



# Emerging and Frontier Markets Issuance Monitor

MONETARY AND CAPITAL MARKETS DEPARTMENT

## Highlights:

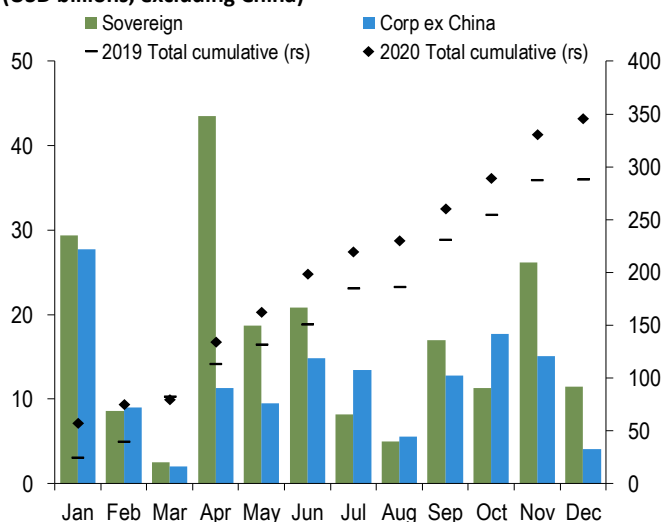
January 6, 2021

- **Hard currency issuance:**
  - **Sovereign issuance** had its best December ever at \$12 bn (more than double the previous high). Annual issuance for 2020 hit \$203 bn—a new record (previous high \$164 bn in 2017).
  - **Corporate issuance** slipped to \$8 bn in December for its traditional end of year lull, but annual issuance still made a new record of \$267 bn (previous high \$264 bn in 2019).
  - **IG sovereign issuers** included the Philippines (\$2.8 bn) and Morocco (\$3 bn), both dollar issues, which left the non-USD issuance at 25% in 2020, the highest since 2015.
  - **HY sovereign issuers** had a strong showing in December led by Brazil (\$2.6 bn), Dominican Republic (\$1.4 bn), Montenegro (\$900 mn), Ukraine (\$650 mn), and the Bahamas (\$240 mn). The share of high yield issuance in December reached 50%, a 7-month high. Laos postponed its inaugural benchmark issue (reportedly marketed with a 10% coupon) until early 2021, after conducting investor meetings.
  - **2021 issuance is likely to decline from 2020 record but should remain strong.** Larger EMs will likely rely more on domestic funding as market conditions and external flows improve further, but smaller HY issuers may issue more externally in 2021. Analysts expect HY issuers early in 2021 to include Egypt, Nigeria, and Ghana, while Benin already announced a new deal. Expected IG issuers include Saudi Arabia and Kuwait, while Mexico and Indonesia already issued in the first days of 2021. Mexico issued a 50-year Formosa bond, targeted to Taiwanese institutional investors. Analysts expect Formosa bond issuance to increase in 2021 after a strong 2020 led by high-rated Middle East issuers.
- **Credit spreads declined across the board**, with riskier frontier and US high yield segments tightening 50 bps. Investment grade spreads also narrowed by 24bps. The number of distressed issuers declined by 1 to 10 but remains above the pre-crisis levels of less than 5.
- **Bond Fund flows have remained strong at around \$10 bn** (four-week moving sum) since mid-November. All in all, bond funds (hard and local currency) took in over \$7 bn in 2020 with hard currency funds leading the way (+\$14.7 bn) (see also the [Nov EM Capital Flows Monitor](#)).

