



# Emerging and Frontier Markets Issuance Monitor

MONETARY AND CAPITAL MARKETS DEPARTMENT

## June Highlights:

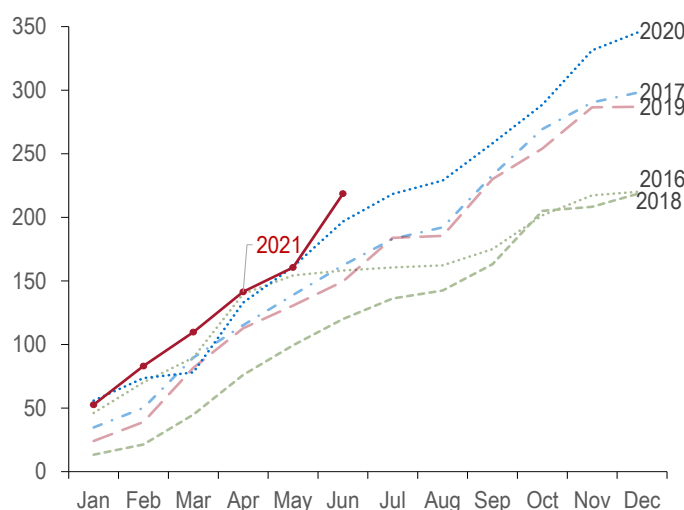
July 7, 2021

- **Sovereign issuance** in June rebounded to its strongest month since January, at close to \$20 bn, after slumping to \$7.3 bn in May. Issuers took advantage of stronger risk appetite and attractive borrowing costs, with the US 10-year yield falling close to 20 bps from the mid-May peak to under 1.5% by end June.
- **IG sovereign issuance** reached just \$8 bn, led by Indonesia (\$3 bn), Philippines (\$3 bn), and Panama (\$2.1 bn), with Indonesia delivering a 30-year \$0.8 bn greensukuk.
- **HY sovereign issuance** accelerated significantly in the last week of June for the largest weekly volume since mid-January after low levels of activity in the previous months. All variety of high yield sovereigns came to market, from larger EMs such as Turkey (\$4.3 bn) and Brazil (\$2.2 bn), to frontiers, including: Cameroon (\$0.8 bn), Kenya (\$1 bn), Mongolia (\$1 bn), Oman (\$1.75 bn), and Senegal (\$0.9 bn).
- **Corporate issuance** hit a record high at \$48 bn in June, bolstered by Qatar Petroleum (\$12.5 bn) and Saudi Aramco (\$6 bn). At \$175 bn, corporate is well above the previous YTD record of \$140 bn in 2019. Chinese issuance of \$9.5 bn left the 2021 YTD total just below the 2020 pace, and well below the 2019 record. In contrast, corporate ex. China issuance is up nearly \$40 bn compared to 2020.
- **Near term outlook favorable.** Attractive borrowing costs should support further opportunistic issuance from sovereigns. However, with IG issuance already tracking \$25 bn behind last year's record breaking pace, full year issuance will likely fall below 2020. Additionally, elevated oil prices and the SDR allocation in the second half of the year are expected to ease bond issuance needs. Nevertheless, strong momentum is expected to continue in the coming weeks, with Ghana, Egypt, Bahrain likely in the HY segment according to analysts. So far in July, Pakistan, Mexico and Sharjah have already come to the market.
- **Emerging market spreads widened slightly, with frontiers underperforming, despite considerable differentiation.** Spreads widened for two-thirds of emerging and frontier issuers, though most moves were small. Frontier spreads moved 25 bps higher, led by El Salvador (+141 bps) as well as distressed issuers such as Suriname, Sri Lanka, and Zambia.
- **EM bond fund inflows remain moderate but picked up in June**, led by stronger hard currency flows. YTD flows continue to inch up, topping \$30 bn (hard, local, and blended), though returns remain negative.

