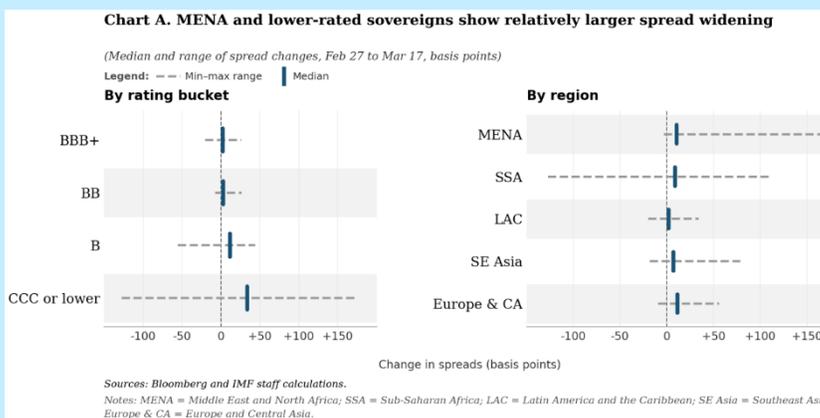




HIGHLIGHTS:

- **Primary market activity has slowed since early March amid heightened geopolitical uncertainty following the escalation of the Middle East conflict.** Syndicate desks report a more cautious issuance environment, with several issuers adopting a wait-and-see approach. Despite this pause, earlier favorable market conditions allowed emerging- and frontier-market sovereigns and corporates to front-load funding plans at the start of the year.
- **Total sovereign and nonfinancial corporate (ex-China) international debt issuance moderated to \$42.8bn in February 2026 (-12.3% y/y)** following the record January pace, although cumulative issuance in the first two months of the year remains well above historical averages (Chart 1).
- **Sovereign issuance amounted to \$36.1 bn in February, roughly 5%y/y higher,** with high-yield sovereigns accounting for a notable share of issuance during the month. Notable deals include the issuance from several frontier sovereigns namely the Republic of Congo (CCC+), Kenya (B-), the Ivory Coast (BB) and Paraguay (BBB-). **Nonfinancial corporate issuance (ex-China) eased to \$6.7 bn in February (-53% y/y), with issuance led by MENA (\$2.1 bn) and sub-Saharan Africa (\$1.0 bn).** High-yield issuance increased as a share of total issuance.
- **Since the escalation of the Middle East conflict, hard currency spreads have widened most sharply for MENA sovereigns and lower-rated issuers, while IG credits have remained broadly resilient, so far.** Oil exporters outside MENA have seen spreads narrow, whereas MENA oil exporters have not been insulated from the broader regional shock. Lower-rated oil importers in SSA and Southeast Asia have also experienced spread widening, suggesting spillover through risk-off sentiment and commodity price channels, though the overall magnitude of moves remains modest to date. (Charts A and 2).
- **EM bond fund flows turned negative in the second week of March amid rising geopolitical uncertainty.** Following four weeks of inflows, flows turned with the largest outflows seen from local currency bond funds while flows to hard-currency funds remained positive for 2026 overall (Chart 17).
- **Looking ahead, market contacts suggest that international bond issuance by high-yield sovereigns could remain limited in the near term amid elevated geopolitical uncertainty following the conflict escalation. In early March, Mongolia issued \$500 mn in 6-year bonds due 2032, priced at a yield of 5.95%.** The transaction represents one of the few EM sovereign deals since the escalation of geopolitical tensions, with broader primary market activity remaining subdued. Analysts had previously anticipated potential issuance from the Democratic Republic of Congo, Angola, and a debut Panda bond from Kazakhstan.



Overview

Chart 1. Pace of EM Sovereign and Corporate Issuance
(USD billions, ex. CHN corporates, range since 2011)

