Emerging and Frontier Markets Issuance Monitor

MONETARY AND CAPITAL MARKETS DEPARTMENT

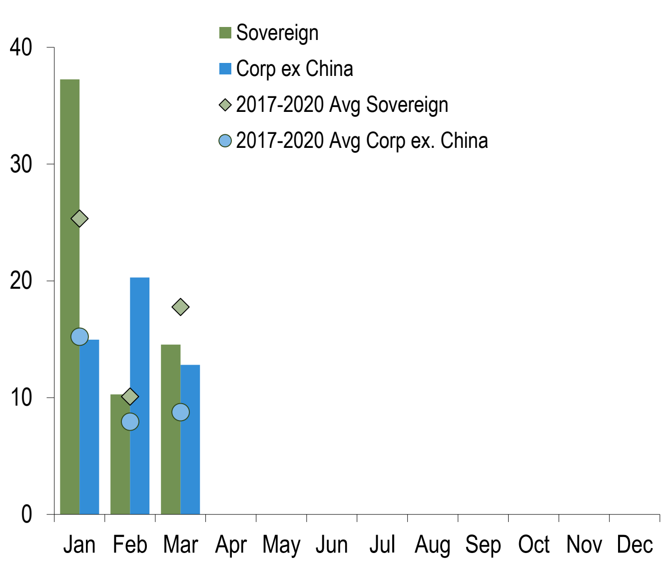
March Highlights of Hard Currency Issuance and Market Developments: April 6, 2021

- ***Sovereign issuance*** increased to $14.5 bn in March (compared to $10.3 bn in February), in part due to a relatively high level of amortizations. Issuance remains on pace to set a new yearly record. Nondollar issuance has accounted for 25% of the total so far in 2021. The Philippines issued the first JPY-denominated sovereign bond for the year, worth about $0.5 bn.
- ***Corporate issuance*** slowed to $20.7 bn after non-China issuance fell by more than half to $9.1 bn. However, corporate issuance YTD remains over $15 bn higher than the previous record, with non-China issuance $10 bn above last year's pace. Corporate deals were generally small in March, with no issue exceeding $1 bn.
- ***IG sovereign issuance*** was led by Peru pulling in $4.9 bn over 4 bonds, 3 of which were dollar denominated and one euro denominated. Chile also sold a $1.5 bn formosa sustainability bond.
- ***HY sovereign issuance*** remained solid, accounting for 43% of total issuance. Ghana and Pakistan were the headliners, garnering $3.0 bn and $2.5 bn respectively. Ghana's issuance included a $525 mn zero-coupon bond, a rarity for SSA and the high yield segment. Laos cancelled a sale for the third time.
- **Outlook for issuance remains positive, but another rapid sell off in US Treasuries could dampen sentiment.** Heightened portfolio flow volatility and higher financing costs could discourage some potential issuers, especially those that have prefunded or have higher cash balances**.** However, investor sentiment remains reasonably healthy even if demand is not quite as ebullient as in January. Market analysts are watching for new issuance from Kenya, Poland, and Indonesia for the rest of H1 2021.
- **Emerging and frontier market spreads were little changed in March.** Turkey came under some stress amid heightened political risk following the dismissal of its central bank governor. Sri Lanka was the outperformer, recovering from some of its recent weakness. The number of distressed issuers remained stable at 10.
- **EM bond funds encountered some market turbulence from mid-February on, but flows have stabilized again**. After a strong start to the year, inflows ground to a standstill amid the global bond sell off. Hard currency funds witnessed 4 consecutive weeks of outflows, before eking out some gains in late March. Both hard ($5.2 bn) and local ($9.3 bn) current flows remain positive year to date, though returns are negative.

