



Emerging and Frontier Markets Issuance Monitor

MONETARY AND CAPITAL MARKETS DEPARTMENT

September Highlights:

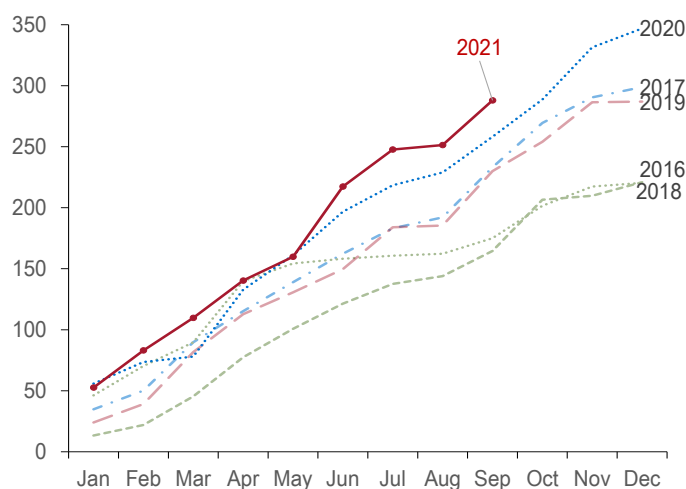
October 5, 2021

- **Sovereign issuance** rebounded strongly to \$24 bn following the expected summer slowdown. In August the only issuer was Rwanda (\$ 0.6 bn). Market conditions were strong for most of September with new offerings being placed at favorable rates. Year to date sovereign issuance stands at \$147 bn, the second highest pace behind last year (\$152 bn).
- **IG sovereign issuance** was \$12 bn, accounting for half of the issuance in September. It was led by Hungary (\$5.3 bn), Abu Dhabi (\$3 bn), Chile (\$2 bn from two social bonds) and Indonesia (\$1.8 bn).
- **HY sovereign issuance** was strong at \$12 bn as issuers took advantage of favorable conditions for most of the month. Single B issuers issued the largest amount since early 2018. The largest issuance came from Nigeria (\$4 bn) which returned to the eurobond market after almost 3 years. Egypt successfully placed \$3 bn, but demand was relatively smaller compared to its last issuance in February. Other issuers included Turkey (\$ 2.3 bn), Serbia (\$2 bn including its first green bond), Guatemala (\$0.6 bn) and Maldives (\$0.2 bn).
- **Corporate issuance** was strong at \$20.5 bn led by China (\$8 bn) and Latin America (\$8 bn). At \$224 bn, YTD issuance is above the previous record YTD level of \$212 bn in 2019. Chinese issuance came primarily from higher rated issuers and local government financing vehicles. YTD issuance in China stands at \$83bn, below the 2020 pace of \$99bn, and significantly below 2019 (\$106 bn).
- **Higher US rates may weigh on future supply.** Supply slowed down towards the end of the month as US rates spiked and uncertainty around Evergrande increased. There is still a sizeable 30% of supply remaining in 2021 compared to analyst forecasts for the full year. The recent increase in US rates and weakness in equity prices creates downward risks to supply forecasts. Additionally, more countries may choose to use SDRs for fiscal financing. Potential upcoming issuers (according to reports) include Ivory Coast, Pakistan, Ghana, Gabon, Colombia, China, Panama, Peru, Uruguay and Saudi Arabia. UAE announced its debut federal bond issuance.
- **Spreads widened across segments** impacted by the global risk-off sentiment with frontier issuers underperforming. Spreads widened notably in El Salvador, Sri Lanka and Tunisia over the month.
- **EM bond fund inflows bounced back after the summer lull but turned into outflows towards the end of the month.** Over the last week outflows accelerated to the fastest pace since March 2021, the last time US rates spiked.