## December Overview

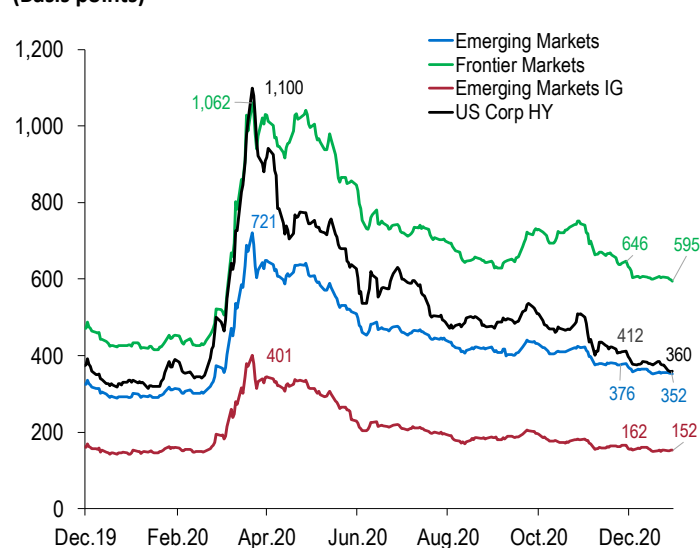
*Issuance in December slowed in line with seasonal patterns, but still made new annual records.*

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



*Credit spreads compressed across the board with frontiers and US high yield tightening close to 50 bps.*

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



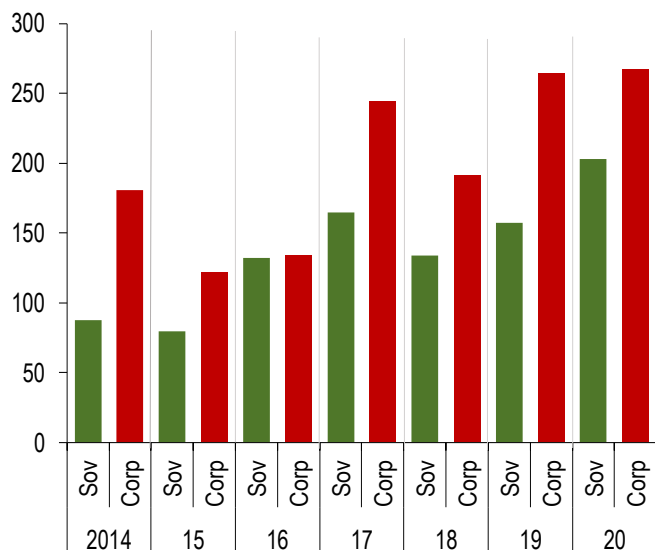
This monitor is produced by MCMGA and captures international issuance and not hard currency issuance in local law.

Sources: Bloomberg Financial L.P.; Bond Radar (issuance); EPFR (fund flows); JPMorgan Chase & Co (spreads); analyst reports; and IMF Staff.

## Issuance Detail: Corporates and Sovereigns

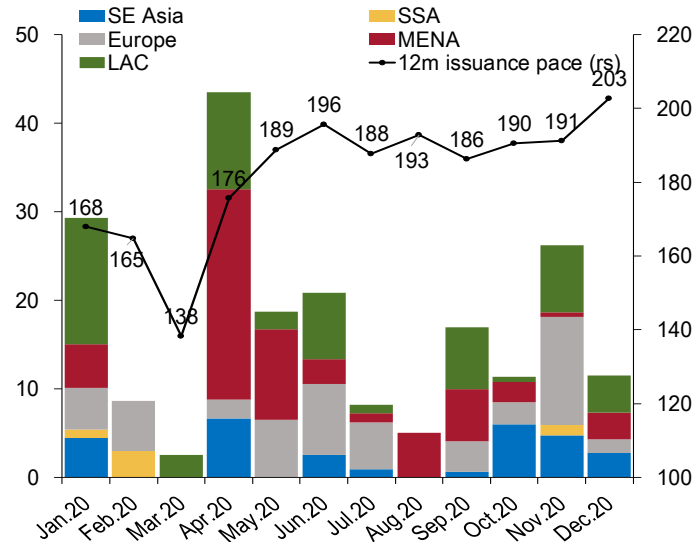
**Record level of issuance in 2020: \$203 bn by sovereigns and \$267 bn by corporates.**

