



## APRIL 2022 HIGHLIGHTS

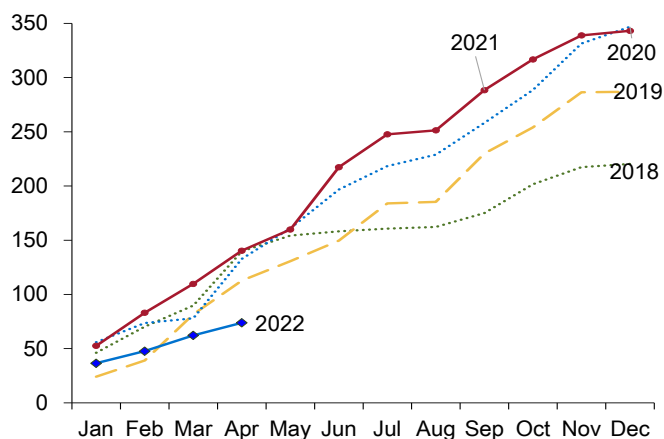
- **Hard currency issuance remained sluggish in April amid rising financing costs and weak risk sentiment.** Total issuance is off to its slowest start since 2016, with **sovereign and corporate supply down nearly \$100 bn YTD compared to 2021**, or about \$70 bn when excluding Chinese corporates.
- **Sovereign issuance slowed to \$6.7 bn in April, compared to a 5-year average of \$22 bn** (for April). YTD sovereign issuance stands at \$42.7 bn, down from \$77.7 bn over the same period in 2021. Through April, non-dollar issuance (notably euro-denominated) has declined to about 14% of total, down from nearly 30% in 2021.
  - *IG issuance* was limited to Croatia (\$1.4 bn) and the Philippines' first sustainable samurai bond (\$0.6 bn)
  - *HY issuance* was limited to commodity exporters South Africa (\$3 bn) and Angola (\$1.8 bn).
- **Corporate issuance picked up slightly to \$7.5 bn, with Chinese firms issuing \$2.6 bn, while YTD issuance is less than half of last year's total.** EM ex. China picked up to \$4.9 bn in April but was well below the monthly average, and YTD supply of \$31 bn is down over \$20 bn on average from 2019-2021. Similarly, Chinese YTD issuance of \$11.2 bn is down over \$30 bn from 2021.
- **EM credit spreads started to widen again in late April in what has been a volatile year.** Although spreads declined sharply following the initial Russia/Ukraine sell off, they have started to move higher again (+40 bps in April), with frontier and HY spreads now about 100 bps above their early January levels on net.
- **Market conditions remain difficult and financing costs are on the rise.** Issuance may remain sluggish as marginal issuers avoid the market amid rising US rates and investor demands for higher coupons. Kenya reportedly will postpone plans to issue up to \$1 bn by June. Nevertheless, the market remains open, with analysts seeing possible issuers include Saudi Arabia, Brazil, Bahrain, Colombia, Nigeria, Republic of Congo, and Ivory Coast. The divergence between the prospects of commodity exporters and importers remains sharp, particularly in the HY segment. Upcoming maturities in May include Indonesia, Croatia, UAE (Dubai), and South Africa. In the secondary market, nearly 20 sovereigns have hard currency bonds with yields above 10%.
- **Fund flows deteriorated in April, with 3 straight weeks of outflows for hard currency funds.** Local currency fund flows have held up better, registering small inflows in recent weeks. Bond returns also have worsened, with losses approaching 15% YTD, driven primarily by the move in Treasury yields, on top of wider credit spreads.

