



# Emerging and Frontier Markets Issuance

MONETARY AND CAPITAL MARKETS DEPARTMENT

## Highlights:

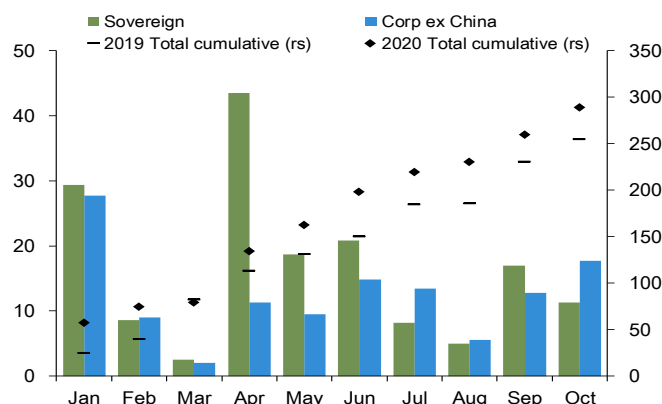
November 5, 2020

- **Hard currency issuance:**
  - **Sovereign issuance** slowed to \$11.3 bn in October from \$17 bn in September as many issuers have already covered their funding needs for the year. Additionally, some lower rated issuers were hesitant to pull the trigger in October amid concerns of tepid investor demand ahead of the US election and widening spreads for some weaker issuers. Year to date, issuance rose to \$165 bn and is already the highest on record.
  - **Corporate issuance** picked up to \$31.8 bn in October, from \$25.9 bn in September, largely boosted once again by \$14 bn from Chinese issuers. YTD corporate issuance has risen to \$238 bn, marginally back above the previous record YTD pace in 2019. One notable development was an uptick in SOE issuance, with \$8.2 bn issued, including CDB (China), Pemex (Mexico) and Kazmunaygas (Kazakhstan). Pemex accessed markets for the first time since January for \$1.5 bn, at a relatively short maturity (5y) and high cost (~7%).
  - **IG sovereign issuers** were headlined by China (\$6 bn) for the largest issuance outside of MENA this year, followed by the UAE (Sharjah) at \$250 mn.
  - **HY sovereign issuers** were led by Turkey (\$2.5 bn), while Oman eked out \$2 bn in new supply after scaling back the issuance size significantly. Bahamas priced \$600 mn, the only frontier market to issue in October.
  - **Further new issuance expected in November.** Despite record breaking issuance in 2020, market contacts expect another \$20–30 bn in issuance for the remainder of the year. Issuance will likely be concentrated in the next four weeks as December tends to see little activity. The new supply pipeline potentially includes Kuwait and Russia in CEEMEA, Indonesia in Asia, and several sovereigns in Latin America, with Brazil, Mexico, and Peru all potentially coming to market (according to market analysts or media reports).
- **Credit spreads:** Sovereign spreads mostly moved sideways, but we saw some differentiation as frontier markets widened +13 bps, while IG spreads tightened 16 bps. The number of distressed issuers remained steady at 12 (below the crisis-peak of 23), but few countries got close to the 1000 bps spread threshold.
- **Bond Fund flows:** Inflows accelerated to \$8.1 bn, driven by a pick-up in hard currency flows (\$4.7 bn), while local currency flows (\$2.8 bn) slowed but recorded the 5<sup>th</sup> month of inflows following the March–May slump. All in all, YTD local currency flows are down \$18 bn, while hard currency flows have gained \$5 bn.

## October Overview

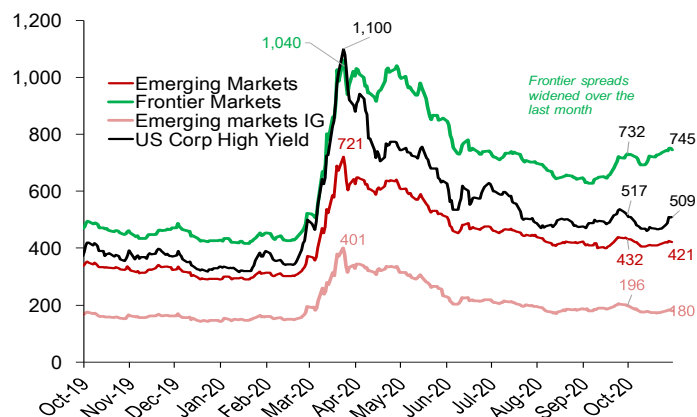
**Issuance held steady in October at \$43.2 bn, with \$11.3 bn by sovereigns, and \$31.8 bn by corporates.**