September 2021 Overview

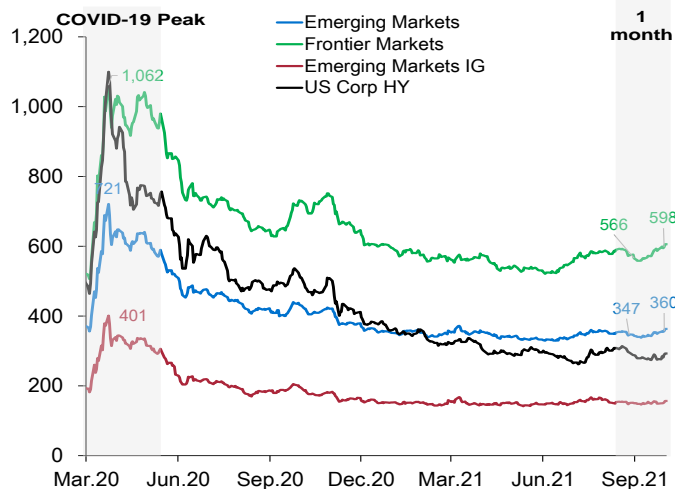
Total hard currency issuance is on a record pace at \$288 bn YTD, compared to \$258 bn in 2020

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



EM credit spreads widened in September, with frontier markets underperforming

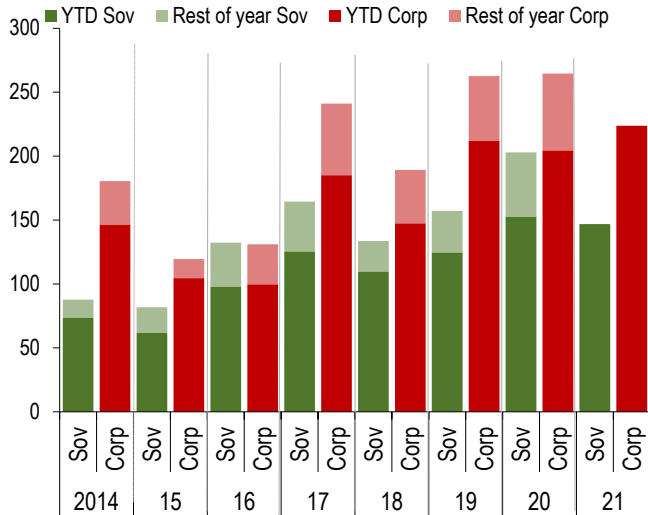
Chart 2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

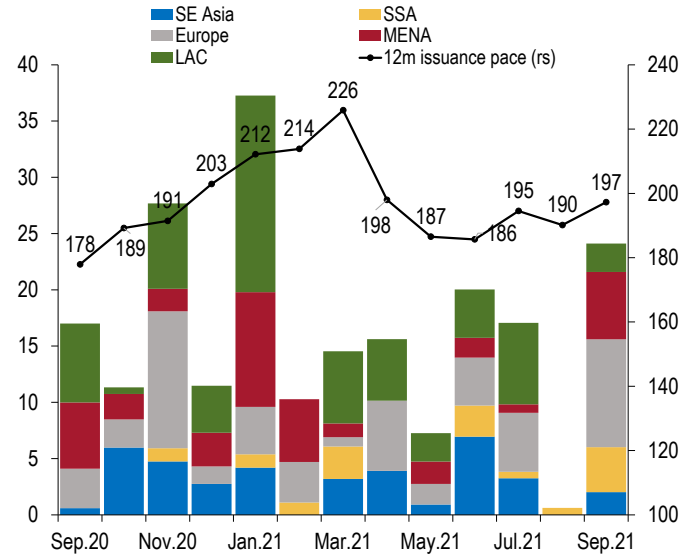
YTD Corporate issuance continues to outpace the 2020 record year. Sovereign pace is \$7 bn lower than 2020

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



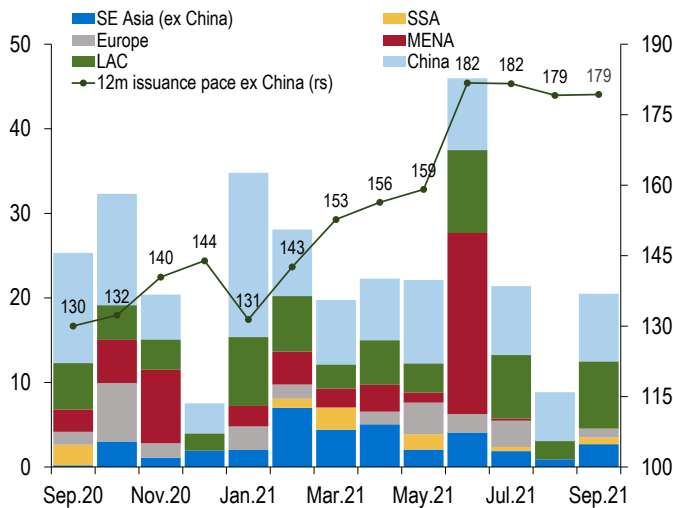
Sovereign issuance was strong at \$24bn in September, led by Hungary (\$ 5.3bn) and a significant step up from HY issuers (Egypt, Nigeria)

