



Emerging and Frontier Markets Issuance

MONETARY AND CAPITAL MARKETS DEPARTMENT

December 3, 2020

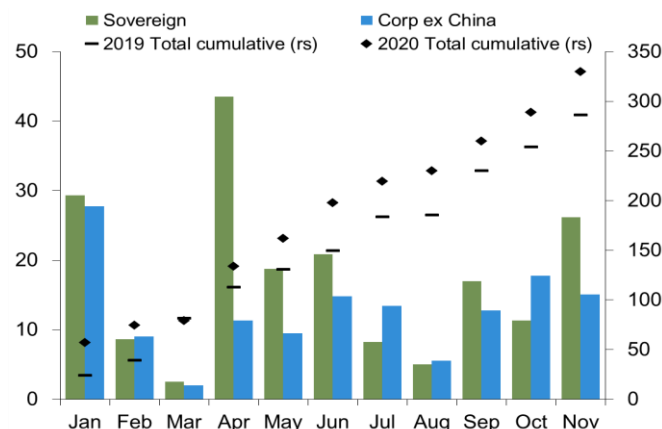
Highlights:

- **Hard currency issuance:**
 - **Sovereign issuance** jumped to \$26 bn in November, as the vaccine news and post-US election reduction in uncertainty led a strong rally. Annual issuance rose to \$191 bn, the highest ever with one month to go.
 - **Corporate issuance** remained healthy at \$21 bn in November, moderating from \$32 bn in October (see [last edition of the monitor](#)), highlighted by Saudi Aramco (\$8 bn, largest issuance in 2020). SOE issuance ex. Aramco was modest, as the selloff in China's SOE bond market weighed negatively on Chinese issuers. YTD corporate issuance rose to \$259 bn, very close to the 2019 all-time high.
 - **IG sovereign issuers** included China (€4 bn), Peru (\$4 bn, including a \$1 bn 100-year bond), Mexico (\$3.6 bn), Romania (€2.5 bn), Hungary (€2.5 bn), Russia (€2 bn) and Dubai (\$1.5 bn). EUR-denominated issuance was strong in November, comprising nearly half of the total. The share of non-USD issuance year-to-date rose to 26%. Serbia also issued \$1.2 bn and re-entered the EMBIG.
 - **HY sovereign issuers** were led by Turkey (\$2.2 bn), Uzbekistan (\$0.6 bn) and Oman \$0.5 bn. The key highlight was Ivory Coast issuing €1 bn—the first issuance by an SSA county since the COVID-19 selloff.
 - **Issuance tends to slow in December, but sovereigns may take advantage of favorable market conditions.** Brazil, Philippines, Bahamas already announced new deals in December, while analysts highlight that interest for more deals before year end remains strong. Investment bank outlooks for 2021 note that issuance will moderate from the record 2020 levels. Larger EMs would likely rely more on domestic funding as local bond market conditions and nonresident flows improve further, but smaller HY issuers would have to issue more externally in 2021.
- **Credit spreads:** Sovereign spreads declined across the board with frontier market spreads declining by almost 100 bps. Investment grade spread declined by 15 bps, and overall EMs saw a compression of more than 40 bps. The number of distressed issuers declined by 1 to 11 and remained below the crisis-peak of 23.
- **Bond Fund flows:** Inflows accelerated to \$10.5 bn, driven by a pick-up in local currency flows (\$5 bn), while hard currency flows (\$4.1 bn) remained strong. All in all, YTD local currency flows are down \$15 bn, while hard currency flows are up \$10 bn YTD (Also see: [Nov EM Capital Flows Monitor](#)).

November Overview

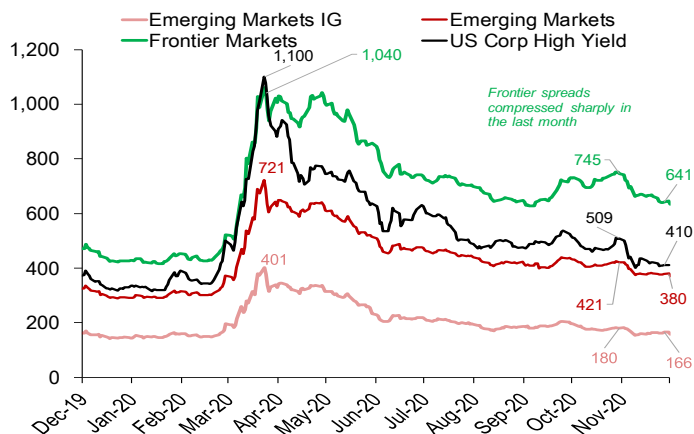
Issuance remained solid in November, with \$26 bn by sovereigns and \$15 bn by corporates.

