



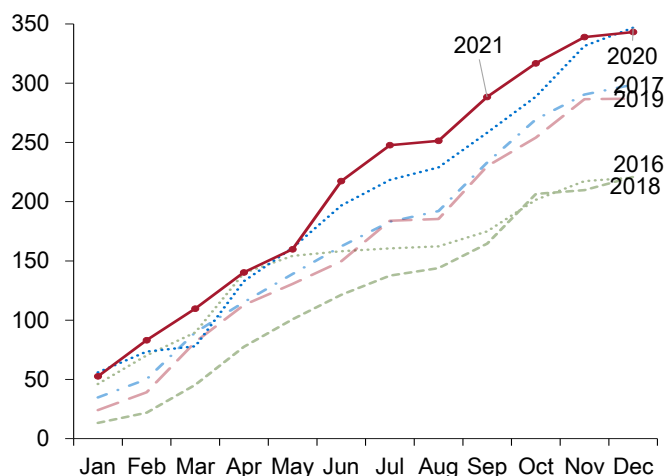
2021: DECEMBER / FULL YEAR HIGHLIGHTS

- **EM hard currency issuance (ex. China corporates) ended at \$343 bn in 2021, marginally less than the record issuance of 2020.** Sovereign issuance was ~\$30bn less than 2020 levels. Within corporates, China issuance continued to decline for second year in a row while issuance by other EMs ended at a record high
- **Sovereign issuance declined sharply in Dec, even adjusting for seasonality,** amidst global growth concerns and volatile risk sentiment. Only Chile (\$1.3bn) and Uruguay (\$0.4bn) issued in Dec, making this month's issuance significantly lower than the seasonal Dec average of \$4.6bn. **Within corporates,** only China, Mexico and India issued with total issuance of \$4bn markedly lower than the seasonal Dec average of \$8bn.
- **Lower-rated and frontier sovereigns were absent from the market,** with 3 month rolling issuance of frontier economies at the lowest level in 2021. For the full year, proportion of issuance from high-yield sovereigns (at 36%) and corporates (at 45%) improved from the 2020 levels but remained less than the historical average.
- **Average maturity for sovereign issuances continued to rise in 2021** with record 37% of issuances having more than 15 years of maturity. This is in contrast to the corporates where the tenor structure has remained broadly inline with last year – and skewed towards lower-tenor issuances. 2021 was also a record year with the highest proportion of EM sovereign issuance in non-USD denominations
- **Market analysts expect EM sovereign issuance to decline marginally in 2022,** driven particularly by a moderation in the issuance from IG issuers. Sovereign amortizations are expected to be elevated in Q1, potentially driving higher gross issuance, before easing from May-August. Sovereign ESG issuance, which tripled in 2021, is expected to pick up further in 2022. Analysts also expect the maturities to continue to lengthen.
- **Credit spreads narrowed in December,** with frontier spreads falling to 659 bps from a recent peak near 692, while EM spreads also fell by about 20 bps following the November sell off.
- **EM bond fund flows remained weak in Dec** as a recovery in hard currency flows was offset by continued outflows from local currency funds. For the year, EM hard and local currency dedicated-funds experienced inflows of about \$14 bn and \$9 bn respectively, though returns were negative, with the local currency index down 9%.

December 2021 Overview

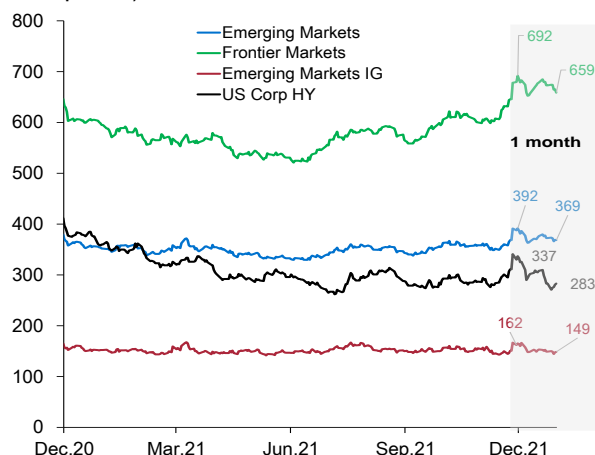
Hard currency issuance (ex. China corporates) reached \$343 bn in 2021, marginally less than the record issuance of 2020