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



**Emerging market bond spreads largely moved sideways, but lower rated frontier market credits widened 20 bps.**

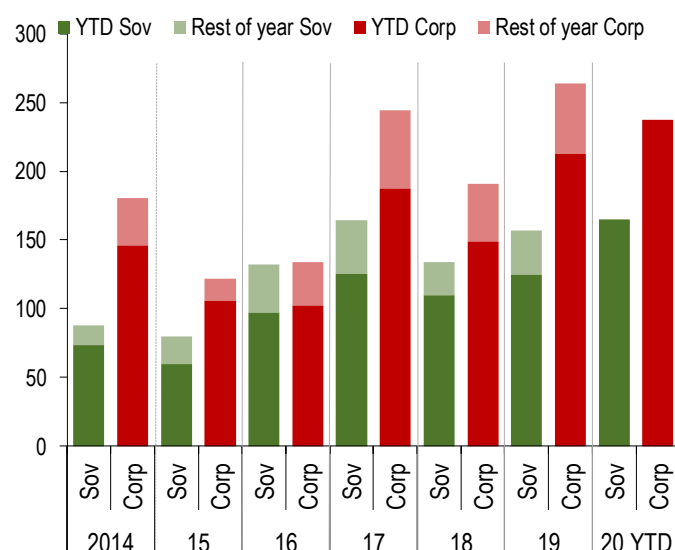
Chart 2. Emerging and Frontier Market Spreads (Basis points)



## Issuance Detail: Corporates and Sovereigns

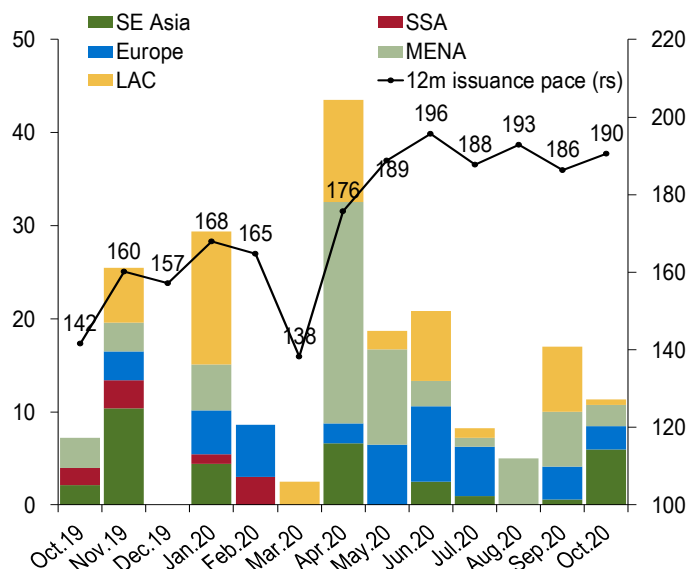
**2020 issuance continues to be at a record pace—especially for sovereign issuers—with \$165 bn for sovereigns and \$238 bn for corporates year to date.**

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



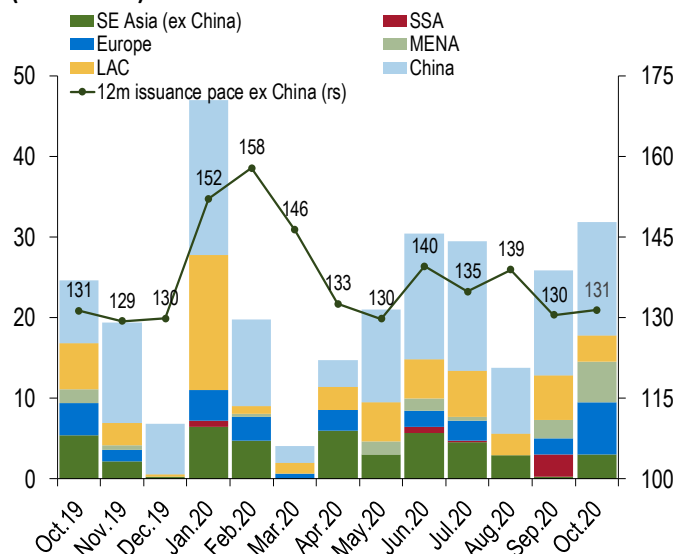
**Sovereign issuance of \$11.3 bn was driven by China (\$6 bn), with Europe (\$2.5 bn) and MENA (\$2.3 bn) covering the bulk of the remainder.**

