



Emerging and Frontier Markets issuance Monitor

MONETARY AND CAPITAL MARKETS DEPARTMENT

October 5, 2020

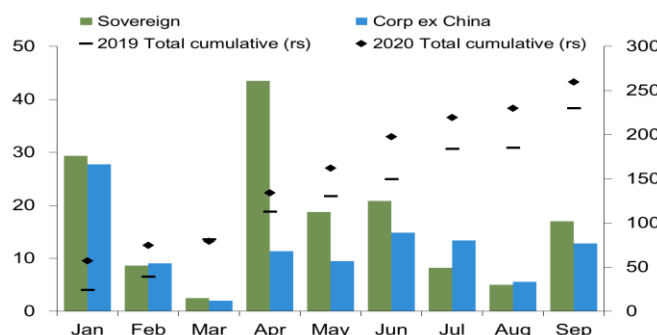
Highlights:

- **Hard currency issuance:**
 - **Sovereign issuance** picked up to \$17 bn September, recovering sharply as expected from the summer lull (\$5 bn in August and \$8.2 bn in July). YTD sovereign issuance has risen to \$154 bn and continues to be the highest on record during the same period (see also [Inaugural EM and Frontiers Markets Issuance Monitor](#)).
 - **Corporate issuance** also picked up to \$26 bn in September, from \$13 bn in August, driven again by Chinese issuers. Notable issuance (\$2 bn+ each) came from Mexico, Brazil and Saudi Arabia. SOE issuance outside of China only came from Peru's COFIDE (\$0.5 bn). YTD corporate issuance has risen to \$206 bn, marginally below the historical YTD highs of \$213 bn in 2019.
 - **IG sovereign issuers** were Bulgaria (\$2.9 bn), Panama (\$2.4 bn), UAE (\$2 bn), Morocco (\$1.2 bn), Mexico's first SDG bond (\$0.9 bn) and Hungary's (\$0.6 bn) green bond for Japanese investors.
 - **HY sovereign issuers** returned in September with \$7 bn issued after zero issuance in August. Dominican Republic issued \$3.7 bn, Bahrain \$2 bn and Mongolia \$0.6 bn. Egypt successfully priced \$750 mn with the first green bond in MENA (see also [MCM Q3 ESG Monitor](#)). SSA issuers have not issued since Feb 2020.
 - **Further new issuance expected on top of record-breaking pace for 2020.** The new supply pipeline for the rest of 2020 (according to analysts and press reports) includes Russia and Oman in CEEMEA and China in Asia. In Latin America, multiple countries may come to market later this year (e.g., Brazil, Mexico, and Peru). Colombia is no longer expected to issue following the announcement that it plans to draw on its FCL.
- **Credit spreads:** Sovereign spreads widened by 10 bps (EM) and 84 bps (frontiers), driven by a deterioration in global risk sentiment, after 5 consecutive months of tightening. The number of distressed issuers increased to 12 (from 10 last month but below the crisis-peak of 23) following a selloff in Sri Lanka and Tajikistan.
- **Bond Fund flows:** Inflows continued over the last month, driven by both local currency (\$2.6 bn) and hard currency (\$3.4 bn). Funds saw small outflows over the last week of September for the first time since late June. All in all, YTD inflows remain negative for local currency at \$22 bn and slightly positive for hard currency at \$1 bn. (Also see: [July EM Capital Flows Monitor](#))

September Overview

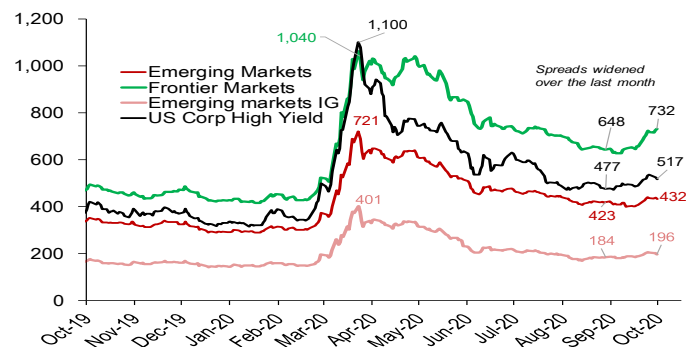
Issuance picked up in September with \$17bn issued by sovereigns, and \$26bn by corporates.