Chart 1. Sovereign and Corporate Eurobond Issuance
(USD billions, excluding China)



Spreads compressed across the board with frontiers and US HY tightening close to 100 bps.

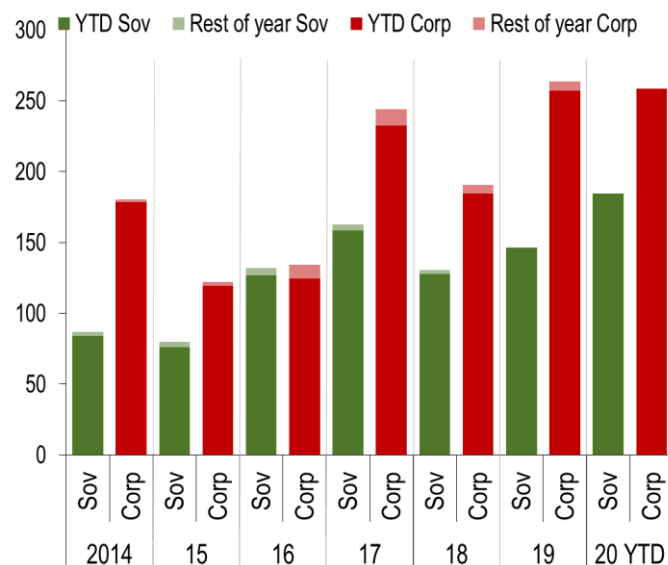
Chart 2. Emerging and Frontier Market Spreads
(Basis points)



Issuance Detail: Corporates and Sovereigns

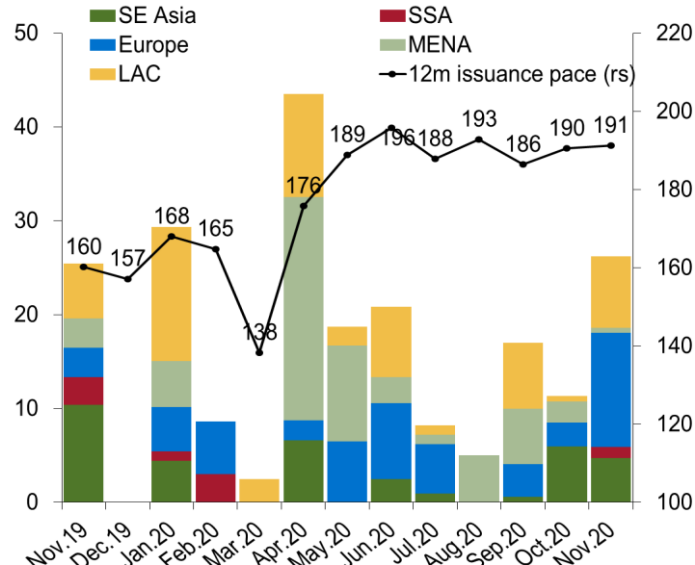
2020 issuance continues to be at a record pace—especially for sovereign issuers—with \$191 bn for sovereigns and \$259 bn for corporates year-to-date.

Chart 3. Pace of Sovereign and Corporate Issuance
(USD billions)



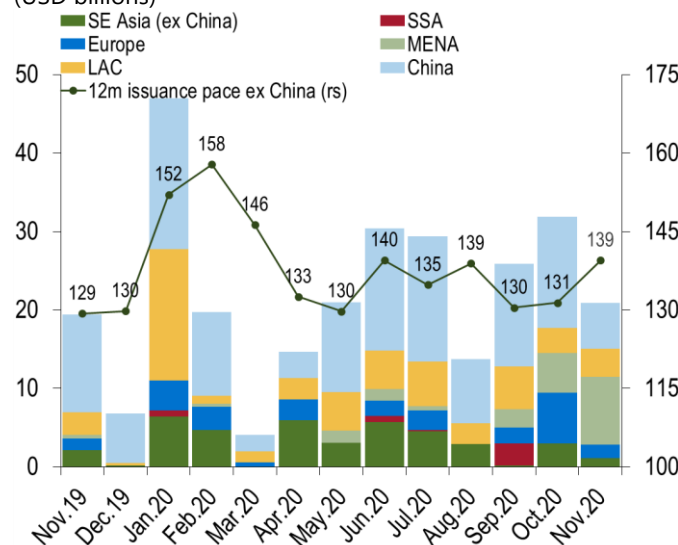
Sovereign issuance was driven by Europe (\$12.2 bn), LAC region (\$7.6 bn) and China (\$4.7 bn). SSA (Ivory Coast) also finally tapped the market with \$1.2 bn issuance.

