



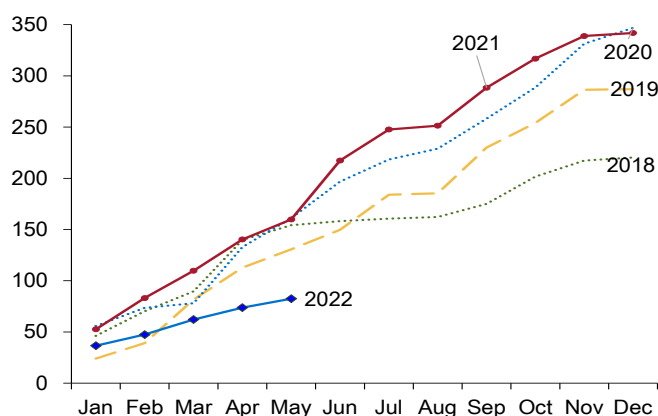
MAY 2022 HIGHLIGHTS

- **Hard currency issuance remained weak in May** despite some easing of the recent dollar rally and stabilizing Treasury yields. Total issuance is off to the slowest start since 2012, with **sovereign and corporate supply down nearly \$115 bn YTD compared to 2021**, or about \$80 bn when excluding Chinese corporates. .
- **Sovereign issuance picked up slightly to \$7.4 bn (up from \$6.7 bn), compared to a 5-year average of \$10 bn** (for April). YTD sovereign issuance stands at \$50 bn, down 40% from the same period in 2021, and the slowest since 2015. Through May, close to 30% of new issuance has had a maturity below 7 years, compared to barely 13% in 2021. **No HY sovereigns issued in May.**
 - *IG issuance* was led by Indonesia (\$3.3 bn), Poland (\$2.1 bn), Abu Dhabi (\$0.3 bn), Romania (\$1.7 bn).
- **Corporate issuance slowed to \$3.4 bn, the lowest monthly figure in 4 years, with Chinese firms accounting for \$2 bn.** Among SOEs, the Development Bank of Kazakhstan issued \$0.5 bn. EM ex. China YTD issuance of \$32 bn is down about \$30 bn from 2021, while Chinese corporate issuance of \$12 bn is \$40 bn lower.
- **EM credit spreads widened in May on net but retraced lower over the last week.** Frontier market spreads ended the month 84 bps wider, but eased about 75 bps from their mid-May peak of 928 bps. Emerging market spreads rose 8 bps on net in May, with investment grade emerging markets spreads about 5 bps tighter.
- **Market conditions remain difficult and financing costs are on the rise.** Issuance may remain sluggish as marginal issuers avoid the market amid heightened volatility in bond markets and investor demands for higher coupons. Premiums for new issuance over the secondary market also remain substantial even for investment grade sovereigns. Nevertheless, the market remains open, with Indonesia issuing another \$0.6 bn in samurai bonds in early June. Analysts see possible issuers including Hungary, Saudi Arabia, Brazil, Bahrain, Colombia, and Jordan. Kenya still has shown interest in issuing up to \$1bn prior to end of the fiscal year (end June) though it is likely to be difficult. Nigeria reportedly has canceled a planned \$1 bn bond issue. Morocco could issue before the end of the year with flexible timing. Bond payments due in the next 3 months include Bahrain, Guatemala, Uruguay, Nigeria, Mexico, Iraq, and Sri Lanka.
- **Hard currency fund outflows persisted through May, with modest improvement over the last week.** Hard currency funds lost \$4bn in May (about 2% of AUM), though ETFs saw small inflows in the final week of the month. Losses on the JPMorgan EM bond index fell to -17% (YTD) in mid-May before recovering slightly to -15%.

