



Emerging and Frontier Markets Issuance Monitor

MONETARY AND CAPITAL MARKETS DEPARTMENT

Highlights:

September 2, 2020

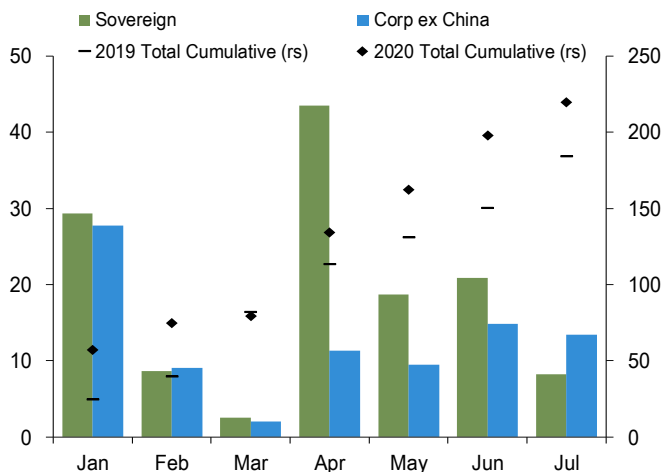
This is the first issue of the Emerging and Frontier Markets Issuance Monitor. It intends to give monthly updates on hard currency bond issuance across categories, credit spreads, and fund flows from EM dedicated bond funds.

- **Hard currency issuance:**
 - **YTD sovereign issuance** stands at \$137 bn and continues to be the highest on record during the same period. This was largely driven by record issuance volumes during April-June following the COVID-19 shock. Due to the summer lull, issuance decelerated to \$5 bn in August and \$8 bn in July from \$20 bn in June.
 - **YTD corporate issuance** stands at \$180 bn which is also the highest pace on record. Issuance was resilient in August at \$13 bn and \$29 bn in July, with more than half coming from Chinese issuers.
 - **Sovereign IG issuers** were only UAE (\$5 bn) in August and Indonesia (\$1 bn), Romania (\$3.3 bn), and UAE (\$1 bn) in July. HY issuers were Ukraine (\$2 bn) and El Salvador (\$1 bn) in July.
 - **HY sovereign issuers** have accounted for just 26% of total sovereign issuance in 2020 compared to 44% in 2019. The share of HY issuers increased since May and the 3m rolling share reached 43% in July.
 - **Analysts expect a strong pickup in issuance in September**, especially among high grade. Potential issuers in the near term (based on analyst reports or news articles) include Bahrain, Brazil, Colombia, Costa Rica, Dubai, Dominican Republic, Kenya, Mexico, Morocco, Oman, Peru, and Saudi Arabia. No Sub-Saharan country has issued since February.
- **Credit spreads:** Sovereign spreads have tightened by 52 bps (EM) and 90 bps (frontiers) since June but remain about 125 and 220 bps wider than their mid-January levels respectively. The number of distressed issuers—spreads above 1000 bps—have declined to 10 now, down from the crisis peak of 23.
- **Bond Fund flows:** Inflows slowed in August to \$4.8 bn after a strong pickup in July (\$10.6 bn). Flows continue to go primarily to hard currency funds. Year-to-date local currency flows remain almost near their bottom at -\$25.3 bn, while hard currency flows are only down about \$2.6 bn after declining by as much as \$16.7 bn (see [July EM Capital Flows Monitor](#))