## April 2022 Overview

*Total hard currency issuance (ex. China corporates) is off to a slow start in 2022, with \$73.9 bn the weakest since 2012*

### 1. Pace of Sovereign and Corporate Issuance

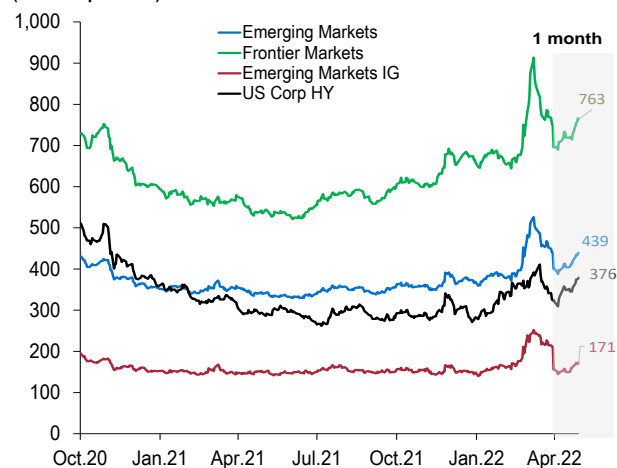
(USD billions, excluding China corporates)



*EM credit spreads widened in April, with frontier and HY spreads 60-70 bps higher.*

### 2. Emerging and Frontier Market Spreads

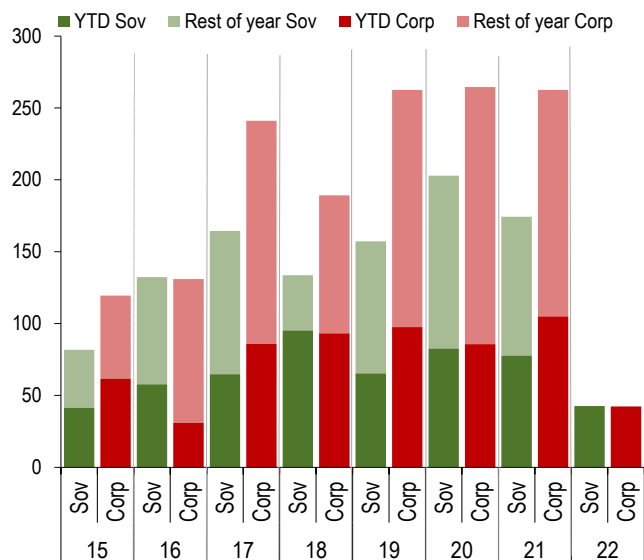
(Basis points)



### Issuance Detail: Emerging Market Corporates and Sovereigns

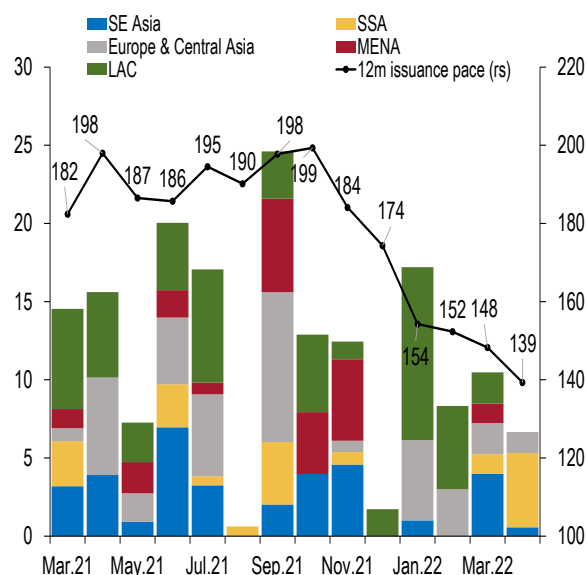
Sovereign issuance is \$35 bn behind last year's pace and the lowest YTD since 2015. Corporates (including China) have issued just \$42 bn, less than half the YTD level from 2021 and the weakest since 2016.