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



EM credit spreads narrowed in December, partially recovering the sharp sell-off in November

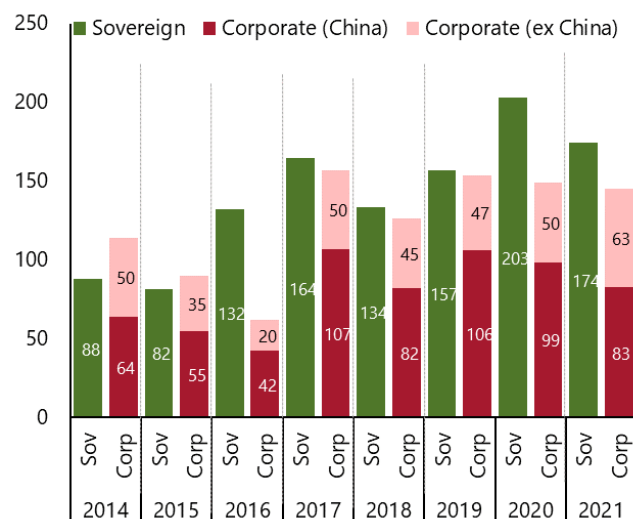
2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

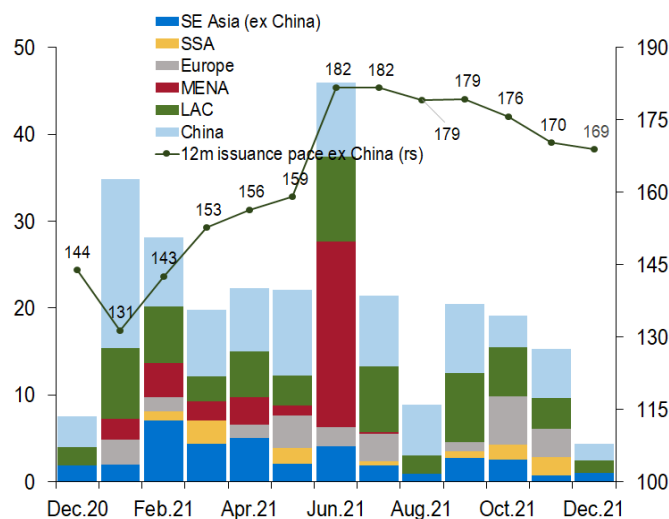
Sovereign issuance in 2021 fell by \$30bn from a record 2020. Chinese corporate issuance declined to a 3-year low, though a rise in non-China issuance to \$63 bn helped sustain overall corporate supply at similar levels to 2019-2020.

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



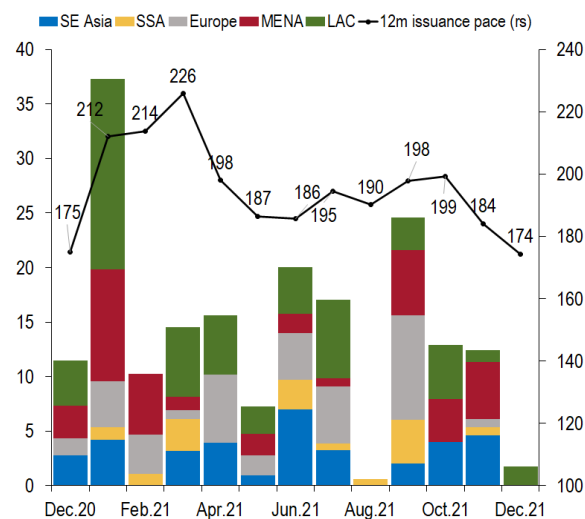
Within corporates, China, Mexico and India issued in Dec with the total issuance of \$4bn significantly lower than the seasonal December average of \$8bn

