



Emerging and Frontier Markets Issuance

MONETARY AND CAPITAL MARKETS DEPARTMENT

March 3, 2021

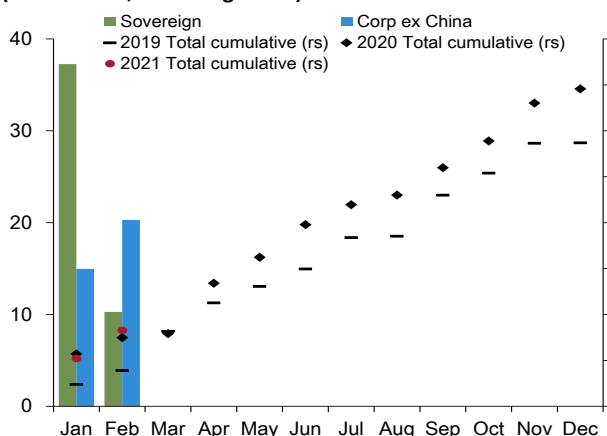
February Highlights of Hard Currency Issuance and Market Developments:

- **Sovereign issuance** slowed to \$10.3 bn after a record January (\$37.3 bn), in part due to lower amortizations, still leaving YTD issuance at a record pace. Nondollar (all euro thus far) issuance has accounted for 27% of the total so far in 2021.
- **Corporate issuance** slowed to \$28.5 bn, but non-China issuance picked up to \$20.3 bn, the best monthly issuance since January 2020, led by Galaxy Pipeline (Abu Dhabi, \$3.9 bn). SOEs chipped in \$5.8 bn, with Pertamina (Indonesia, \$1.9 bn) and CFE (Mexico, \$2 bn) pricing new supply.
- **IG sovereign issuance** was led by Croatia (\$2.4 bn), Saudi Arabia (\$1.8 bn), and Serbia (\$1.2 bn).
- **HY sovereign issuance** remained solid and accounted for almost 60% of the total, bringing the 3-month share to 44%, the highest since December 2019. Egypt (\$3.8 bn) was the headliner, while Côte d'Ivoire (\$1.1 bn) came to market for the second time in 4 months to reopen its 2032 euro denominated offering.
- **Analysts remain optimistic on 2021 issuance, though the pace may moderate.** Rapid rise in global yields may have disrupted financing plans for some issuers in late February, although the impact on credit spreads in secondary markets was contained. Analysts broadly maintain an optimistic outlook and are watching for supply out of Brazil, Ghana, Kenya and Philippines in H1 2021. Press reports have also cited Pakistan, Tunisia (\$3 bn), Peru (up to \$11 bn), North Macedonia and Indonesia (possible sukuk) as potential issuers. Given the bond redemption schedule in March, analysts also expect potential supply out of Poland and Turkey in the coming weeks.
- **Emerging and frontier market spreads moved sideways in February.** Sri Lanka, Cameroon, and Belize were among those that came under pressure. The number of distressed issuers remained unchanged at 10, down from the crisis highs of 23, but still above the pre-crisis levels of less than 5.
- **EM bond fund flows slowed in February, recording the first week of outflows in five months.** After a strong start to the year, inflows ground to a standstill amid choppy financial markets and the global bond sell off. Hard currency flows turned negative the last 2 weeks of February, though both hard (\$9.1 bn) and local (\$9.3 bn) remain positive year to date.

February 2021 Overview

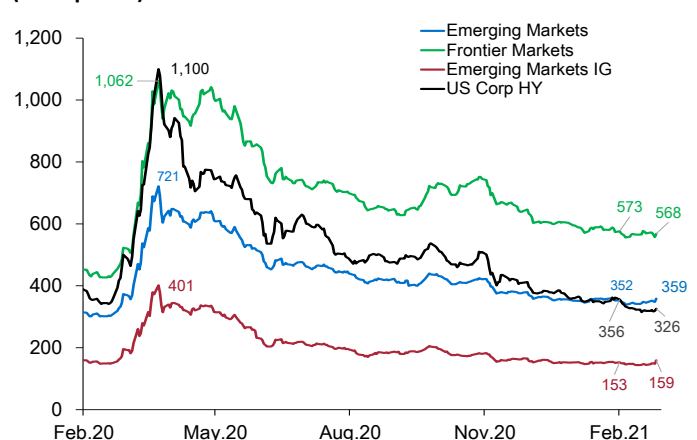
Sovereign issuance slowed to \$10.3 bn in February, but stronger corporate (ex. China) drove a record YTD total.