July/August Overview

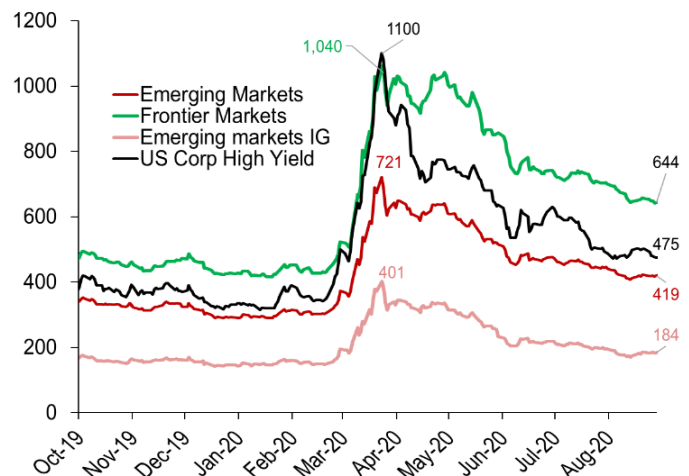
July/August issuance slowed for corporates and sovereigns, but remains at historical YTD highs.

Chart 1. Sovereign and Corporate Eurobond Issuance (USD billions, excluding China)



Emerging market credit spreads have tightened by 52 bps since June, but remain above pre COVID levels.

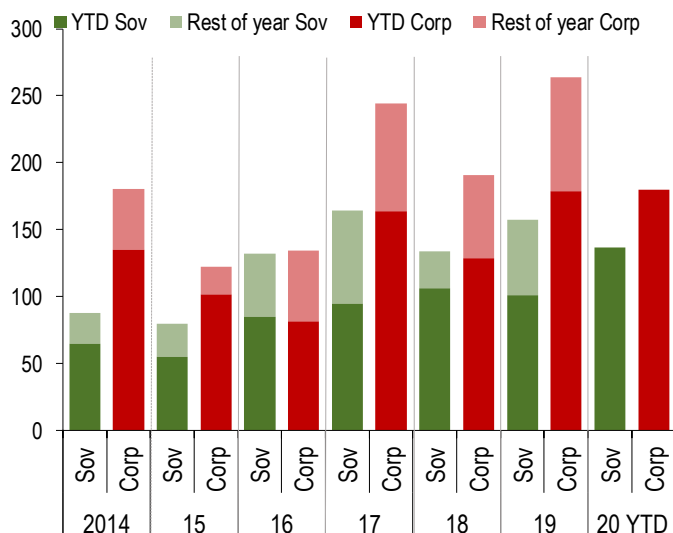
Chart 2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Corporates and Sovereigns

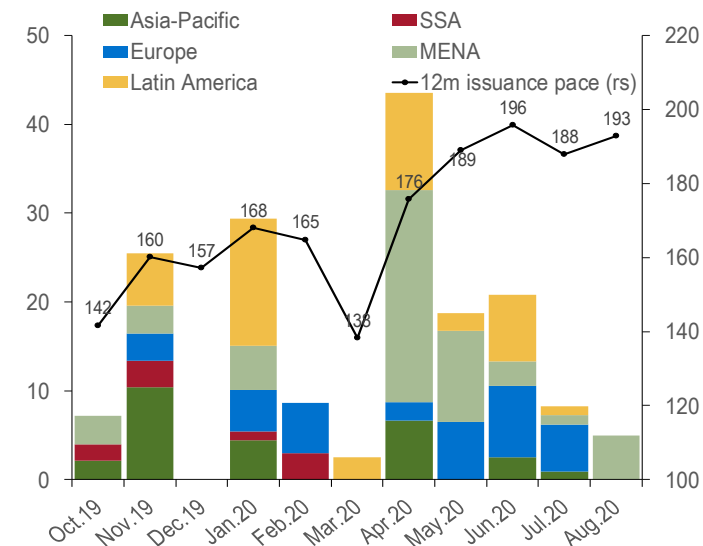
2020 issuance is at a record pace despite the COVID-19 disruption.