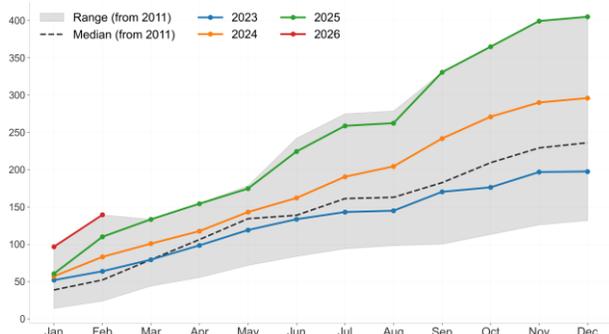
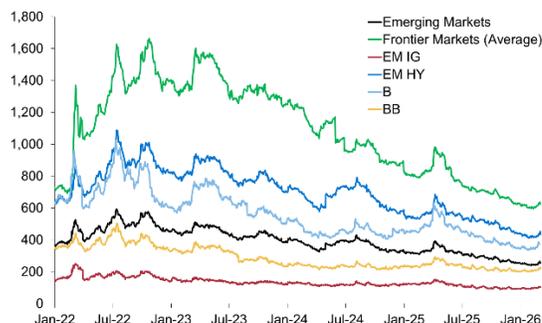


Chart 2. Emerging and Frontier Market Benchmark Spreads
(Basis points)



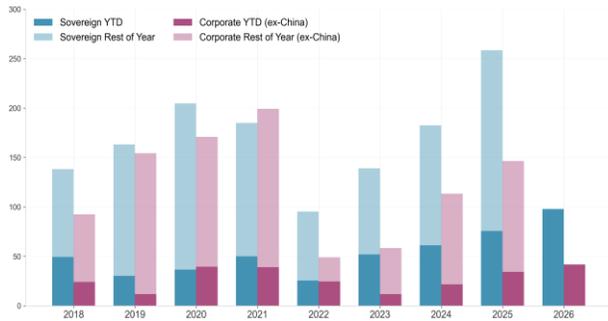
This monitor is produced by MCMGA. It captures international issuance, predominately denominated in hard currencies, and does not include domestically issued bonds in any currency. Issuance totals refer to proceeds.

Sources: Bloomberg, Bond Radar (issuance), EPFR (fund flows), JPMorgan (spreads), analyst reports, and IMF Staff.

Issuance Detail: Emerging Market Corporates and Sovereigns

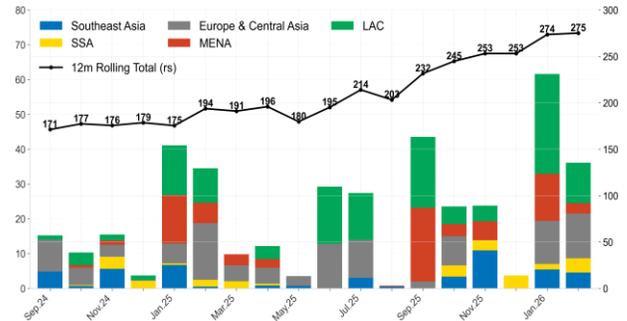
Issuance in February 2026 slowed somewhat but cumulative annual for both sovereigns and corporates remain the highest on record.

Chart 3. Total Sovereign and Corporate Issuance (Historical trend, USD billions)



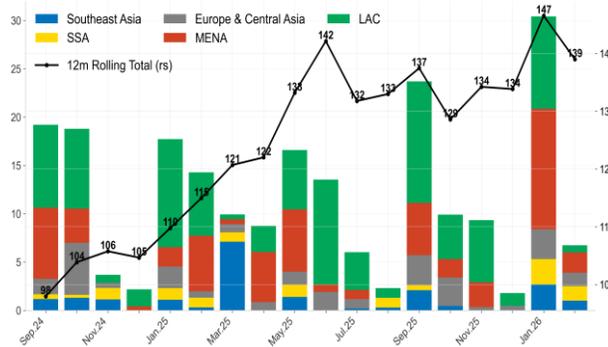
Europe and Central Asia together with Latin America led sovereign issuances in February, driven by deals from Romania, Brazil and Indonesia.

Chart 4. EM Sovereign International Bond Issuance by Region (USD billions)



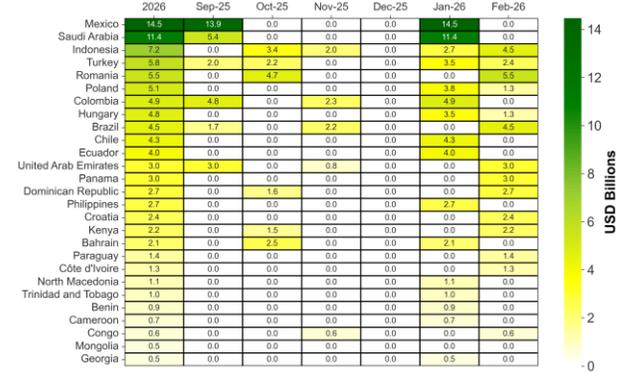
EM corporate issuances continue to be led by MENA and Latin America in February.