## June 2021 Overview

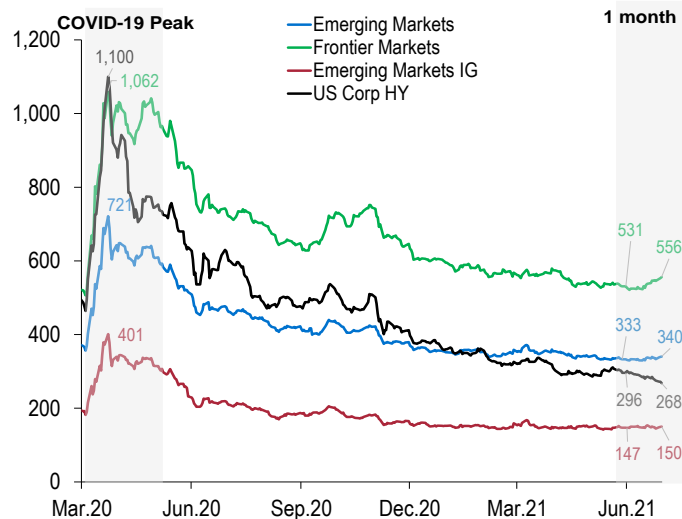
**Total hard currency issuance is on a record pace at \$219 bn YTD, compared to \$197 bn in 2020, led by corporates**

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



**Emerging market credit spreads widened modestly in June, with frontier spreads underperforming**

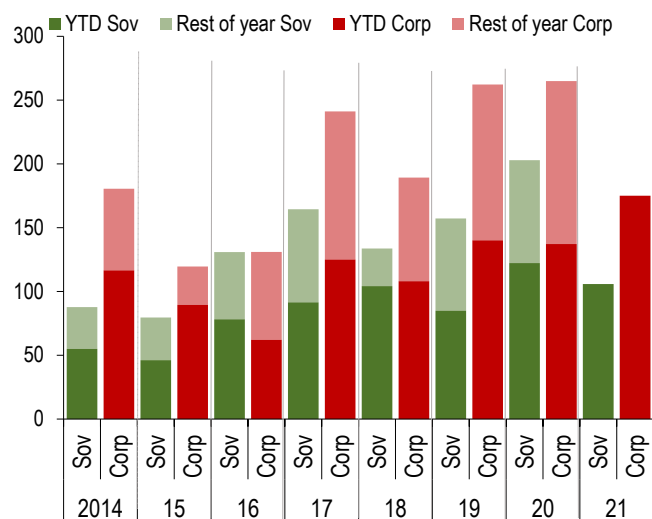
Chart 2. Emerging and Frontier Market Spreads (Basis points)



## Issuance Detail: Emerging Market Corporates and Sovereigns

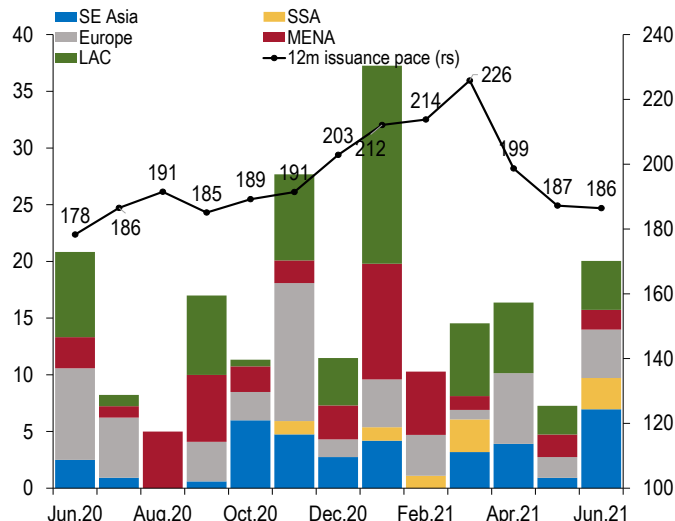
**Corporate issuance is far outpacing 2020, up close to 25% y/y, while sovereign is down about \$15 bn YTD from 2020.**

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



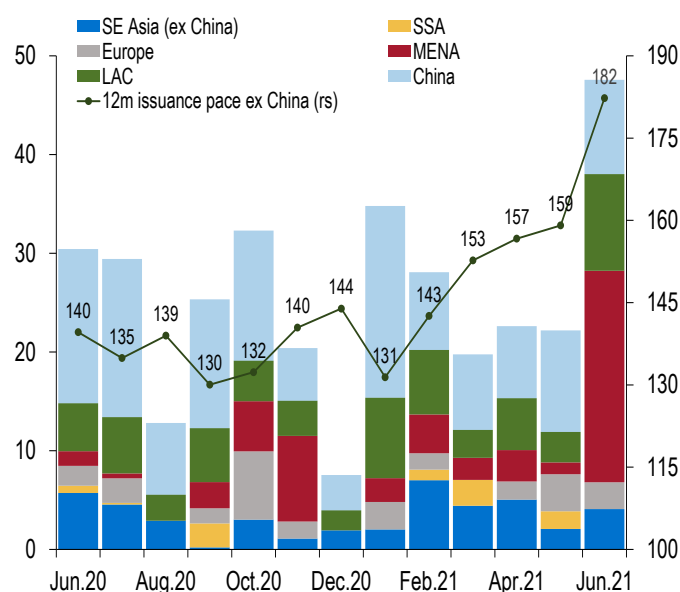
**Sovereign rebounded in June to \$20 bn, led by SE Asia (Indonesia, Philippines), while three SSA sovereigns issued (Senegal, Cameroon, Kenya).**