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



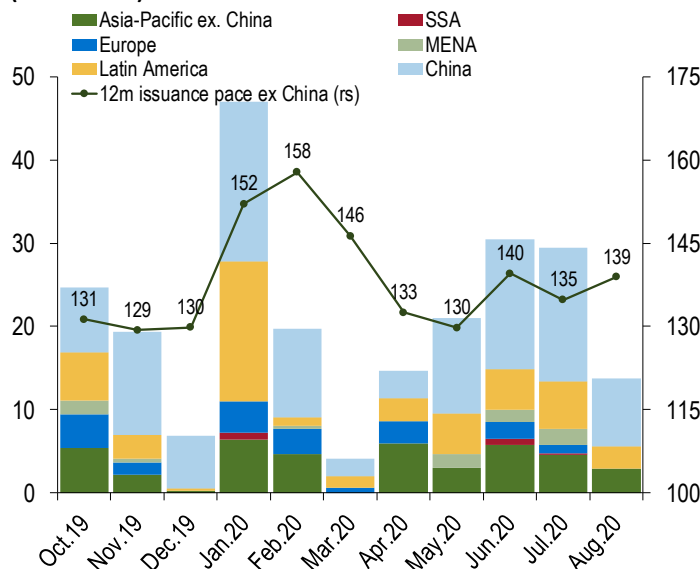
Monthly sovereign issuance slipped lower in July/August (inline with an expected summer lull) after a record 3 month stretch in April-June.

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



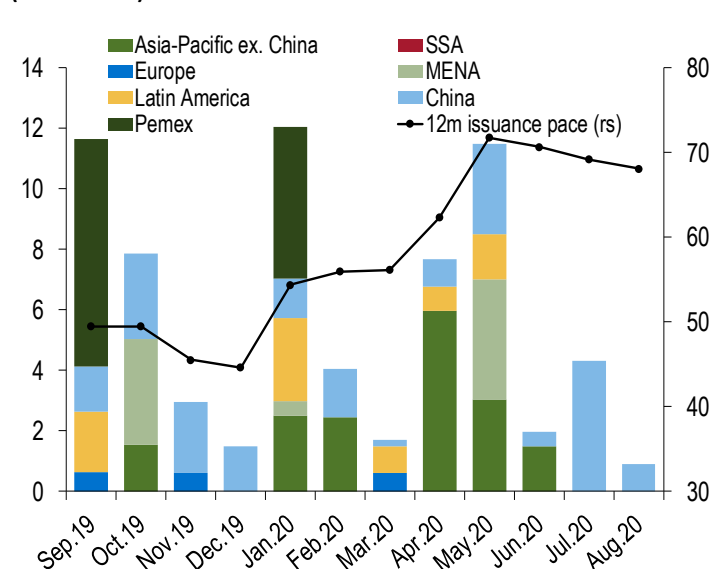
Corporate issuance has remained strong driven by China. LatAm issuance has picked up over the summer.

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



SOE issuance has been sluggish the last few months outside of China.

Chart 6. SOE Hard Currency Issuance by Region (USD billions)

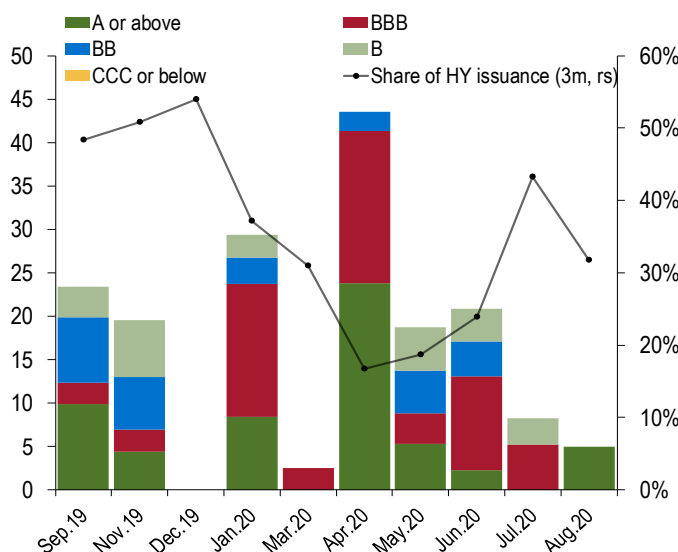


Notes: MENA includes Central Asia. Latin America includes the Caribbean; SSA = Sub Saharan African Region.