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



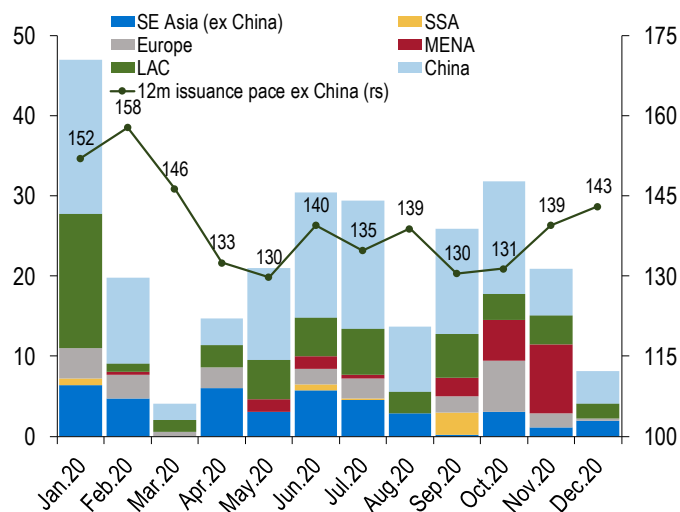
**Sovereign issuance in December was driven by LAC (\$4.2 bn) and MENA (\$3 bn), while SE Asia added \$2.8 bn.**

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



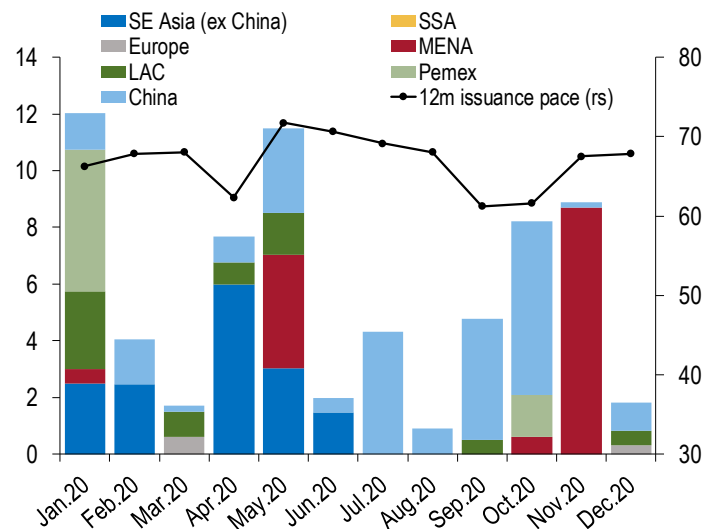
**China (\$4.1 bn) accounted for half of corporate issuance in December and 46% for the year.**

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



**SOE issuance slowed down in December but finished 2020 at \$68 bn, compared to \$57 bn in 2019.**

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

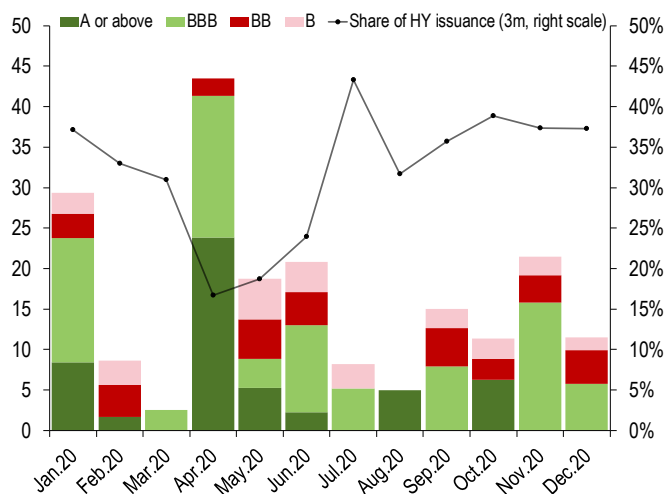


Note: Europe includes Central Asia. LAC=Latin America and the Caribbean; LAC excludes Pemex in Chart 6. SSA = Sub Saharan African Region. SE Asia=Southeast Asia