May 2022 Overview

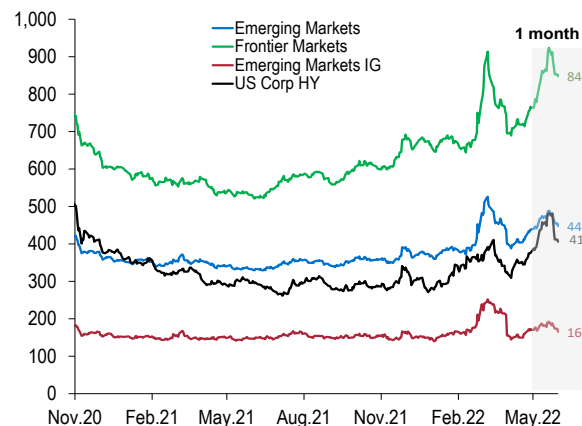
Total hard currency issuance (ex. China corporates) is off to a slow start in 2022, with \$82.5 bn the weakest since 2012

1. Pace of Sovereign and Corporate Issuance (USD billions, excluding China corporates)



Emerging market credit spreads rose as much as 50 bps by mid-May before retracing to +8 bps in May.

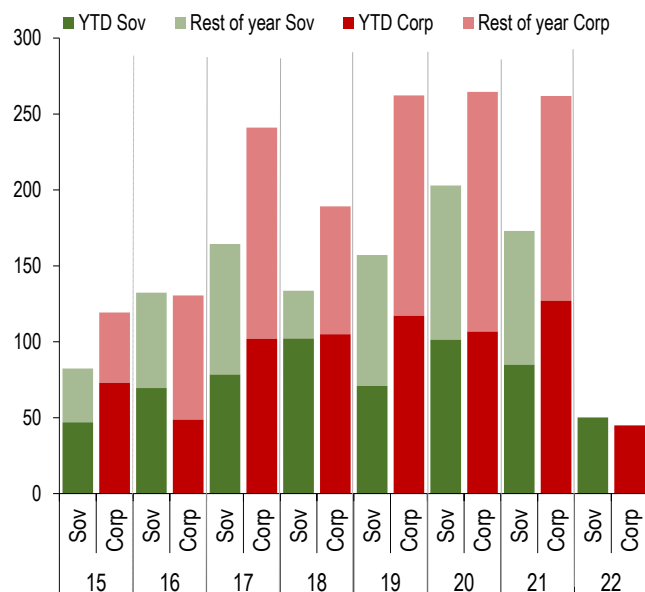
2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

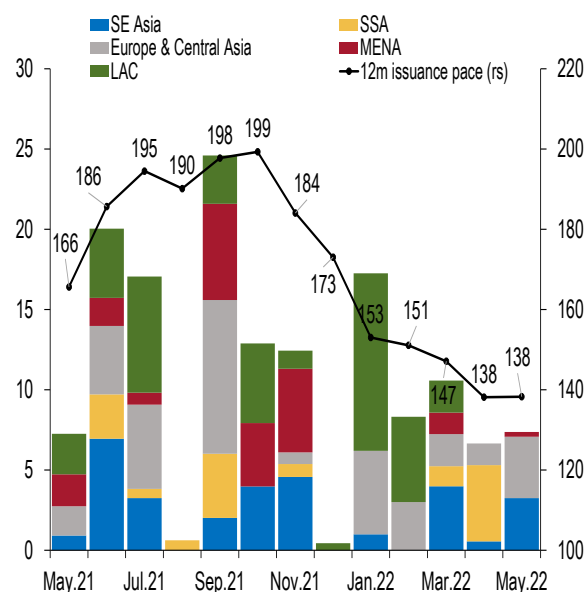
Total issuance is off to the slowest start since 2012, with sovereign and corporate supply down nearly \$115 bn YTD compared to 2021

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



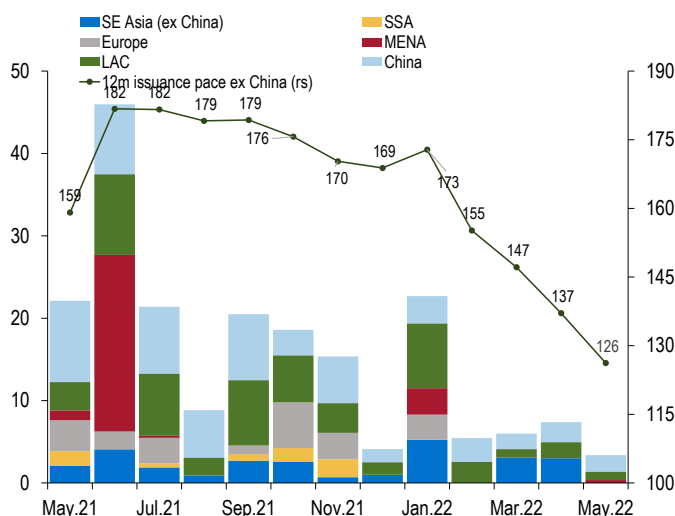
May saw just 4 issuers, with Europe and SE Asia leading the way. Poland issued a \$2.1 bn euro denominated note, alongside Romania, Indonesia, and Abu Dhabi

