



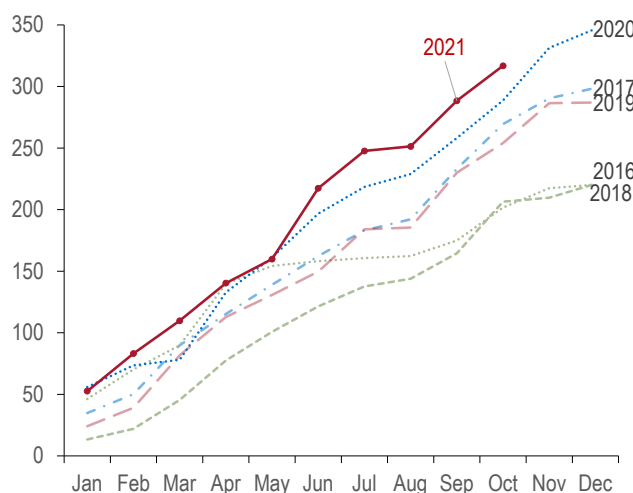
OCTOBER HIGHLIGHTS

- **Sovereign issuance slowed in October** to \$12.9 bn as issuers without immediate financing needs stayed away from choppy market conditions in late September and early October after AE yields moved higher. Year to date sovereign issuance stands at \$160 bn, the second highest pace behind last year (\$164 bn).
- **IG sovereign issuance** was close to \$12 bn, including the debut issuance by the federal government of UAE (\$4 bn), China \$(4 bn) and Peru \$(4 bn).
- **HY sovereign issuance** was very low with just Colombia (\$1 bn) coming to the market. Ghana reportedly pulled back from a planned October issuance after spreads widened nearly 200 bps in a month.
- **Corporate issuance** remained relatively strong at \$19.2 bn, down slightly from \$20.5 bn last month, led by Russia (\$4.8 bn) and Latin America (\$5.7 bn). At \$157 bn, YTD EM corporate issuance excluding China is comfortably on a record pace, well above the \$125 bn through the same period last period. Chinese corporate issuance had its worst month since December 2020 and is running nearly \$25 bn behind 2020. Chinese HY issuance fell to 16% of the total over the last 3 months, the lowest showing since June 2020.
- **Higher US rates and monetary policy uncertainty weigh on future supply.** Market expectations and CB communication on AE monetary policy have turned more hawkish recently. The heightened volatility in rates markets and poor performance of some HY issuers pose some risks to issuance in the next few months. More countries may choose to use SDRs for fiscal financing. Nevertheless, several sovereigns may bring new supply in 2021. According to press and analyst reports, potential issuers include China, Kenya (green bond), Angola, Brazil, Kuwait, Poland, Panama, and Pakistan.
- **Spreads were little changed in October** after frontier spreads had widened in September on idiosyncratic issues. Tunisia, Ethiopia, Honduras, and Ghana underperformed for the month among frontier markets.
- **EM bond fund flows turned sharply negative in late September to early October.** Hard currency bond flows stabilized and turned positive in the last week of October. Local currency bond fund returns have deteriorated, down over 7% YTD, alongside outflows in October.

October 2021 Overview

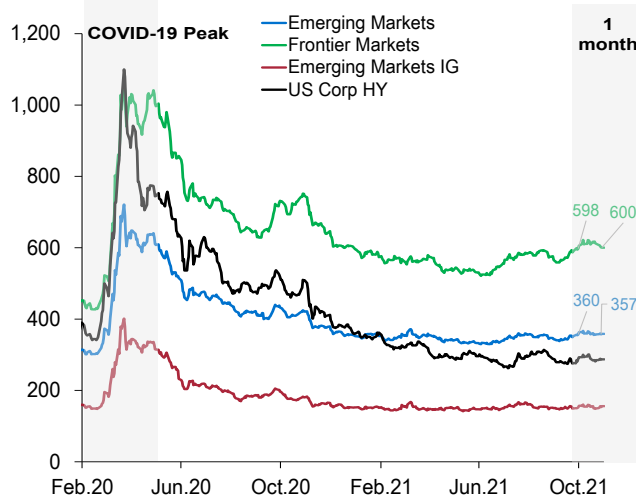
Hard currency issuance (ex. China corporates) is on a record pace at \$317 bn YTD, versus \$289 bn in 2020.

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



EM credit spreads were little changed in October despite some idiosyncratic issues.