Issuance Detail by Rating

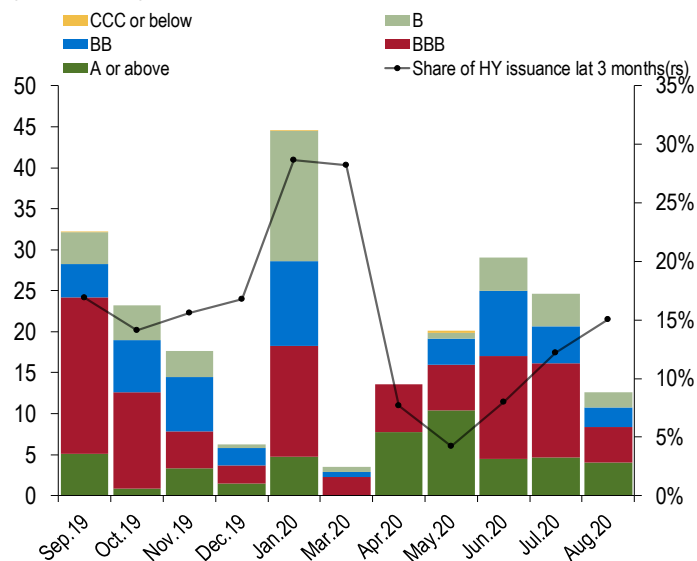
High yield sovereign issuers have gradually regained market access since May ...

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



... while corporate issuance remains skewed towards IG issuers, though high yield has improved recently.

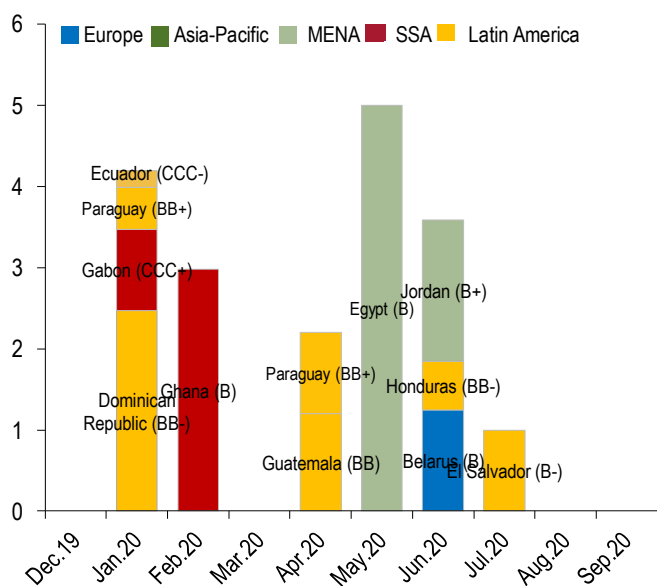
Chart 8. Corporate Hard Currency (ex China) Issuance by Rating (USD billions)



Issuance Detail for Frontier Economies

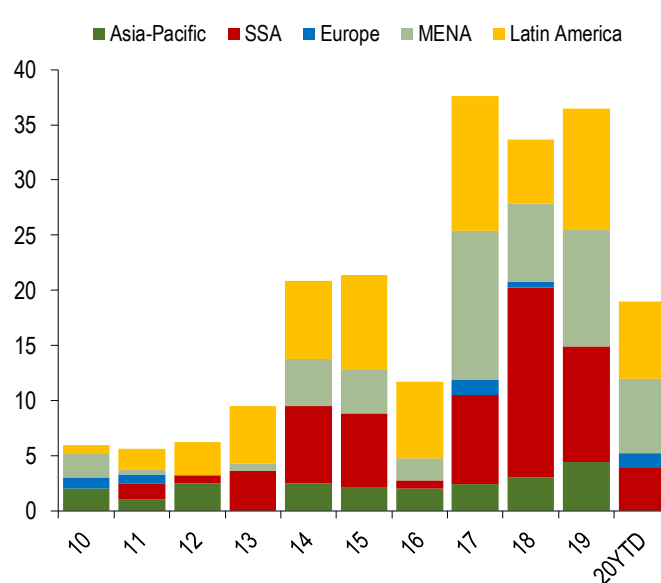
Frontier supply slowed in July/Aug after a recovery in May and June, with El Salvador the only issuer.