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



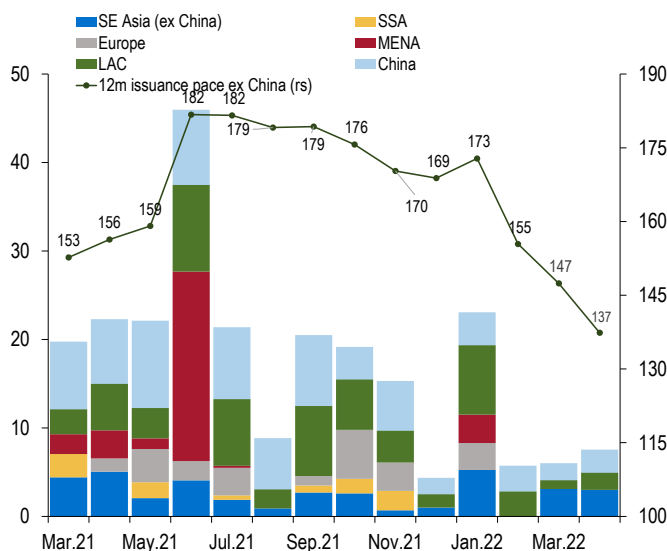
With just 4 issuers, SSA led the way with Angola (\$1.8bn) and South Africa (\$3 bn). Croatia (\$1.4 bn) and Philippines (\$0.6 bn) also issued.

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



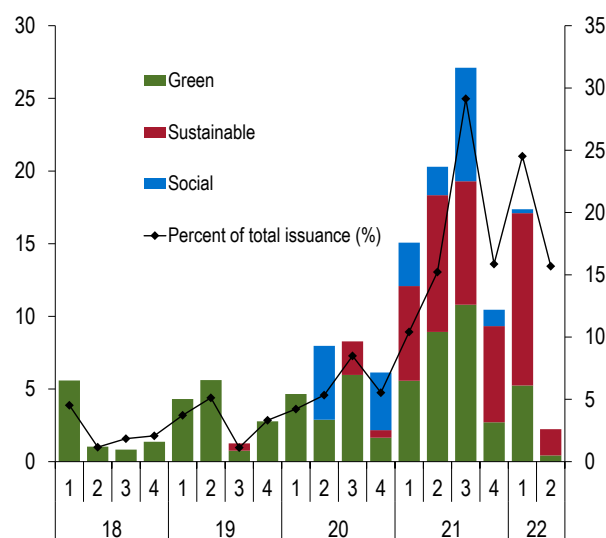
Corporate issuance picked up slightly to \$7.5 bn, led by SE Asia, with China also contributing \$2.5 bn, though the last 3 months have been weak by historical standards.

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



ESG has declined in line with overall issuance, but still accounts for about 20% of the total YTD. In April, the Philippines issued \$0.6 bn in sustainable JPY bonds.

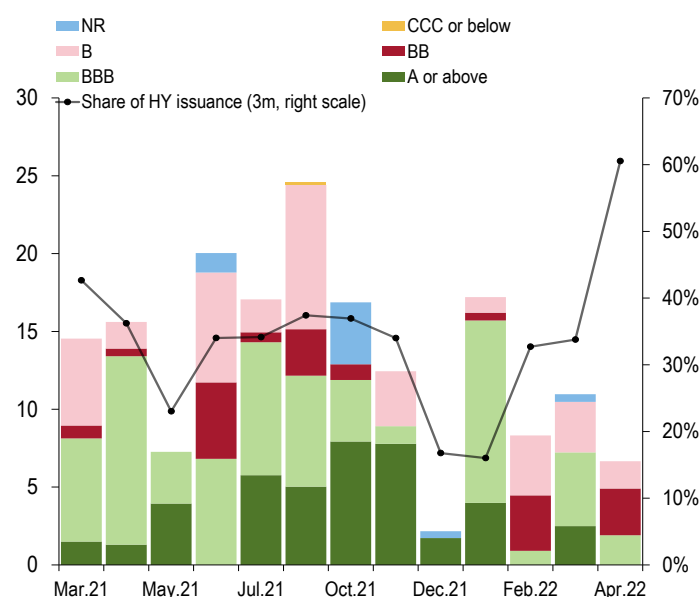
**Chart 6. ESG Issuance**  
(USD billions; percent; quarterly)



