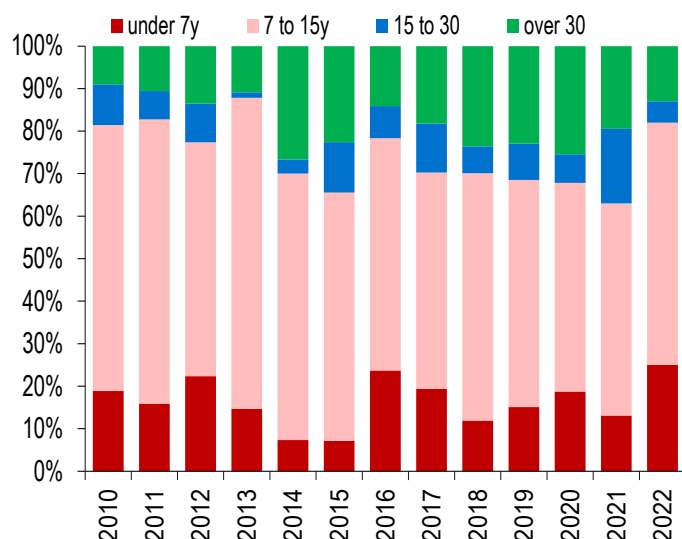
Chart 10. Frontier Sovereign Issuance by Region
(USD billions)



Issuance Detail by Maturity and Currency

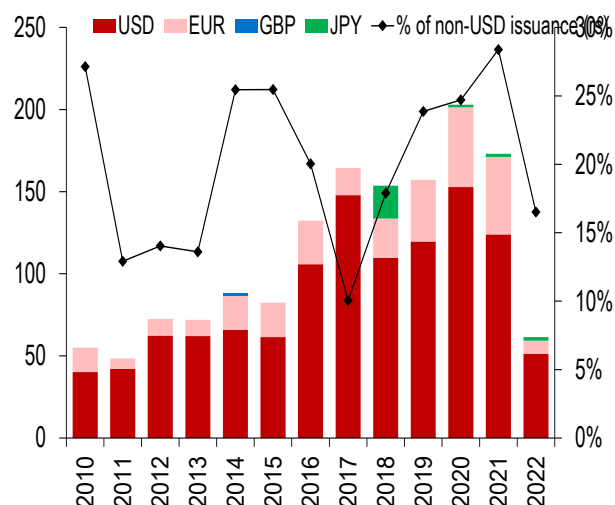
Average maturity for EM sovereigns has declined in 2022, with 18% of issuance at greater than 15 yrs maturity, compared to 37% in 2022.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)



Mexico and Indonesia issued samurai bonds in August and June respectively, but dollar denominated bonds account for 85% of issuance YTD, a five year high.

Chart 12. EM Sovereign Issuance by Currency
(Percent)



Sovereign Amortizations

Bond maturities for September are limited to Turkey (\$2.5bn) and smaller payments for Mexico, Philippines, and Ghana (Zambia has a bond maturing as well). Several high yield issuers (Morocco, Pakistan, Gabon, Mongolia) have redemptions due in December, before a brisk start to 2023.

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

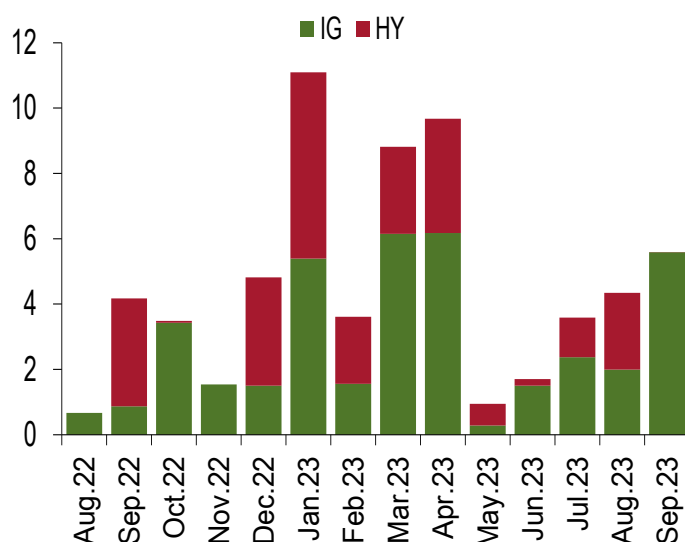
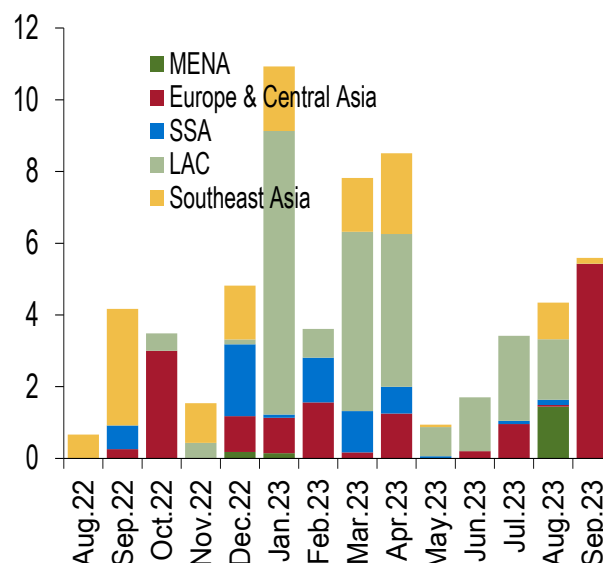