Chart 1. Sovereign and Corporate Eurobond Issuance (Billions of US dollars, excluding China)



EM credit spreads widened after 5 months of tightening amid a deterioration in global risk sentiment.

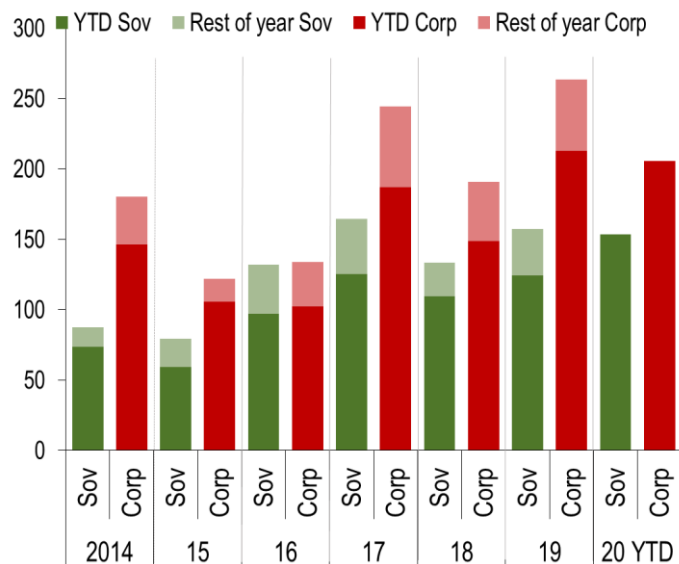
Chart 2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Corporates and Sovereigns

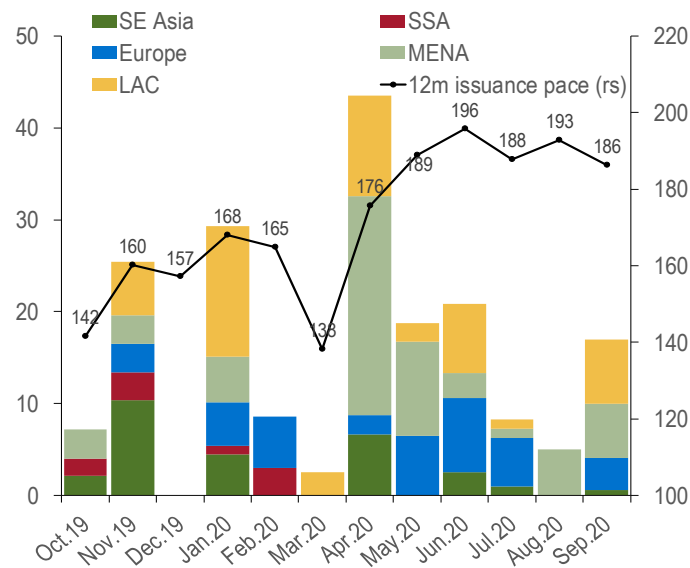
2020 issuance continues to be at a record pace—especially for the sovereign issuers—with \$154bn for sovereigns and \$206bn for corporates.

Chart 3. Pace of Sovereign and Corporate Issuance
(Billions of US dollars)