## Issuance Detail by Rating

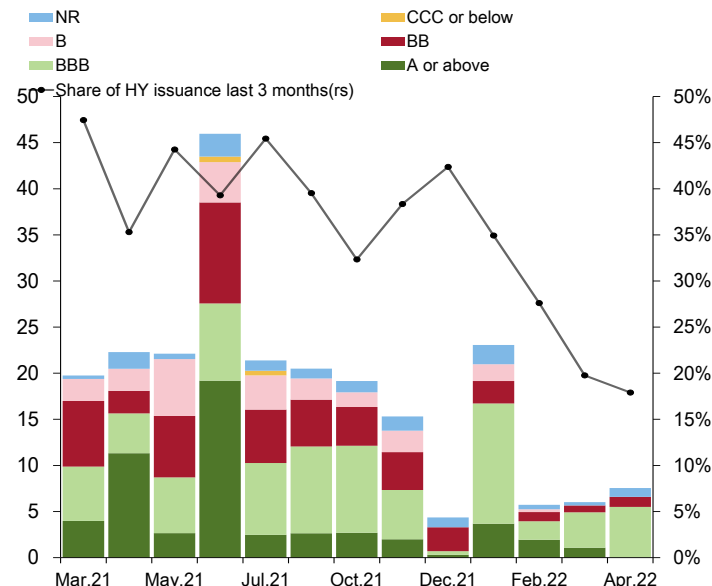
*HY issuance accounted for more than half of issuance on the back of South Africa and Angola.*

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



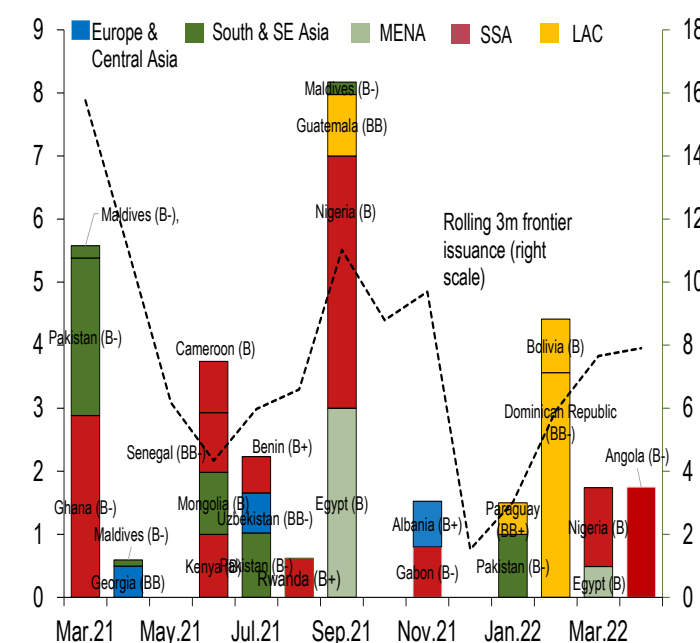
*HY corporate issuers have stayed out of the market, accounting for less than 20% of issuance.*