March 2021 Overview

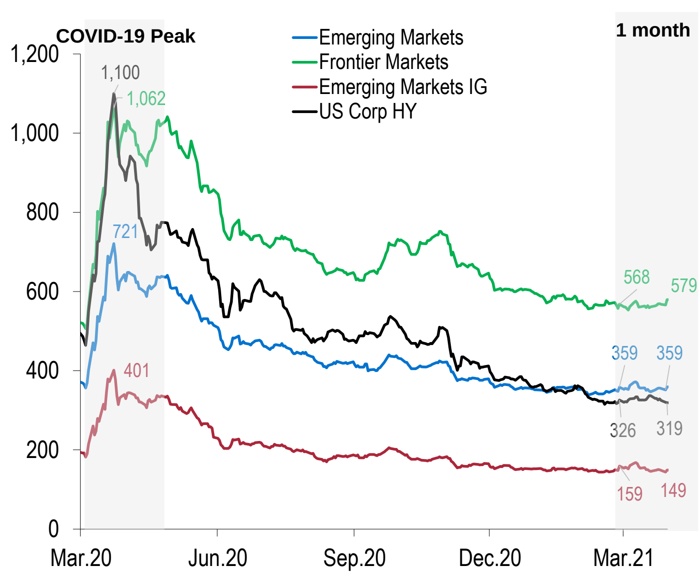
Sovereign issuance increased to $14.5 bn in March, while non-China corporate issuance slowed to $12.8 bn.

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



Emerging market credit spreads were little changed in March, with frontier markets 10 bps wider.

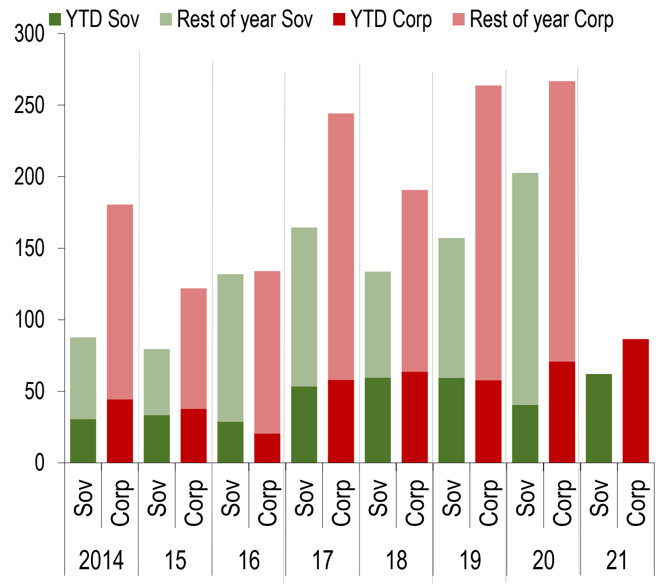
Chart 2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emering Market Corporates and Sovereigns

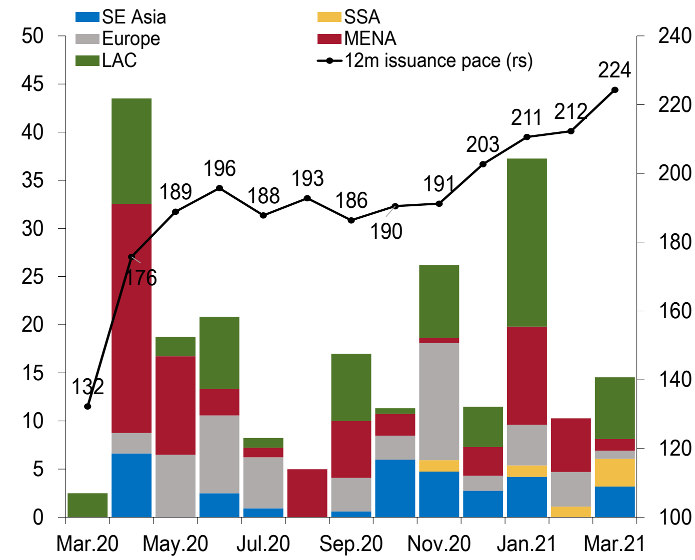
Both sovereign ($62.1 bn) and corporate ($86.4 bn) issuance are on a record YTD pace, with sovereigns still benefitting from huge volume in January.