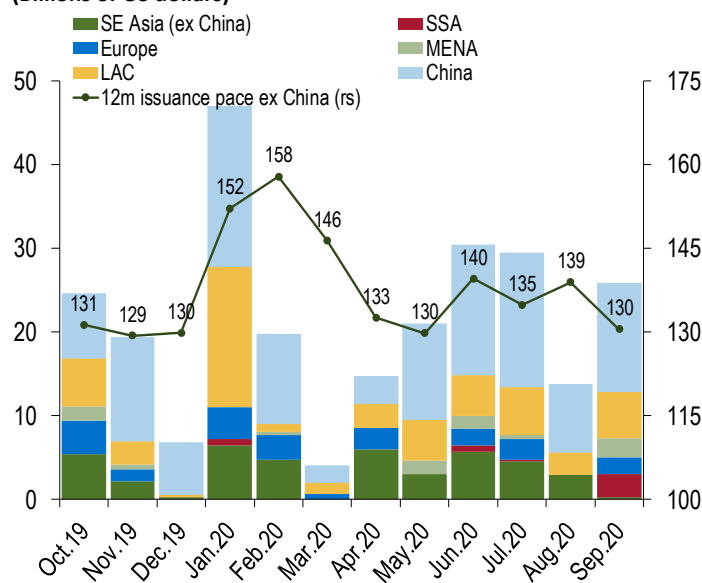
Sovereign issuance of \$17bn was driven by Latin America and Caribbean (LAC) (\$7bn) and MENA (\$5.9bn).

Chart 4. EM Sovereign Hard Currency Issuance by Region
(Billions of US dollars)



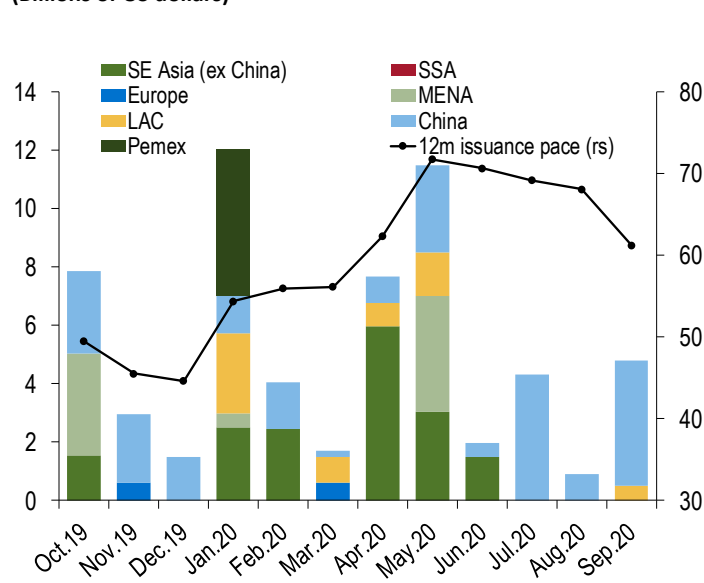
Corporate issuance continues to be driven by China. Latam issuance remains strong. SSA issuance includes a Canadian mineral company with operations in Zambia.

Chart 5. Corporate Hard Currency Issuance by Region
(Billions of US dollars)



SOE issuance remains sluggish outside of China. Cofide (Peru) is the only SOE that has issued in the last 3 months outside of China.

Chart 6. SOE Hard Currency Issuance by Region
(Billions of US dollars)

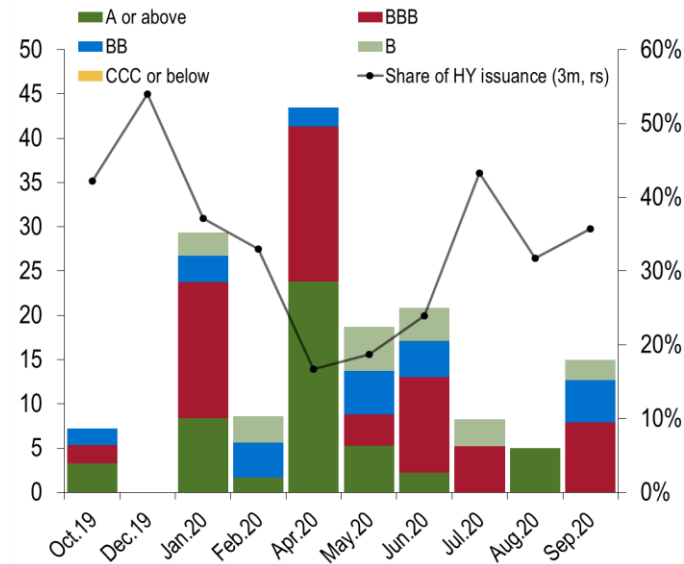


Note: Europe includes Central Asia. LAC=Latin America and the Caribbean; SSA = Sub Saharan African Region. SE Asia=Southeast Asia