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



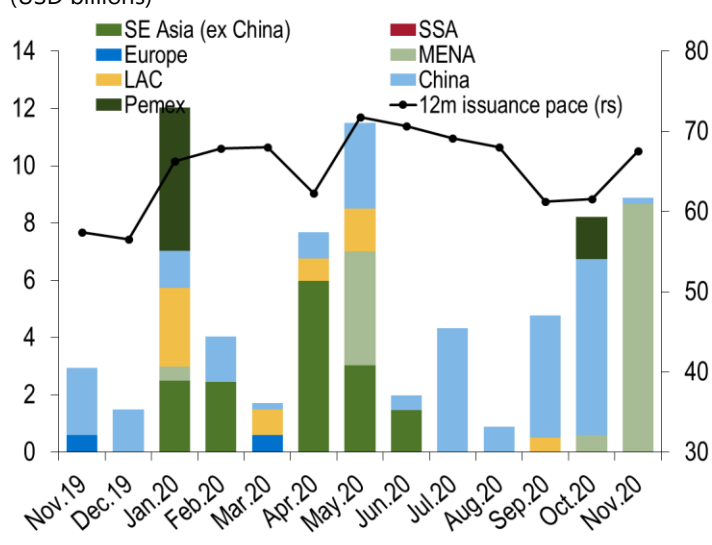
Corporate issuance of \$21 bn was headlined by a strong bond sale by Aramco (\$8 bn).

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



SOE issuance remained strong in November, driven almost entirely by the \$8 bn issuance by Saudi Aramco.

Chart 6. SOE Hard Currency Issuance by Region
(USD billions)

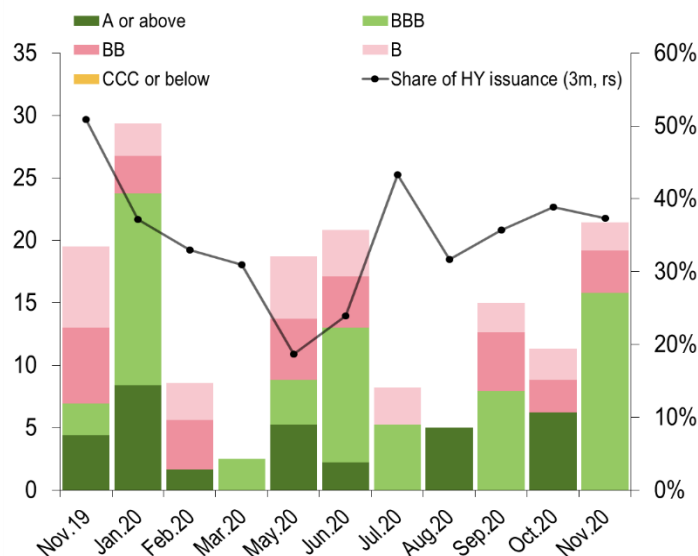


Notes: Europe includes Central Asia. LAC=Latin America and the Caribbean; SSA = Sub Saharan African Region. SE Asia=Southeast Asia.

Issuance Detail by Rating and Currency Denomination

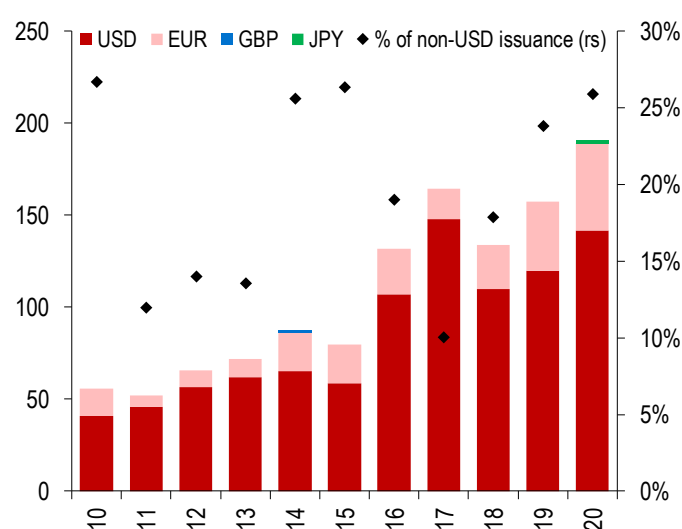
High yield sovereigns' market access has stabilized recently. Their share in total issuance over the last three months has been 37% versus 29% YTD. In Corporates, IG issuers accounted for 80% of Nov's issuance.