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



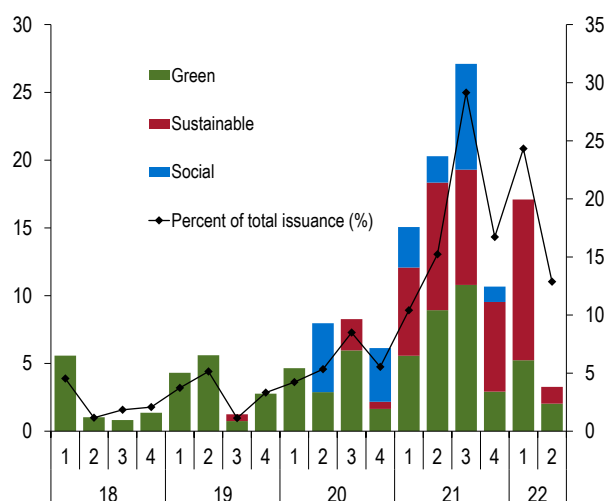
Corporate issuance slowed further to \$3.4 bn in May, with China accounting for \$2 bn.

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 May, the Indonesia issued a green sukuk bond.

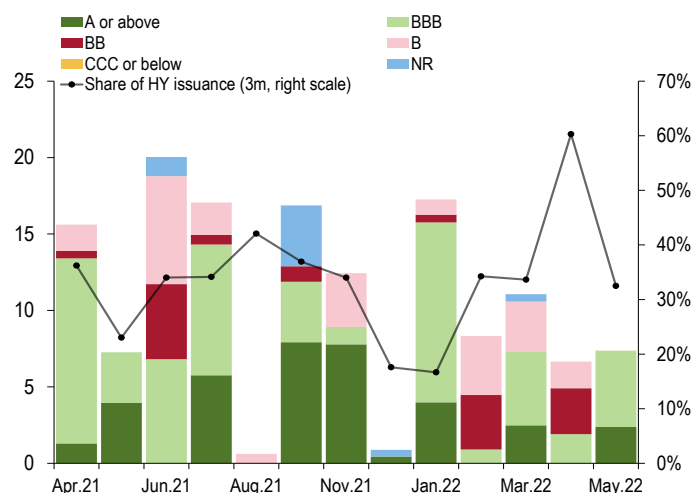
Chart 6. ESG Issuance
(USD billions; percent; quarterly)



Issuance Detail by Rating

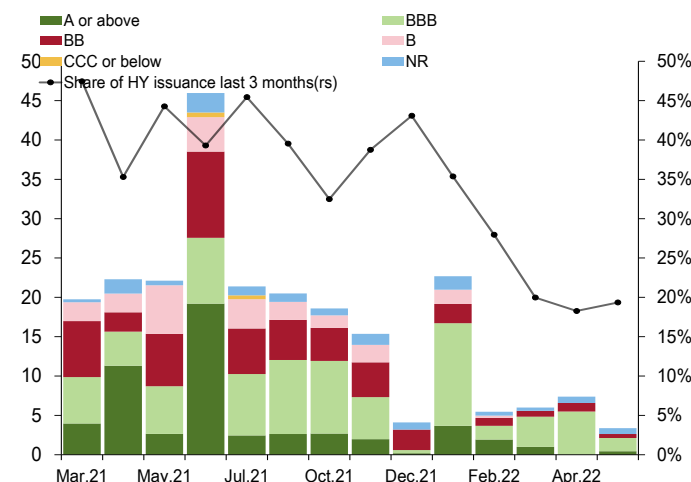
High yield sovereign issuers were shut out in May.