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



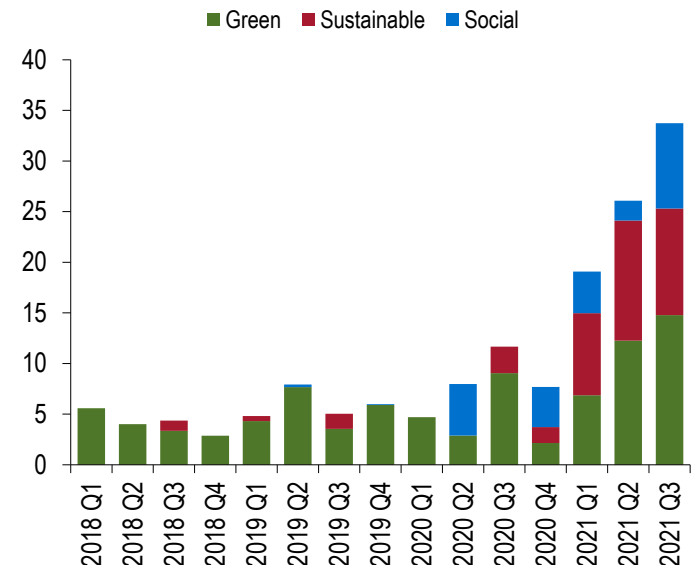
EM corporate issuance moderated from the peak in June, but remained resilient at \$21 bn led by China (\$8 bn) and Latin America (\$8 bn)

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



ESG issuance set another quarterly record in Q3 2021 led by the issuance of social bonds from Chile

Chart 6. EM Quarterly ESG issuance (USD billions)

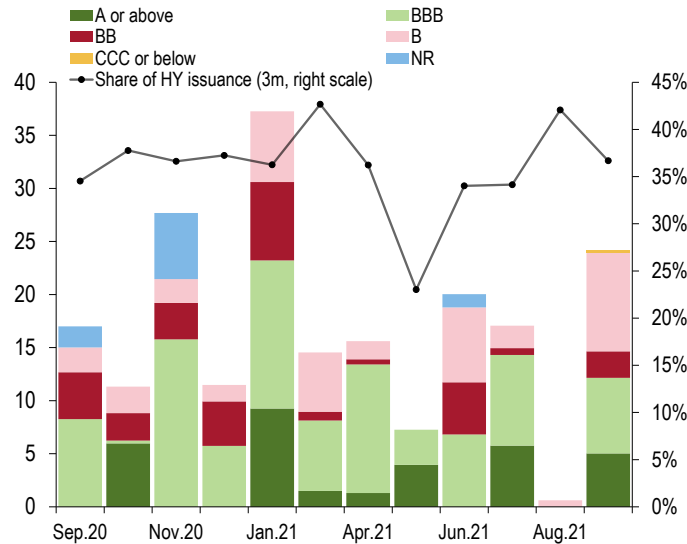


Notes: Europe includes Central Asia. LAC=Latin America and the Caribbean;