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



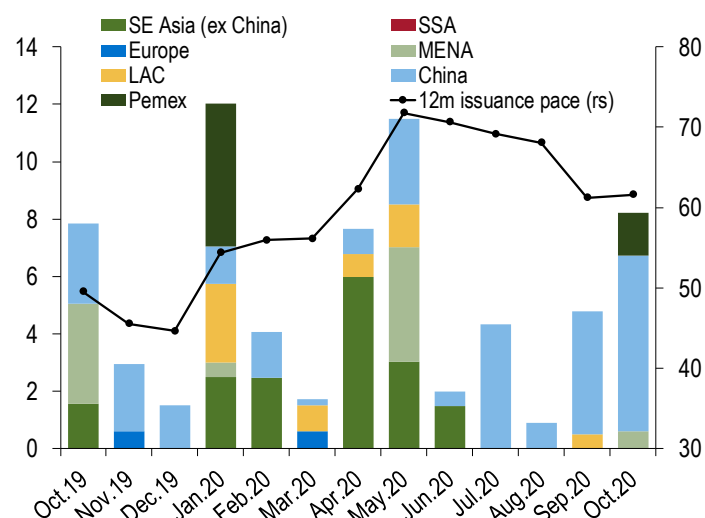
**Corporate issuance of \$31.8 bn continues to be driven by China. Europe and MENA rebounded elsewhere, led by several firms in the UAE and Gazprom in Russia.**

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



**SOE issuance rallied for the best month since May at over \$8 bn. Sinopec (\$3 bn) and Pemex (\$1.5 bn) led the way, while Chinese firms surpassed \$6 bn in total.**

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

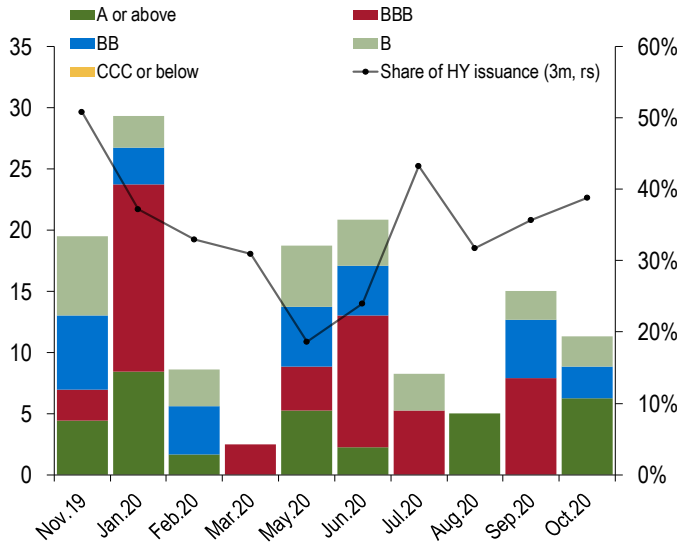


Note: Europe includes Central Asia. LAC=Latin America and the Caribbean; SSA = Sub Saharan African Region. SE Asia=Southeast Asia.