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



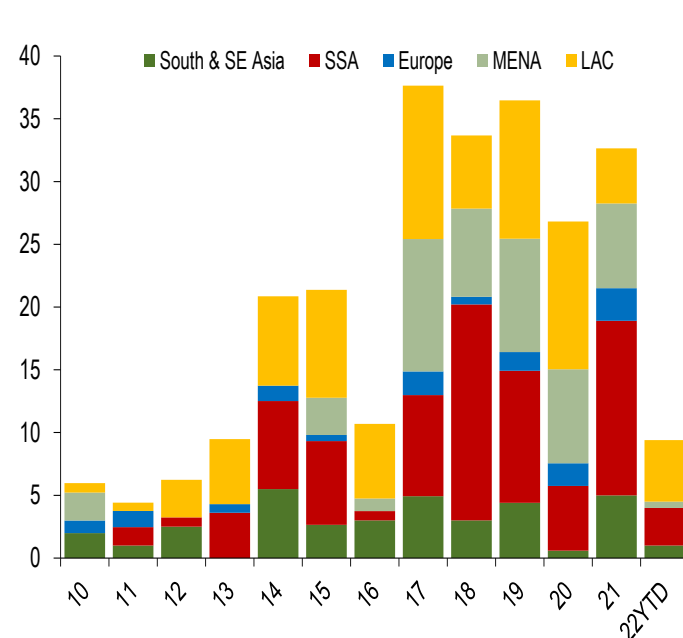
*Angola (\$1.8 bn) was the only frontier issuer in March*

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



*The pace of frontier issuance YTD (\$9.4 bn) is down from \$16.4 bn in 2021, with 7 issuers compared to 11.*

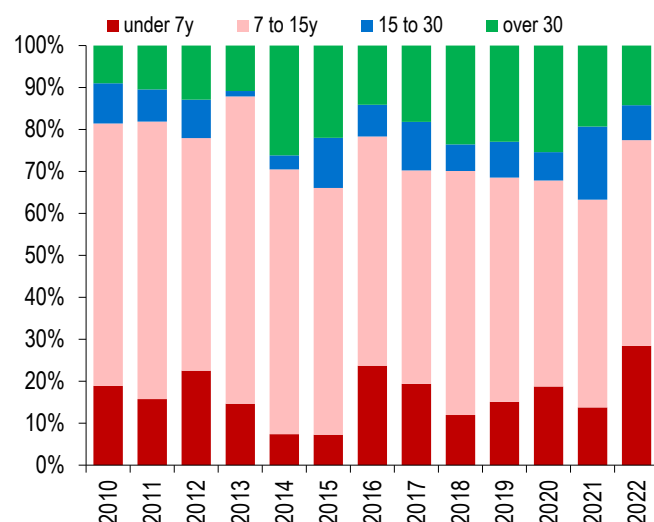
**Chart 10. Frontier Sovereign Issuance by Region**  
(USD billions)



## Issuance Detail by Maturity and Currency

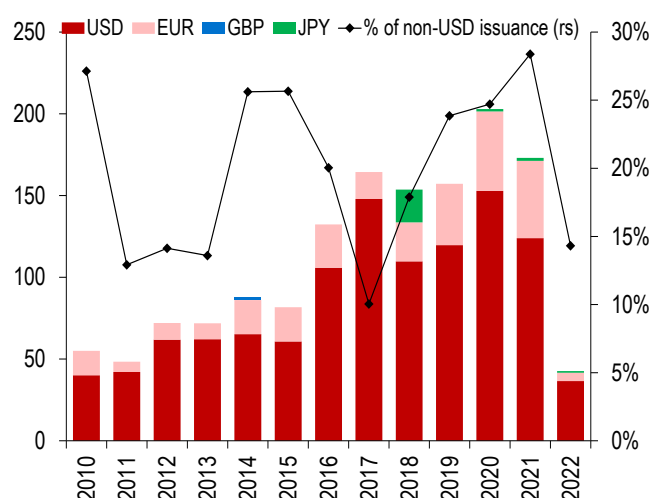
Average maturity for EM sovereigns has declined in 2022, with 23% of issuance at greater than 15 yrs maturity, compared to 37% in 2021.

**Chart 11. EM Sovereign Issuance by Maturity**  
(Percent)



Croatia (euro) and the Philippines (yen) issued non-dollar bonds in April, though dollar issuance has accounted for 86% of total supply in 2022, compared to 72% in 2021.