## Issuance Detail by Rating and Currency Denomination

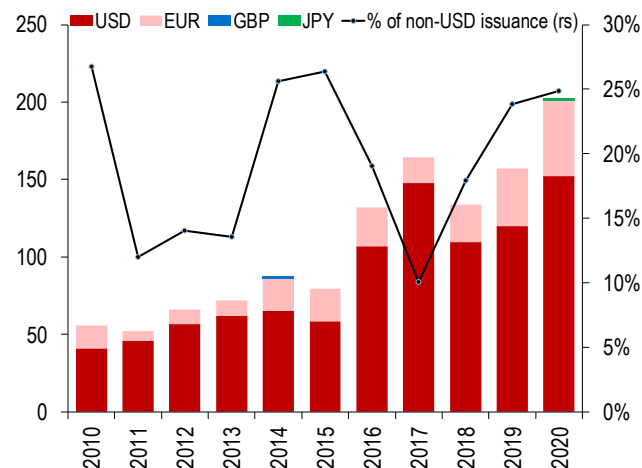
*High yield sovereigns' market access improved as the year moved on, and the share of HY issuance in the last three months came at 37%, compared to 45% in 2019.*

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



*The share of non-USD issuance in 2020 hit 25% in 2020, the highest since 2015.*

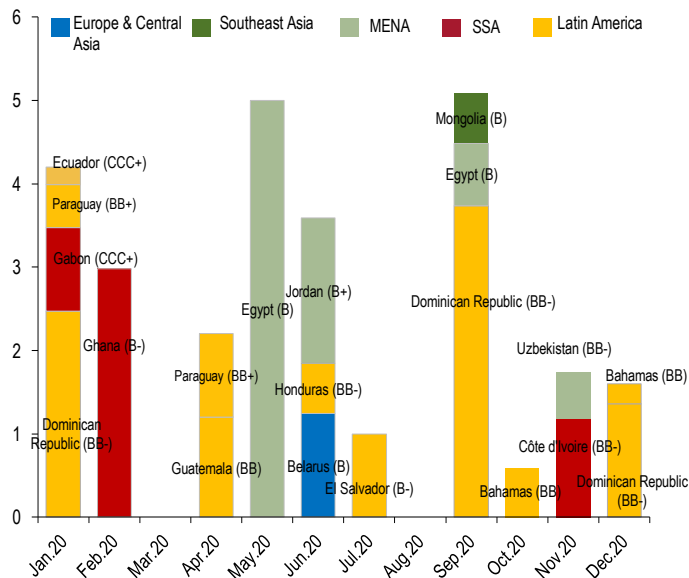
**Chart 8. Sovereign Hard Currency Issuance by Currency (USD billions; percent of total)**



## Issuance Detail for Frontier Economies

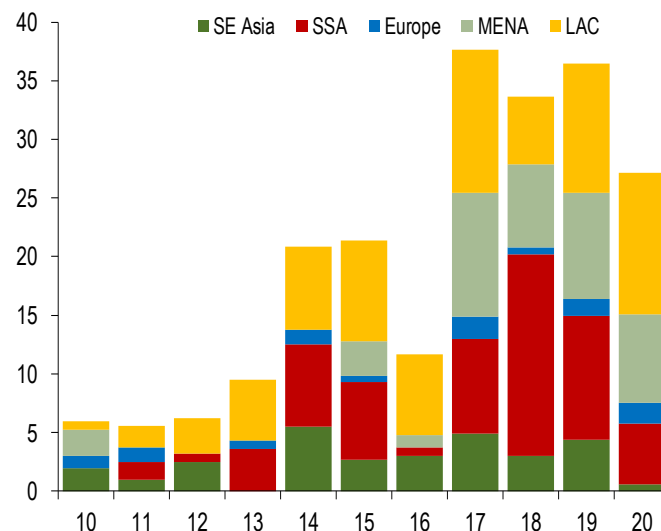
*Frontier issuance improved late in the year, led by Ivory Coast (November) and the Dominican Republic (September, December).*