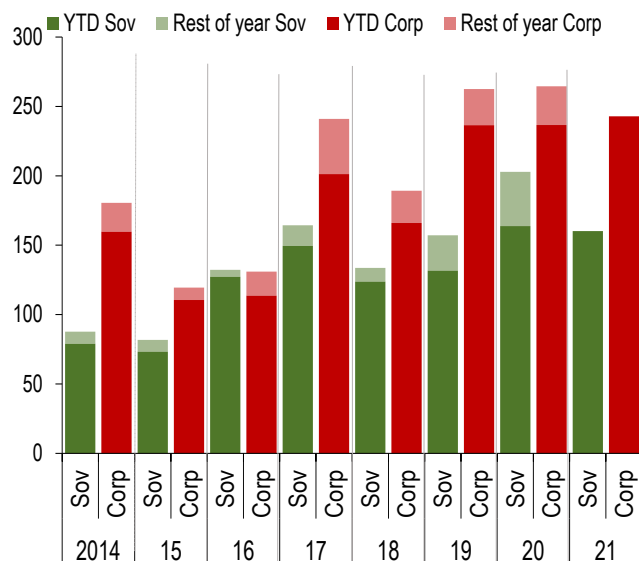
2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

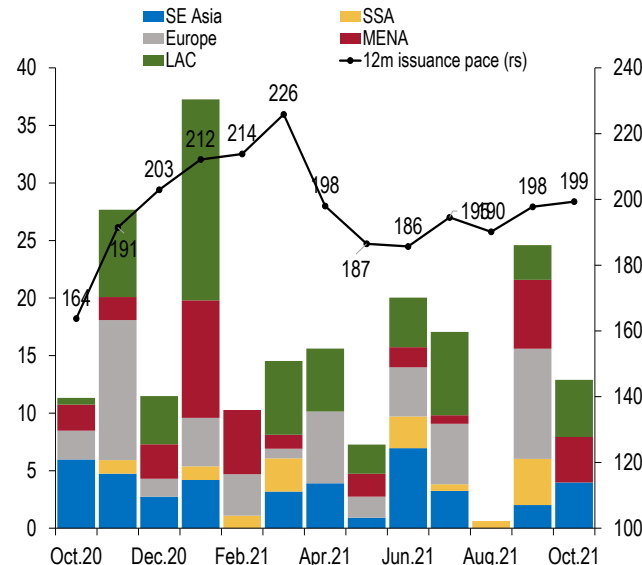
Corporate issuance is ahead of 2020's record year by \$5 bn, bolstered by non-China EMs, while sovereign issuance is \$4 bn behind last year's pace.

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



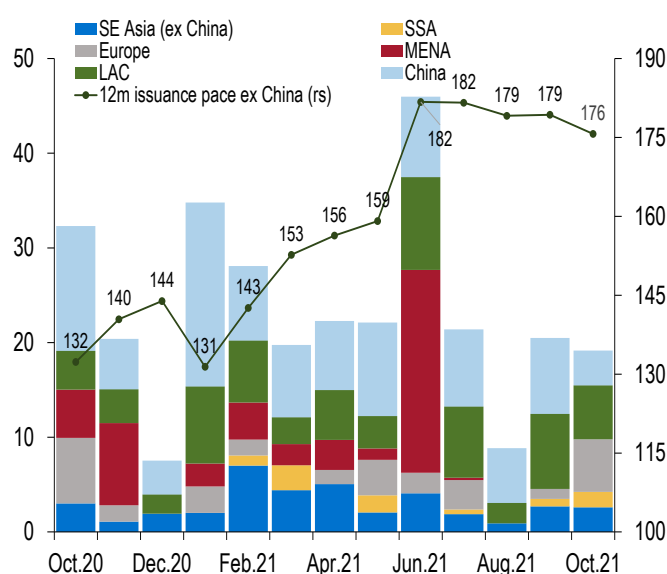
Sovereign issuance slowed to \$12.9, just below the seasonal October average (2017-20). China, Peru, and UAE issued each \$4bn, with Colombia adding \$1bn.