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



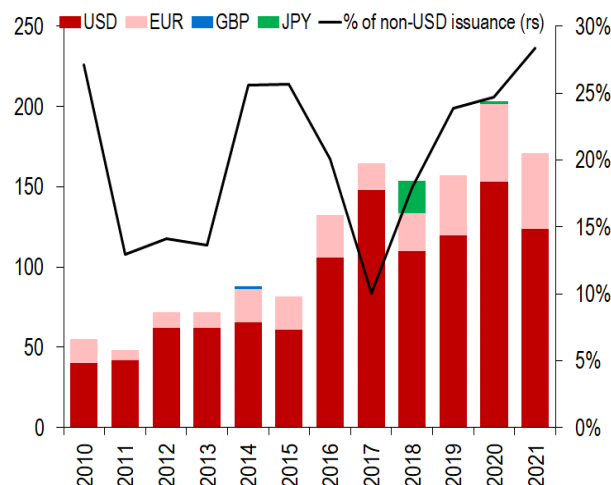
Chile (\$1.3bn) and Uruguay (\$0.4bn) were the only issuers in December, leaving monthly issuance below the already subdued seasonal average.

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



2021 was a record year with the highest proportion of EM sovereign issuance in non-USD denominations

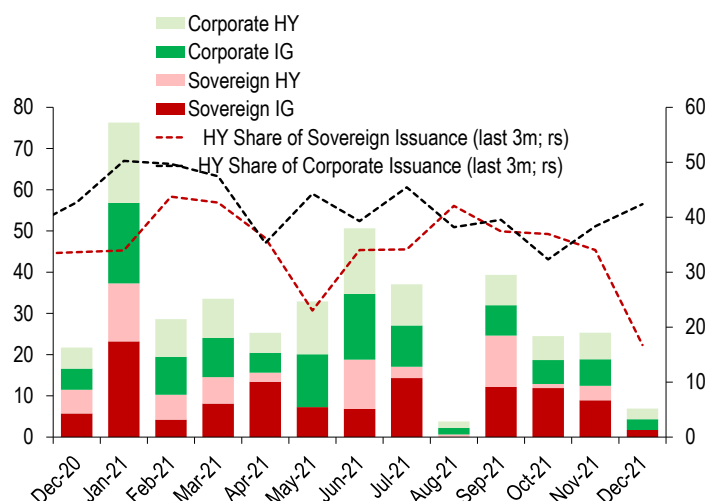
Chart 6. EM Sovereign Issuance by Currency
(USD billions; Percent)



Issuance Detail by Rating

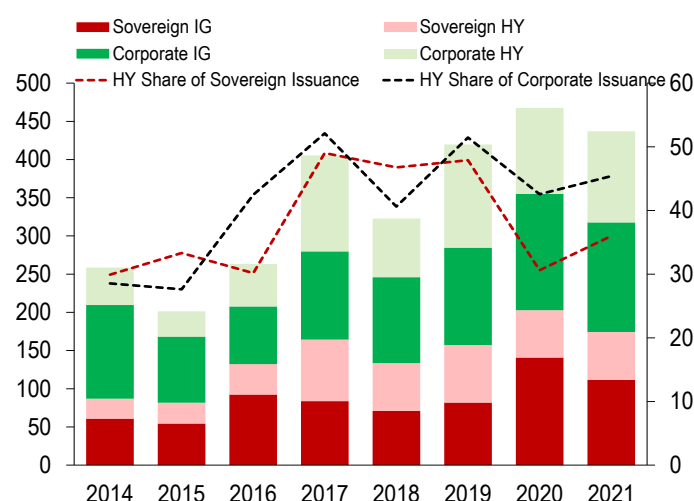
High yield sovereign issuance slowed to under 20% of total issuance in the fourth quarter, while corporate segment has been fairly steady.