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



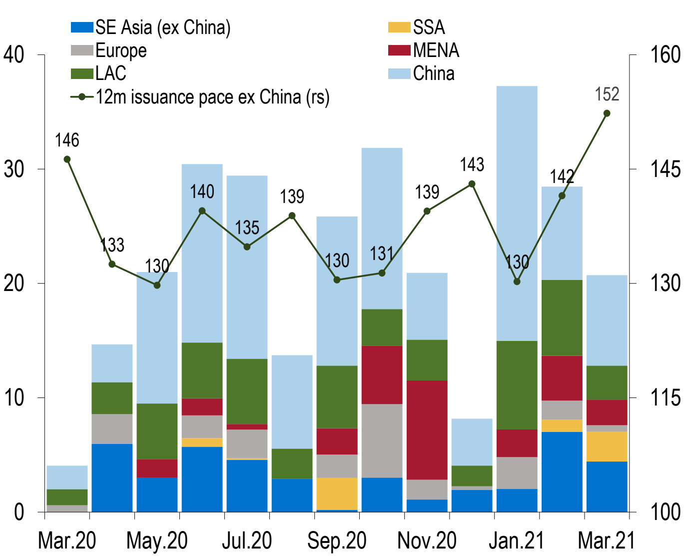
Sovereign issuance rose to $14.5 bn with Latin America leading the way, driven by Peru ($4.8 bn) and Chile ($1.5 bn).

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



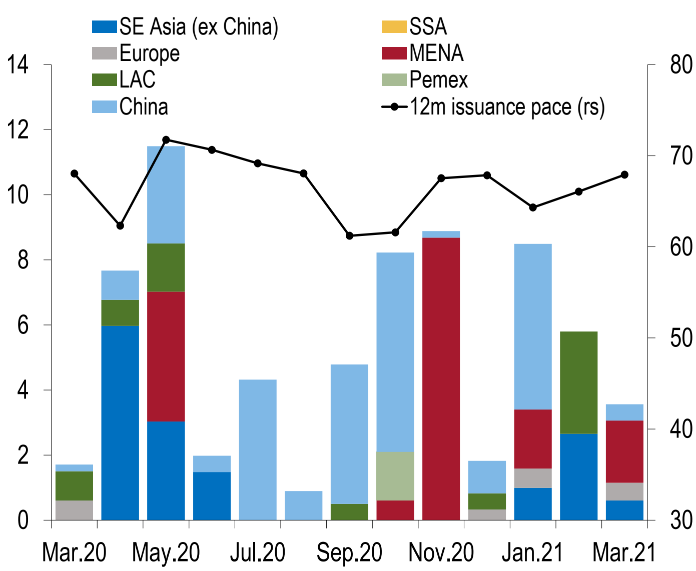
EM corporate issuance slowed to $20.7 bn, with China accounting for about 40% of volume.

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



Mamoura (UAE) was the largest SOE issuer in March at $1.3 bn.