## Issuance Detail by Rating

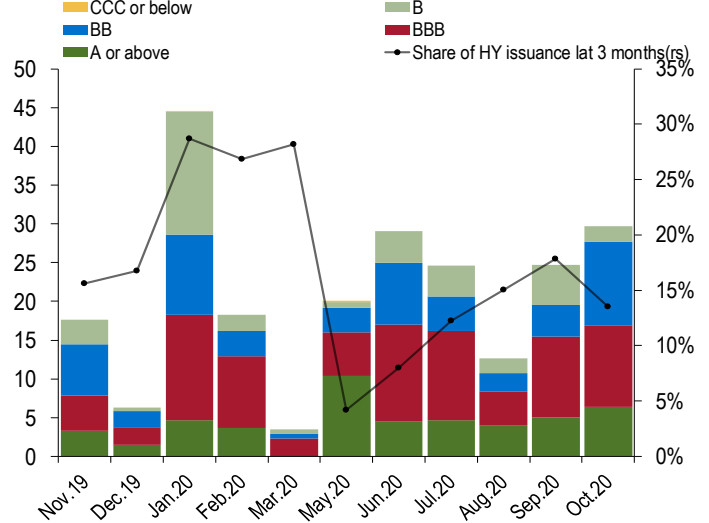
*High yield sovereigns' market access has stabilized in recent months, but their share of YTD issuance stands at 23%, compared to 43% from 2017–2019.*

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



*HY corporate issuance picked up to \$13 bn in October while IG issuers continue to issue at a steady pace.*

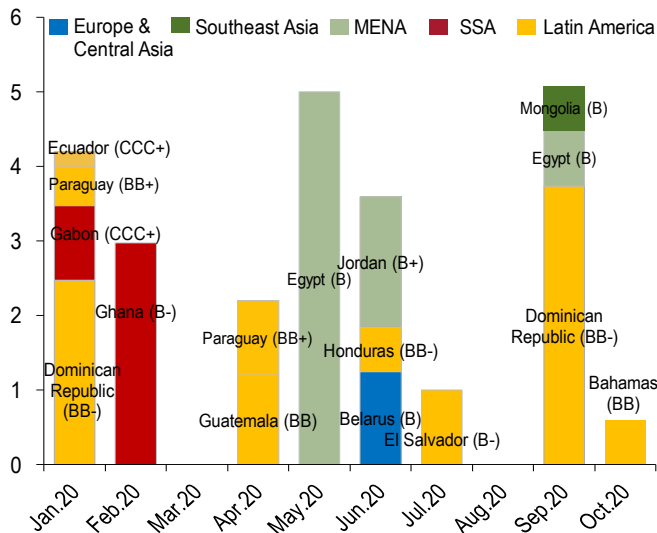
**Chart 8. Corporate Hard Currency (ex-China) Issuance by Rating (USD billions)**



## Issuance Detail for Frontier Economies

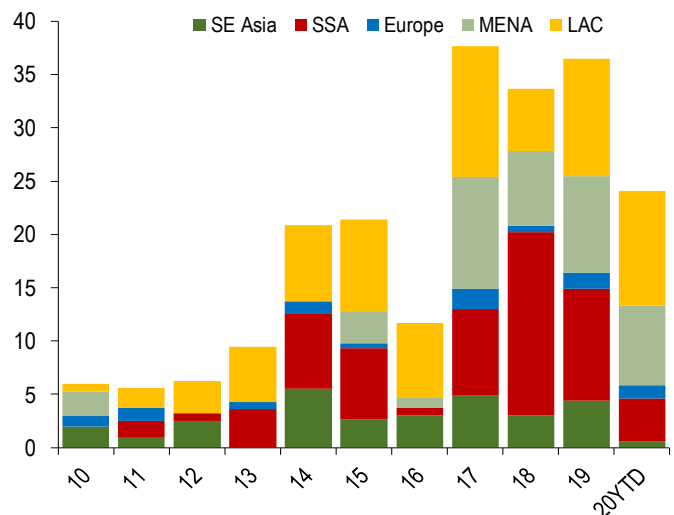
*Frontiers came back to earth after a strong September, with Bahamas (\$600 mn) the only issuer in October.*

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



*Frontier markets have issued almost \$25 bn this year well below previous years. SSA continues to be absent since Ghana's February issuance.*