Issuance Detail by Rating

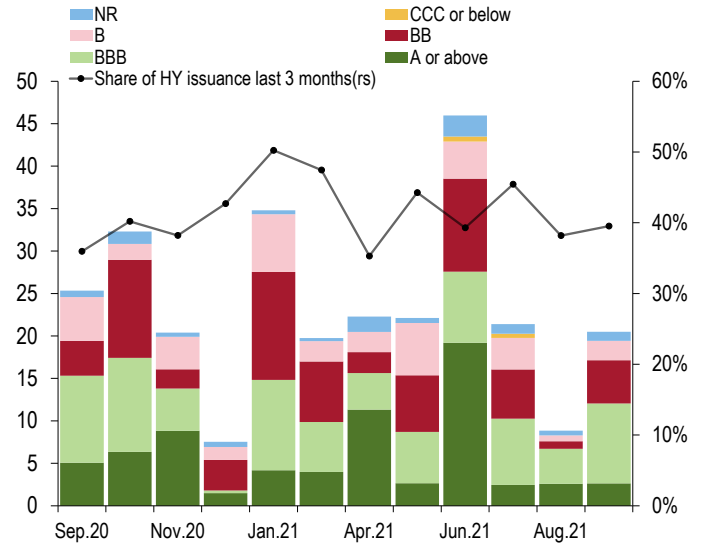
Lower rated issuance (B or below) was quite strong in September with Nigeria returning to markets after 3 years

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



The share of HY corporate issuance remained stable recently despite a slowdown from Chinese HY issuers

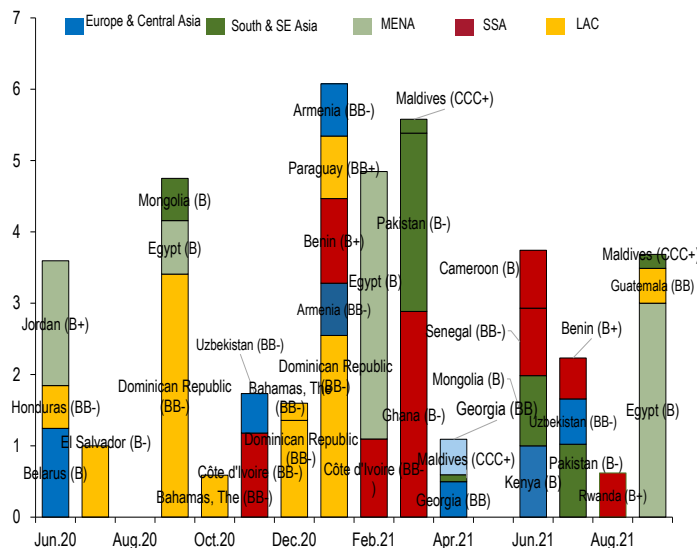
Chart 8. Corporate Hard Currency Issuance by Rating (USD billions)



Issuance Detail of Frontier Economies

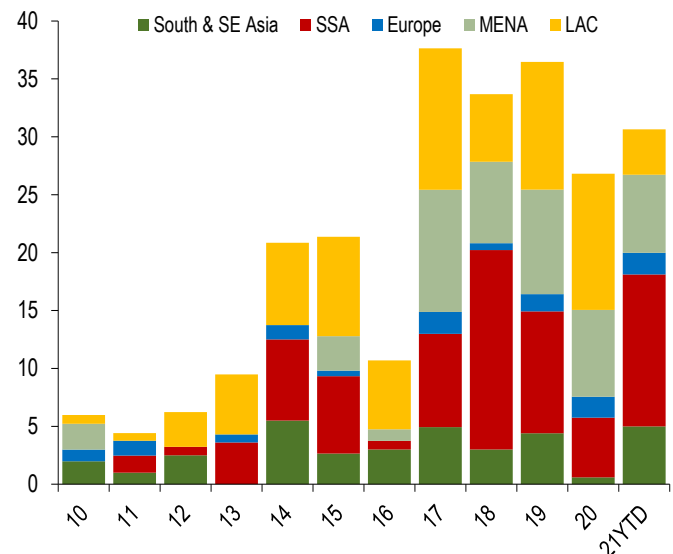
Frontiers continued to access markets in September led by Egypt

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



YTD frontier issuance has already surpassed the 2020 total. SSA and Asia are showing large increases compared to 2020.