Chart 14. EM Sovereign Amortizations by Region
(US billions)

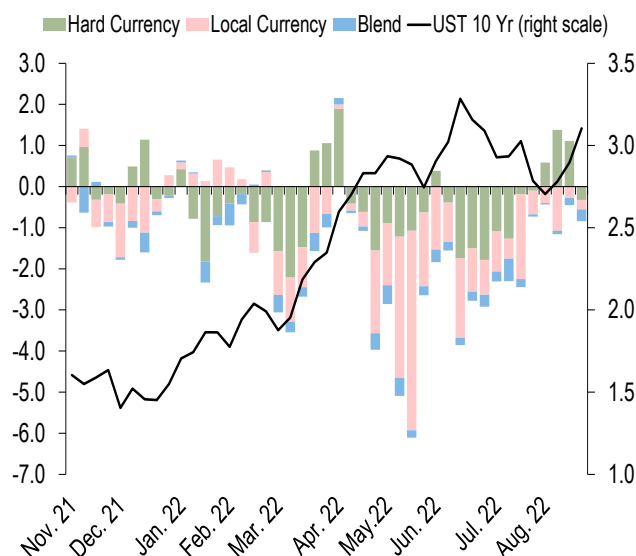


Note: does not include SOEs. MCM list of EMs does not include Czechia, Slovakia, Baltics, or Israel.

Flows: EM Debt Dedicated Funds

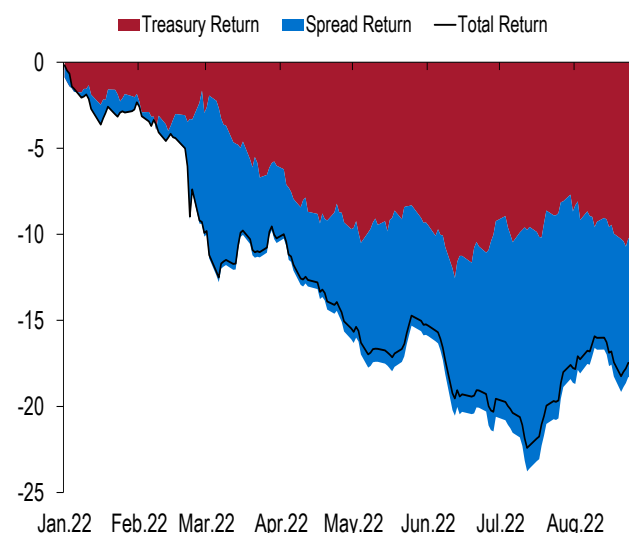
Hard currency fund flows turned positive for 3 straight weeks before outflows resumed in late August.

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



Bond returns shared in the global relief rally but still are down over 15% YTD

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



Spreads on Hard Currency Bonds

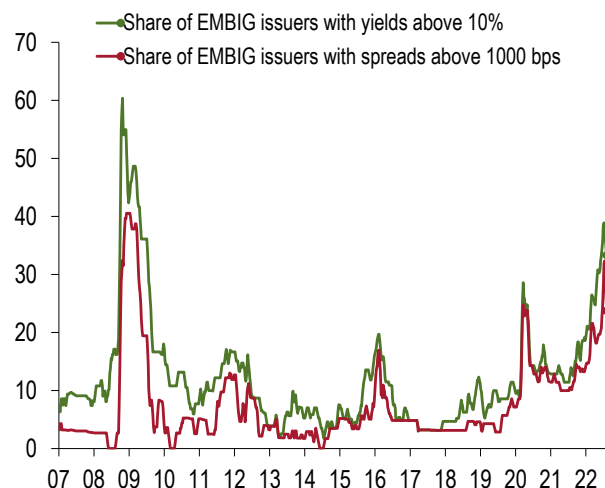
Pakistan, Egypt, and several SSA sovereigns outperformed amid broadbased tightening of spreads.