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



Emerging market credit spreads moved sideways in February, slightly underperforming US high yield credit.

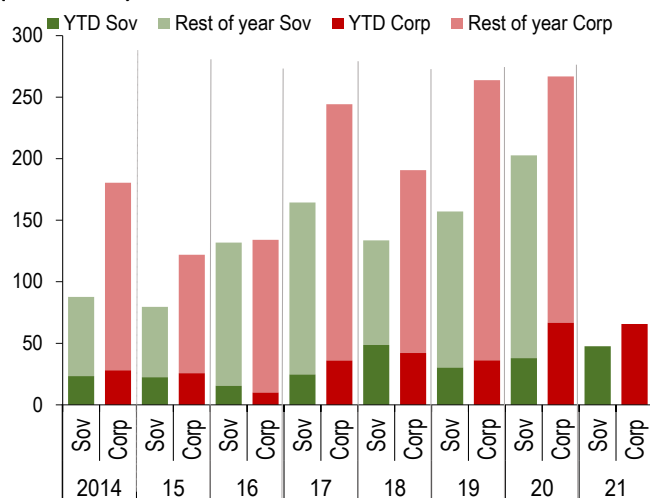
Chart 2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

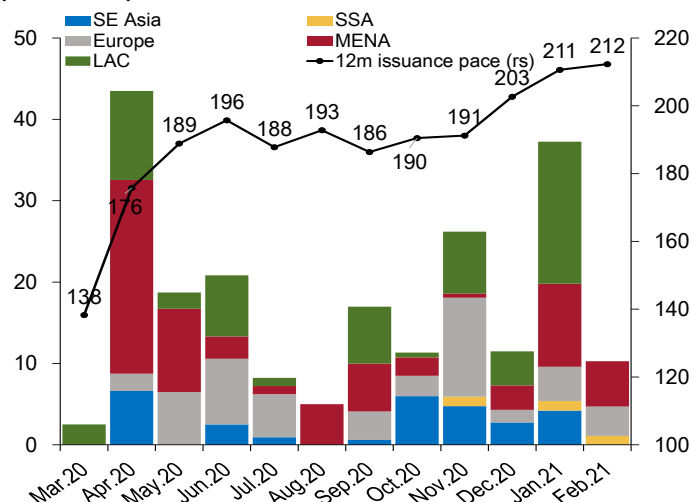
Sovereign issuance remains on a record YTD pace despite the February slowdown. Corporate issuance has dipped slightly from 2020.

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



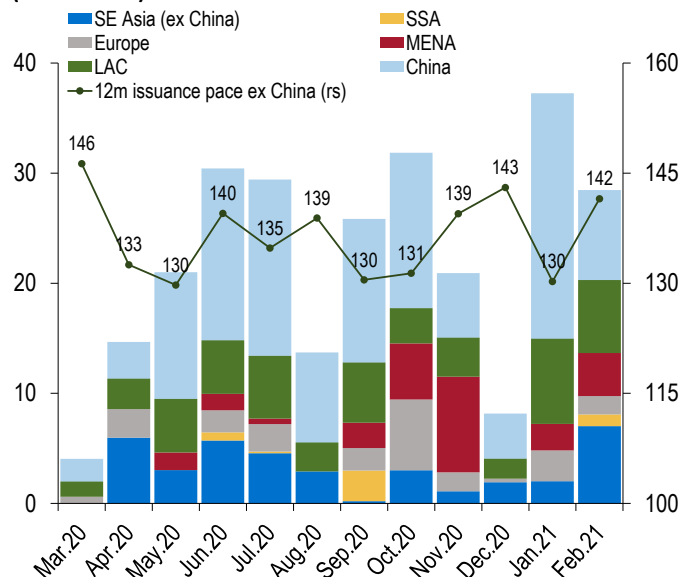
Sovereign issuance fell off to \$10.3 bn after a strong January, with no new supply from Latin America. Egypt (\$3.8 bn) and Saudi Arabia (\$1.8 bn) led the way.

