



Emerging and Frontier Markets Issuance Monitor

MONETARY AND CAPITAL MARKETS DEPARTMENT

Highlights:

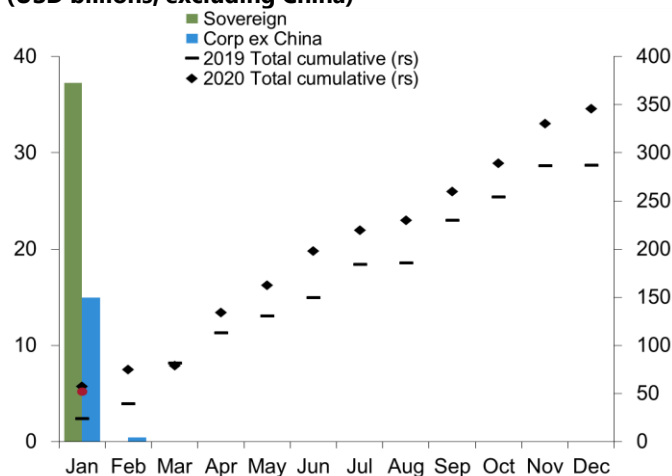
February 3, 2021

- **Hard currency issuance:**
 - **Sovereign issuance** had its second strongest month on record with \$37.3 bn, second only to April 2020 (\$43.5 bn at the time), despite coming on the heels of [December's record](#). The 12m pace has accelerated sharply in the last few months to \$211 bn now. Most of the issuance remained USD denominated.
 - **Corporate issuance** came to \$37 bn in January, with steady improvement in market access for HY issuers. This was the third strongest month ever after Jan 2020 and Apr 2019. China continued to account for a significant proportion of the overall EM corporate as well as SOE issuance.
 - **IG sovereign issuance** was led by Mexico (\$5.1 bn), Saudi Arabia (\$5.0 bn), Chile (\$4.3 bn), Indonesia (\$4.2 bn), Panama (\$2.6 bn) and Colombia (\$2.1 bn).
 - **HY sovereign issuance** remained strong and accounted for almost 40% of the total issuance. It was led by Turkey (\$3.5 bn) and Oman (\$3.2 bn)—both accessing markets for the third time in the last four months. Benin issued \$1.2 bn becoming the second recent issuer from the SSA region, following Côte d'Ivoire's \$1.2 bn issuance in November. Armenia (\$0.7 bn) also came to the market very successfully.
 - **Investors remain optimistic on 2021 issuance, though the pace will likely moderate from now on** driven in part by a sharp expected decline in the amortizations in February. Analysts expect issuers in H1 2021 to include Brazil, Ghana, and Philippines, while smaller issuers like Gabon and Pakistan can also come to the market. Press reports also mention Egypt (up to \$7 bn), Tunisia (\$3 bn), Peru (up to \$11 bn) and Indonesia (possible offering of a sukuk) as potential countries to issue in 2021.
- **Credit spreads of frontier issuers declined further in January, while remained broadly unchanged for most other emerging market economies.** Belize, Argentina, Ecuador and Ethiopia were the notable exceptions that came under pressure in January. 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 remain steady and added \$13 bn in January**, building upon the strong past few months. After a strong differentiation in local and hard currency flows last year, 2021 seems to have started on a strong note for both, despite the weakness in bond returns.

January 2021 Overview

Strong start to 2021, with almost \$37 bn issuance by sovereigns and \$15 bn issuance by corporates ex CHN.

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



Credit spreads of frontiers declined further last month, outperforming higher-rates credits.

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



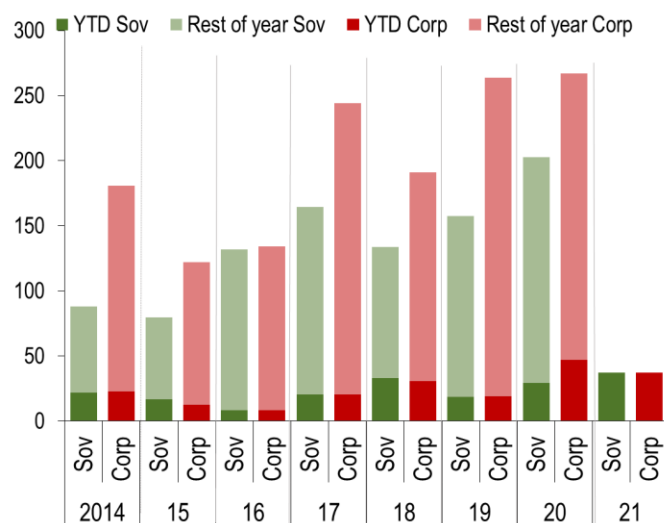
This monitor is produced by MCMGA and captures international issuance and not hard currency issuance in local law.