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 |
| Pakistan | (450) | 1,462 | Brazil | (14) | 295 |
| Egypt | (247) | 914 | Saudi Arabi | (13) | 112 |
| Kenya | (191) | 917 | Panama | (10) | 244 |
| Namibia | (188) | 468 | Uruguay | (9) | 132 |
| Gabon | (162) | 843 | Qatar | (9) | 97 |
| Mongolia | (156) | 423 | Dominican I | (7) | 441 |
| Mozambique | (128) | 1,106 | China | (6) | 5 |
| Ivory Coast | (116) | 490 | Peru | (1) | 218 |
| Trinidad And Tobag | (110) | 235 | Paraguay | 0 | 282 |
| Turkey | (105) | 645 | South Africa | 1 | 371 |
| Jordan | (99) | 468 | Poland | 2 | 22 |
| Armenia | (99) | 468 | Chile | 9 | 198 |
| Honduras | (90) | 673 | Colombia | 21 | 424 |
| Jamaica | (90) | 268 | Hungary | 50 | 253 |
| Azerbaijan | (89) | 204 | Iraq | 72 | 937 |

The share of EM sovereign issuers trading at distressed levels as declined from over 30% to just over 20%

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



Annex: Country Level Issuers

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

| Issuer | 2021 | 2022 | May-22 | Jun-22 | Jul-22 | Aug-22 |
|----------------------|------|------|--------|--------|--------|--------|
| Mexico | 9.1 | 7.3 | - | - | - | 2.3 |
| Romania | 8.2 | 7.2 | 1.7 | - | - | 0.3 |
| Chile | 15.5 | 6.0 | - | - | - | - |
| Indonesia | 12.2 | 5.6 | 3.3 | 0.6 | - | - |
| Turkey | 10.0 | 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 | - | - | - | - |
| Philippines | 6.0 | 2.8 | - | - | - | - |
| Panama | 4.7 | 2.5 | - | - | - | - |
| Poland | - | 2.1 | 2.1 | - | - | - |
| Angola | - | 1.8 | - | - | - | - |
| Croatia | 2.4 | 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 | - | - | - | - |
| Guatemala | 1.0 | 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 | May-22 | Jun-22 | Jul-22 | Aug-22 |
|----------------------|------|------|--------|--------|--------|--------|
| China | 93.0 | 19.4 | 2.0 | 2.8 | 2.6 | 1.4 |
| Brazil | 24.4 | 7.6 | - | 2.5 | - | - |
| India | 14.0 | 6.0 | - | - | - | - |
| Mexico | 17.1 | 4.3 | - | - | 0.7 | - |
| Indonesia | 8.8 | 3.0 | - | - | - | - |
| Saudi Arabia | 6.9 | 2.9 | - | 0.4 | - | - |
| 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 | - | - | - | - |
| 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 (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.20 | | 2.6 | 3.6 | | 3.0 | 4.0 | | 4.5 | 5.5 | | 6.6 | 7.3 |
| Feb.20 | | | | | | | 4.3 | 5.3 | | | 6.4 | 8.3 |
| Mar.20 | | | | | | 4.5 | | | | | | |
| Apr.20 | 2.9 | 3.4 | 4.3 | 3.1 | 3.5 | 4.2 | | 5.2 | 6.1 | | | |
| May.20 | 2.5 | 2.8 | 3.9 | | | | 6.3 | 7.4 | | 5.8 | 7.6 | 8.9 |
| Jun.20 | | | | 2.3 | 3.4 | 4.0 | 2.9 | 3.9 | | 5.4 | 6.1 | |
| Jul.20 | | | | | 3.0 | 4.0 | | | | | 7.3 | 9.5 |
| Aug.20 | 0.8 | 1.7 | 2.7 | | | | | | | | | |
| Sep.20 | | | | 3.8 | 2.3 | 3.9 | | 5.2 | 5.9 | 5.2 | 4.0 | |
| Oct.20 | 0.5 | 1.2 | 2.3 | | 3.2 | | | 8.0 | | | | |
| Nov.20 | | | | | 2.3 | 3.3 | 6.8 | 4.4 | | | 6.0 | |
| Dec.20 | | | | | 2.3 | 3.3 | 2.9 | 5.9 | 4.8 | | 7.3 | |
| 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 | 4.8 | 4.3 | 5.4 | |
| Jul.21 | | 2.6 | 3.1 | | 2.7 | 3.2 | | | | 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 | | | | |

Note: Only USD bonds included.