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



EUR-denominated issuance made a strong showing in November, comprising almost 50% of the total issuance. The share of non-USD issuance year to date rose to 26% (vs average 19% since 2019).

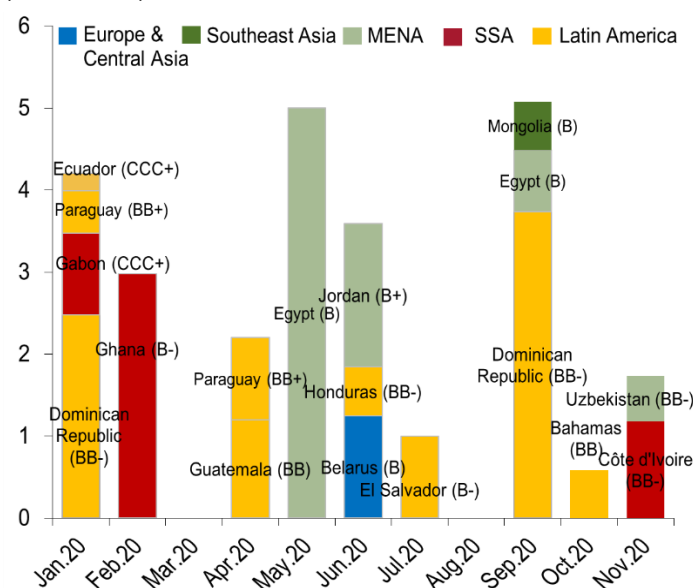
Chart 8. Sovereign Hard Currency Issuance by Currency
(USD billions; Percent of total)



Issuance Detail for Frontier Economies

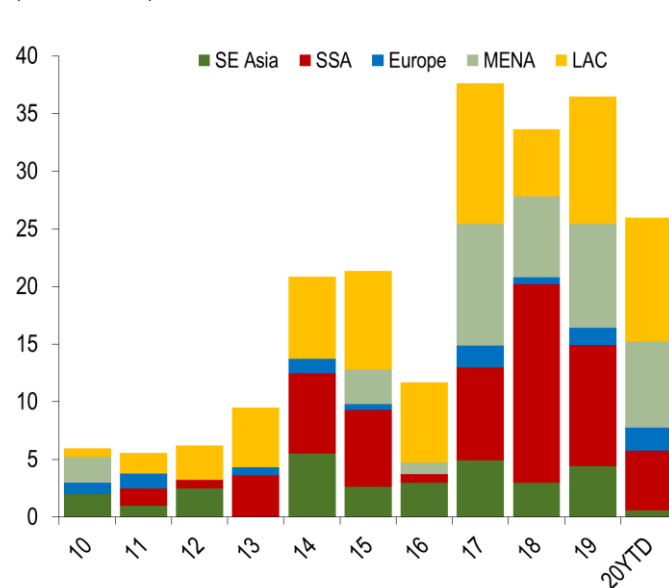
Frontier issuance improved in November driven by the first SSA issuance (€1 bn by Ivory Coast) since February.

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



Frontier markets have issued close to \$25 bn this year, led by MCD and WHD regions, down considerably from the previous 3 years.

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

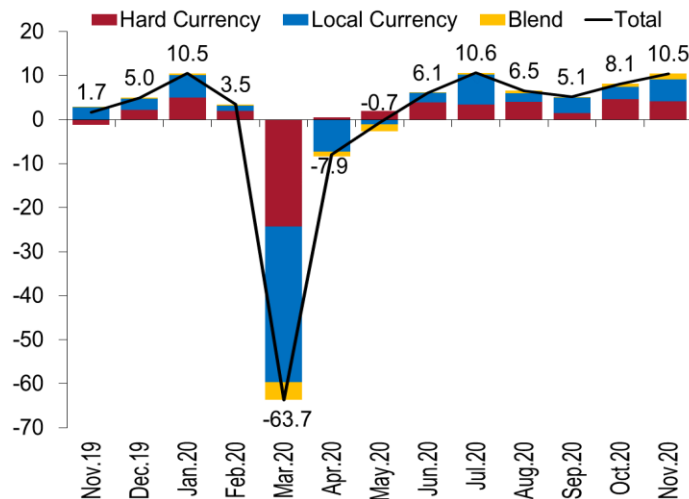


Flows: EM Debt Dedicated Funds

Debt fund inflows continue to improve driven by both hard currency and local currency flows.