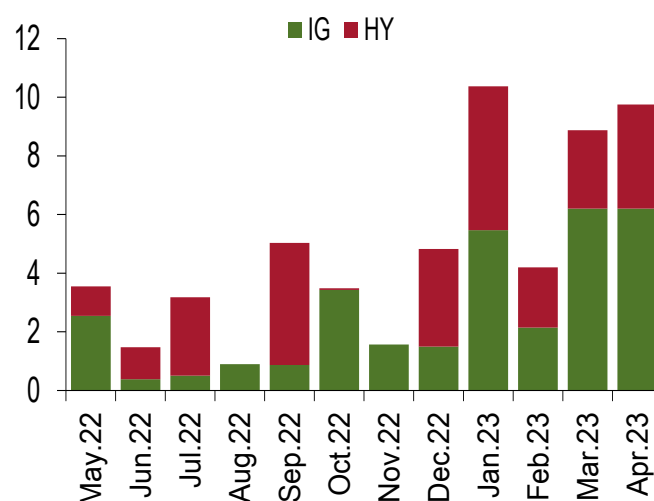
**Chart 12. EM Sovereign Issuance by Currency**  
(Percent)



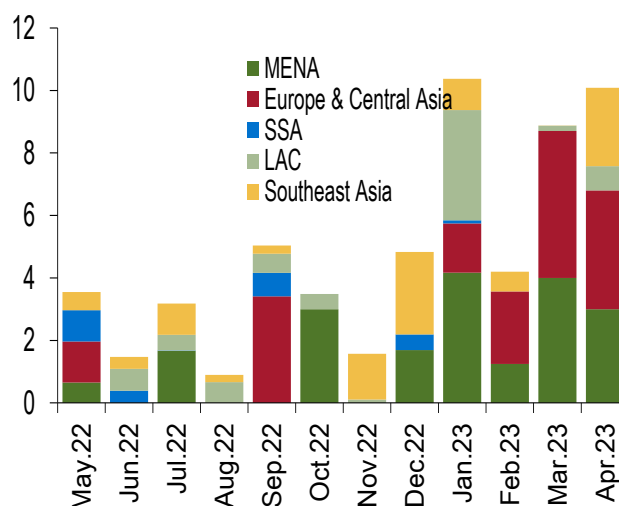
## Sovereign Amortizations

Sovereign principal payments\* are modest until September. Upcoming payments include Indonesia, Croatia, UAE, and South Africa. Among high yield issuers, Gabon, Guatemala, Morocco, Bahrain, Ukraine, and Turkey have substantial principal payments coming due later in 2022.

**Chart 13. EM Sovereign Maturities by Region**  
(US billions)



**Chart 14. EM Sovereign Amortizations by Rating**  
(US billions)

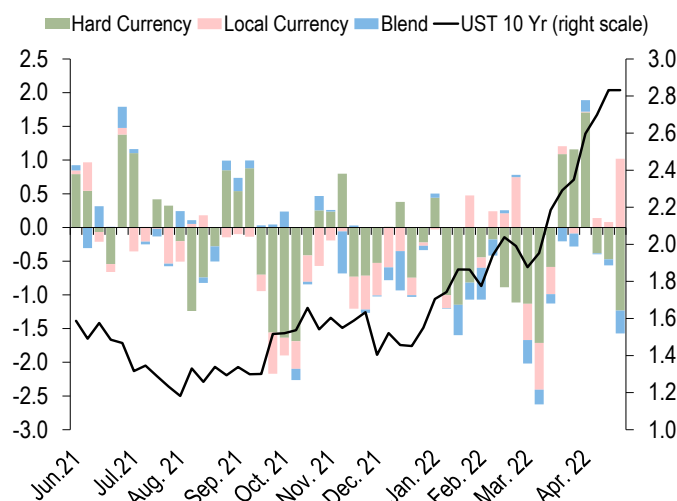


Note: does not include SOEs. MCM list of EMs does not include Czechia, Slovakia, Baltics, or Israel.