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

Issuance Detail: Corporates and Sovereigns

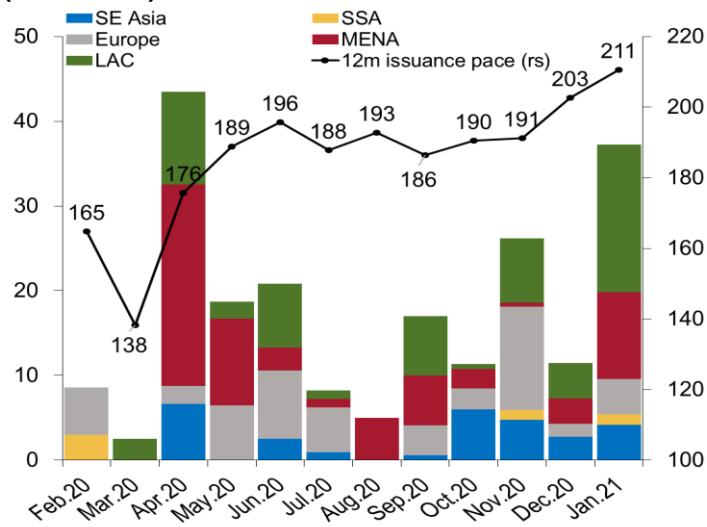
January built on the record sovereign issuance of 2020 with sovereigns selling another \$37 bn. Corporate issuance was strong as well with the second highest January and third highest overall.

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



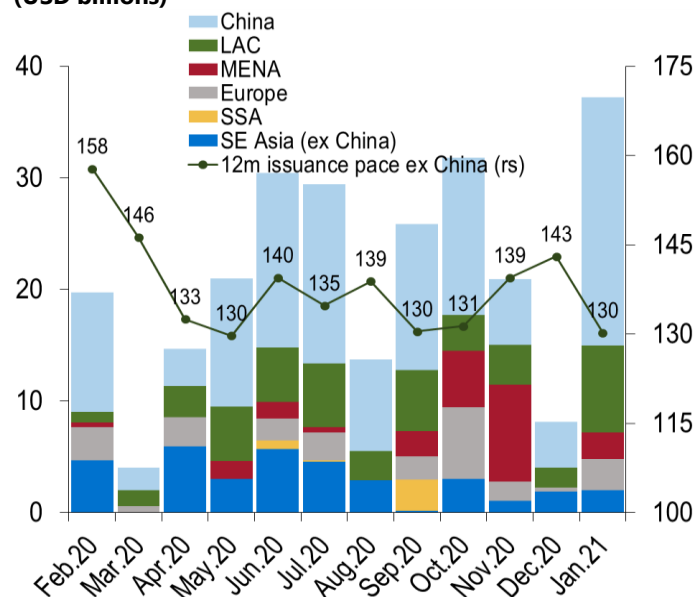
Sovereign issuance in January continued to be driven by LAC (\$17.5 bn) and MENA (\$10.2 bn), while SE Asia added \$4.2 bn. The 12m pace has accelerated sharply in the last few months.