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



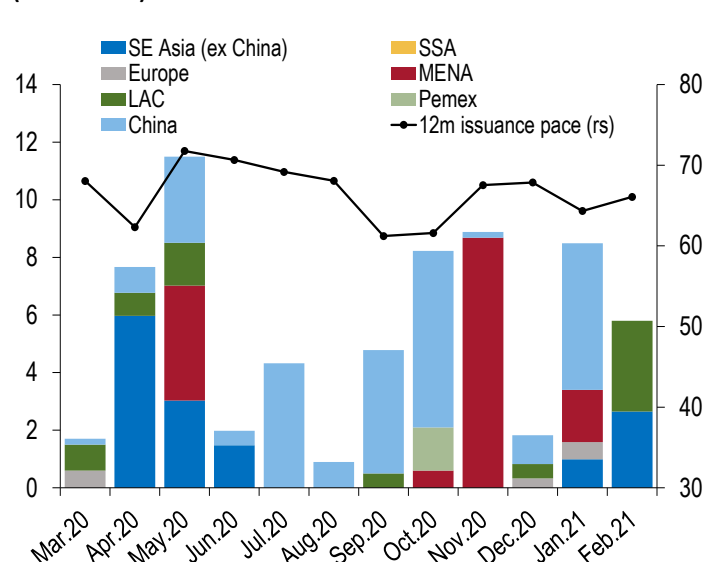
EM corporate issuance slowed to \$28.3 bn on the back of weaker Chinese supply.

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



Indonesia (Pertamina) and Mexico (CFE) were the two main non-China SOEs issuing in February.

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

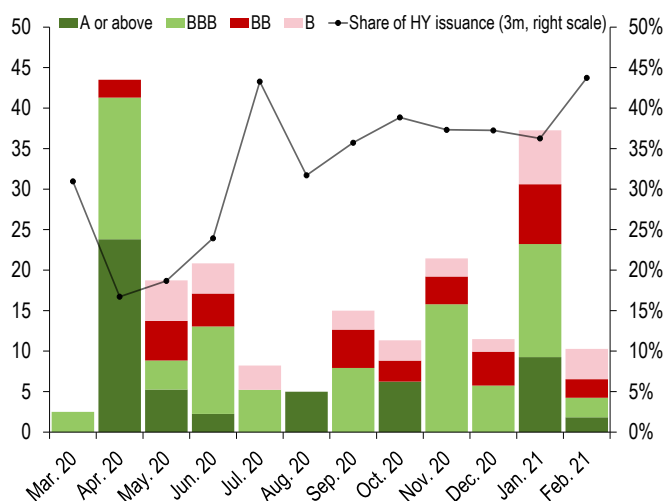


Note: Europe includes Central Asia. LAC=Latin America and the Caribbean; LAC excludes Pemex in Chart 6. SSA = Sub Saharan African Region. SE Asia=Southeast Asia.

Issuance Detail by Rating and Currency Denomination

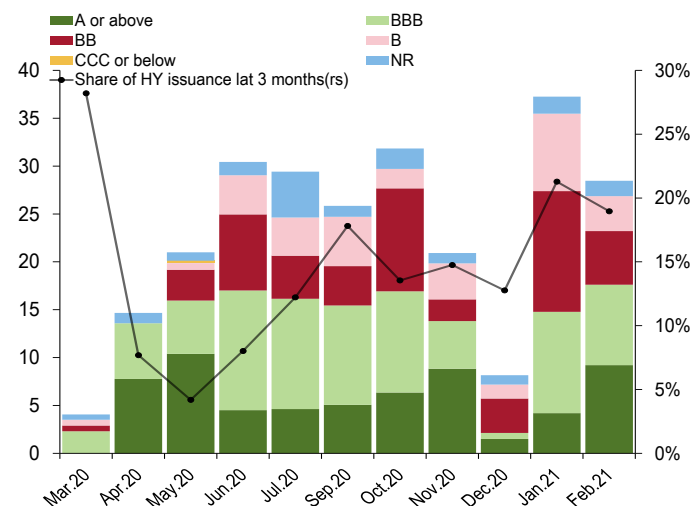
High yield sovereigns (B and BB rated) accounted for nearly 60% of issuance in February.