Issuance Detail by Rating

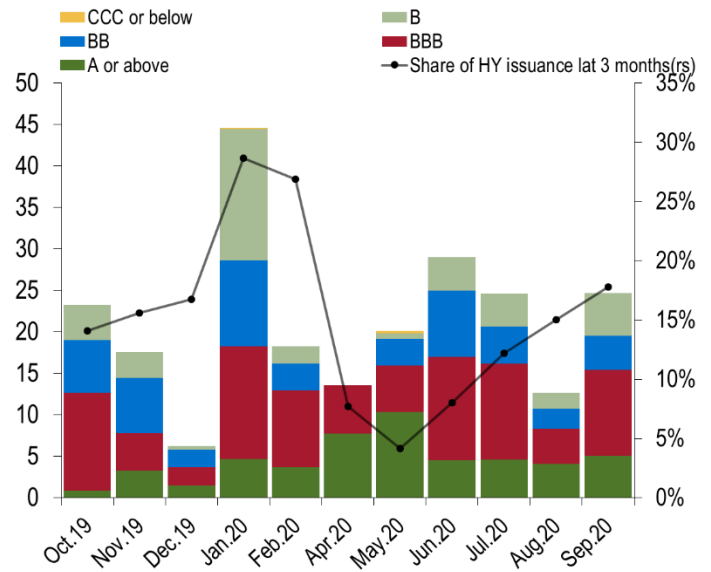
High yield sovereign issuers continue to regain market access. More than one-third of issuance in the last 3 months is from HY issuers (vs 17% in April).

Chart 7. Sovereign Hard Currency Issuance by Rating
(Billions of US dollars)



Share of HY corporate issuance continues increase as well, though remains below pre-covid levels.

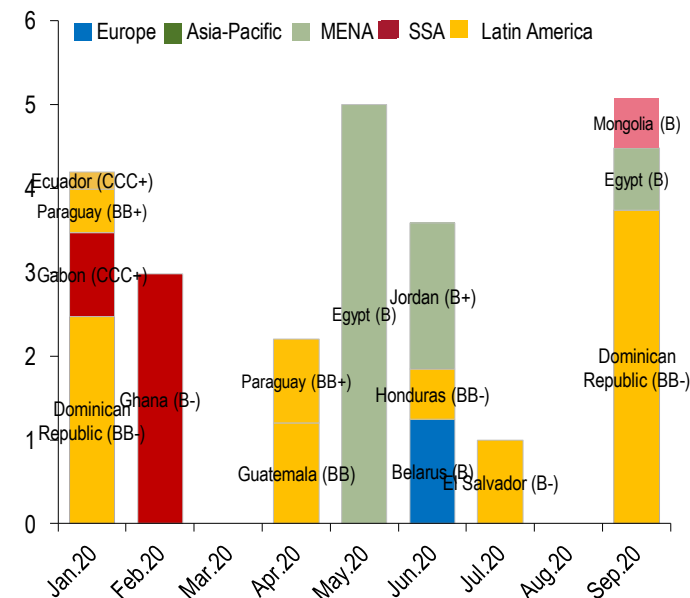
Chart 8. Corporate Hard Currency (ex China) Issuance by Rating
(Billions of US dollars)