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



*Frontier markets have issued close to \$27 bn in 2020, led by MENA and Latin America, down considerably from the previous 3 years.*

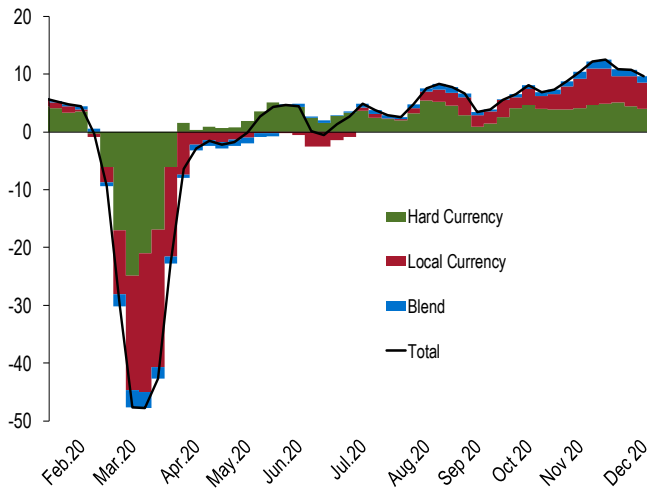
**Chart 10. Pace of Frontier Sovereign Issuance by Region (USD billions)**



## Flows: EM Debt Dedicated Funds

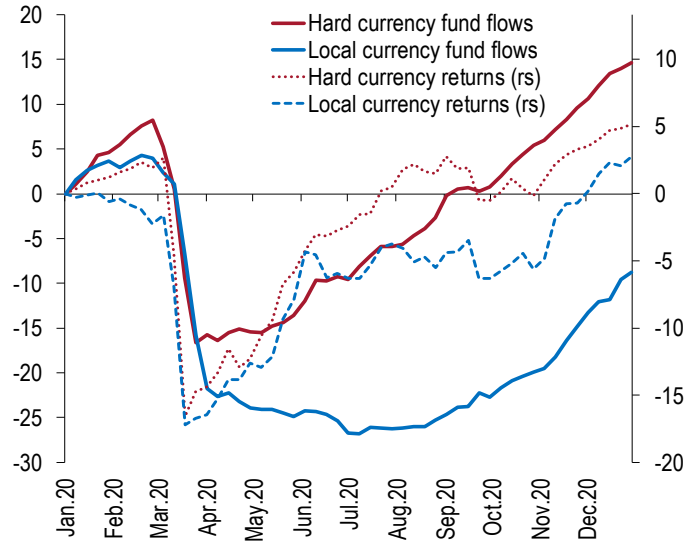
*Debt fund inflows softened in the last four weeks but remained solid at just under \$10 bn.*

**Chart 11. Bond Fund Flows Over the Last Year**  
(USD billions, 4 week moving sum)



*Bond fund returns have rallied over the last 2 months, with the global risk-on sentiment driving an acceleration in both hard and local currency inflows.*