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



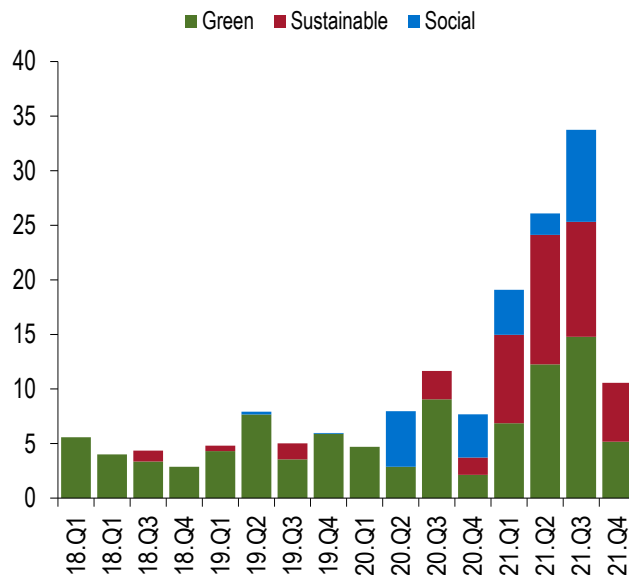
Corporate issuance was steady in October at \$19.2 bn, led by Europe (ex. Lukoil \$2.3 bn) and Latin America (ex. Ecopetrol \$2 bn). Chinese bond supply was dominated by investment grade issuers.

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



ESG issuance slowed in October but remained substantial at \$10.9 bn.

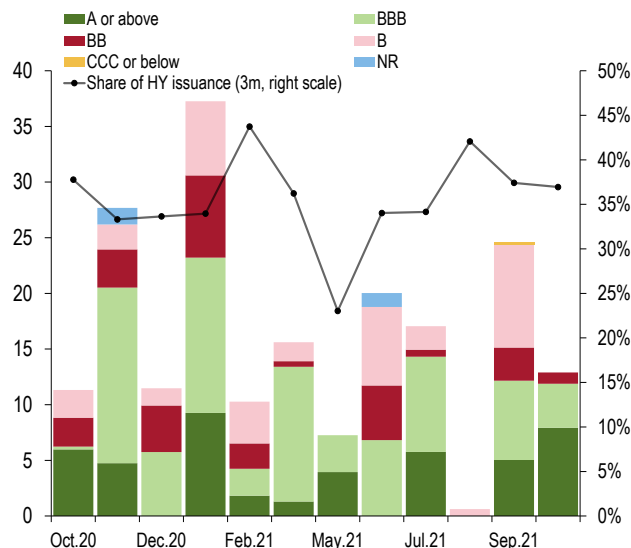
Chart 6. EM Quarterly ESG Issuance
(USD billions)



Issuance Detail by Rating

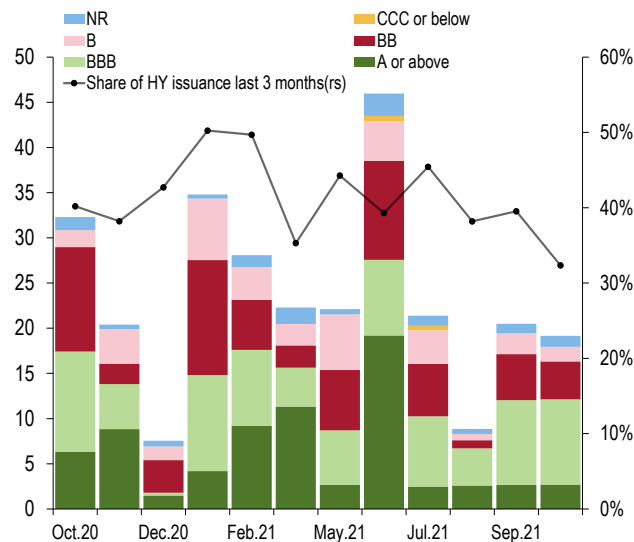
Sovereign issuance was dominated by the investment grade segment; 'A' rated UAE and China combined for nearly \$8 bn. Colombia (\$1 bn) was the only HY issuer.

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



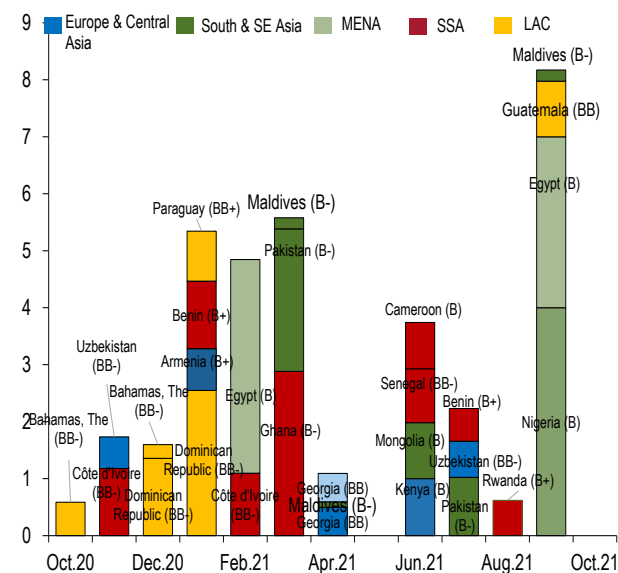
The share of HY corporate issuance declined to 32% over the last three months.