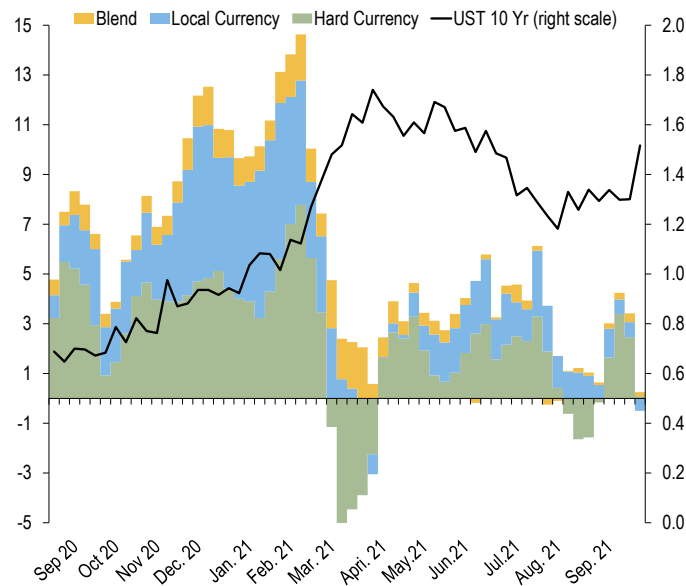
Chart 10. Frontier Sovereign Issuance by Region (USD billions)



Flows: EM Debt Dedicated Funds

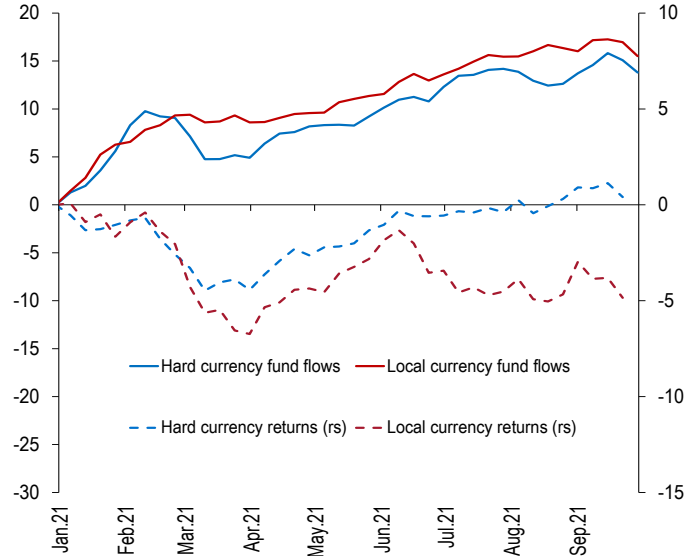
Bond outflows increased at the end of the month as US yields spiked

Chart 11. Bond Fund Flows and US 10 year yield
(USD billion 4 week sum and percent)



YTD flows have stalled recently and returns have deteriorated on the back of weaker FX and higher rates

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

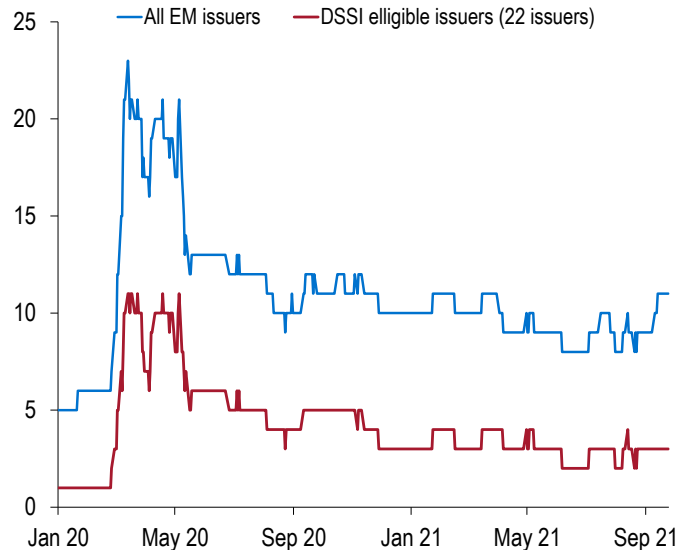
Tunisia, Sri Lanka and El Salvador bonds underperformed recently