**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

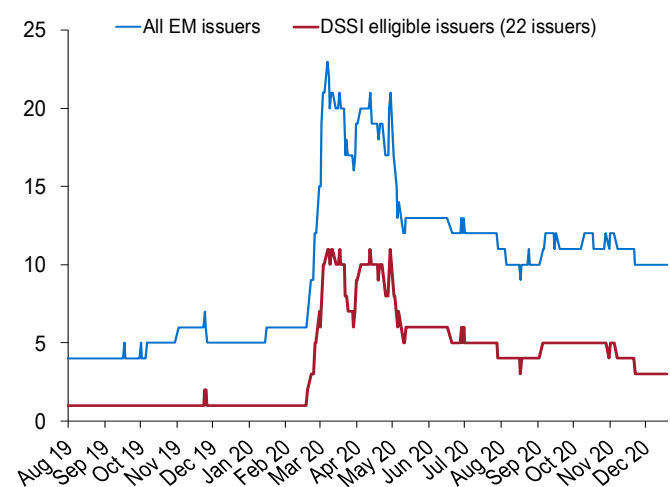
*Spreads of distressed issuers Zambia and Suriname narrowed sharply in December.*

**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
Suriname	(612)	1,860	Saudi Arabia	2	151
Zambia	(252)	3,258	Poland	3	19
Tajikistan	(121)	981	United Arab E	3	154
Angola	(95)	838	Indonesia	5	186
Gabon	(84)	497	Hungary	5	111
Georgia	(68)	319	Qatar	5	122
El Salvador	(64)	732	Ecuador	8	1,062
Bolivia	(61)	461	South Africa	18	534
Cameroon	(59)	569	Belize	23	1,406
Turkey	(56)	423	Sri Lanka	97	1,889

*The number of distressed issuers declined by 1 to 10 in December, 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)**

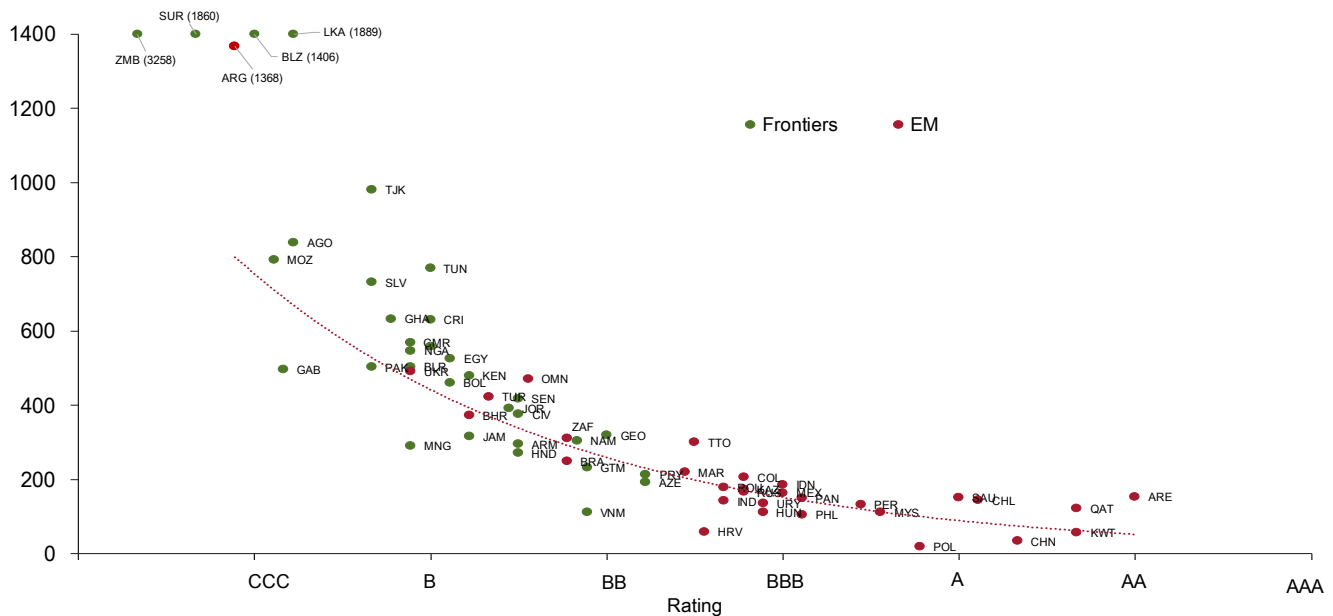
Issuer	2019	2020YTD	Oct-20	Nov-20	Dec-20
United Arab Emirates	11.6	19.3	0.3	-	-
Mexico	6.0	16.2	-	3.6	-
Romania	5.8	13.2	-	3.0	-
Saudi Arabia	13.3	11.9	-	-	-
Indonesia	5.7	10.8	-	-	-
China	10.4	10.7	6.0	4.7	-
Qatar	12.0	10.0	-	-	-
Turkey	11.2	8.7	2.5	2.2	-
Dominican Republic	1.5	7.6	-	-	1.4
Hungary	-	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	-	-	-
Chile	1.8	5.5	-	-	-
Panama	4.4	4.9	-	-	-
Colombia	2.0	4.2	-	-	-
Morocco	1.1	4.2	-	-	3.0
Ukraine	1.5	4.0	-	-	0.6535
Bahrain	2.0	4.0	-	-	-
Poland	2.3	3.9	-	-	-
Serbia	1.7	3.3	-	1.2	-
Ghana	3.0	3.0	-	-	-
Bulgaria	-	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)**