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



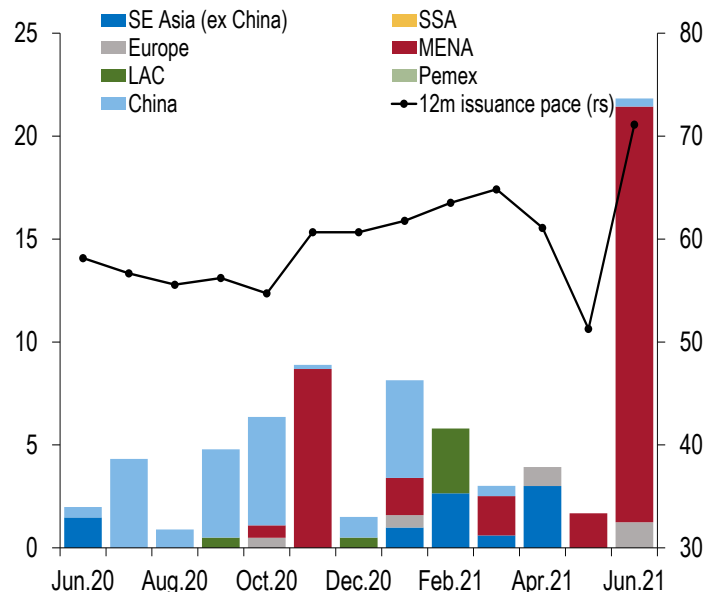
**EM corporate issuance surged to \$48 bn in June, led by MENA SOEs (\$18.4 bn), China (\$9 bn), and Brazil (\$6.6 bn).**

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



**SOE issuance volumes were massive in June, led by Qatar Petroleum (\$12.4 bn), and Saudi Aramco (\$6 bn).**

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

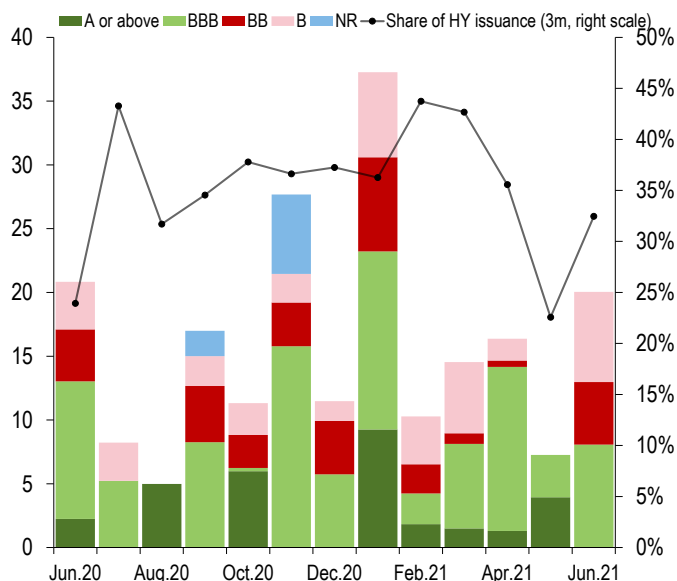


Notes: Europe includes Central Asia. LAC=Latin America and the Caribbean; LAC excludes Pemex in Chart 6. SSA = Sub Saharan African Region. SE Asia=Southeast Asia