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



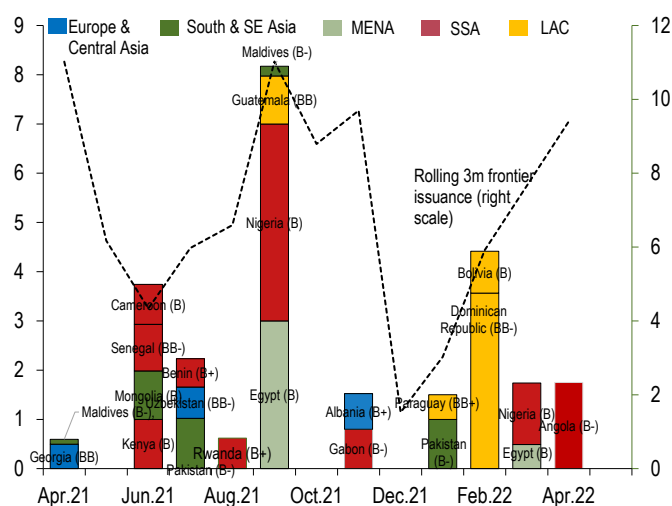
HY corporate issuers have largely stayed out of the market, accounting for less than 20% of issuance in 2022.

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



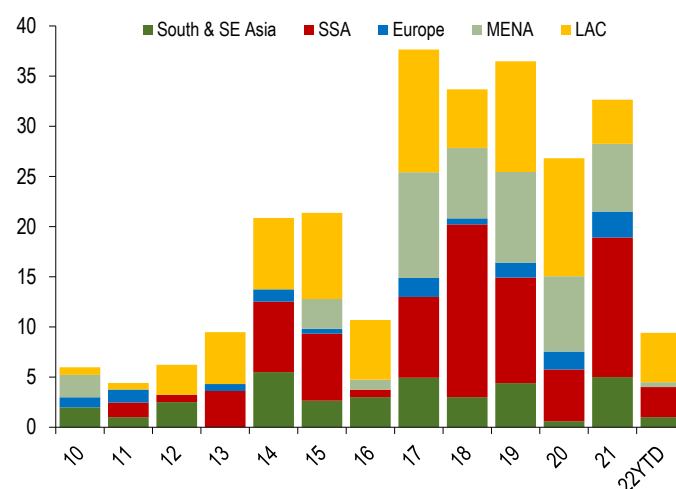
No frontier markets issued in May.

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 19% of issuance at greater than 15 yrs maturity, compared to 37% in 2022.

Dollar issuance has accounted for 85% of total supply in 2022, compared to 72% in 2021. Poland issued \$2.1 bn in euros in May, while Indonesia issued \$0.6 bn in samurai bonds in early June.

Chart 11. EM Sovereign Issuance by Maturity (Percent)

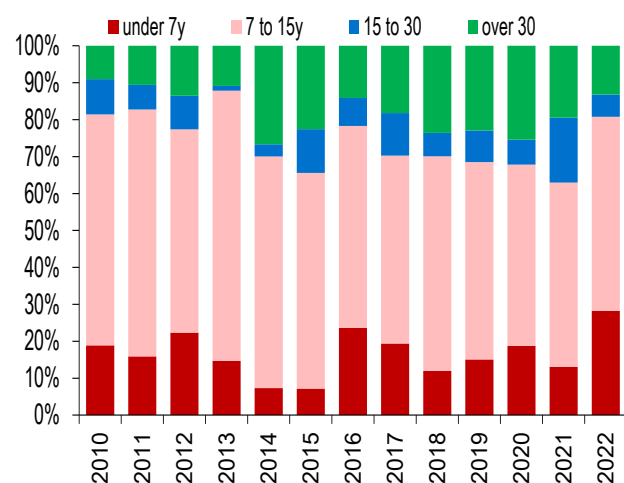
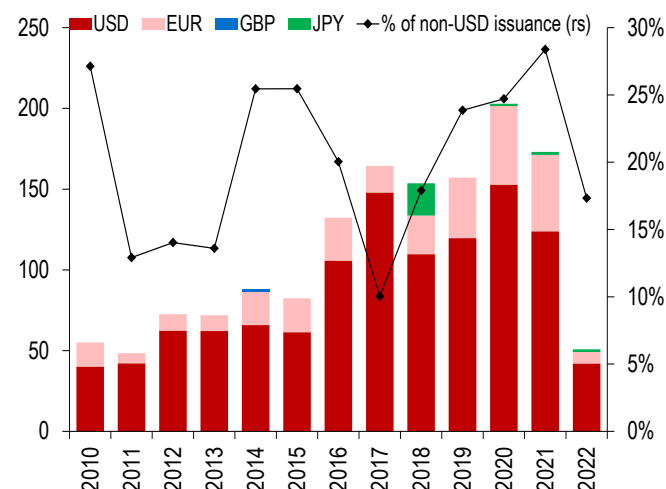