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



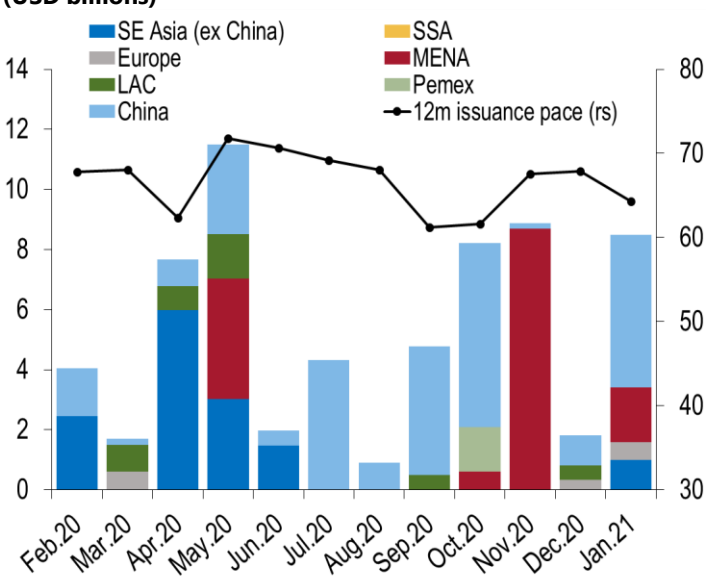
Corporate issuance of \$37 bn in Jan recovered from Dec lows, boosted by Chinese names.

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



China continued to account for a bulk of the quasi-sovereign issuance as well.

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

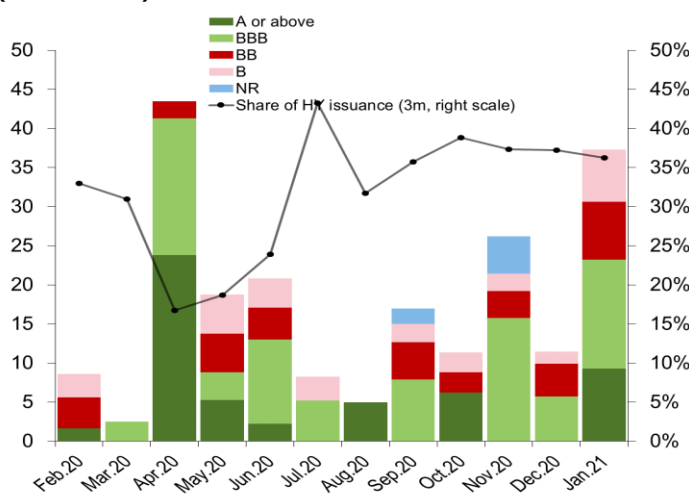


Note: Europe includes Central Asia. LAC=Latin America and the Caribbean; LAC excludes Pemex in Chart 6. SSA = Sub Saharan African Region. SE Asia=Southeast Asia

Issuance Detail by Rating and Currency Denomination

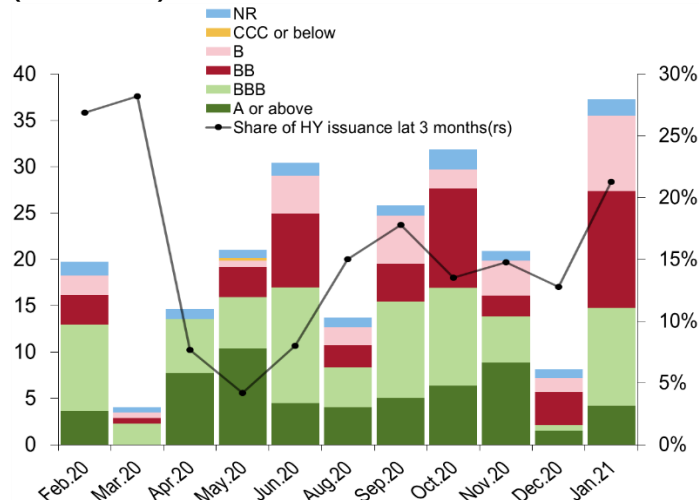
High yield sovereign market access remains strong, accounting for almost 40% of the total issuance in January.

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



High yield corporate market access improved as well with \$8 bn issuance in January and around 30% of total issuance.

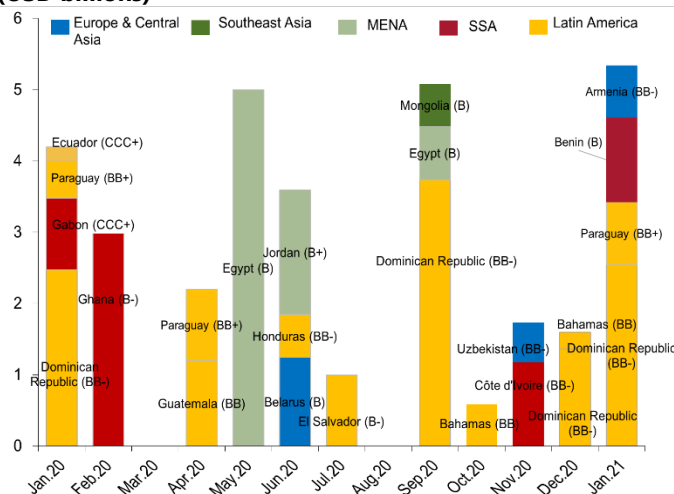
Chart 8. Corporate Hard Currency Issuance by Rating (USD billions)