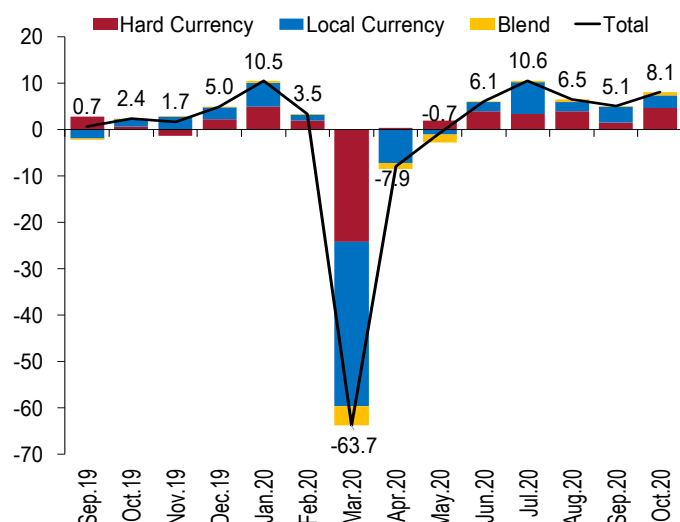
**Chart 10. Frontier Sovereign Issuance by Region (USD billions)**



## Flows: EM Debt Dedicated Funds

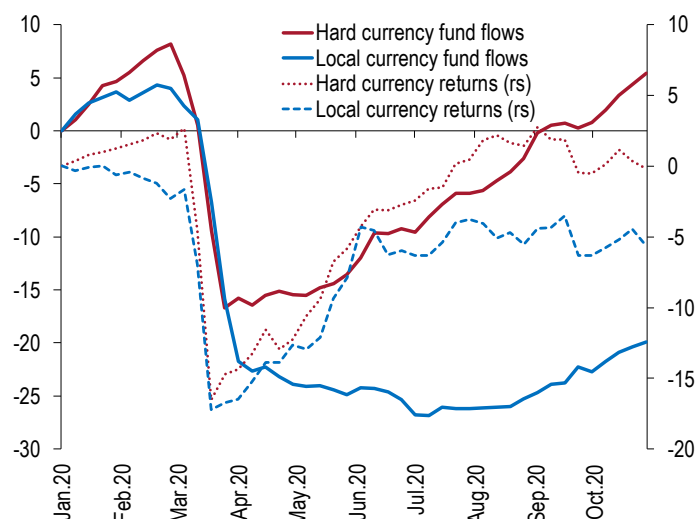
*Debt fund inflows rose to a three-month high, driven by hard currency, with local currency also recording inflows.*

**Chart 11. Monthly Bond Fund Flows Over the Last Year**  
(USD billions, Latest month is sum of last 4 weeks)



*Inflows continue to climb despite returns moving sideways since the summer.*

**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

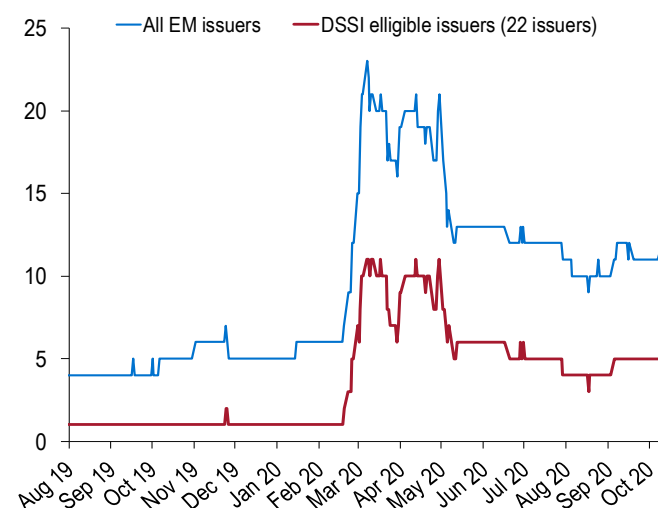
*Zambia and Sri Lanka spreads continued to widen, with several issuers slipping further into distressed territory.*