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



High yield corporate issuers took a step back in February, but are driving about 20% of total issuance.

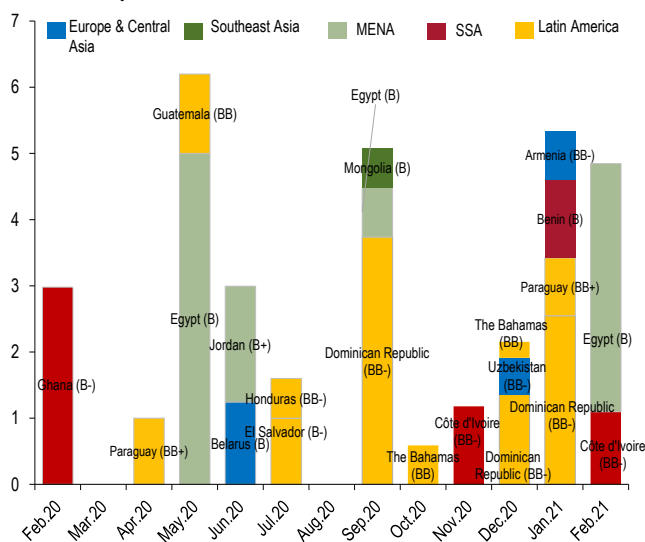
Chart 8. Corporate Hard Currency Issuance by Rating (USD billions)



Issuance Detail of Frontier Economies

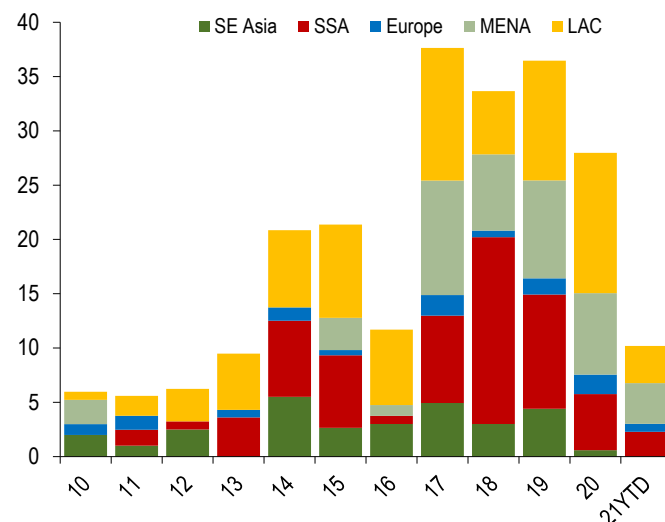
Frontier issuance remained steady, driven by Egypt (\$3.8bn), and Côte d'Ivoire which reopened its November 2022 bond.

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



Frontiers have issued \$10.2 bn in 2021 YTD, up 42% from 2020, with 6 sovereigns coming to market (vs 5 in 2020).

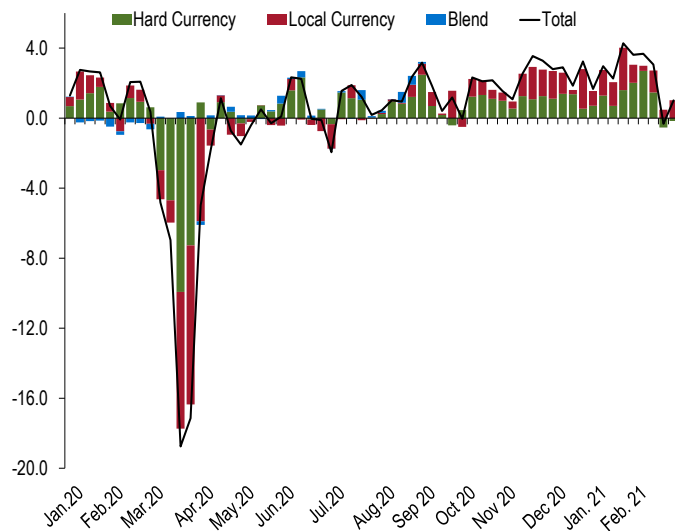
Chart 10. Pace of Frontier Sovereign Issuance by Region (USD billions)