## Issuance Detail by Rating

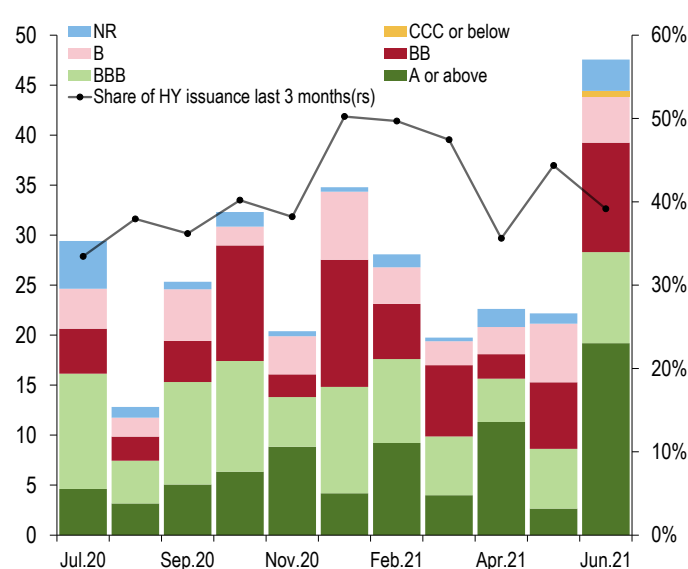
**High yield sovereign issuers returned to market after being shut out in May, accounting for 60% (\$12 bn) of June supply.**

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



**Investment grade issuers led the way for corporates, bolstered by MENA energy producers. However, HY corporates also had their best month since January.**

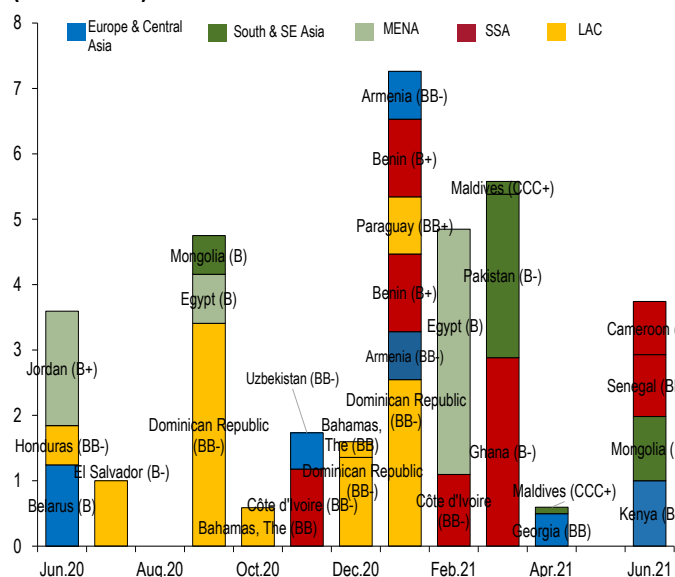
**Chart 8. Corporate Hard Currency Issuance by Rating (USD billions)**



## Issuance Detail of Frontier Economies

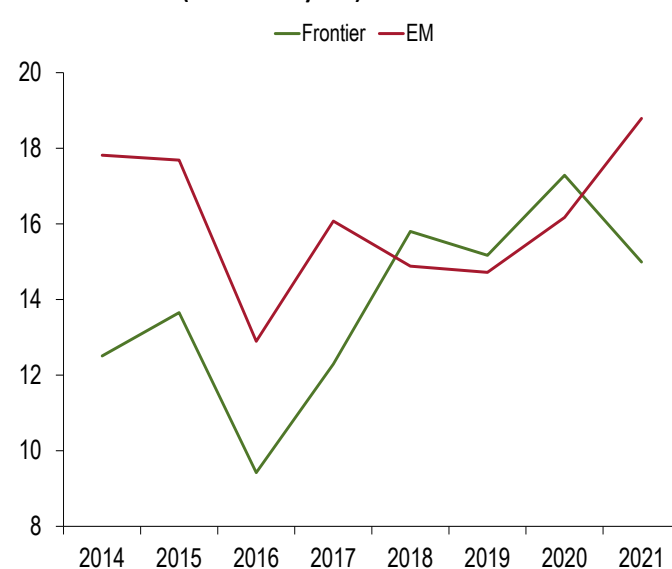
**Frontiers returned in June, with three SSA sovereigns and Mongolia issuing, bringing total frontier issuance to \$19.8 bn in 2021.**