## Flows: EM Debt Dedicated Funds

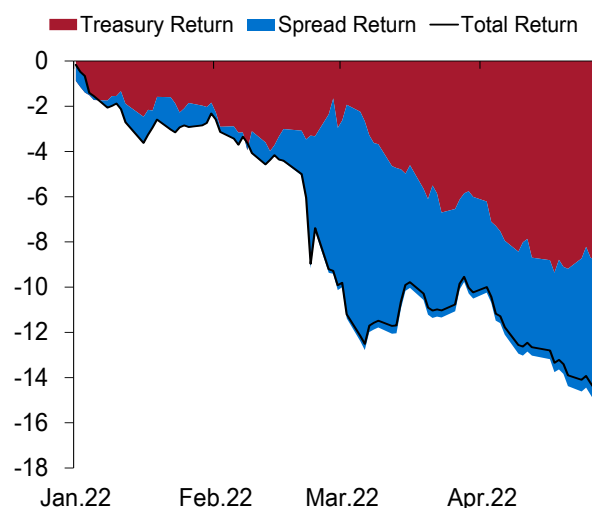
Hard currency fund outflows accelerated over the last 3 weeks after flows had initially rebounded following the risk off shock from the Russian invasion.

**Chart 15. Bond Fund Flows and US 10-year yield**  
(USD billions, 2-week sum; percent)



Bond returns have slumped to -15% YTD, with the sell off in Treasuries driving about 65% of the move in April.

**Chart 16. Sovereign Hard Currency Bond Returns**  
(YTD, percent, based on JPM bond index)



## Spreads on Hard Currency Bonds

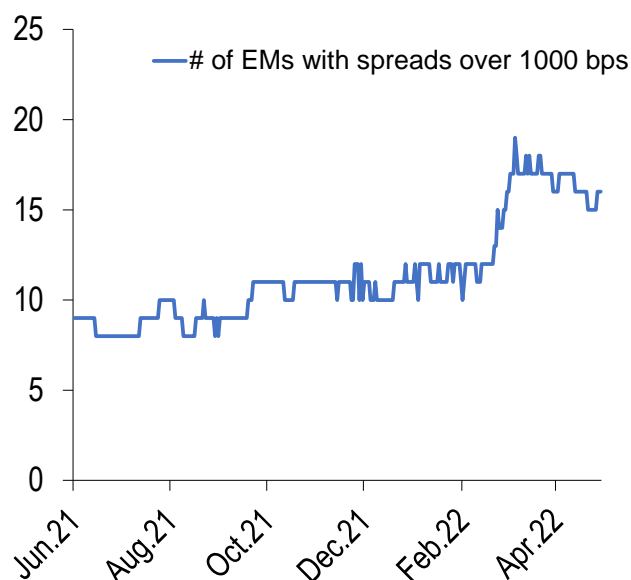
Among non-distressed sovereigns, Egypt, Honduras, and Kenya spreads widened the most in level terms, while spreads in Pakistan and Georgia tightened modestly.

**Chart 17. Major Laggards and Gainers Last Month on Credit spreads** (Basis points; change in November)

Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Pakistan	(107)	858	Peru	47	218
Georgia	(88)	363	Croatia	47	76
Mozambique	(65)	727	Angola	51	666
Kazakhstan	(51)	263	Hungary	59	191
Costa Rica	(31)	396	Mongolia	72	374
Bolivia	(22)	487	Namibia	90	324
Jamaica	(18)	263	Nigeria	102	724
Trinidad And Tobago	(13)	278	Kenya	131	715
Poland	(10)	7	Egypt	144	807
China	(7)	16	Honduras	164	630

The number of distressed issuers has declined from mid-March but remains elevated at 16, compared to 11 at the beginning of 2022.