Chart 5. Corporate International Bond Issuance by Region (USD billions)



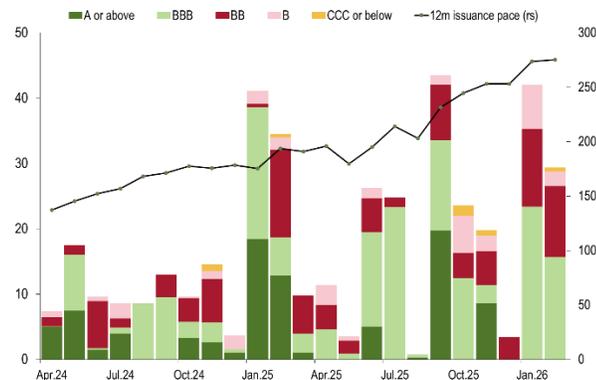
Romania, Brazil and Indonesia were amongst the largest sovereign issuers in February, tapping the EUR and USD markets.

Chart 6. Country Sovereign Issuance Totals (USD billions)



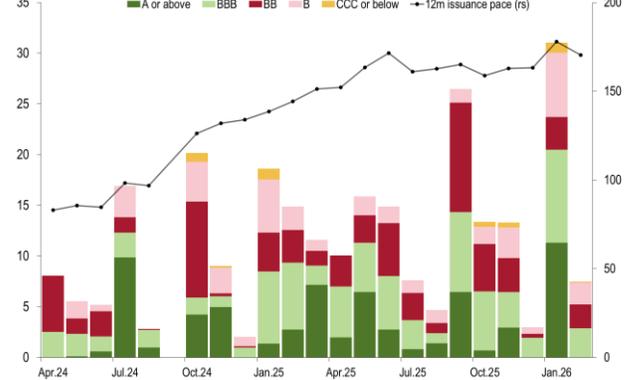
Sovereign issuances were generally broad-based across the rating spectrum, with share of issuances by high-yield sovereigns increasing to almost 40% of total volume.

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



For corporates, the proportion of HY increased, representing almost two thirds of rated issuances in February 2026.

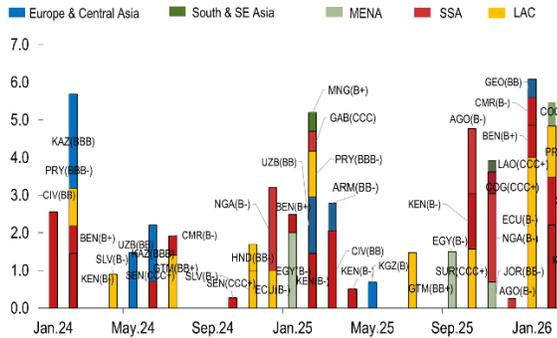
Chart 8. Corporate Hard Currency Issuance by Rating (USD billions)



Issuance Detail: Emerging Market Corporates and Sovereigns

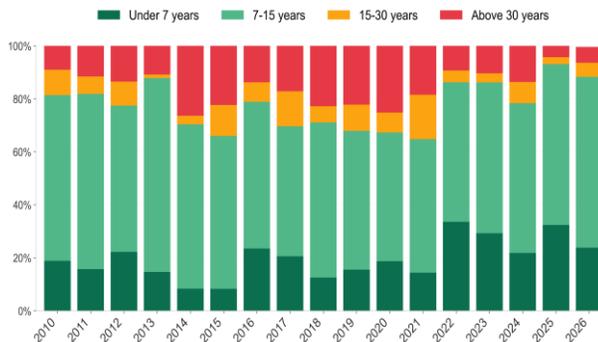
International debt issuance in frontier markets remained strong in February, with deals from the Republic of Congo, Kenya, the Ivory Coast and Paraguay.