Chart 11. Monthly Bond Fund Flows Over the Last Year

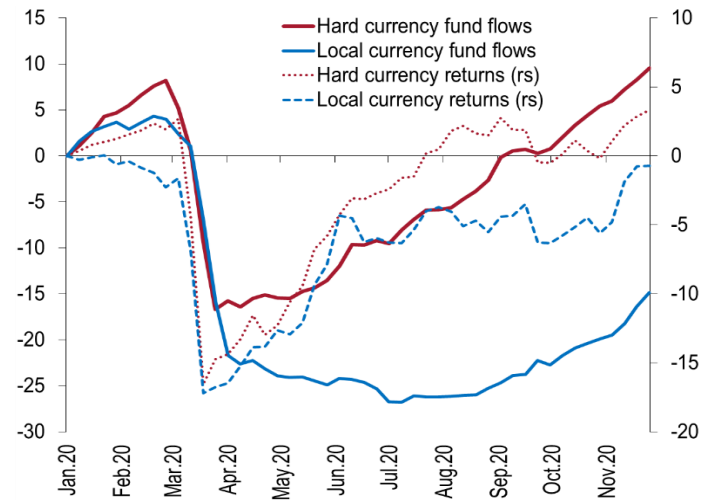
(USD billions, Latest month is sum of last 4 weeks)



Bond fund returns have rebounded strongly in the last few weeks, with the global risk-on sentiment reflected in a pick-up in both hard and local currency flows.

Chart 12. Weekly Fund Flows Year to Date and Returns

(USD billions, left scale; percent, right scale; Note: charts are based on the weekly data, and less comprehensive than monthly flows)



Spreads on Hard Currency Bonds

Zambia and Sri Lanka spreads rallied sharply in November.

Chart 13. Major Laggards and Gainers Last Month on Credit Spreads

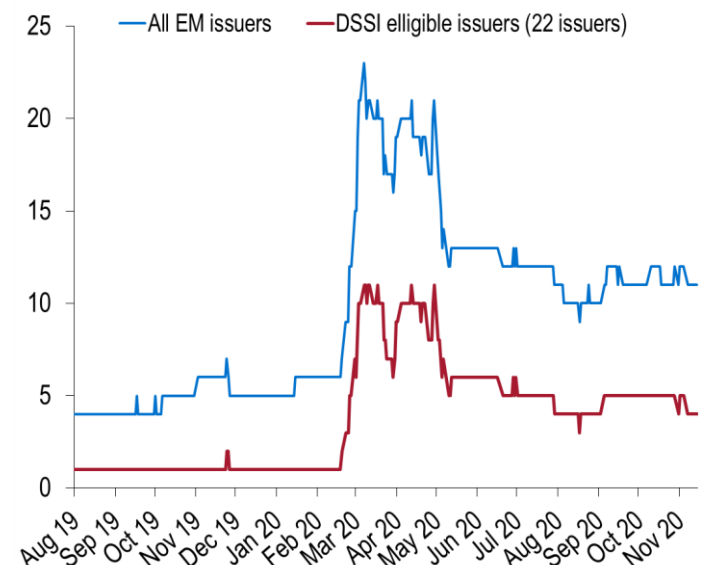
(Basis points; change in the last one month)

Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Sri Lanka	(420)	1,653	Croatia	(8)	72
Zambia	(354)	3,544	Vietnam	(8)	120
Iraq	(188)	779	China	0	118
Ukraine	(178)	537	Hungary	1	112
Angola	(168)	953	Poland	3	21
Gabon	(164)	596	Peru	7	159
Ghana	(161)	693	Ecuador	20	1,060
Tunisia	(156)	795	South Africa	23	516
Turkey	(145)	488	Ethiopia	76	671
Nigeria	(131)	582	Suriname	128	2,434

The number of distressed issuers declined by 1 to 11 in November, down from 23 at the height of the crisis.