**Chart 18. Number of Distressed Issuers**  
(Number, threshold of 1000 bps is used for distressed issuers)



## Annex: Country Level Issuers

Annex Table 1. Top 2022 Issuers: Sovereign Bonds  
(USD billions)

Issuer	2021	2022	Jan-22	Feb-22	Mar-22	Apr-22
Chile	16.8	6.0	4.0	-	2.0	-
Romania	8.2	5.1	5.1	-	-	-
Turkey	10.0	5.0	-	3.0	2.0	-
Mexico	9.1	5.0	4.1	0.9	-	-
Dominican Republic	2.5	3.6	-	3.6	-	-
South Africa	-	3.0	-	-	-	3.0
Philippines	6.0	2.8	-	-	2.3	0.6
Panama	4.7	2.5	2.5	-	-	-
Angola	-	1.8	-	-	-	1.8
Indonesia	12.2	1.7	-	-	1.7	-
Croatia	2.4	1.4	-	-	-	1.4
Nigeria	4.0	1.3	-	-	1.3	-
Pakistan	3.5	1.0	1.0	-	-	-
Bolivia	-	0.9	-	0.9	-	-
United Arab Emirates	10.9	0.8	-	-	0.8	-
Paraguay	0.9	0.5	0.5	-	-	-
Egypt	6.8	0.5	-	-	0.5	-

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

Issuer	2021	2022	Jan-22	Feb-22	Mar-22	Apr-22
China	93.7	11.2	3.7	2.9	1.9	2.6
India	14.0	6.0	5.2	-	0.8	-
Brazil	23.3	5.1	2.9	0.8	-	1.4
Mexico	17.1	3.6	0.8	1.7	1.0	-
Indonesia	8.8	3.0	-	-	-	3.0
Saudi Arabia	6.9	2.5	2.5	-	-	-
Chile	10.0	2.1	2.1	-	-	-
Thailand	1.5	1.3	-	-	1.3	-
Colombia	5.1	1.2	0.9	0.3	-	-
Serbia	0.5	1.1	1.1	-	-	-
Guatemala	0.7	1.1	1.1	-	-	-
Malaysia	6.1	1.0	-	-	1.0	-
United Arab Emirates	10.6	0.7	0.7	-	-	-
Hungary	1.2	0.6	0.6	-	-	-
Romania	0.4	0.6	0.6	-	-	-
Peru	3.7	0.5	-	-	-	0.5
Turkey	2.7	0.5	0.5	-	-	-
Georgia	0.5	0.3	0.3	-	-	-
Philippines	3.2	0.1	-	-	0.1	-

Annex Table 3. Average USD Sovereign Bond Yields (at issue) By Maturity and Rating

Maturity (years)	A or above			BBB			BB			B		
	<7	7 to 15	>15	<7	7 to 15	>15	<7	7 to 15	>15	<7	7 to 15	>15
Jan.21		2.1	3.3		2.3	3.5	4.5	4.2	5.5	4.9	5.2	6.3
Feb.21										3.9	5.9	7.5
Mar.21			3.5		3.1	4.0				6.1	7.9	8.9
Apr.21		2.1	3.1		3.4	4.3	2.9					
May.21		2.3	3.3		2.3							
Jun.21				1.5	2.3	3.5	4.4	4.9		4.4	5.5	
Jul.21		2.6	3.2		2.9	3.2				5.9	6.7	8.5
Aug.21												
Sep.21		2.0	3.2		2.2	3.3	4.0	4.9		5.8	6.6	8.5
Oct.21		2.2	3.2		3.1	3.8		5.1				
Nov.21			3.4								4.8	
Dec.21												
Jan.22	2.8	3.5	4.1	3.1	3.5	4.5	3.9				8.0	
Feb.22							5.8			7.3	7.5	
Mar.22			4.3	3.2	3.6	4.3				8.6	8.4	
Apr.22							5.9	7.3			8.8	

Note: Only USD bonds included.