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



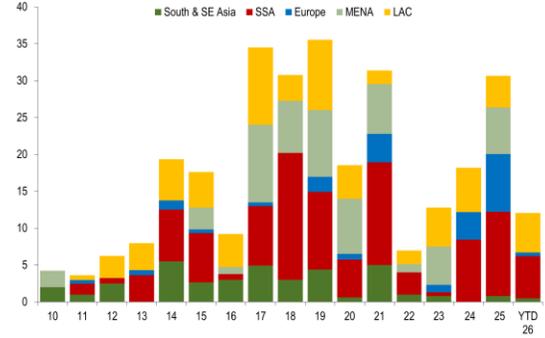
February issuance remained concentrated in the short-to medium-term segment, with roughly a quarter maturing within seven years.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)



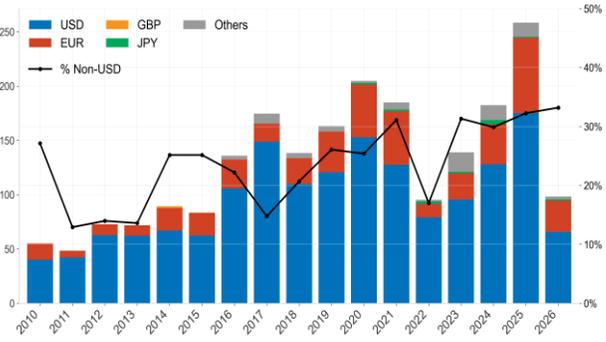
Frontier market international debt issuance so far in 2026 already amounts to more than a third of the volume issued in 2025.

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



The majority of issuance continues to be denominated in USD, with EUR-denominated debt amounting to roughly a third of total February volume.

Chart 12. EM Sovereign Issuance by Currency
(Percent)



Upcoming Debt Repayments

EM sovereigns' funding needs are expected to peak in Q2, before easing later in the year.

Chart 13. EM Sovereign Maturities by Rating
(USD billions)

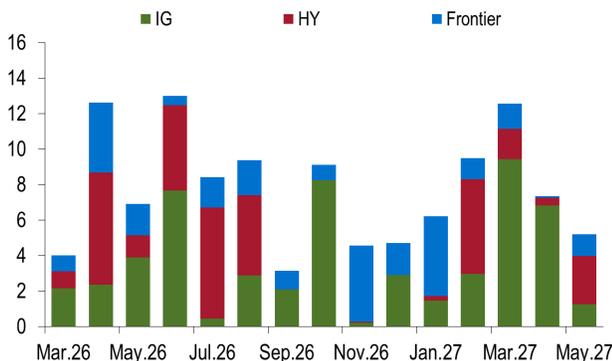
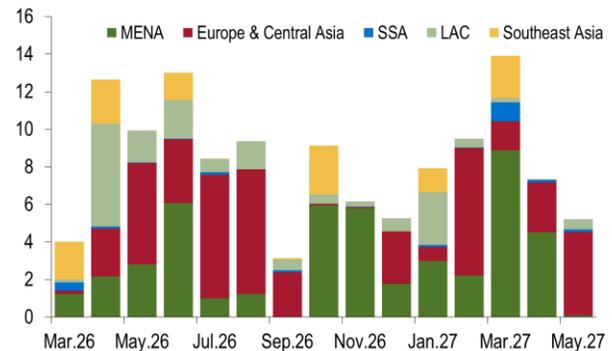


Chart 14. EM Sovereign Amortizations by Region
(USD billions)



Fund Flows and Bond Returns

Following the escalation in conflict since the end of February, asset class returns have turned negative driven by both USTs and spreads...

...which eroded some of the outsized asset class's gains since the peak of US policy rates in mid-2023

Chart 15. Sovereign Hard Currency Bond Returns (percent)