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



**Frontiers have reduced the average maturity in 2021, in contrast with the rest of the EMs.**

**Chart 10. Average Maturity Profile of New Issuances: Frontiers vs EMs ex Frontiers (Number of years)**

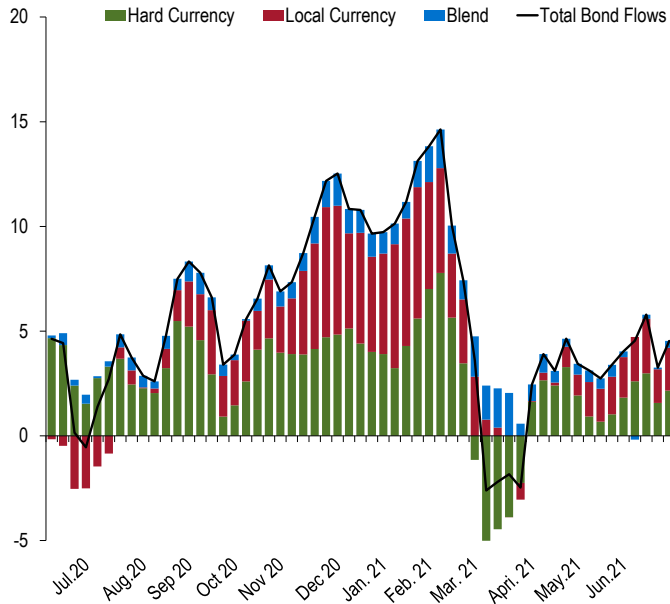


## Flows: EM Debt Dedicated Funds

*Bond fund inflows accelerated in June...*

**Chart 11. Bond Fund Flows**

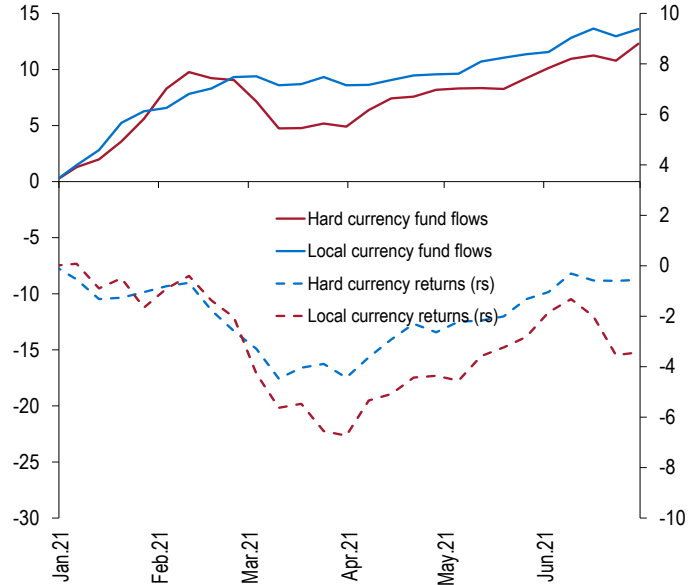
(USD billions)



*...driving YTD flows close to \$10 bn for both hard and local currency, though returns remain soft, with local currency underperforming.*

**Chart 12. Weekly Fund Flows Year to Date and Returns**

(Jan 1, 2021 = 0; USD billions, left scale; percent, right scale)



## Spreads on Hard Currency Bonds

*Among non-distressed issuers, El Salvador spreads widened by over 100 bps following news of bitcoin adoption*

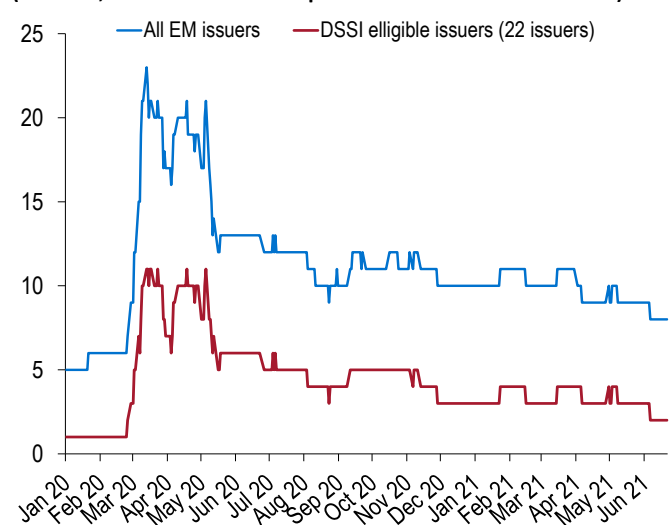
**Chart 13. Major Laggards and Gainers Last Month on Credit spreads**  
(Basis points; change in during April)

Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Cameroon	(117)	294	Senegal	39	450
Mozambique	(59)	892	Ecuador	41	759
Tajikistan	(51)	808	Georgia	52	194
Namibia	(36)	242	Tunisia	53	717
Mongolia	(29)	236	Belarus	71	710
Vietnam	(25)	57	El Salvador	141	719
Bolivia	(23)	460	Sri Lanka	223	1,636
Iraq	(20)	571	Zambia	285	2,759
Gabon	(19)	444	Suriname	363	2,130
Armenia	(19)	273	Lebanon	2,976	17,579
Turkey	(19)	427			
Kuwait	(15)	32			
Poland	(7)	9			