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



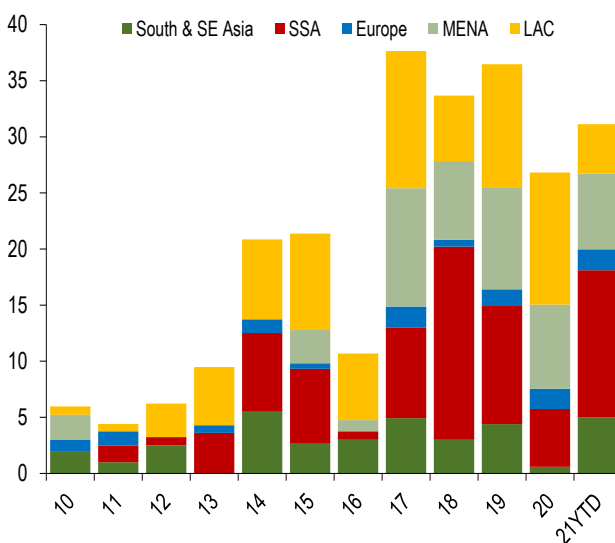
Frontiers did not issue in October.

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



YTD frontier issuance has already surpassed the 2020 total. SSA and Asia have increased supply significantly.

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



Flows: EM Debt Dedicated Funds

Fund flows turned negative in late September through early October, with some signs of stabilization in hard currency bonds more recently. YTD flows have stalled recently, and returns have deteriorated on the back of weaker FX and higher rates.

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

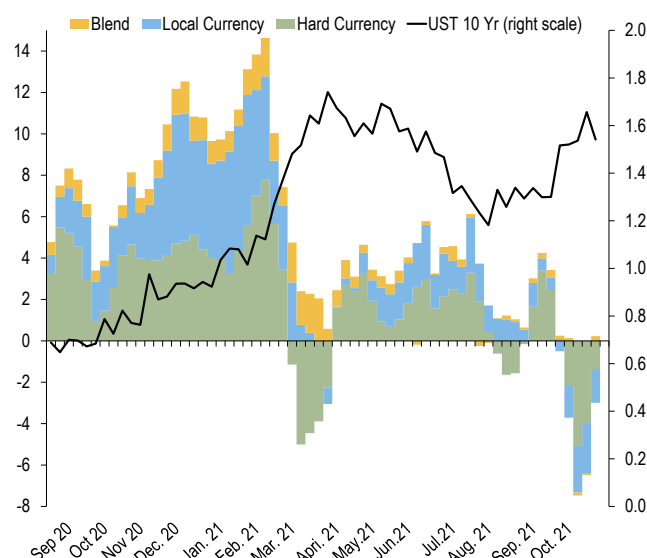
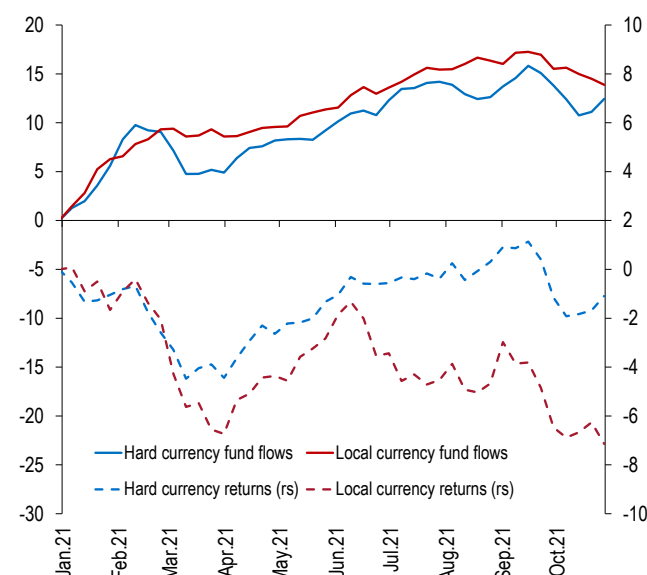