Issuance Detail for Frontier Economies

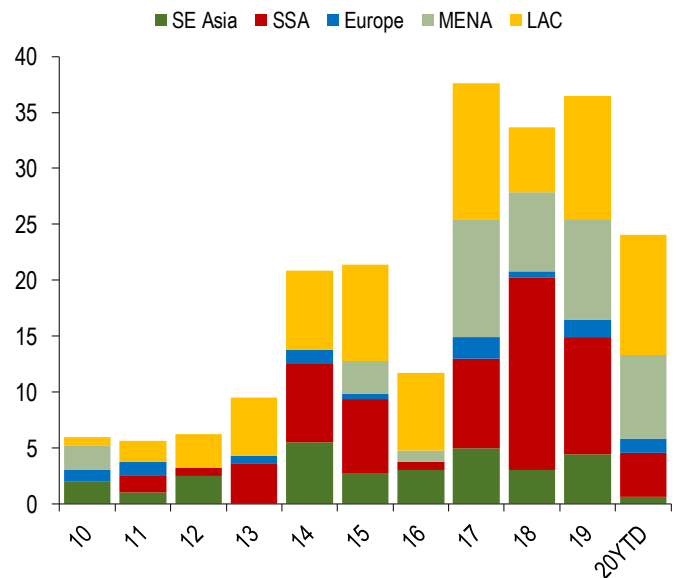
Frontiers posted the best monthly issuance in September (in 2020), driven by Dominican Republic, Egypt and Mongolia.

Chart 9. Frontier Sovereign Issuance by Rating
(Billions of US dollars)



Frontier markets have issued almost \$25bn this year, led by MCD and WHD regions. SSA continues to be absent since Ghana's February issuance.

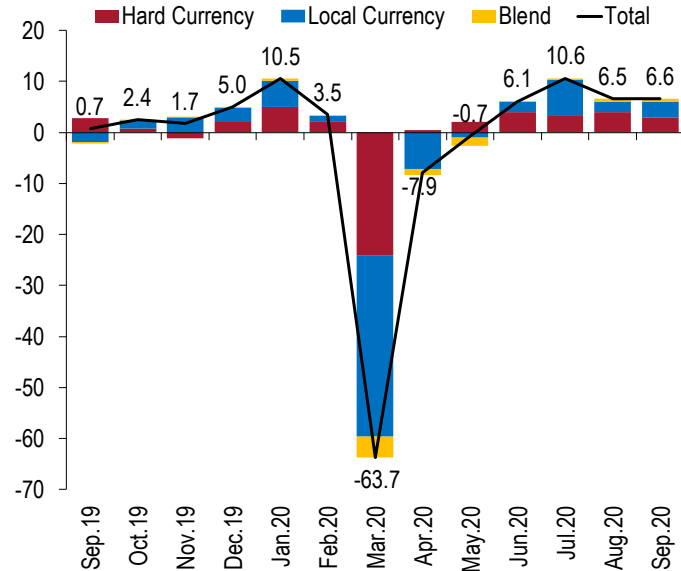
Chart 10. Pace of Frontier Sovereign Issuance by Region
(Billions of US dollars)



Flows: EM Debt Dedicated Funds

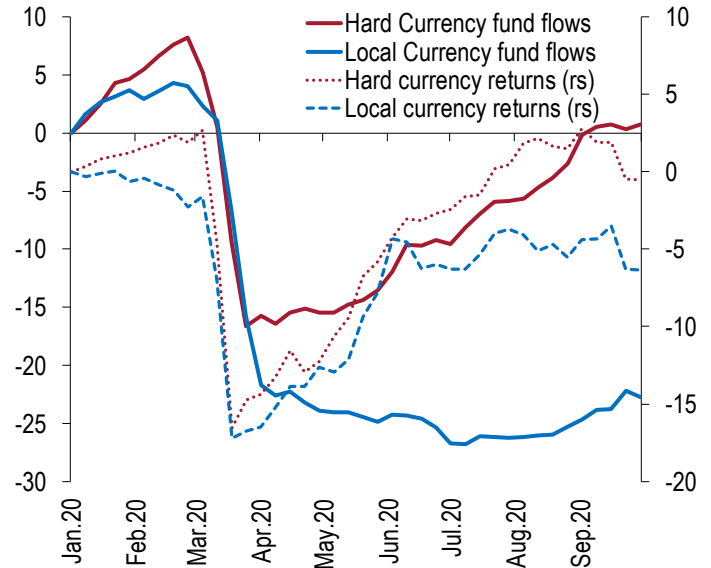
Debt fund inflows continued for the fourth month in a row, driven by both local and hard currency flows.