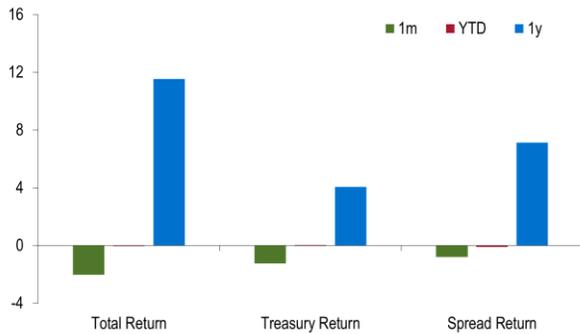
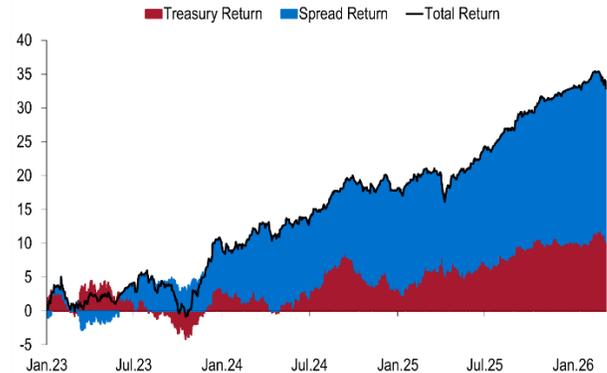
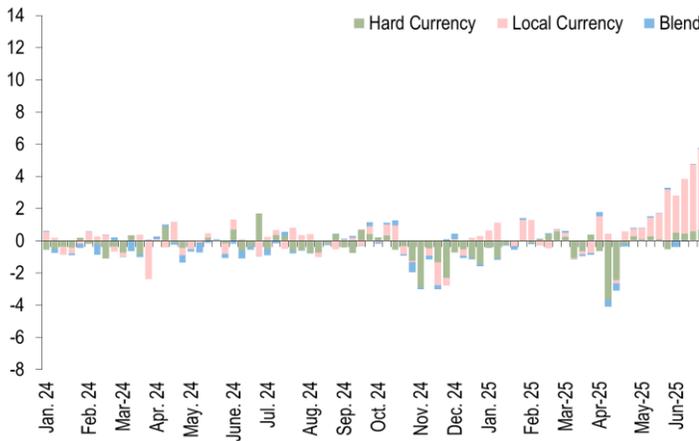


Chart 16. Sovereign Hard Currency Bond Returns (percent, cumulative since Jan. 23)



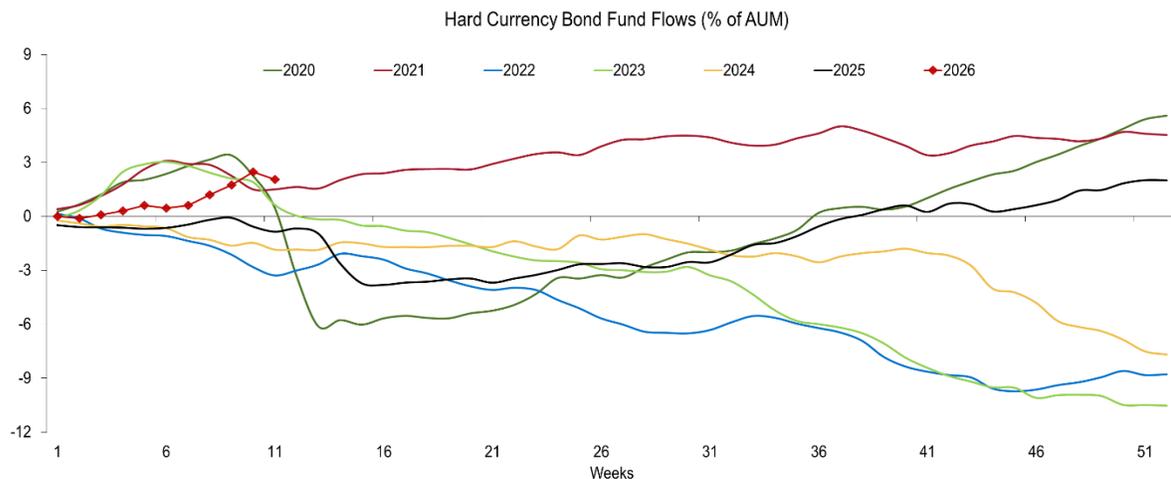
After four weeks of consecutive inflows, bond fund flows turned negative in the second week of March - with outflows, mostly concentrated in local currency bonds.