Issuance Detail of Frontier Economies

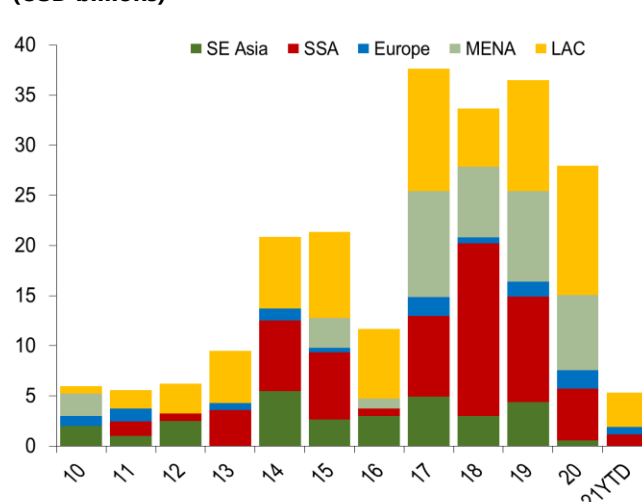
Frontier issuance rose in January driven by Dominican Republic, Paraguay, Armenia and Benin. Seven frontier issuers have tapped the market in the last three months.

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



Latin America led the frontier market issuance in January, similar to the 2020 trend.

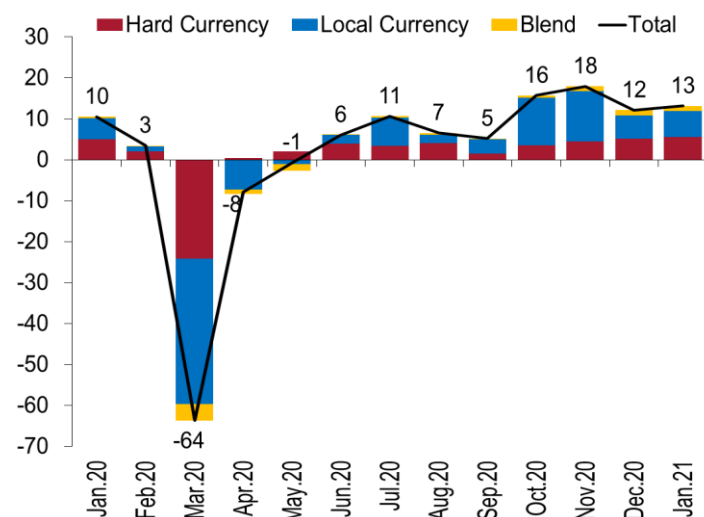
Chart 10. Pace of Frontier Sovereign Issuance by Region (USD billions)



Flows: EM Debt Dedicated Funds

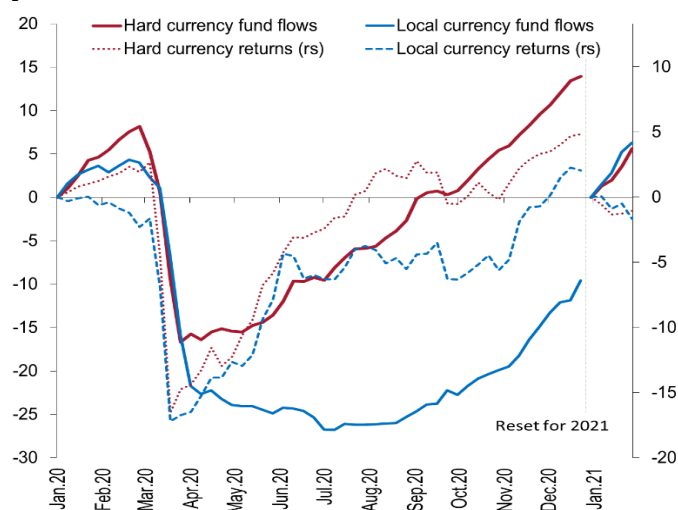
Debt fund flows remained strong at \$13bn in January, with both hard and local currency flows showing a healthy momentum.