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

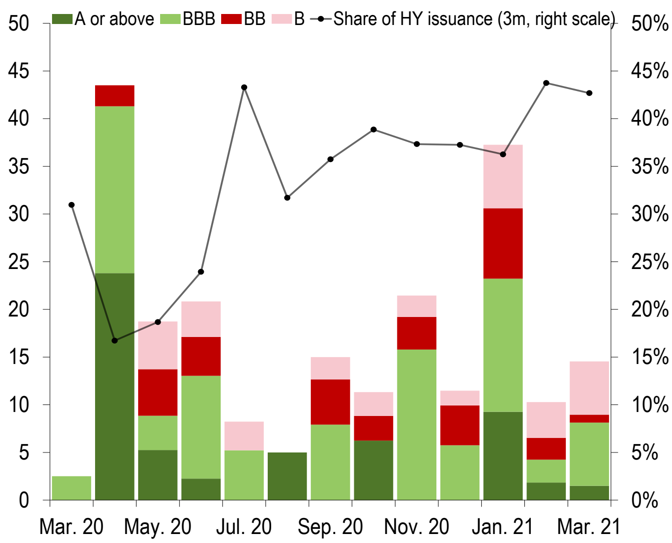


Notes: Europe includes Central Asia. LAC=Latin America and the Caribbean; LAC excludes Pemex in Chart 6. SSA = Sub Saharan African Region. SE Asia=Southeast Asia

Issuance Detail by Rating and Currency Denomination

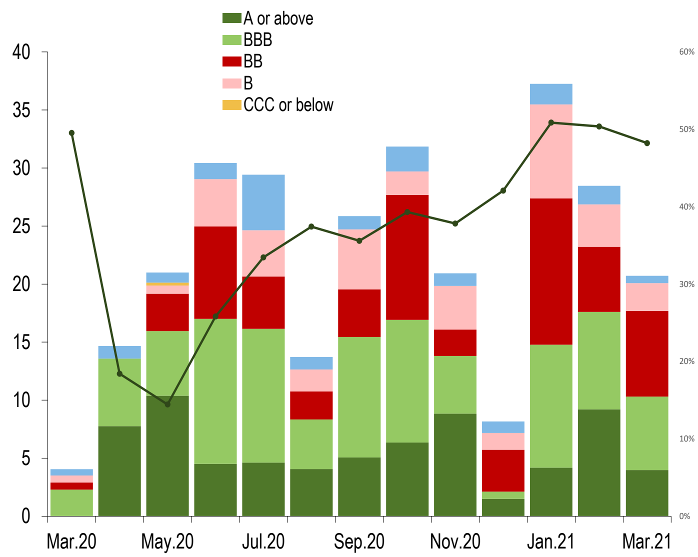
High yield sovereigns (B and BB rated) accounted for 43% of issuance, in line with the long-term average.

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



High yield corporate issuance continues to represent about half of all issuance.

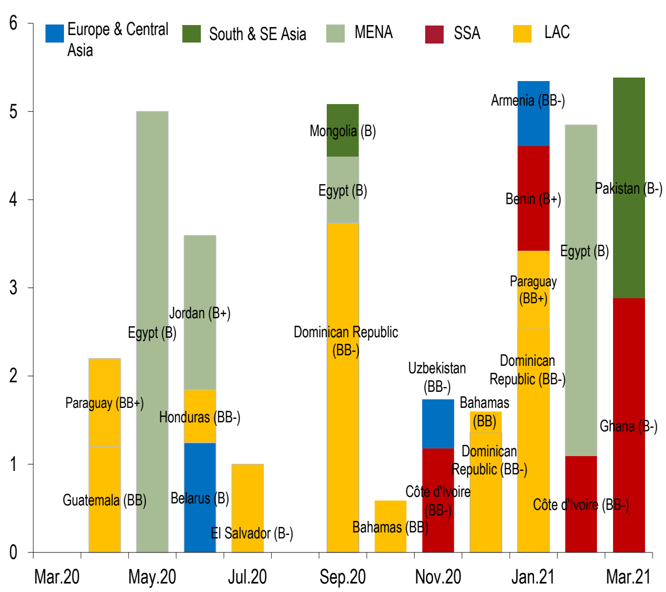
Chart 8. Corporate Hard Currency Issuance by Rating (USD billions)