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



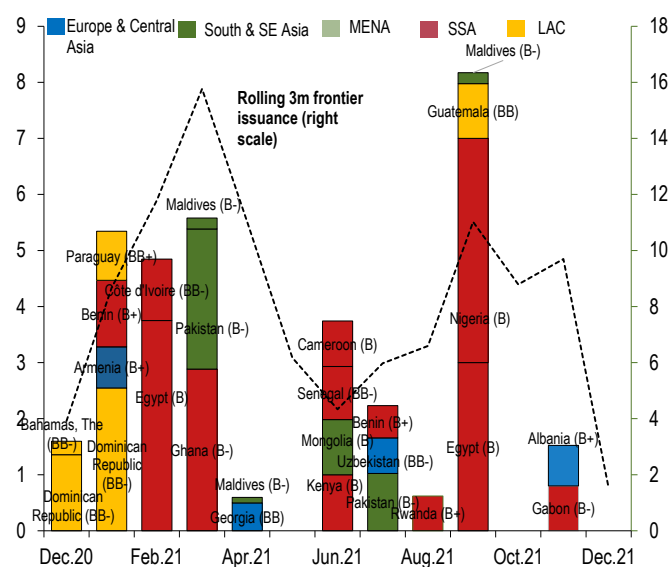
The high yield share of sovereign (36%) and corporate (45%) issuance rose in 2021, but remains below the 2017-2021 avg.

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



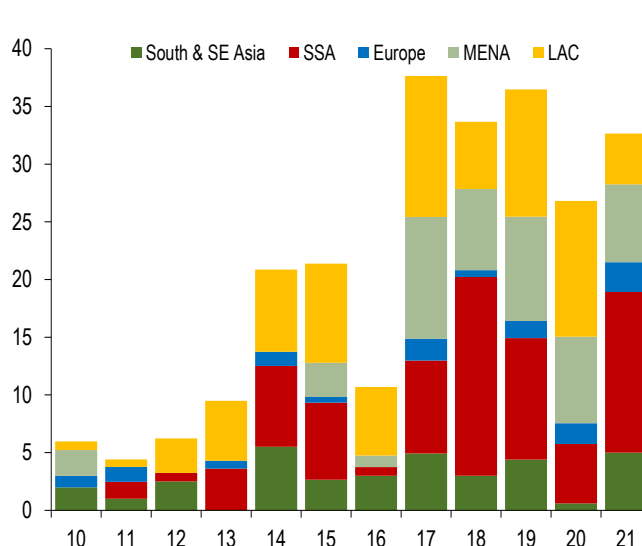
Frontier market issuance slowed in the last quarter of the year, with no issuance in October or December.

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



Despite recent weakness, frontier issuance in 2021 finished almost \$6bn above the 2020 total (driven by SSA and South East Asia), but below 2017-2019 levels.

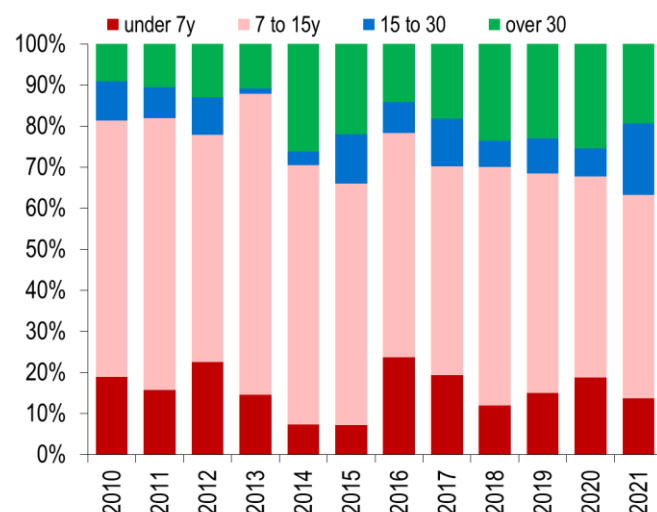
Chart 10. Frontier Sovereign Issuance by Region
(USD billions)



Issuance Detail by Maturity

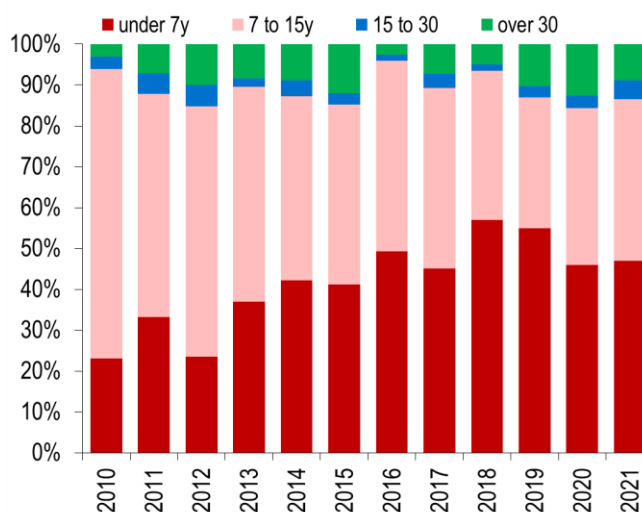
Average maturity for EM sovereigns continued to rise with a record high 37% of issuances having more than 15 years of maturity