**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
Belize	(162)	1,313	Pakistan	25	635
Ivory Coast	(108)	507	El Salvador	92	944
Kenya	(103)	601	Iraq	103	979
Ghana	(76)	822	Costa Rica	138	792
Honduras	(66)	326	Tunisia	167	985
Trinidad And	(63)	394	Tajikistan	173	1,262
Jordan	(60)	503	Argentina	182	1,481
Cameroon	(58)	758	Suriname	269	2,318
Mongolia	(57)	375	Zambia	554	3,729
Senegal	(50)	528	Sri Lanka	632	2,052

*The number of distressed issuers remained steady at 12 in October, 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)

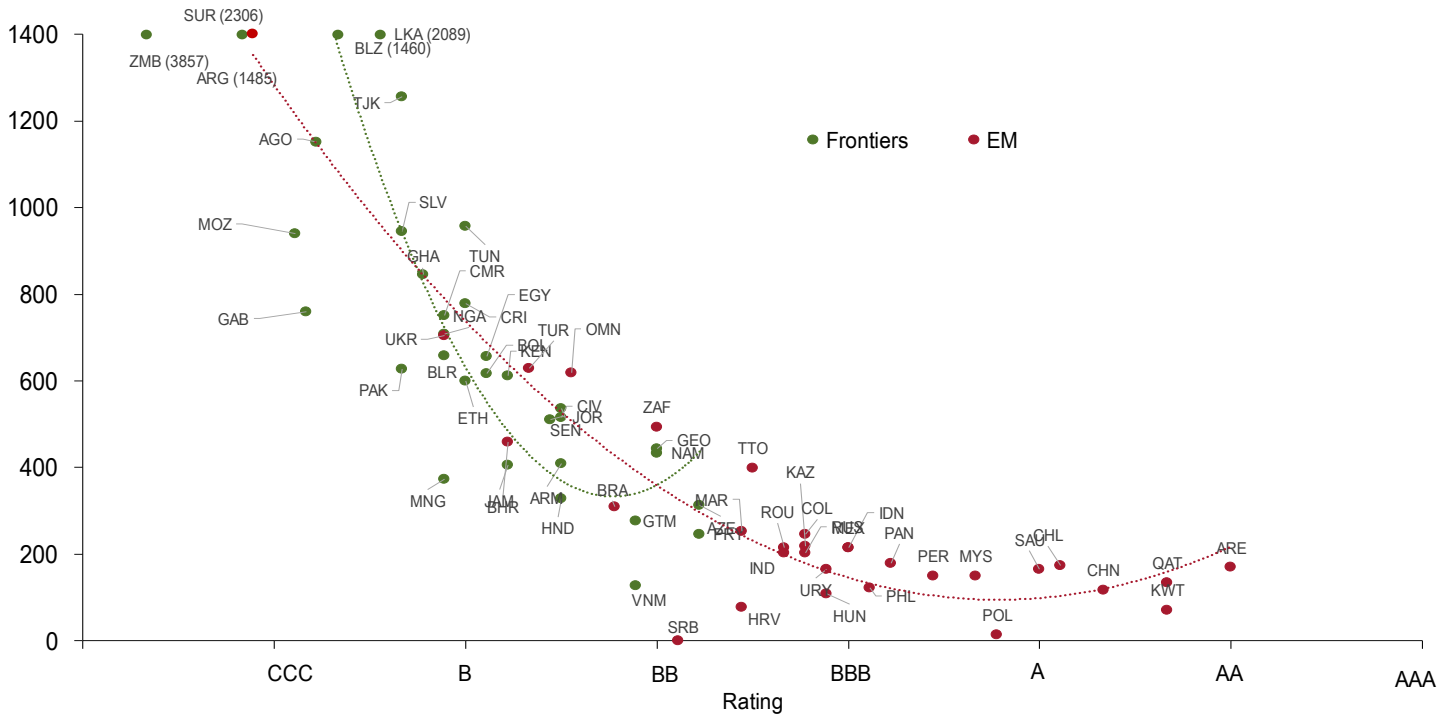
Issuer	2019	2020YTD	Jul-20	Aug-20	Sep-20	Oct-20
United Arab Emirates	11.6	19.3	1.0	5.0	2.0	0.3
Mexico	6.0	12.5	-	-	0.9	-
Saudi Arabia	13.3	11.9	-	-	-	-
Indonesia	5.7	10.8	0.9	-	-	-
Romania	5.8	10.2	3.3	-	-	-
Qatar	12.0	10.0	-	-	-	-
Turkey	11.2	6.4	-	-	-	2.5
Dominican Republic	1.5	6.2	-	-	3.7	-
China	10.4	6.0	-	-	-	6.0
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	-
Poland	2.3	3.9	-	-	-	-
Philippines	2.3	3.7	-	-	-	-
Brazil	4.4	3.5	-	-	-	-
Ukraine	1.5	3.4	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	-	-	-	-
Oman	3.0	2.0	-	-	-	2.0
Jordan	-	1.8	-	-	-	-
Paraguay	0.5	1.5	-	-	-	-
Belarus	-	1.2	-	-	-	-
Guatemala	1.2	1.2	-	-	-	-
Morocco	1.1	1.2	-	-	1.2	-