Flows: EM Debt Dedicated Funds

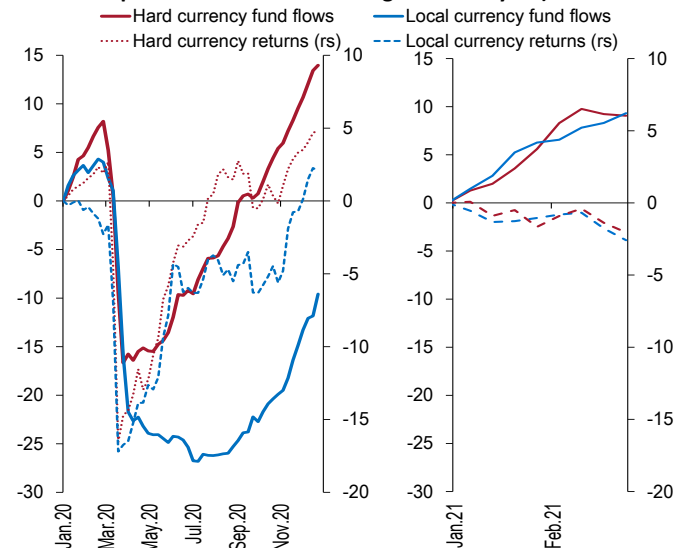
Debt fund flows decelerated in February, with the first week of hard currency outflows in 19 weeks.

Chart 11. Bond Fund Flows Since January 2020
(USD billions, 4 week moving sum)



After a strong start to 2021, flows encountered choppy waters, with hard currency outflows of about \$700 mn over the last 2 weeks. Cumulative flows remain positive.

Chart 12. Weekly Fund Flows Year to Date and Returns
(USD billions, left scale; percent, right scale; Note: data for 2021 is reset to capture the cumulative changes for this year)



Spreads on Hard Currency Bonds

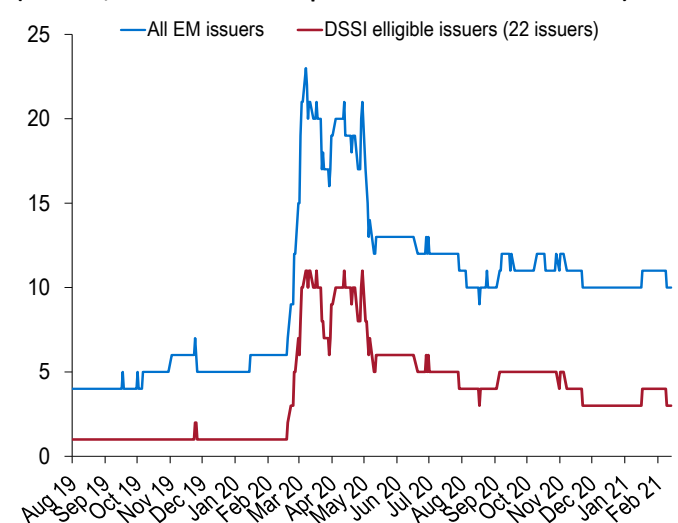
Among non distressed issuers, Cameroon was the main laggard, exhibiting some possible contagion around the news of Ethiopia's entrance to the Common Framework.

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
Zambia	(305)	2,940	Ukraine	25	528
Suriname	(58)	1,806	Ethiopia	27	802
Mongolia	(48)	245	Mozambique	35	839
Ecuador	(47)	1,226	Peru	36	164
El Salvador	(37)	625	Armenia	37	309
Costa Rica	(30)	515	Tunisia	46	826
Pakistan	(30)	423	Argentina	54	1,499
Angola	(24)	742	Belize	66	1,547
Guatemala	(23)	233	Cameroon	122	608
Oman	(22)	425	Sri Lanka	173	1,957

The number of distressed issuers remained unchanged at 10, down from 23 at the height of the crisis, though Tajikistan has also straddled 1000 bps in recent weeks.