Chart 11. EM Sovereign Issuance by Maturity
(Percent)



This is in a contrast to corporate issuance where the tenor structure has remained broadly inline with last year – and skewed towards lower-tenor securities

Chart 12. EM Corporate Issuance by Maturity
(Percent)



Sovereign Amortizations

Sovereign principal payments will be elevated in the first quarter of the year, potentially driving higher gross issuance, before easing from May-August. Among high yield issuers, Egypt, Bahrain, and Turkey have substantial principal payments coming due in 2022.

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

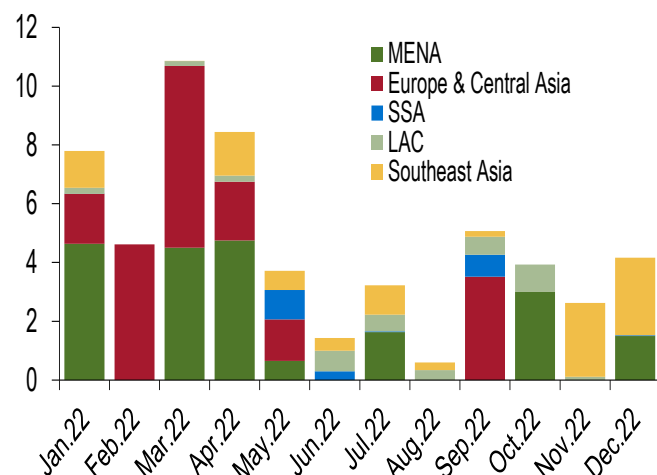
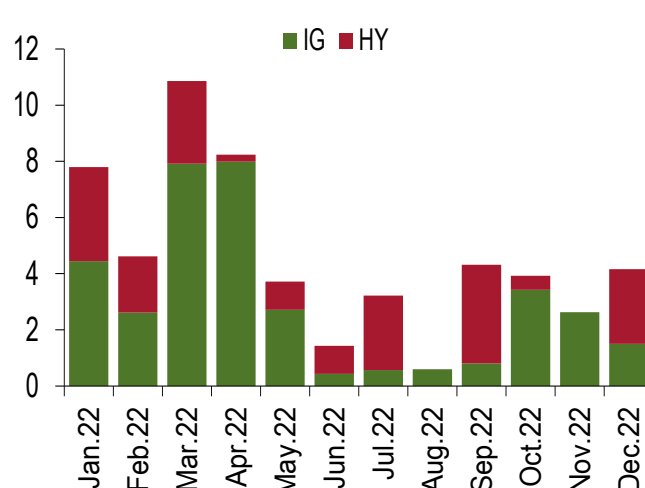


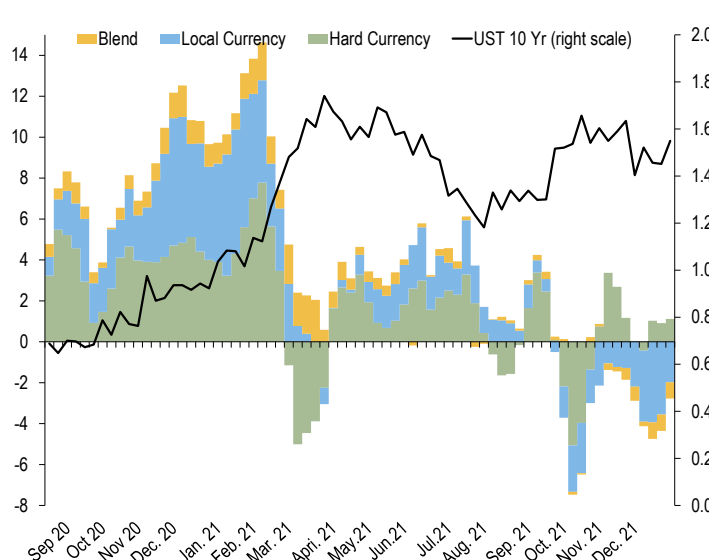
Chart 14. EM Sovereign Amortizations by Rating
(US billions)