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

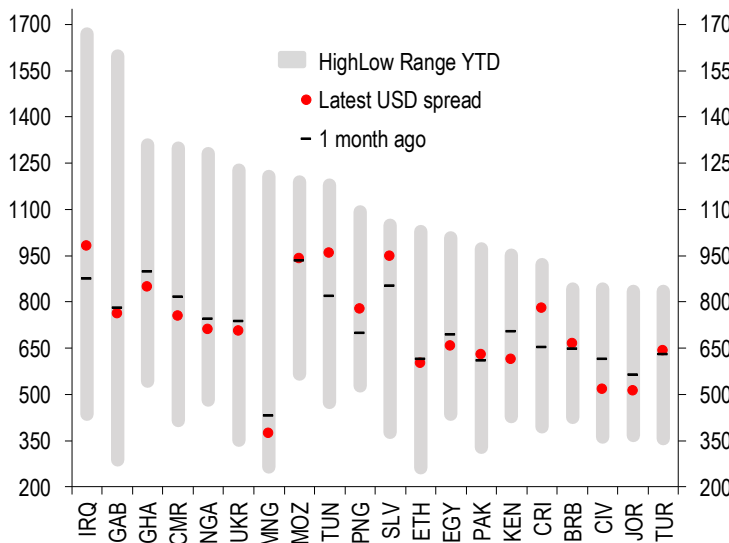
Issuer	2019	2020YTD	Jul-20	Aug-20	Sep-20	Oct-20
China	134.0	113.8	16.0	8.2	13.0	14.1
Mexico	19.9	18.6	1.3	0.7	2.6	1.5
Brazil	20.6	14.6	2.7	-	2.5	1.1
Russia	10.0	12.8	-	-	1.7	2.6
Indonesia	7.4	11.7	-	-	-	1.8
Chile	8.3	7.5	-	0.5	-	0.5
Malaysia	1.5	7.5	-	1.5	-	-
India	12.9	7.2	0.8	1.4	-	0.8
Philippines	2.3	6.9	3.1	-	0.2	0.4
United Arab Emirates	6.2	6.6	-	-	-	5.1
Colombia	2.8	4.3	1.6	0.1	-	0.1
Thailand	1.5	2.8	0.7	-	-	-
Saudi Arabia	14.7	2.7	-	-	2.3	-
Zambia	-	2.3	-	-	1.5	-
Serbia	1.2	2.1	-	-	-	-
Kazakhstan	-	2.0	1.2	-	-	0.8
Romania	1.3	1.9	1.0	-	-	-
Kuwait	-	1.6	-	-	-	-
Panama	2.0	1.4	-	1.4	-	-
Ukraine	3.9	1.1	-	-	0.3	0.3
Poland	-	1.1	-	-	-	1.1
Tanzania	-	1.0	-	-	0.2	-
Paraguay	1.1	0.8	-	-	-	-
Hungary	-	0.8	-	-	-	0.8
South Africa	1.5	0.7	-	-	0.7	-
Turkey	2.5	0.7	-	-	-	0.7
Peru	1.6	0.6	-	-	0.2	-
Jordan	-	0.5	0.5	-	-	-
Argentina	1.6	0.4	-	-	0.2	-
Ghana	0.7	0.4	-	-	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)