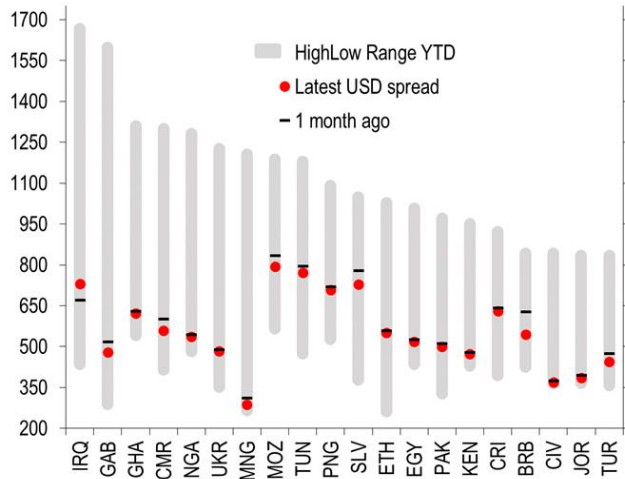
Issuer	2019	2020YTD	Oct-20	Nov-20	Dec-20
China	134.0	123.7	14.1	5.9	4.1
Mexico	19.9	20.1	1.5	1.5	-
Brazil	20.6	16.5	1.1	1.3	0.6
Russia	10.0	14.4	2.6	1.3	0.3
Indonesia	7.4	11.7	1.8	-	-
Saudi Arabia	14.7	10.6	-	7.9	-
India	12.9	9.1	0.8	0.3	1.6
Chile	8.3	8.8	0.5	-	1.3
Philippines	2.3	7.6	0.4	0.3	0.4
Malaysia	1.5	7.5	-	-	-
United Arab Emirates	6.2	7.3	5.1	0.7	-
Colombia	2.8	4.3	0.1	-	-
Thailand	1.5	2.8	-	-	-
Serbia	1.2	2.5	-	0.5	-
Zambia	-	2.3	-	-	-
Kazakhstan	-	2.0	0.8	-	-
Romania	1.3	1.9	-	-	-
Panama	2.0	1.8	-	0.4	-
Kuwait	-	1.6	-	-	-
Ukraine	3.9	1.1	0.3	-	-
Poland	-	1.1	1.1	-	-
Tanzania	-	1.0	-	-	-
Peru	1.6	0.9	-	0.3	-
Paraguay	1.1	0.8	-	-	-
Hungary	-	0.8	0.8	-	-
South Africa	1.5	0.7	-	-	-
Turkey	2.5	0.7	0.7	-	-
Mongolia	0.4	0.5	-	0.5	-
Jordan	-	0.5	-	-	-
Argentina	1.6	0.4	-	-	-

## 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)**