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)**

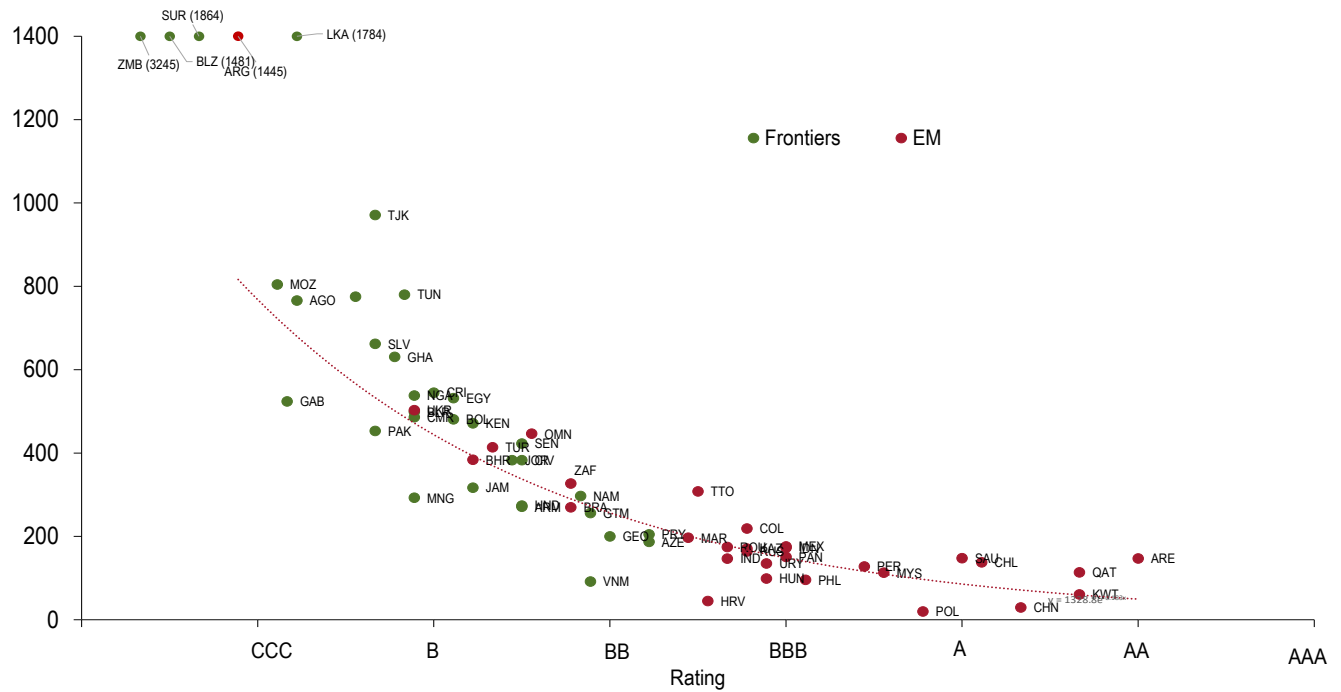
Issuer	2019	2020	Nov-20	Dec-20	Jan-21	Feb-21
United Arab Emirates	11.6	19.3	-	-	-	-
Mexico	6.0	16.2	3.6	-	5.1	-
Romania	5.8	13.2	3.0	-	-	-
Saudi Arabia	13.3	11.9	-	-	5.0	1.8
Indonesia	5.7	10.8	-	-	4.2	-
China	10.4	10.7	4.7	-	-	-
Qatar	12.0	10.0	-	-	-	-
Turkey	11.2	8.7	2.2	-	3.5	-
Dominican Republic	1.5	7.6	-	1.4	2.5	-
Hungary	-	7.2	2.9	-	-	-
Peru	0.8	7.0	4.0	-	-	-
Philippines	2.3	6.4	-	2.8	-	-
Brazil	4.4	6.1	-	2.6	-	-
Egypt	8.2	5.8	-	-	-	3.8
Chile	1.8	5.5	-	-	4.3	-
Panama	4.4	4.9	-	-	2.6	-
Colombia	2.0	4.2	-	-	2.1	-
Morocco	1.1	4.2	-	3.0	-	-
Ukraine	1.5	4.0	-	0.7	-	-
Bahrain	2.0	4.0	-	-	2.0	-
Poland	2.3	3.9	-	-	-	-
Serbia	1.7	3.3	1.2	-	-	1.2
Ghana	3.0	3.0	-	-	-	-
Bulgaria	-	2.9	-	-	-	-
Oman	3.0	2.5	0.5	-	3.2	-
Russia	6.5	2.4	2.4	-	-	-
Croatia	1.7	2.2	-	-	-	2.4
Jordan	-	1.8	-	-	-	-
Paraguay	0.5	1.5	-	-	0.9	-
Belarus	-	1.2	-	-	-	-
Guatemala	1.2	1.2	-	-	-	-
Côte d'Ivoire	1.9	1.2	1.2	-	-	1.1
Gabon	-	1.0	-	-	-	-
El Salvador	1.1	1.0	-	-	-	-
Montenegro	0.5	0.9	-	0.9	-	-
Bahamas, The	-	0.8	-	0.2	-	-
North Macedonia	-	0.8	-	-	-	-
Albania	-	0.7	-	-	-	-
Honduras	-	0.6	-	-	-	-
Mongolia	-	0.6	-	-	-	-