Chart 17. ETF and Mutual Fund Flows (USD billions)



Despite the outflows, hard-currency funds remained positive in 2026 YTD and remain highest compared to recent years

Chart 18. Hard Currency Fund Flows (percent of AUM, cumulative, by year)



Sovereign Spreads and Yields

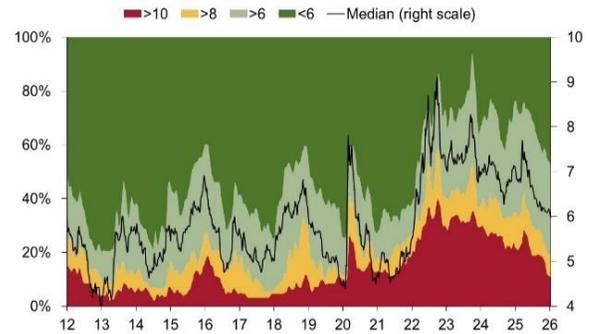
Spreads were broadly marginally wider for most sovereigns in February. Mozambique saw the largest widening while Senegal's spreads narrowed.

Despite geopolitical developments and related uncertainty, the percentage of EMs with yields exceeding 10% remained little changed at the start of March at a post-pandemic low of 10%.

Chart 19. Major Laggards and Gainers on Credit Spreads in February (Basis points; restricted to issuers with spreads below 2500)

Top-15 Leaders			Top-15 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Senegal	(125)	1,177	Sri Lanka	23	202
Bolivia	(108)	468	Dominican Repb.	25	189
Panama	(4)	152	Jordan	26	245
Romania	4	156	Jamaica	26	145
Poland	4	89	Colombia	32	294
Hungary	4	130	El Salvador	33	351
India	5	78	Egypt	35	395
Angola	5	553	Ghana	41	344
South Africa	6	210	Suriname	45	349
China	6	73	Ecuador	45	484
Morocco	6	126	Ukraine	51	898
Guatemala	6	142	Pakistan	54	403
Armenia	6	185	Kenya	69	442
Chile	7	95	Gabon	102	882
Uruguay	7	77	Mozambique	104	1,064

Chart 20. Distribution of Yields in EM Bond Index (share, 4-week average)



...while the number of EMs with spreads above 1,000bps increased to ~5.67% from ~5% at the start of February 2026.

Chart 21. Share of Distressed Issuers in EM Bond Index (share, 3-week average)

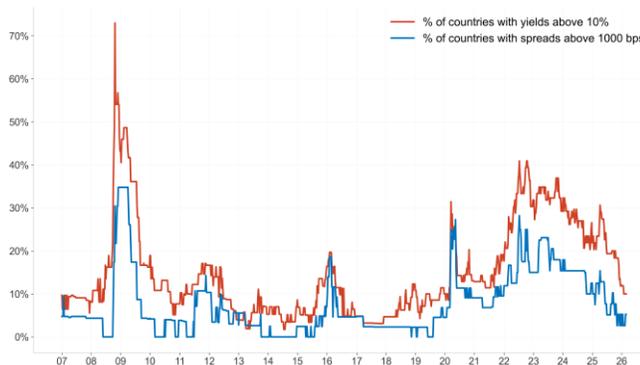


Chart 22. EM Yields and Spreads Decomposition (percent)

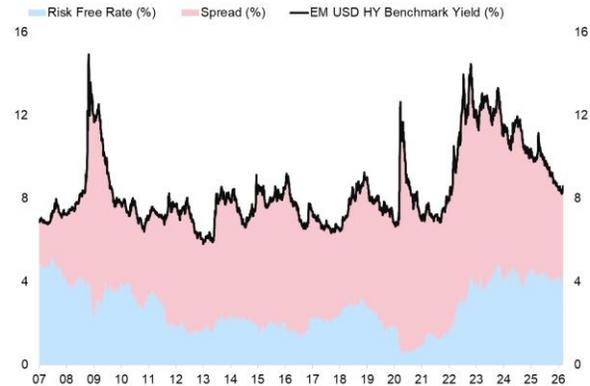
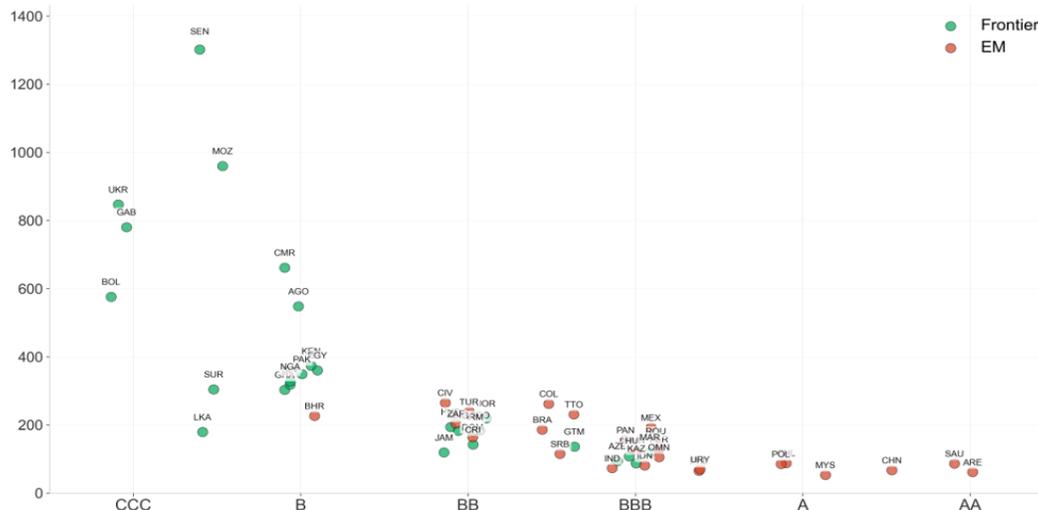