Chart 12. EM Sovereign Issuance by Currency (Percent)



Sovereign Amortizations

Sovereign principal payments* are modest until September. Upcoming payments in the next 3 months include Bahrain, Guatemala, Uruguay, Nigeria, Mexico, Iraq, and Sri Lanka.

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

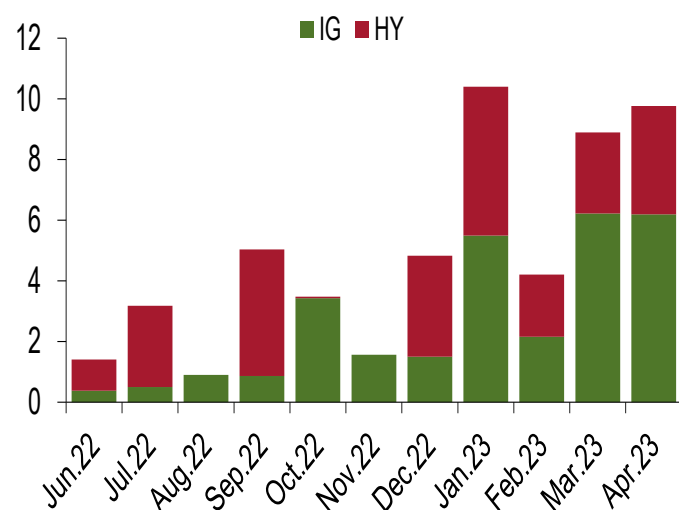
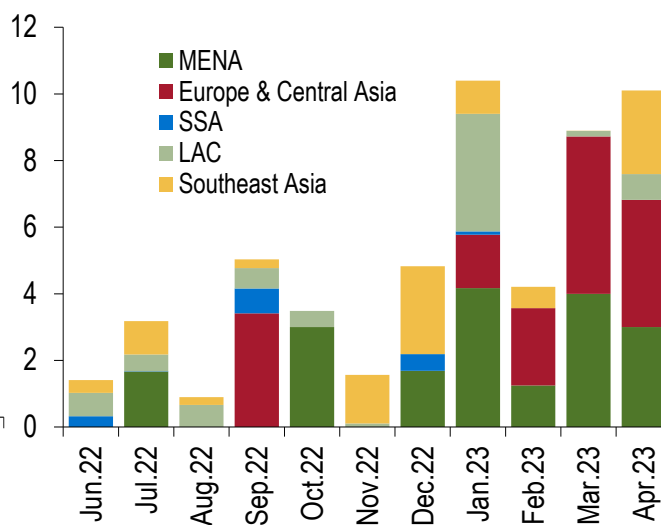


Chart 14. EM Sovereign Amortizations by Rating (US billions)