*The number of distressed issuers declined to 8 in June, with Grenada spreads dropping below 1000 bps.*

**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	2020	2021	Mar-21	Apr-21	May-21	Jun-21
Mexico	14.9	8.3	-	3.3	-	-
Indonesia	10.8	8.1	-	-	0.9	3.0
Turkey	8.7	7.7	-	-	-	4.3
Chile	5.5	7.7	1.5	-	2.0	0.0
Saudi Arabia	11.9	6.8	-	-	-	-
Philippines	6.4	6.0	0.5	2.5	-	3.0
Colombia	4.2	5.0	-	3.0	-	-
Oman	2.5	5.0	-	-	-	1.8
Peru	7.0	4.9	4.9	-	-	-
Panama	5.2	4.7	-	-	-	2.1
Romania	13.2	4.1	-	4.1	-	-
Egypt	5.8	3.8	-	-	-	-
United Arab Emirates	20.8	3.2	1.2	-	2.0	-
Ghana	3.0	2.9	2.9	-	-	-
Dominican Republic	7.2	2.5	-	-	-	-
Pakistan	-	2.5	2.5	-	-	-
Croatia	2.2	2.4	-	-	-	-
Brazil	6.1	2.2	-	-	-	2.2
Bahrain	4.0	2.0	-	-	-	-
Russia	2.4	1.8	-	-	1.8	-
Malaysia	-	1.3	-	1.3	-	-
Ukraine	4.0	1.3	-	1.3	-	-
Benin	-	1.2	-	-	-	-
Serbia	3.3	1.2	-	-	-	-
Côte d'Ivoire	1.2	1.1	-	-	-	-
Kenya	-	1.0	-	-	-	1.0
Mongolia	0.6	1.0	-	-	-	1.0
Senegal	-	0.9	-	-	-	0.9
Paraguay	1.5	0.9	-	-	-	-
North Macedonia	0.8	0.8	0.8	-	-	-
Cameroon	-	0.8	-	-	-	0.8
Armenia	-	0.7	-	-	-	-
Uruguay	0.5	0.6	-	-	0.6	-
Georgia	-	0.5	-	0.5	-	-
Bosnia and Herzegovina	-	0.4	-	0.4	-	-
Maldives	-	0.3	0.2	0.1	-	-

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

Issuer	2020	2021	Mar-21	Apr-21	May-21	Jun-21
China	121.0	62.1	7.6	7.3	10.3	9.5
Brazil	20.6	16.0	1.0	1.4	0.8	6.6
Qatar	-	13.4	1.0	-	-	12.4
United Arab Emirates	6.2	10.6	-	2.5	1.2	1.5
Mexico	19.9	10.3	0.3	1.7	1.7	1.8
India	12.9	8.9	1.9	-	0.7	1.2
Indonesia	7.4	6.8	0.3	0.3	0.7	2.1
Saudi Arabia	14.7	6.7	0.7	-	-	6.0
Malaysia	1.5	5.5	0.9	4.0	-	-
Russia	10.0	5.2	-	0.4	0.6	0.5
Chile	8.3	2.6	0.9	0.5	-	0.4
Poland	-	2.5	-	-	1.3	1.2
Peru	1.6	2.3	0.6	-	-	-
Turkey	2.5	2.3	-	0.7	1.1	0.5
Ghana	0.7	2.3	-	-	1.8	-
South Africa	1.5	2.0	2.0	-	-	-
Colombia	2.8	2.0	-	0.4	0.6	1.0
Morocco	-	1.5	-	-	-	1.5
Argentina	1.6	1.4	-	0.3	-	-
Philippines	2.3	1.3	-	0.6	0.2	0.6
Thailand	1.5	1.2	1.2	-	-	-
Bahrain	-	0.9	0.6	-	-	-
Guatemala	-	0.7	-	0.7	-	-
Kuwait	-	0.7	-	0.7	-	-
Nigeria	1.3	0.7	0.7	-	-	-
Kenya	-	0.6	-	-	-	-
Hungary	-	0.6	-	-	-	-
Oman	-	0.6	-	-	-	-
Georgia	0.2	0.5	-	-	-	0.5
Pakistan	-	0.5	-	-	0.5	-