Chart 23. Spreads by Rating and Country (basis points, median rating)

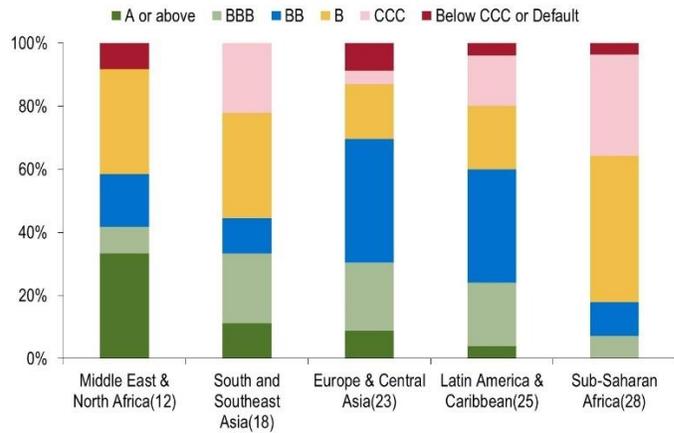


Annex Table 1. Issuance Coupons by Rating, Sovereign USD bonds (percent)

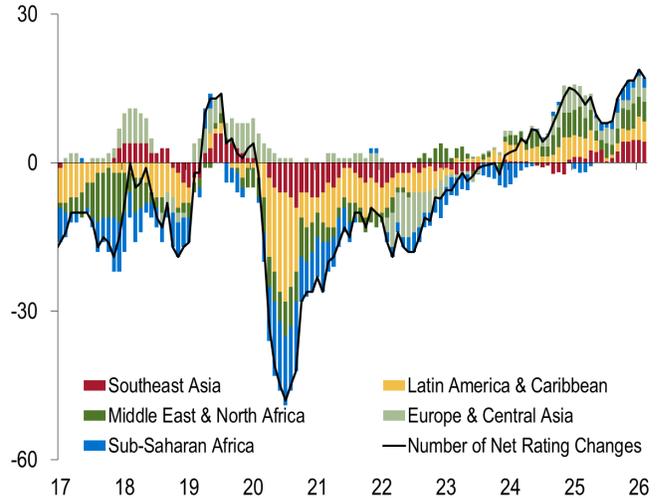
Maturity (yrs)	A or above		BBB		BB		B			
	<7	7 to >15	<7	7 to >15	<7	7 to >15	<7	7 to >15		
Jan 21	2.4	3.3	2.4	3.6	4.8	4.8	5.9	4.4	6.3	
Feb 21								3.9	5.9	7.5
Mar 21		3.5	3.2	3.7				3.0	7.9	8.9
Apr 21	2.1	3.1	3.3	4.2	2.8					
May 21	2.5	3.1	4.4							
Jun 21			1.5	2.3	3.8	5.1	4.3	4.8	3.5	5.4
Jul 21	2.6	3.1	2.7	3.2				6.0	7.1	8.9
Aug 21										
Sep 21	1.9	3.1	2.1	3.2	5.4	4.7		5.8	6.9	8.5
Oct 21	2.0	3.1	3.0	3.6		5.2				
Nov 21	2.3	3.3							4.8	
Dec 21										
Jan 22	2.8	3.5	4.0	3.0	3.5	4.5	3.8			8.0
Feb 22							5.8		7.3	7.5
Mar 22		4.3	3.2	3.6	4.3			5.9	7.3	8.8
Apr 22										
May 22			4.8	5.4						
Jun 22	4.1	5.0	5.4							
Jul 22										
Aug 22			5.4			5.3				
Sep 22			4.2	4.7	5.5					
Oct 22	5.3	5.5	5.2	5.7	6.0			9.8		
Nov 22	5.5	5.8	6.4	7.6		8.0		9.9		
Dec 22								9.9		
Jan 23	4.8	4.9	5.0	5.0	5.9	6.4	6.3	7.0		9.4
Feb 23				6.5					10.9	
Mar 23	4.9	5.5	6.1	6.3	6.9	6.0	6.5		9.4	
Apr 23				6.3		7.5	6.0			7.7
May 23	4.2	4.3								
Jun 23	5.0	5.3				6.2				
Jul 23			6.4							
Aug 23										
Sep 23	4.9		6.3	6.9		7.1				
Oct 23		3.4				7.9				
Nov 23	6.5		5.8	5.7		7.1	8.0	8.2		
Dec 23										
Jan 24	4.8	5.0	5.8	5.1	5.6	5.8	6.9	7.1		