Chart 14. Number of Distressed Issuers

(Number, threshold of 1000 bps is used for distressed issuers)



Annex: Country Level Issuers

Annex Table 1. Top-30 Issuers: Sovereign Bonds

(USD billions)

Issuer	2019	2020YTD	Aug-20	Sep-20	Oct-20	Nov-20
United Arab Emirates	11.6	19.3	5.0	2.0	0.3	-
Mexico	6.0	16.2	-	0.9	-	3.6
Romania	5.8	13.2	-	-	-	3.0
Saudi Arabia	13.3	11.9	-	-	-	-
Indonesia	5.7	10.8	-	-	-	-
China	10.4	10.7	-	-	6.0	4.7
Qatar	12.0	10.0	-	-	-	-
Turkey	11.2	8.7	-	-	2.5	2.2
Hungary	-	7.2	-	0.6	-	2.9
Peru	0.8	7.0	-	-	-	4.0
Chile	1.8	6.3	-	-	-	0.8
Dominican Republic	1.5	6.2	-	3.7	-	-
Egypt	8.2	5.8	-	0.8	-	-
Panama	4.4	4.9	-	2.4	-	-
Colombia	2.0	4.2	-	-	-	-
Bahrain	2.0	4.0	-	2.0	-	-
Poland	2.3	3.9	-	-	-	-
Philippines	2.3	3.7	-	-	-	-
Brazil	4.4	3.5	-	-	-	-
Ukraine	1.5	3.4	-	-	-	-
Serbia	1.7	3.3	-	-	-	1.2
Ghana	3.0	3.0	-	-	-	-
Bulgaria	-	2.9	-	2.9	-	-
Oman	3.0	2.5	-	-	2.0	0.5
Russia	6.5	2.4	-	-	-	2.4
Croatia	1.7	2.2	-	-	-	-
Jordan	-	1.8	-	-	-	-
Paraguay	0.5	1.5	-	-	-	-
Belarus	-	1.2	-	-	-	-
Guatemala	1.2	1.2	-	-	-	-

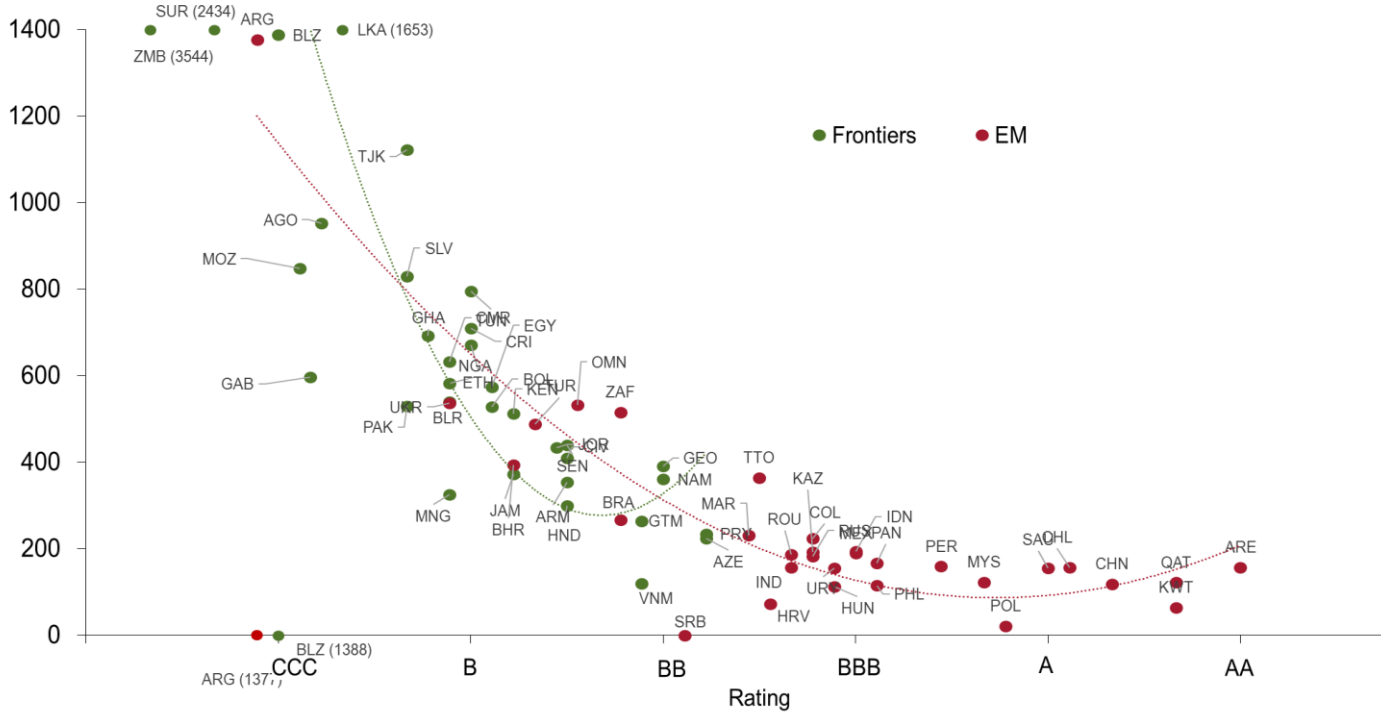
Annex Table 2. Top-30 Issuers: Corporate Bonds