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



After a strong differentiation in local and hard currency flows in 2020, 2021 seems to have started on a strong note for both—despite the weakness in bond returns.

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

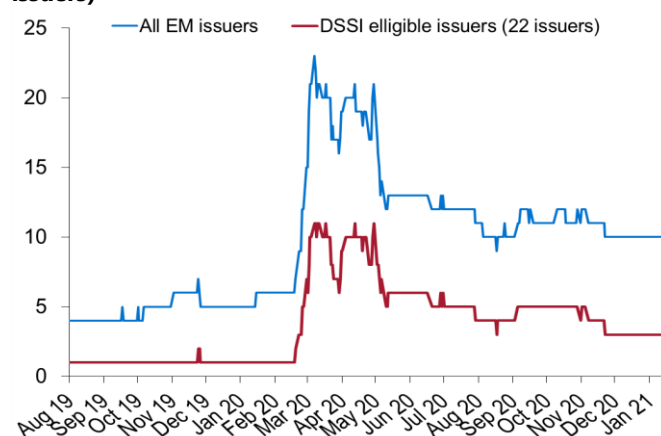
Spreads of most distressed issuers benefitted from the risk-on sentiment in January; Ecuador and Ethiopia came under pressure.

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
Georgia	(119)	200	Colombia	13	219
Sri Lanka	(105)	1,784	South Africa	15	327
Costa Rica	(86)	545	Brazil	20	270
Cameroon	(82)	486	Bolivia	20	481
Angola	(72)	766	Guatemala	24	256
El Salvador	(70)	662	Gabon	27	524
Pakistan	(50)	453	Belize	75	1,481
Iraq	(31)	708	Argentina	85	1,453
Oman	(25)	447	Ecuador	211	1,273
Armenia	(24)	271	Ethiopia	216	775

The number of distressed issuers remained unchanged at 10, 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)**

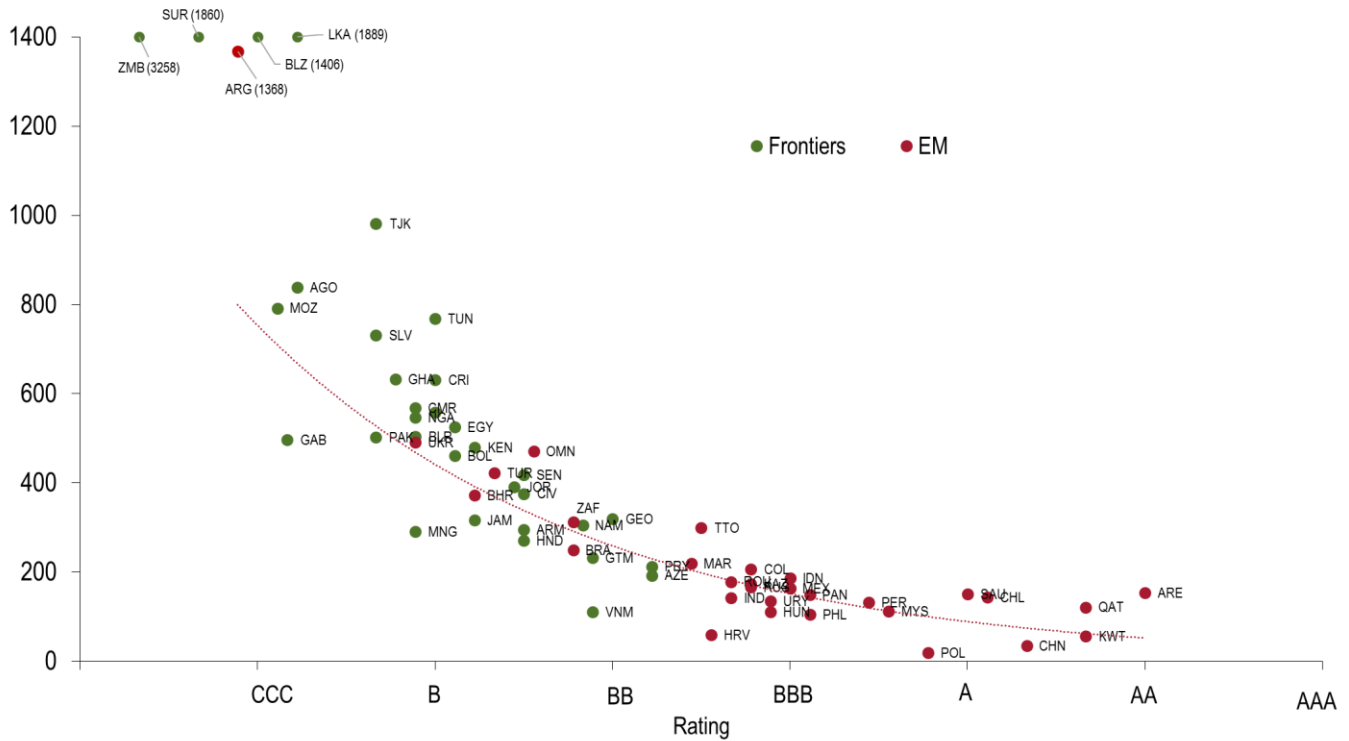
Issuer	2019	2020	Oct-20	Nov-20	Dec-20	Jan-21
United Arab Emirates	11.6	19.3	0.3	-	-	-
Mexico	6.0	16.2	-	3.6	-	5.1
Romania	5.8	13.2	-	3.0	-	-
Saudi Arabia	13.3	11.9	-	-	-	5.0
Indonesia	5.7	10.8	-	-	-	4.2
China	10.4	10.7	6.0	4.7	-	-
Qatar	12.0	10.0	-	-	-	-
Turkey	11.2	8.7	2.5	2.2	-	3.5
Dominican Republic	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	-	-	-	-
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	-	-
Ghana	3.0	3.0	-	-	-	-
Bulgaria	-	2.9	-	-	-	-
Oman	3.0	2.5	2.0	0.5	-	3.2
Russia	6.5	2.4	-	2.4	-	-
Croatia	1.7	2.2	-	-	-	-
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	-	-
Gabon	-	1.0	-	-	-	-
El Salvador	1.1	1.0	-	-	-	-
Montenegro	0.5	0.9	-	-	0.9	-
Bahamas, The	-	0.8	0.6	-	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)**