Feb 24				7.3	7.9		7.0			7.7
Mar 24	4.6	5.1	5.5							7.3
Apr 24	4.9	5.0	5.5				8.0	8.8	4.8	
May 24	5.0	5.0		5.3	5.6		6.9			
Jun 24	4.5	4.9				7.1	6.3			
Jul 24	4.3						6.3			8.3
Aug 24			5.5	4.9	5.2					
Sep 24			5.3	5.2			6.5			
Oct 24			5.1				7.8	8.4		
Nov 24	4.2		5.0	5.3	5.7		6.5	7.9	8.0	5.9
Dec 24	6.0								9.6	10.4
Jan 25	5.3	5.6	5.6	6.0	6.6			8.4	8.6	9.5
Feb 25	4.9	5.3		6.5			6.9	6.9	6.6	9.5
Mar 25		5.0					7.4			
Apr 25						7.4	8.5			7.3
May 25							7.3			7.8
Jun 25			5.4	5.8	6.8	6.1	6.6			8.1
Jul 25			5.3	5.9			6.3	6.9		
Aug 25										
Sep 25	4.1	4.8	4.8	5.5		5.5	7.0	7.3	7.2	
Oct 25			4.4	5.0			6.3		9.2	7.8
Nov 25	3.6	4.3	4.5	5.1			6.0			
Dec 25							6.3		7.3	
Jan 26	4.3	4.9	5.9	4.8	5.6	6.1	5.9	6.6		8.0

Annex

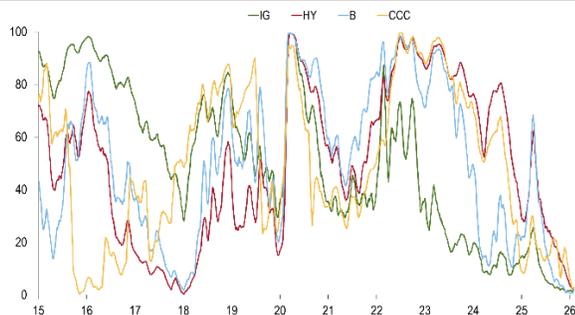
Annex Figure 1. Ratings by Region (share by rating and region)



Annex Figure 2. Net Ratings Updates (number of net rating actions, six-month sum)



Annex Table 2. Sovereign Spreads by Percentile and Rating (4-week average)



Annex Table 3. Latest Ratings Actions

New median rating	Latest			End Jan. 26		
	S&P	Fitch	Moody's	S&P	Fitch	Moody's
Bahrain	B	B	B2u	B	B+	B2u
Ecuador	B-	B-	Caa1	B-	CCC+	Caa1
Cabo Verde	B+	B+	B	B	B	

Note: Annex Figure 2 incorporates Moody's, Fitch, and S&P ratings agencies. Size of ratings adjustment not reflected; a ratings change by any agency counts as "1".