Chart 9. Sovereign Issuance by Rating (USD billions)



Frontier markets have issued almost \$20bn this year, led by MCD and WHD regions. SSA is notably lagging post COVID-19.

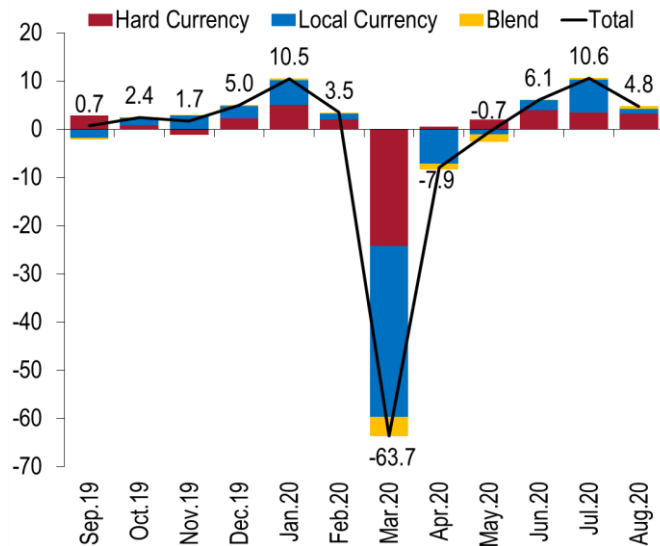
Chart 10. Pace of Sovereign Issuance by Region (USD billions)



Flows: EM Debt Dedicated Funds

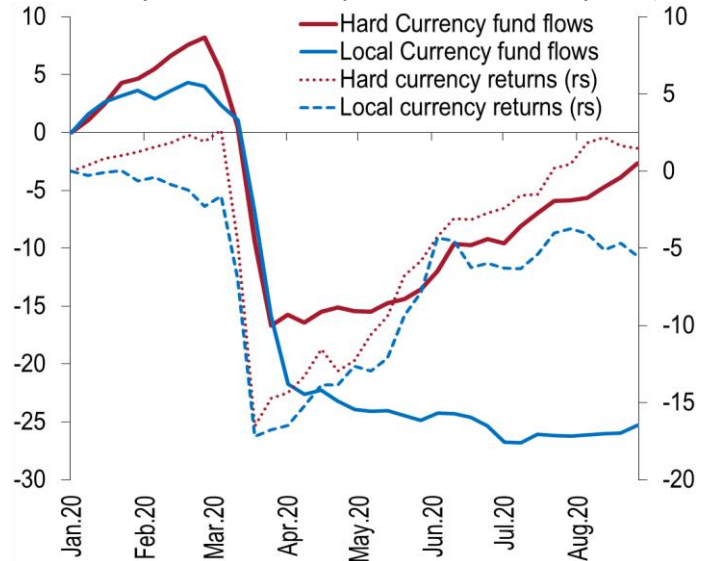
Debt fund inflows have continued for a third month in a row.

Chart 11. Monthly Bond Fund Flows Over the Last Year
(USD billions)



Despite a bounce back in returns, local currency flows are lagging while hard currency are close to flat.