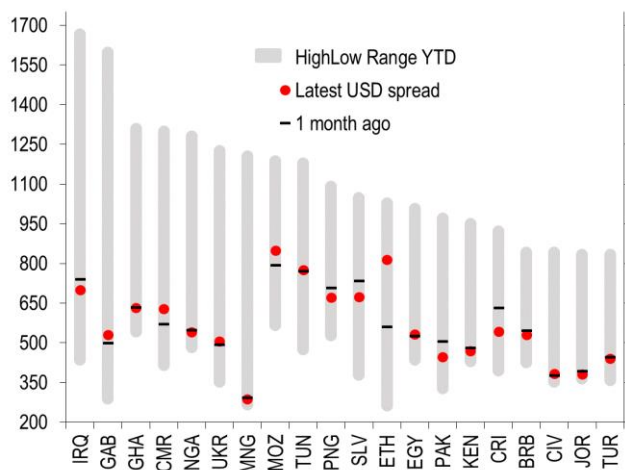
Issuer	2019	2020	Oct-20	Nov-20	Dec-20	Jan-21
China	134.0	123.7	14.1	5.9	4.1	22.3
Mexico	19.9	20.1	1.5	1.5	-	1.8
Brazil	20.6	16.5	1.1	1.3	0.6	4.0
Russia	10.0	14.4	2.6	1.3	0.3	2.0
Indonesia	7.4	11.7	1.8	-	-	0.7
Saudi Arabia	14.7	10.6	-	7.9	-	-
India	12.9	9.1	0.8	0.3	1.6	0.8
Chile	8.3	8.8	0.5	-	1.3	0.8
Philippines	2.3	7.6	0.4	0.3	0.4	-
Malaysia	1.5	7.5	-	-	-	0.5
United Arab Emirates	6.2	7.3	5.1	0.7	-	1.5
Colombia	2.8	4.3	0.1	-	-	-
Thailand	1.5	2.8	-	-	-	-
Serbia	1.2	2.5	-	0.5	-	0.2
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	-	-	0.6
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	-	-	-	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)**