Chart 12. Weekly Fund Flows Year to Date and Returns (Jan 1, 2021 = 0; USD billions, left scale; percent, right scale)



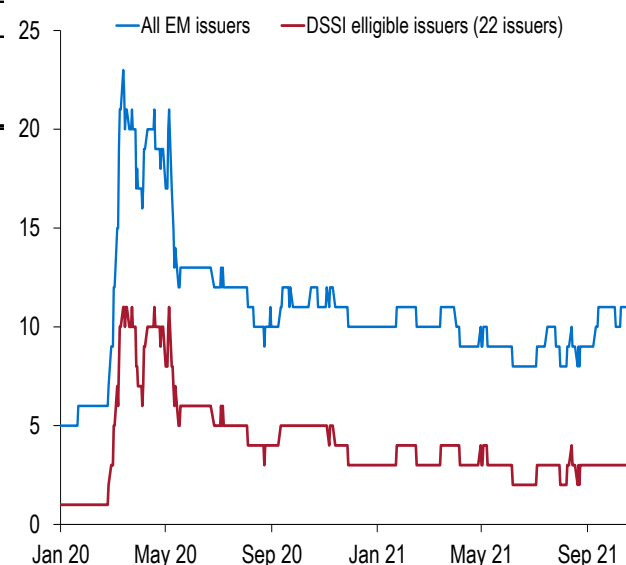
Spreads on Hard Currency Bonds

Tunisia, Ghana, and Tunisia underperformed recently, while Sri Lanka recovered a bit after its September sell off. The number of distressed issuers remained at 11, but has risen from 9 in early September as El Salvador and Tunisia joined the list last month.

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
Suriname	(278)	1,696	Kenya	30	500
Sri Lanka	(129)	1,754	Brazil	34	338
Iraq	(47)	535	Egypt	41	664
El Salvador	(45)	1,007	Angola	43	715
Belize	(41)	1,197	Honduras	54	391
Zambia	(36)	1,829	Argentina	87	1,694
Pakistan	(24)	559	Ghana	93	859
Oman	(21)	375	Tunisia	179	1,229
Gabon	(20)	438	Ethiopia	204	1,286
Azerbaijan	(12)	163	Lebanon	4,490	20,935
India	(11)	127			
Guatemala	(11)	259			
Bahrain	(9)	381			

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	Jul-21	Aug-21	Sep-21	Oct-21
Chile	5.5	15.5	5.8	-	2.0	-
Indonesia	10.8	12.2	2.2	-	1.8	-
United Arab Emirates	20.8	10.9	0.8	-	3.0	3.9
Turkey	8.7	10.0	-	-	2.3	-
Mexico	14.9	9.1	1.5	-	-	-
Peru	7.0	8.9	-	-	-	4.0
Romania	13.2	8.2	4.1	-	-	-
Saudi Arabia	11.9	6.8	-	-	-	-
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	-
China	10.7	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	-	-	-	-
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	-	-	-	-
Mongolia	0.6	1.0	-	-	-	-

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

Issuer	2020	2021	Jul-21	Aug-21	Sep-21	Oct-21
China	120.6	86.2	8.1	5.8	8.0	3.7
Brazil	20.6	21.3	3.1	-	2.2	-
Mexico	19.9	15.6	2.0	-	1.7	1.2
Qatar	-	13.4	-	-	-	-
India	12.9	13.0	1.4	0.9	1.7	-
Russia	10.0	11.5	1.0	-	1.0	4.8
United Arab Emirates	6.2	10.6	-	-	-	-
Chile	8.3	9.5	1.2	-	3.7	2.0
Indonesia	7.4	8.4	0.2	-	-	1.4
Saudi Arabia	14.7	6.9	0.2	-	-	-
Malaysia	1.5	6.1	-	-	-	0.6
Colombia	2.8	4.3	-	0.3	-	2.0
South Africa	1.5	4.0	0.5	-	0.8	0.7
Peru	1.6	3.7	0.9	-	-	0.5
Poland	-	3.3	-	-	-	0.8
Philippines	2.3	2.9	-	-	1.0	0.6
Turkey	2.5	2.7	0.7	-	-	-
Ghana	0.7	2.7	-	-	-	0.4
Panama	2.0	1.9	-	1.9	-	-
Thailand	1.5	1.5	0.3	-	-	-
Morocco	-	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	-	-	-