Flows: EM Debt Dedicated Funds

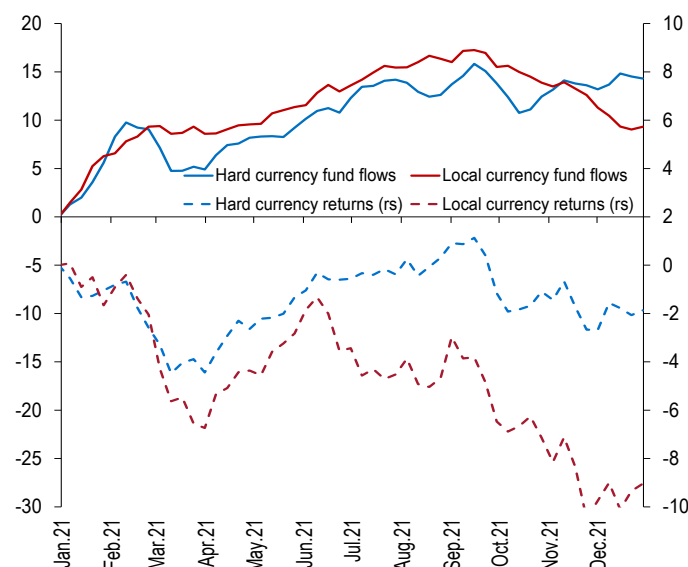
Fund flows remained weak with a recovery in hard currency bond fund flows late in the year offset by persistent weakness in local currency flows

Chart 15. Bond Fund Flows and US 10-year yield
(USD billions, 4 week sum; percent)



Cumulative 2021 fund flows totaled close to \$25 bn, with local currency flows lagging in the fourth quarter. Returns were negative for both asset classes, with local currency losing close to 9%.

Chart 16. Weekly Fund Flows Year to Date and Returns
(Jan 1, 2021 = 0; USD billions, left scale; percent, right scale)



Spreads on Hard Currency Bonds

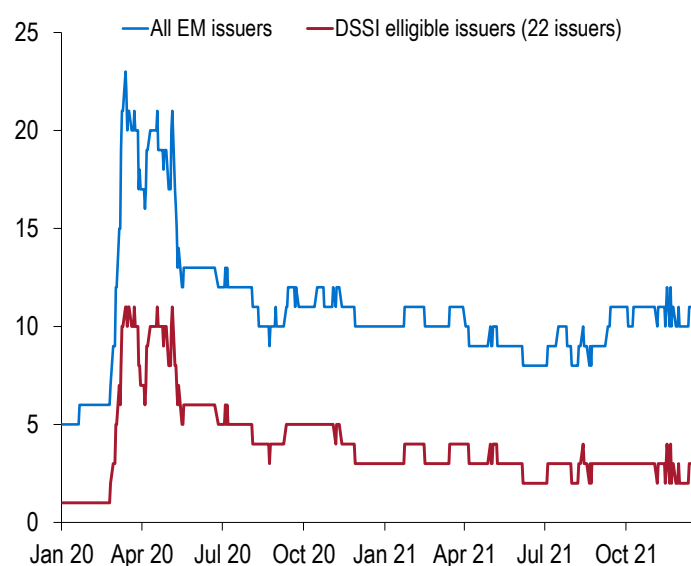
EM spreads broadly retraced some of their November widening, notably Ethiopia, Angola, and Egypt.

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
Ethiopia	(100)	2,009	Mozambique	(5)	920
Honduras	(86)	299	China	(2)	16
Angola	(82)	713	Colombia	(1)	345
Zambia	(78)	2,027	Belarus	21	807
Bolivia	(74)	403	Turkey	32	589
Egypt	(68)	672	Sri Lanka	71	2,371
Oman	(53)	357	Ukraine	96	749
Ivory Coast	(53)	361	El Salvador	164	1,485
Jordan	(51)	422	Suriname	168	1,682
Pakistan	(50)	562	Lebanon	4,007	21,691
Ghana	(49)	942			
Paraguay	(46)	218			

The number of distressed issuers remains at 12, with the Maldives and the Republic of Congo hovering around 1000 bps.