Issuance Detail of Frontier Economies

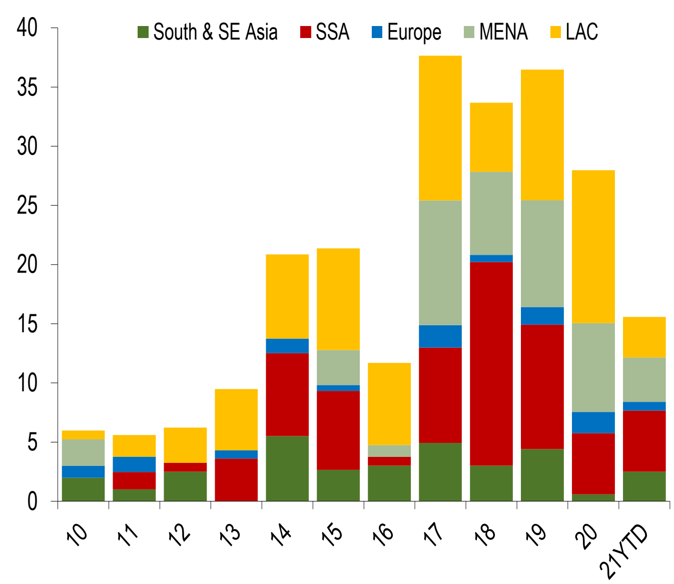
Frontier issuance remained robust thanks to large issuance by Pakistan ($2.5 bn) and Ghana ($2.9 bn)

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



Frontiers have issued $15.6 bn in 2021 YTD, more than double the total issuance through March 2020.

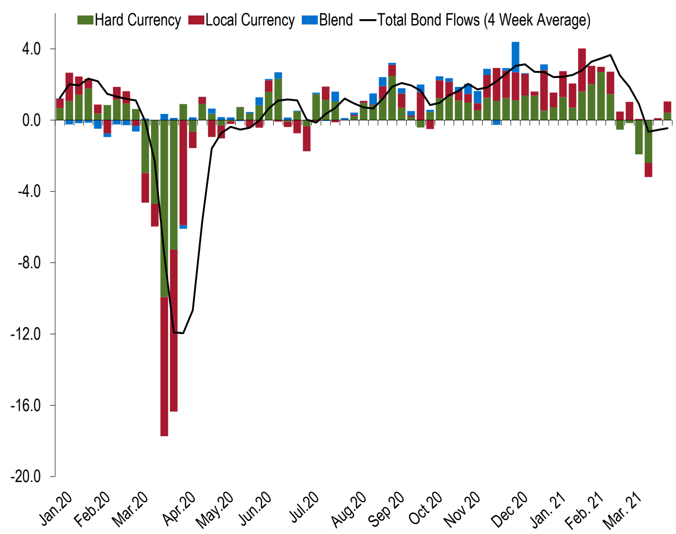
Chart 10. Pace of Frontier Sovereign Issuance by Region (USD billions)



Flows: EM Debt Dedicated Funds

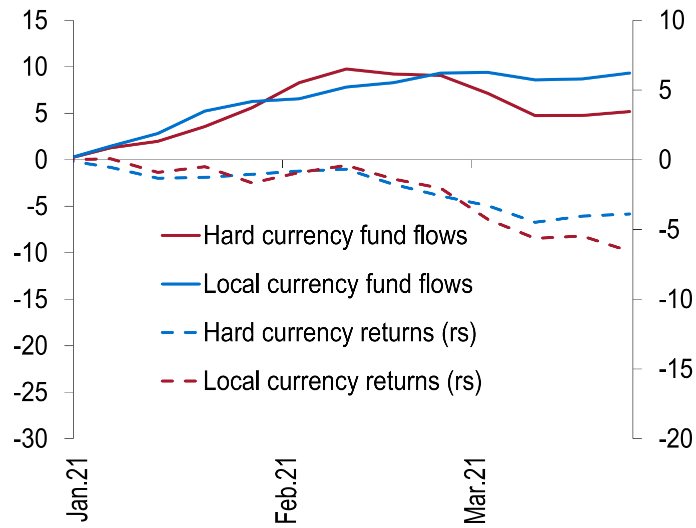
Bond funds experienced outflows from mid-February onwards, with hard currency funds losing about $5 bn before stabilizing in late March.