Chart 11. Monthly Bond Fund Flows Over the Last Year
(Billions of US dollars, Latest month is sum of last 4 weeks)



Global market volatility has weighed on bond returns in September.

Chart 12. Weekly Fund Flows Year to Date and Returns
(Billions of US dollars, left scale; percent, right scale; Note: charts are based on the weekly data, and less comprehensive than monthly flows)



Spreads on Hard Currency Bonds

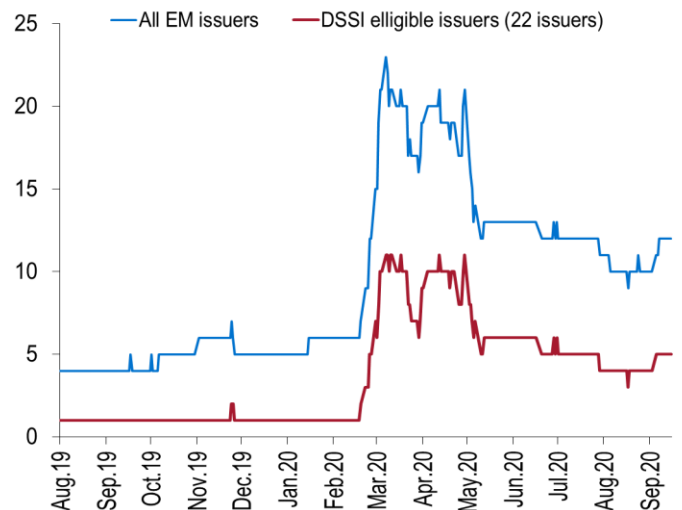
Zambia and Sri Lanka spreads widened sharply. The decline in ECU/ARG spreads is due to the inclusion of the restructured bonds in the index. Bond prices for both declined over the month.

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
Ecuador	(1,798)	1,015	Pakistan	93	610
Argentina	(851)	1,299	Angola	93	1,136
Suriname	(106)	2,049	Ukraine	107	738
Georgia	(42)	435	El Salvador	107	852
Romania	(17)	230	Tunisia	113	818
South Africa	(11)	474	Tajikistan	116	1,090
Hungary	(5)	123	Gabon	141	780
Poland	(4)	26	Iraq	160	876
Vietnam	(4)	134	Zambia	333	3,175
Philippines	(1)	138	Sri Lanka	458	1,420

The number of distressed issuers increased to 12 in September, as compared to 10 last month.

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
(Billions of US dollars)

Issuer	2019	2020YTD	Jul-20	Jul-20	Aug-20	Sep-20
United Arab Emirates	11.6	19.1	1.0	1.0	5.0	2.0
Mexico	6.0	12.5	-	-	-	0.9
Saudi Arabia	13.3	11.9	-	-	-	-
Indonesia	5.7	10.8	0.9	0.9	-	-
Romania	5.8	10.2	3.3	3.3	-	-
Qatar	12.0	10.0	-	-	-	-
Dominican Republic	1.5	6.2	-	-	-	3.7
Egypt	8.2	5.8	-	-	-	0.8
Chile	1.8	5.5	-	-	-	-
Panama	4.4	4.9	-	-	-	2.4
Hungary	-	4.3	-	-	-	0.6
Colombia	2.0	4.2	-	-	-	-
Bahrain	2.0	4.0	-	-	-	2.0
Turkey	11.2	4.0	-	-	-	-
Poland	2.3	3.9	-	-	-	-
Philippines	2.3	3.7	-	-	-	-
Brazil	4.4	3.5	-	-	-	-
Ukraine	1.5	3.4	2.0	2.0	-	-
Peru	0.8	3.0	-	-	-	-
Ghana	3.0	3.0	-	-	-	-
Bulgaria	-	2.9	-	-	-	2.9
Croatia	1.7	2.2	-	-	-	-
Serbia	1.7	2.1	-	-	-	-
Jordan	-	1.8	-	-	-	-
Paraguay	0.5	1.5	-	-	-	-
Belarus	-	1.2	-	-	-	-
Guatemala	1.2	1.2	-	-	-	-
Morocco	1.1	1.2	-	-	-	1.2
Gabon	-	1.0	-	-	-	-
El Salvador	1.1	1.0	1.0	1.0	-	-