**Annex Table 2. Top-30 Issuers: Corporate Bonds
(USD billions)**

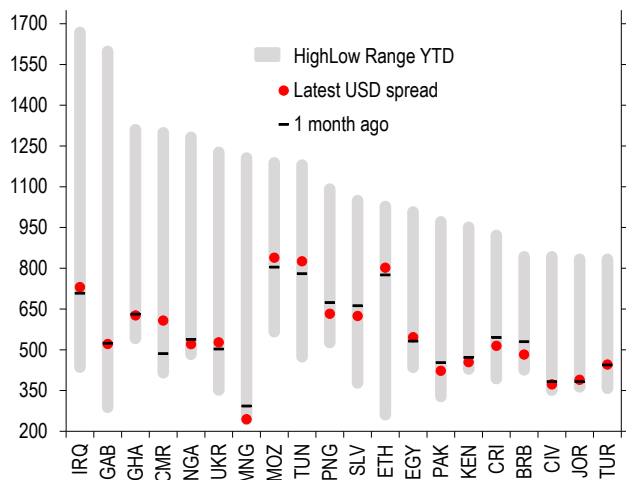
Issuer	2019	2020	Nov-20	Dec-20	Jan-21	Feb-21
China	134.0	123.7	5.9	4.1	22.3	8.2
Mexico	19.9	20.1	1.5	-	1.8	2.6
Brazil	20.6	16.5	1.3	0.6	4.0	2.3
Russia	10.0	14.4	1.3	0.3	2.0	1.7
Indonesia	7.4	11.7	-	-	0.7	2.7
Saudi Arabia	14.7	10.6	7.9	-	-	-
India	12.9	9.1	0.3	1.6	0.8	4.4
Chile	8.3	8.8	-	1.3	0.8	-
Philippines	2.3	7.6	0.3	0.4	-	-
Malaysia	1.5	7.5	-	-	0.5	-
United Arab Emirates	6.2	7.3	0.7	-	1.5	3.9
Colombia	2.8	4.3	-	-	-	-
Thailand	1.5	2.8	-	-	-	-
Serbia	1.2	2.5	0.5	-	0.2	-
Zambia	-	2.3	-	-	-	-
Kazakhstan	-	2.0	-	-	-	-
Romania	1.3	1.9	-	-	-	-
Panama	2.0	1.8	0.4	-	-	-
Kuwait	-	1.6	-	-	-	-
Ukraine	3.9	1.1	-	-	-	-
Poland	-	1.1	-	-	-	-
Tanzania	-	1.0	-	-	-	-
Peru	1.6	0.9	0.3	-	-	1.7
Paraguay	1.1	0.8	-	-	-	-
Hungary	-	0.8	-	-	0.6	-
South Africa	1.5	0.7	-	-	-	-
Turkey	2.5	0.7	-	-	-	-
Mongolia	0.4	0.5	0.5	-	-	-
Jordan	-	0.5	-	-	-	-
Argentina	1.6	0.4	-	-	1.1	-

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)