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
Lebanon	(4,292)	16,524	Ukraine	48	532
Belize	(387)	1,242	Tajikistan	61	902
Suriname	(114)	1,980	Turkey	68	476
Belarus	(23)	685	Egypt	78	637
Iraq	(15)	602	Ghana	90	782
Argentina	(14)	1,499	Ethiopia	96	1,101
Vietnam	(5)	59	Ecuador	108	859
Georgia	(4)	208	Tunisia	155	1,065
Poland	(3)	16	Sri Lanka	164	1,878
United Arab E	(3)	137	El Salvador	242	1,057
Jamaica	(2)	299			
Zambia	(1)	1,870			
Saudi Arabia	(1)	135			

The number of distressed issuers ticked up higher as El Salvador and Tunisia joined the list

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	Jun-21	Jul-21	Aug-21	Sep-21
Chile	5.5	15.5	-	5.8	-	2.0
Indonesia	10.8	12.2	3.0	2.2	-	1.8
Turkey	8.7	10.0	4.3	-	-	2.3
Mexico	14.9	9.1	-	1.5	-	-
Romania	13.2	8.2	-	4.1	-	-
United Arab Emirates	20.8	6.9	-	0.8	-	3.0
Saudi Arabia	11.9	6.8	-	-	-	-
Egypt	5.8	6.8	-	-	-	3.0
Philippines	6.4	6.0	3.0	-	-	-
Hungary	7.2	5.3	-	-	-	5.3
Colombia	4.2	5.0	-	-	-	-
Oman	2.5	5.0	1.8	-	-	-
Peru	7.0	4.9	-	-	-	-
Panama	5.2	4.7	2.1	-	-	-
Nigeria	-	4.0	-	-	-	4.0
Pakistan	-	3.5	-	1.0	-	-
Serbia	3.3	3.2	-	-	-	2.0
Ghana	3.0	2.9	-	-	-	-
Dominican Republic	7.2	2.5	-	-	-	-
Croatia	2.2	2.4	-	-	-	-
Brazil	6.1	2.2	2.2	-	-	-
Bahrain	4.0	2.0	-	-	-	-
Russia	2.4	1.8	-	-	-	-
Ukraine	4.0	1.8	-	0.5	-	-
Benin	-	1.8	-	0.6	-	-
Malaysia	-	1.3	-	-	-	-
Côte d'Ivoire	1.2	1.1	-	-	-	-
Kenya	-	1.0	1.0	-	-	-
Mongolia	0.6	1.0	1.0	-	-	-
Senegal	-	0.9	0.9	-	-	-

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

Issuer	2020	2021	Jun-21	Jul-21	Aug-21	Sep-21
China	120.6	82.6	8.5	8.1	5.8	8.0
Brazil	20.6	21.3	6.6	3.1	-	2.2
Mexico	19.9	14.4	1.8	2.0	-	1.7
Qatar	-	13.4	12.4	-	-	-
India	12.9	13.0	1.2	1.4	0.9	1.7
United Arab Emirates	6.2	10.6	1.5	-	-	-
Chile	8.3	7.5	0.4	1.2	-	3.7
Indonesia	7.4	7.0	2.1	0.2	-	-
Saudi Arabia	14.7	6.9	6.0	0.2	-	-
Russia	10.0	6.7	-	1.0	-	1.0
Malaysia	1.5	5.5	-	-	-	-
South Africa	1.5	3.3	-	0.5	-	0.8
Peru	1.6	3.2	-	0.9	-	-
Turkey	2.5	2.7	0.5	0.7	-	-
Poland	-	2.5	1.2	-	-	-
Philippines	2.3	2.3	0.6	-	-	1.0
Colombia	2.8	2.3	1.0	-	0.3	-
Ghana	0.7	2.3	-	-	-	-
Panama	2.0	1.9	-	-	1.9	-
Thailand	1.5	1.5	-	0.3	-	-
Morocco	-	1.5	1.5	-	-	-
Argentina	1.6	1.4	-	-	-	-
Bahrain	-	0.9	-	-	-	-
Bulgaria	-	0.7	-	0.7	-	-
Guatemala	-	0.7	-	-	-	-
Kuwait	-	0.7	-	-	-	-
Nigeria	1.3	0.7	-	-	-	-
Kenya	-	0.6	-	-	-	-
Hungary	-	0.6	-	-	-	-
Ukraine	3.9	0.6	-	0.3	-	-