Chart 18. 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	Sep-21	Oct-21	Nov-21	Dec-21
Chile	5.5	16.8	2.0	-	-	1.3
Indonesia	10.8	12.2	1.8	-	-	-
United Arab Emirates	20.8	10.9	3.0	3.9	-	-
Saudi Arabia	11.9	10.0	-	-	3.2	-
Turkey	8.7	10.0	2.3	-	-	-
Peru	7.0	10.0	-	4.0	1.1	-
Mexico	14.9	9.1	-	-	-	-
China	10.7	8.6	-	4.0	4.6	-
Romania	13.2	8.2	-	-	-	-
Egypt	5.8	6.8	3.0	-	-	-
Colombia	4.2	6.1	-	1.0	-	-
Philippines	6.4	6.0	-	-	-	-
Hungary	7.2	5.3	5.3	-	-	-
Oman	2.5	5.0	-	-	-	-
Panama	5.2	4.7	-	-	-	-
Nigeria	-	4.0	4.0	-	-	-
Bahrain	4.0	4.0	-	-	2.0	-
Pakistan	-	3.5	-	-	-	-
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	-	-	-	-
Russia	2.4	1.8	-	-	-	-
Ukraine	4.0	1.8	-	-	-	-
Benin	-	1.8	-	-	-	-
Malaysia	-	1.3	-	-	-	-
Côte d'Ivoire	1.2	1.1	-	-	-	-
Uruguay	0.5	1.0	-	-	-	0.4
Kenya	-	1.0	-	-	-	-
Mongolia	0.6	1.0	-	-	-	-
Guatemala	1.2	1.0	1.0	-	-	-
Senegal	-	0.9	-	-	-	-
Paraguay	1.5	0.9	-	-	-	-
North Macedonia	0.8	0.8	-	-	-	-
Cameroon	-	0.8	-	-	-	-
Gabon	1.0	0.8	-	-	0.8	-
Armenia	-	0.7	-	-	-	-
Albania	0.7	0.7	-	-	0.7	-
Uzbekistan	0.6	0.6	-	-	-	-

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

Issuer	2020	2021	Sep-21	Oct-21	Nov-21	Dec-21
China	120.6	93.7	8.0	3.7	5.6	1.9
Brazil	20.6	23.3	2.2	-	2.0	-
Mexico	19.9	17.1	1.7	1.2	-	1.5
India	12.9	14.0	1.7	-	-	1.0
Qatar	-	13.4	-	-	-	-
Russia	10.0	12.6	1.0	4.8	1.1	-
United Arab Emirates	6.2	10.6	-	-	-	-
Chile	8.3	10.0	3.7	2.0	0.5	-
Indonesia	7.4	8.8	-	1.4	0.4	-
Saudi Arabia	14.7	6.9	-	-	-	-
Malaysia	1.5	6.1	-	0.6	-	-
South Africa	1.5	5.2	0.8	0.7	1.2	-
Colombia	2.8	5.1	-	2.0	0.8	-
Peru	1.6	3.7	-	0.5	-	-
Poland	-	3.3	-	0.8	-	-
Philippines	2.3	3.2	1.0	0.6	0.3	-
Turkey	2.5	2.7	-	-	-	-
Ghana	0.7	2.7	-	0.4	-	-
Panama	2.0	1.9	-	-	-	-
Nigeria	1.3	1.7	-	-	1.0	-
Thailand	1.5	1.5	-	-	-	-
Morocco	-	1.5	-	-	-	-
Ukraine	3.9	1.4	-	-	0.8	-
Argentina	1.6	1.4	-	-	-	-
Hungary	-	1.2	-	-	0.6	-
Uzbekistan	-	1.0	-	-	0.7	-
Bahrain	-	0.9	-	-	-	-
Bulgaria	-	0.7	-	-	-	-
Guatemala	-	0.7	-	-	-	-
Kuwait	-	0.7	-	-	-	-