Annex Table 2. Top-30 Issuers: Corporate Bonds
(Billions of US dollars)

Issuer	2019	2020YTD	Jul-20	Jul-20	Aug-20	Sep-20
China	134.0	99.7	16.0	16.0	8.2	13.0
Mexico	19.9	17.1	1.3	1.3	0.7	2.6
Brazil	20.6	13.5	2.7	2.7	-	2.5
Russia	10.0	10.2	-	-	-	1.7
Indonesia	7.4	9.9	-	-	-	-
Malaysia	1.5	7.5	-	-	1.5	-
Chile	8.3	7.0	-	-	0.5	-
Philippines	2.3	6.5	3.1	3.1	-	0.2
India	12.9	6.4	0.8	0.8	1.4	-
Colombia	2.8	4.2	1.6	1.6	0.1	-
Thailand	1.5	2.8	0.7	0.7	-	-
Saudi Arabia	14.7	2.7	-	-	-	2.3
Zambia	-	2.3	-	-	-	1.5
Serbia	1.2	2.1	-	-	-	-
Romania	1.3	1.9	1.0	1.0	-	-
Kuwait	-	1.6	-	-	-	-
United Arab Emirates	6.2	1.5	-	-	-	-
Panama	2.0	1.4	-	-	1.4	-
Kazakhstan	-	1.2	1.2	1.2	-	-
Tanzania	-	1.0	-	-	-	0.2
Ukraine	3.9	0.8	-	-	-	0.3
Paraguay	1.1	0.8	-	-	-	-
South Africa	1.5	0.7	-	-	-	0.7
Peru	1.6	0.6	-	-	-	0.2
Jordan	-	0.5	0.5	0.5	-	-
Argentina	1.6	0.4	-	-	-	0.2
Ghana	0.7	0.4	-	-	-	0.4
Cambodia	-	0.3	-	-	-	-
Georgia	0.2	0.3	0.3	0.3	-	-
Jamaica	0.6	0.2	-	-	-	-

Annex: Selected Issuance Pipeline

Annex Table 3. Sovereign Issuance Pipeline

Sovereign Issuers		
Region	Country	Detail
MCD	Oman	Oman hires banks for first global bond sale in over a year
EUR	Russia	Russia considers euro bond sale by year's end
EUR	Slovakia	Slovakia seeks to raise EU\$71m in Oct. 19 auction: Ardal