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



Fund flows turned negative for several weeks but remain positive YTD, with local currency outperforming. Returns are negative, at around -5% for the year.

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

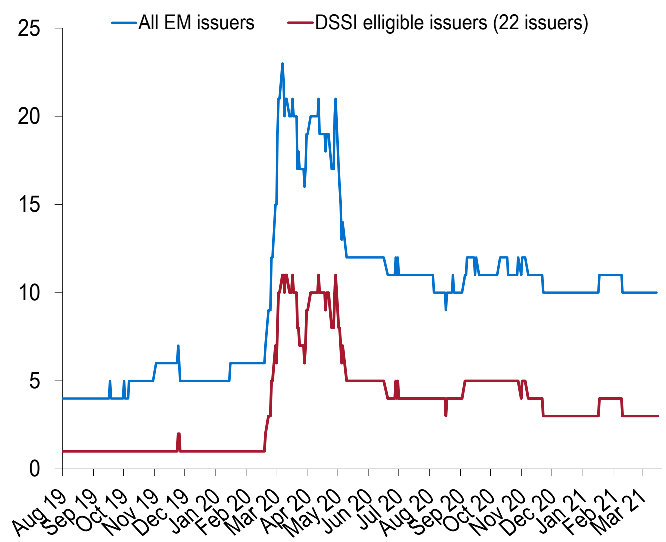
Among non-distressed issuers, Turkey was the main laggard, following the dismissal of its central bank governor.

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
Sri Lanka	(228)	1,729	Honduras	40	324
Iraq	(82)	649	Senegal	41	466
Tajikistan	(37)	954	Kenya	42	497
Uruguay	(20)	130	Mozambique	57	897
Oman	(18)	406	Belize	59	1,606
Chile	(18)	124	Georgia	65	252
Indonesia	(16)	166	Ghana	65	692
El Salvador	(14)	611	Tunisia	73	899
Qatar	(13)	110	Belarus	80	587
Panama	(13)	159	Turkey	151	563

The number of distressed issuers remained steady 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)