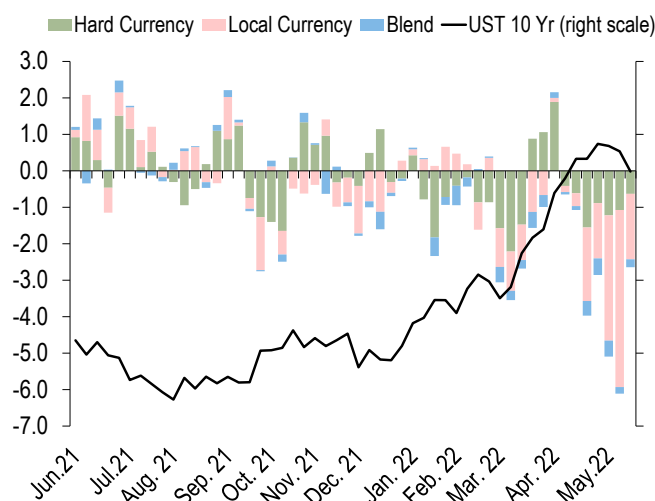


Note: does not include SOEs. MCM list of EMs does not include Czechia, Slovakia, Baltics, or Israel.

Flows: EM Debt Dedicated Funds

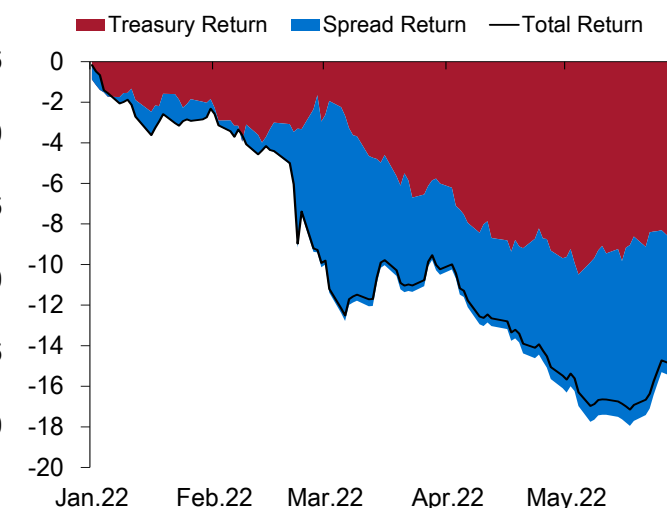
Hard currency fund outflows have been persistent since mid-April after initial stabilizing following the Russia shock.

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



Bond returns recovered from their late-April lows with both spreads and Treasuries providing some support, though YTD losses are at close to 15%.

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



Spreads on Hard Currency Bonds

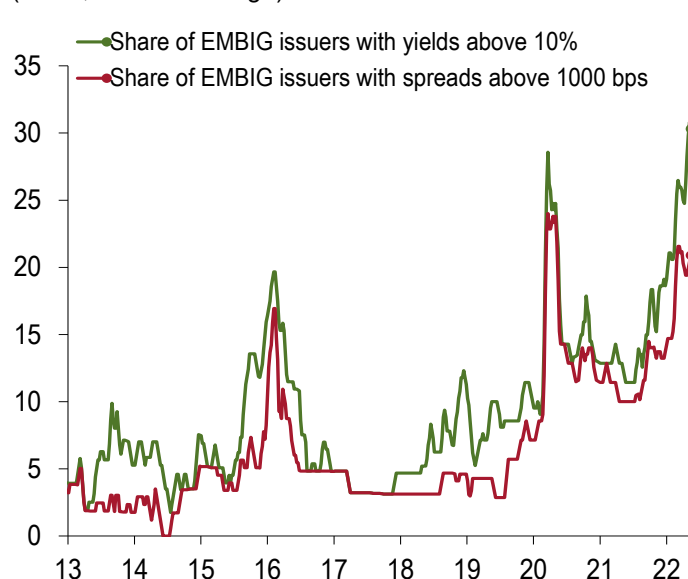
Honduras, Gabon, Bolivia, and Turkey underperformed in May, with spreads at least 100 bps wider.

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
Colombia	(38)	337	Azerbaijan	54	270
Peru	(24)	194	Trinidad And Tobago	62	340
Egypt	(22)	785	Iraq	71	482
Chile	(16)	166	Vietnam	74	139
Philippines	(15)	119	Namibia	89	413
Uruguay	(14)	137	Mozambique	99	826
Ecuador	(14)	802	Turkey	108	605
Panama	(10)	213	Bolivia	108	595
Qatar	(9)	98	Gabon	118	636
Saudi Arabia	(7)	116	Honduras	166	796

Close to 30% of EM issuers have yields above 10%, up from less than 20% at the start of 2022.