Chart 12. Weekly Fund Flows Year to Date and Returns
(USD billions, left scale; percent, right scale; Note: charts are based on the weekly data, and less comprehensive than monthly flows)



Spreads on Hard Currency Bonds

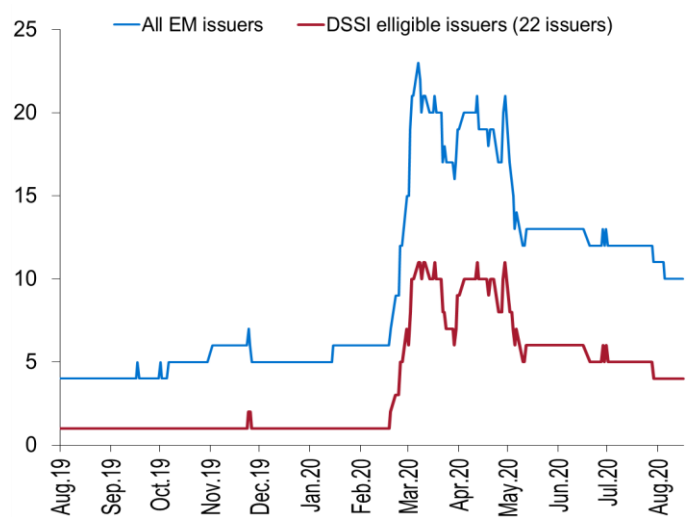
Lebanon, Zambia and Republic of Congo saw the highest increase in spreads; while Sri Lanka, Argentina and Pakistan saw the greatest decline.

Chart 13. Major Laggards and Gainers Last Month on Credit spreads
(Basis points; change in the last one month)

Top-10 Laggards			Top-10 Gainers		
Country	Change in Spreads	Latest Spread	Country	Change in Spreads	Latest Spread
Lebanon	569	8,562	Sri Lanka	(244)	962
Zambia	271	2,842	Argentina	(119)	2,150
Congo	84	1,292	Pakistan	(115)	517
Ecuador	58	2,813	Grenada	(111)	937
Belarus	58	685	Mongolia	(84)	410
Tajikistan	16	974	Rwanda	(82)	527
Bolivia	2	577	Ethiopia	(76)	575
Maldives	(5)	2,536	Fiji	(73)	636
Mozambique	(9)	878	Suriname	(72)	2,155
Uzbekistan	(9)	276	Nigeria	(71)	671

The number of distressed issuers has more than halved to 10 countries since March but remains high.

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	2019	2020YTD	May-20	Jun-20	Jul-20	Aug-20
United Arab Emirates	11.6	17.1	3.2	1.0	1.0	5.0
Saudi Arabia	13.3	11.9	-	-	-	-
Mexico	6.0	11.7	-	-	-	-
Indonesia	5.7	10.8	-	2.5	0.9	-
Romania	5.8	10.2	3.6	-	3.3	-
Qatar	12.0	10.0	-	-	-	-
Chile	1.8	5.5	2.0	-	-	-
Egypt	8.2	5.0	5.0	-	-	-
Colombia	2.0	4.2	-	2.5	-	-
Turkey	11.2	4.0	-	-	-	-
Poland	2.3	3.9	-	2.2	-	-
Hungary	-	3.7	-	1.6	-	-
Philippines	2.3	3.7	-	-	-	-
Brazil	4.4	3.5	-	3.5	-	-
Ukraine	1.5	3.4	-	-	2.0	-
Peru	0.8	3.0	-	-	-	-
Ghana	3.0	3.0	-	-	-	-
Panama	4.4	2.5	-	-	-	-
Dominican Republic	1.5	2.5	-	-	-	-
Croatia	1.7	2.2	-	2.2	-	-
Serbia	1.7	2.1	2.1	-	-	-
Bahrain	2.0	2.0	2.0	-	-	-
Jordan	-	1.8	-	1.8	-	-
Paraguay	0.5	1.5	-	-	-	-
Belarus	-	1.2	-	1.2	-	-
Guatemala	1.2	1.2	-	-	-	-
Gabon	-	1.0	-	-	-	-
El Salvador	1.1	1.0	-	-	1.0	-
North Macedonia	-	0.8	0.8	-	-	-
Albania	-	0.7	-	0.7	-	-