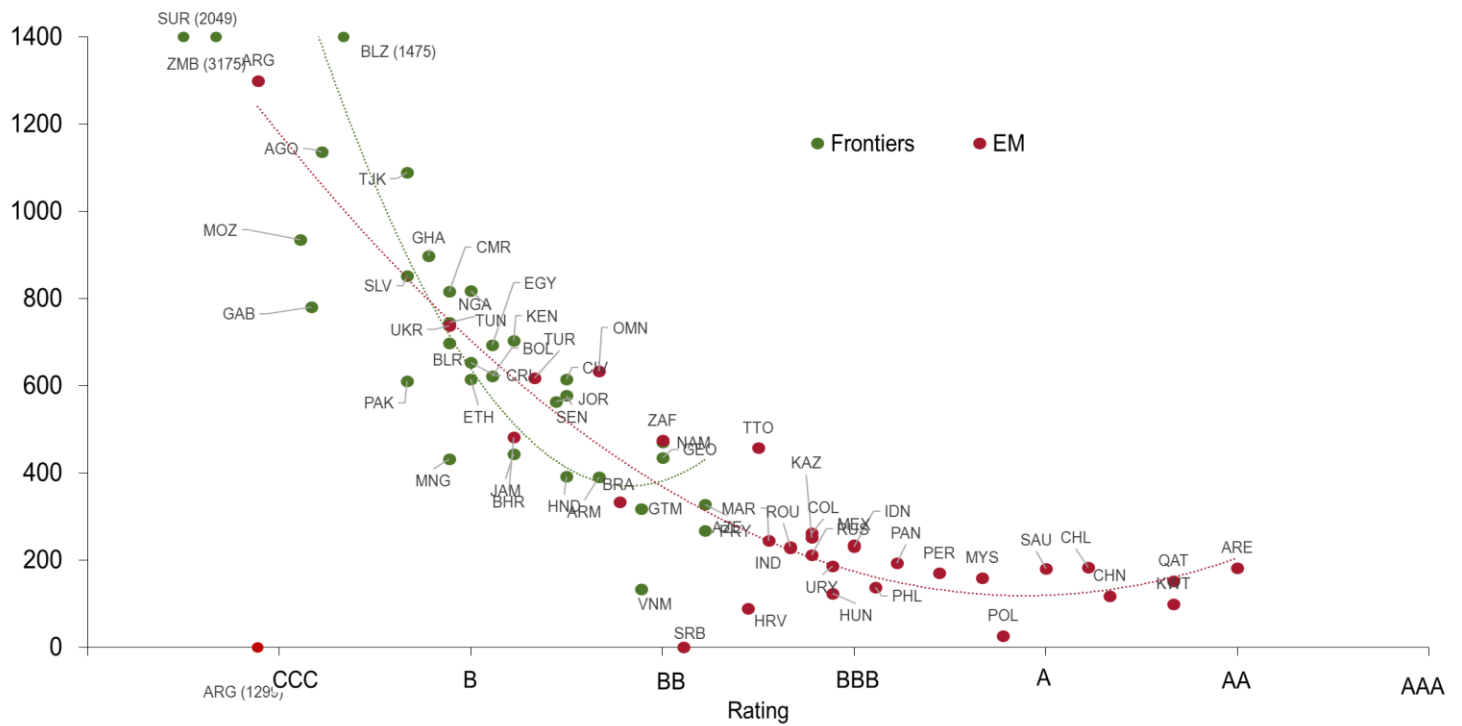
Annex Table 4. Corporate Issuance Pipeline

Corporate Issuers		
Region	Country	Detail
APD	Indonesia	Indonesia Infrastructure Finance may sell debut USD bond in 4Q
APD	Indonesia	Kereta Api Indonesia asks banks for proposals for up to \$500m dollar bond
APD	Indonesia	Buana Lintas Lautan seeks to raise \$300m in global bonds this year
EUR	Turkey	Industrial Development Bank of Turkey approved to sell up to \$750m debt abroad
WHD	Brazil	Lojas Americanas increases 10Y bond offer to \$500m

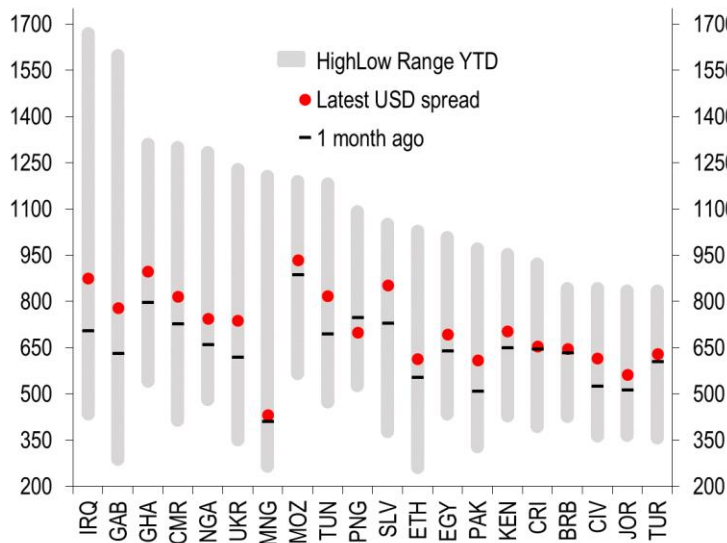
Note: Pipeline is updated from Bloomberg stories. Potential upcoming sovereign issuers that are mentioned in the introduction also consider investment bank analyst reports.

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)