(USD billions)

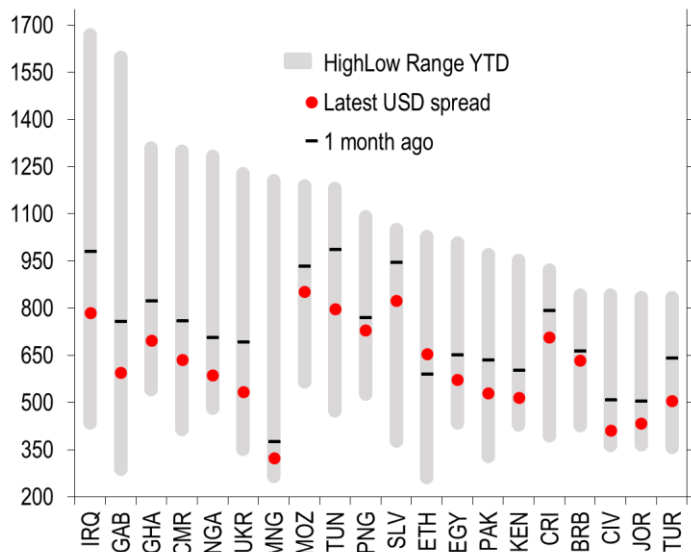
Issuer	2019	2020YTD	Aug-20	Sep-20	Oct-20	Nov-20
China	134.0	119.6	8.2	13.0	14.1	5.9
Mexico	19.9	20.1	0.7	2.6	1.5	1.5
Brazil	20.6	16.0	-	2.5	1.1	1.3
Russia	10.0	14.0	-	1.7	2.6	1.3
Indonesia	7.4	11.7	-	-	1.8	-
Saudi Arabia	14.7	10.6	-	2.3	-	7.9
India	12.9	7.5	1.4	-	0.8	0.3
Chile	8.3	7.5	0.5	-	0.5	-
Malaysia	1.5	7.5	1.5	-	-	-
United Arab Emirates	6.2	7.3	-	-	5.1	0.7
Philippines	2.3	7.2	-	0.2	0.4	0.3
Colombia	2.8	4.3	0.1	-	0.1	-
Thailand	1.5	2.8	-	-	-	-
Serbia	1.2	2.5	-	-	-	0.5
Zambia	-	2.3	-	1.5	-	-
Kazakhstan	-	2.0	-	-	0.8	-
Romania	1.3	1.9	-	-	-	-
Panama	2.0	1.8	1.4	-	-	0.4
Kuwait	-	1.6	-	-	-	-
Ukraine	3.9	1.1	-	0.3	0.3	-
Poland	-	1.1	-	-	1.1	-
Tanzania	-	1.0	-	0.2	-	-
Peru	1.6	0.9	-	0.2	-	0.3
Paraguay	1.1	0.8	-	-	-	-
Hungary	-	0.8	-	-	0.8	-
South Africa	1.5	0.7	-	0.7	-	-
Turkey	2.5	0.7	-	-	0.7	-
Mongolia	0.4	0.5	-	-	-	0.5
Jordan	-	0.5	-	-	-	-
Argentina	1.6	0.4	-	0.2	-	-

Annex: Hard Currency Spreads

Annex Chart 1. Hard Currency Bond Spreads vs Average Ratings
(Basis points)



Annex Chart 2. Frontier Market Spreads
(Basis points)



Annex Chart 3. Monthly Change in Regional Spreads
(Basis points, 1 month change)