Chart 18. Share of Distressed Issuers
(share, 3 week average)



Annex: Country Level Issuers

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

Issuer	2021	2022	Mar-22	Apr-22	May-22
Romania	8.2	6.9	-	-	1.7
Chile	15.5	6.0	2.0	-	-
Indonesia	12.2	5.6	1.7	-	3.3
Turkey	10.0	5.0	2.0	-	-
Mexico	9.1	5.0	-	-	-
Dominican Republic	2.5	3.6	-	-	-
South Africa	-	3.0	-	3.0	-
Philippines	6.0	2.8	2.3	0.6	-
Panama	4.7	2.5	-	-	-
Poland	-	2.1	-	-	2.1
Angola	-	1.8	-	1.8	-
Croatia	2.4	1.4	-	1.4	-
Nigeria	4.0	1.3	1.3	-	-
United Arab Emirates	10.9	1.2	0.9	-	0.3
Pakistan	3.5	1.0	-	-	-
Bolivia	-	0.9	-	-	-
Paraguay	0.9	0.5	-	-	-
Egypt	6.8	0.5	0.5	-	-

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

Issuer	2021	2022	Mar-22	Apr-22	May-22	Jun-22
China	93.0	12.6	1.9	2.4	2.0	-
India	14.0	6.0	0.8	-	-	-
Brazil	24.4	5.1	-	1.4	-	-
Mexico	17.1	3.6	1.0	-	-	-
Indonesia	8.8	3.0	-	3.0	-	-
Chile	10.3	2.6	-	-	0.5	-
Saudi Arabia	6.9	2.5	-	-	-	-
Guatemala	0.7	2.0	-	-	-	-
Thailand	1.5	1.3	1.3	-	-	-
Serbia	0.5	1.1	-	-	-	-
United Arab Emirates	10.6	1.1	-	-	0.4	-
Malaysia	6.1	1.0	1.0	-	-	-
Hungary	1.2	0.6	-	-	-	-
Romania	0.4	0.6	-	-	-	-
Peru	3.7	0.5	-	0.5	-	-
Trinidad and Tobago	-	0.5	-	-	0.5	-
Turkey	2.7	0.5	-	-	-	-
Georgia	0.5	0.3	-	-	-	-
Philippines	3.2	0.1	0.1	-	-	-

Annex Table 3. Average USD Sovereign Bond Coupons 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.20		2.6	3.6		3.0	3.8		4.5	5.5		6.6	7.3
Feb.20							4.5	5.3			6.4	8.3
Mar.20						4.5						
Apr.20	2.9	3.4	4.3	3.1	3.5	4.3		5.2	6.1			
May.20	2.5	2.8	3.9				6.3	7.4		5.8	7.6	8.9
Jun.20				2.3	3.4	4.0	2.2	3.9		5.5	6.1	
Jul.20					3.0	4.0					7.3	9.5
Aug.20	0.75	1.7	2.7									
Sep.20				3.8	2.3			5.2	5.9	5.3	4.0	
Oct.20	0.48	1.2	2.3		3.2			8.0				
Nov.20					2.3	3.3		4.4			6.0	
Dec.20					2.3	3.3	2.2	5.9	4.8		7.3	
Jan.21		2.4	3.3		2.4	3.5	4.5	4.3	5.9	4.9	5.1	6.3
Feb.21										3.9	5.9	7.5
Mar.21			3.5		3.2	4.0				6.1	7.9	8.9
Apr.21		2.1	3.1		3.3	4.3	2.9					
May.21		2.5	3.1		4.4							
Jun.21				1.5	2.3	3.5		4.3	4.8	4.4	5.4	
Jul.21		2.6	3.1		2.7	3.2				5.9	7.1	8.9
Aug.21												
Sep.21		1.9	3.1		2.1	3.3		3.7	4.7	5.8	6.7	8.5
Oct.21		2.0	3.1		3.0	3.8			5.2			
Nov.21			3.3								4.8	
Dec.21												
Jan.22	2.75	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				8.6	8.4	
Apr.22								5.9	7.3		8.8	
May.22				4.8	5.4							

Note: Only USD bonds included.