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

Issuer	2019	2020YTD	May-20	Jun-20	Jul-20	Aug-20
China	134.0	86.6	11.5	15.6	16.0	8.2
Mexico	19.9	14.5	1.0	2.2	1.3	0.7
Brazil	20.6	11.1	3.2	1.0	2.7	-
Indonesia	7.4	9.9	3.0	1.5	-	-
Russia	10.0	8.5	-	2.0	-	-
Malaysia	1.5	7.5	-	-	-	1.5
Chile	8.3	7.0	-	1.2	-	0.5
India	12.9	6.4	-	0.5	0.8	1.4
Philippines	2.3	6.3	-	1.6	3.1	-
Colombia	2.8	4.2	0.4	-	1.6	0.1
Thailand	1.5	2.8	-	1.8	0.7	-
Serbia	1.2	2.1	-	-	-	-
Romania	1.3	1.9	-	-	1.0	-
Kuwait	-	1.6	1.6	-	-	-
United Arab Emirates	6.2	1.5	-	1.5	-	-
Panama	2.0	1.4	-	-	-	1.4
Kazakhstan	-	1.2	-	-	1.2	-
Zambia	-	0.8	-	-	-	-
Paraguay	1.1	0.8	-	0.5	-	-
Tanzania	-	0.7	-	0.7	-	-
Ukraine	3.9	0.5	-	-	-	-
Jordan	-	0.5	-	-	0.5	-
Saudi Arabia	14.7	0.4	-	-	-	-
Peru	1.6	0.3	-	-	-	-
Cambodia	-	0.3	-	0.3	-	-
Argentina	1.6	0.3	0.3	-	-	-
Georgia	0.2	0.3	-	-	0.3	-
Jamaica	0.6	0.2	-	-	-	-
Guatemala	-	0.2	-	-	0.2	-
Nigeria	1.3	0.2	-	-	0.2	-

Annex: Selected Issuance Pipeline

Annex Table 3. Sovereign Issuance Pipeline

Sovereign Issuers		
Region	Country	Detail
MCD	UAE	Dubai hired banks to sell benchmark USD 10Y sukuk, 30Y bond
MCD	Uzbekistan	Plans international debt sale this year
MCD	Bahrain	Sent request for proposals to banks for dollar securities
AFR	Zimbabwe	May try to sell international bond to settle land dispute
EUR	Hungary	Samurai Bond Deal Expected to Launch in Near Future

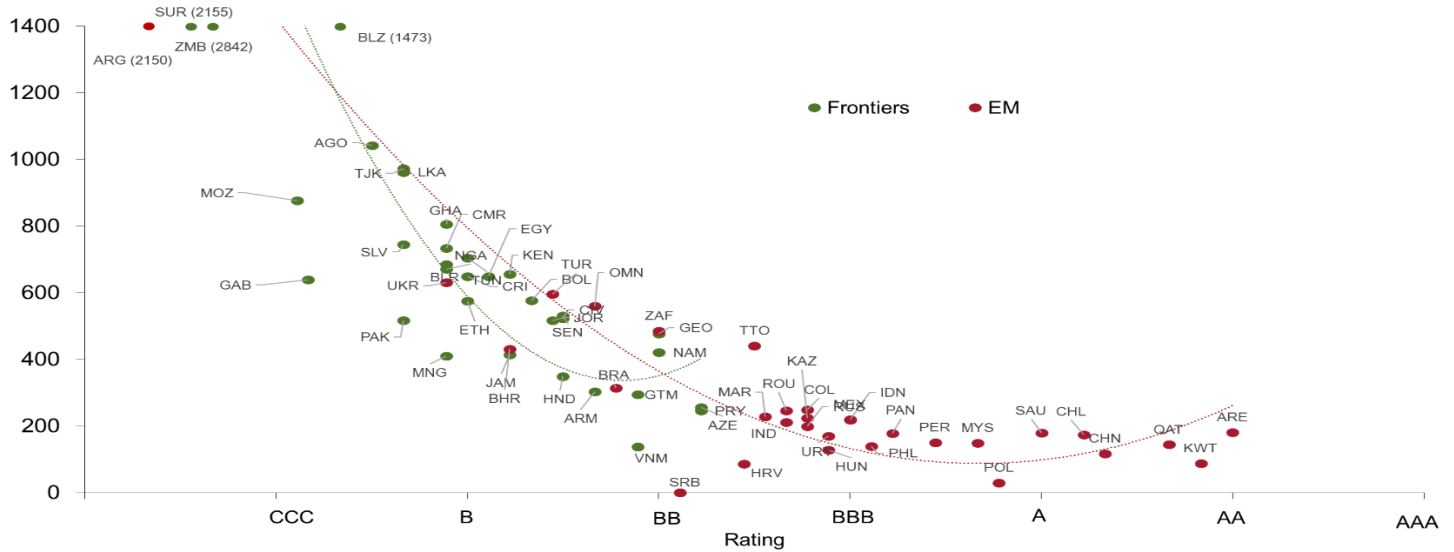
Annex Table 4. Corporate Issuance Pipeline