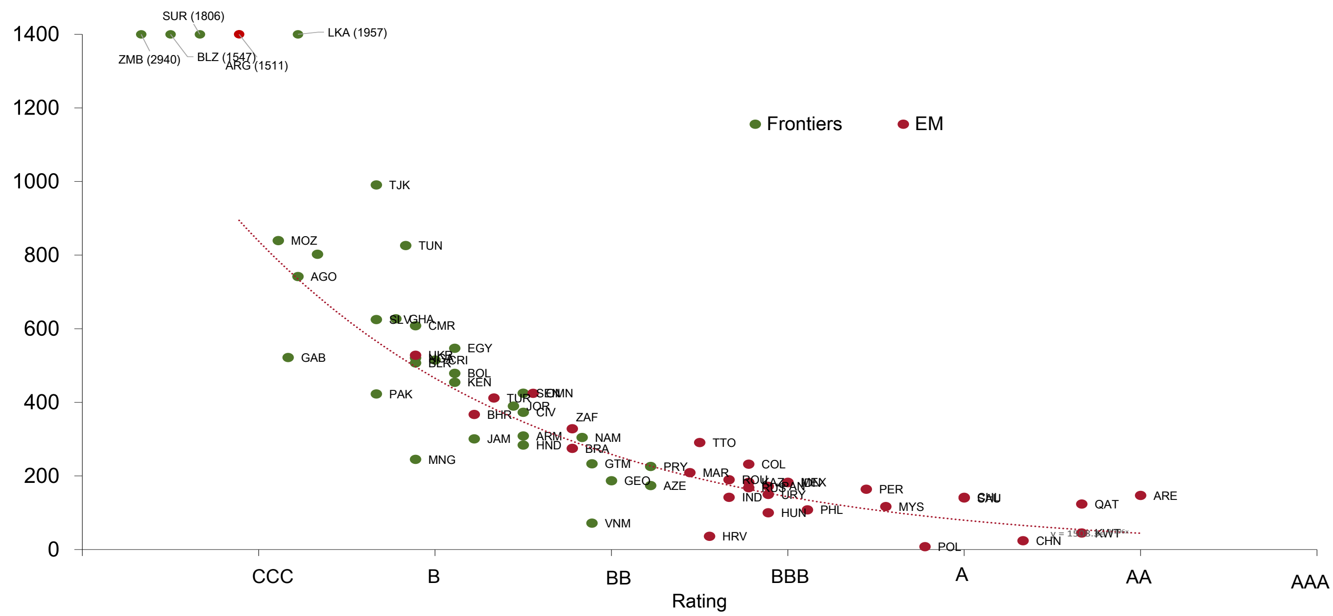
Issuer	2019	2020	Dec-20	Jan-21	Feb-21	Mar-21
United Arab Emirates	11.6	19.3	-	-	-	1.2
Mexico	6.0	16.2	-	5.1	-	-
Romania	5.8	13.2	-	-	-	-
Saudi Arabia	13.3	11.9	-	5.0	1.8	-
Indonesia	5.7	10.8	-	4.2	-	-
China	10.4	10.7	-	-	-	-
Qatar	12.0	10.0	-	-	-	-
Turkey	11.2	8.7	-	3.5	-	-
Dominican Republic	1.5	7.6	1.4	2.5	-	-
Hungary	-	7.2	-	-	-	-
Peru	0.8	7.0	-	-	-	4.9
Philippines	2.3	6.4	2.8	-	-	0.5
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	-
Ghana	3.0	3.0	-	-	-	2.9
Bulgaria	-	2.9	-	-	-	-
Oman	3.0	2.5	-	3.2	-	-
Russia	6.5	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	-	-	1.1	-
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	-	-	-	0.8
Albania	-	0.7	-	-	-	-
Honduras	-	0.6	-	-	-	-
Mongolia	-	0.6	-	-	-	-

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

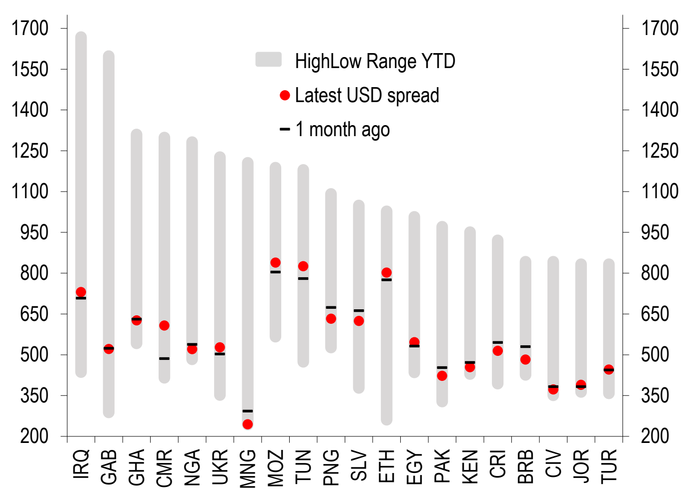
Issuer	2019	2020	Dec-20	Jan-21	Feb-21	Mar-21
China	134.0	123.7	4.1	22.3	8.2	7.6
Mexico	19.9	20.1	-	1.8	2.6	0.3
Brazil	20.6	16.5	0.6	4.0	2.3	1.0
Russia	10.0	14.4	0.3	2.0	1.7	0.5
Indonesia	7.4	11.7	-	0.7	2.7	0.3
Saudi Arabia	14.7	10.6	-	-	-	-
India	12.9	9.1	1.6	0.8	4.4	1.3
Chile	8.3	8.8	1.3	0.8	-	0.4
Philippines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