Corporate Issuers		
Region	Country	Detail
APD	South Korea	Export-Import Bank of Korea plans possible USD bond sale
APD	Singapore	ICBC Singapore sets guidance for USD 3Y, 5Y bonds
APD	Indonesia	Indonesia Infrastructure Finance may sell debut USD bond in 4Q
APD	Indonesia	Bank Rakyat Indonesia to raise \$1b from global bond offering in 3Q
APD	Indonesia	Kereta Api Indonesia asks banks for proposals for up to \$500m dollar bond
APD	China	Beijing Infrastructure USD bond roadshow from Sept. 1
WHD	Argentina	Telecom Argentina to issue \$389m in new notes after bond swap
WHD	Peru	Banco BBVA Peru plans to sell up to \$600m in overseas bonds
MCD	Turkey	Türkiye Sınai Kalkınma Bankası, or TSKB, applies to sell up to \$750m bonds abroad
MCD	Turkey	Turkey's Ulker applies to sell up to \$750m debt abroad
MCD	Abu Dhabi	First Abu Dhabi Bank plans to issue \$750 million in bonds as soon as September

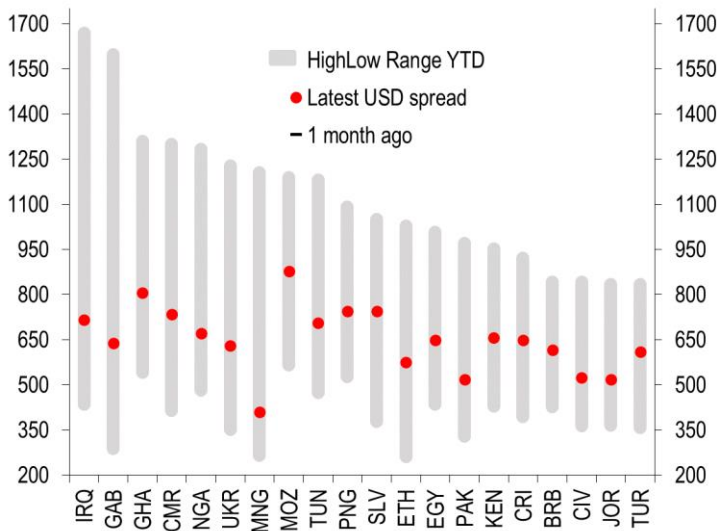
Notes: Pipeline is updated from Bloomberg stories. Potential upcoming sovereign issuers that are mentioned in the introduction also consider investment bank analyst reports.

Annex: Hard Currency Spreads

**Annex Chart 1. Hard Currency Bond Spreads vs Average Ratings
(Basis points)**



**Annex Chart 2. Frontier Market Spreads
(Basis points)**



**Annex Chart 3. Monthly Change in Regional Spreads
(Basis points, 1 month change)**

