



GLOBAL MARKETS ANALYSIS

Monetary and Capital Markets

EM LOCAL CURRENCY BOND HOLDINGS MONITOR

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SUMMARY

High frequency data* indicates outflow pressures on local currency bonds eased in early December, after a challenging November (Figure 1). Flows to Indonesia and Thailand rebounded following outflows in prior weeks. Most major EM ex-China saw outflows in November (Figure 3), particularly across Asia. Elsewhere, Mexico and Colombia posted consecutive months of outflows, while outflows in Hungary and South Africa were modest. Türkiye posted its eight consecutive months of positive flows.

Notably, the cumulative outflow for major EM ex-China is tracking at \$4.8 billion in November. This is on course to be the largest monthly outflow since July 2022, as markets digest the possible implications from the incoming US administration. In contrast, **October saw mixed flows**, with Malaysia experiencing its largest monthly outflow since March 2020, while Brazil recorded its third consecutive month of inflows and its largest since June.

- **LATAM: Flows were mixed in the region.** In October, Brazil posted strong inflows (+\$5.2 billion), continuing a trend seen for most of the year partly due to its attractive local yields. Inflows also continue to trickle in for Peru (+\$0.1 billion). In contrast, Mexico experienced its largest monthly outflows (-\$3.6 billion) since April 2020, but pressures appear to have since eased. Colombia also faced outflows (-\$0.1 billion) and is poised to post its longest streak of outflows since mid-2023.
- **Asia: Sentiment dampened through November.** Low-yielders Malaysia (-\$2.6 billion) and Thailand (-\$1.0 billion) led outflows. Indonesia's October inflows (+\$1.0 billion) also appear to have reverted to outflows in November. In India, foreign investors also reduced their holdings in October (Figure 8), before returning in recent weeks. Meanwhile, Chinese outflows continued (-\$13.1 billion) and remain sizeable (the second largest monthly outflows since June 2022) although moderated from the record outflows in September.
- **CEEMEA: Flows remain mixed with sporadic but small movements observed in October.** Hungary initially saw a reprieve in flows but returned to outflows in November. Poland experienced another month of fluctuating flows, posting outflows after a strong September. In contrast, Türkiye has demonstrated resilience, with inflows persisting through November despite a challenging macro environment. However, inflows to South Africa in October reversed in November but similar to peers, outflow pressures appear to have eased in early December.

Investor Composition (Figure 4): Despite a volatile year that saw a broad appreciation of the US Dollar, non-resident flows to EMs continue to rise (Figure 6). Türkiye, Egypt, Brazil, Peru, India have seen increased non-resident participation, easing pressure on domestic banks and NBFIs. Among countries where non-resident participation declined, both domestic banks and NBFIs increased their presence in Colombia, while domestic banks have stepped-up in Poland, Romania, and Thailand. Meanwhile, domestic NBFIs participation increased in Mexico and South Africa.

Figure 1. Weekly Local Currency (LC) Non-resident Flows (USD billion)

	1-Nov	8-Nov	15-Nov	22-Nov	29-Nov	6-Dec	13-Dec
MEX	0.6	1.0	-1.0	-0.7	0.3	0.1	
ZAF	-0.2	-0.3	0.1	-0.1	-0.7	0.8	0.0
HUN	0.5	-0.8	0.1	0.1	-1.1	0.0	0.2
UKR	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TUR	0.6	0.1	1.6	-0.8	0.6	-0.1	
IDN	-0.4	-0.3	0.1	-0.3	-0.1	0.1	0.6
IND	0.4	-0.4	-0.6	-0.4	0.8	1.5	-0.2
THA	-0.1	-0.7	-0.2	0.0	0.2	0.2	-0.2

Figure 2. Flow Dispersion and Returns (percent share, left scale; percent, right scale)

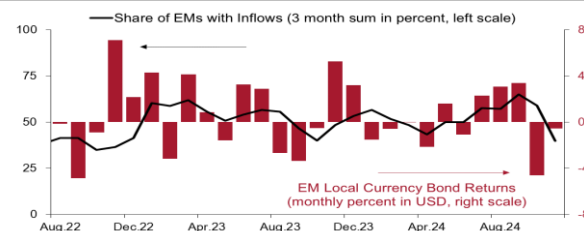


Figure 3. Local Currency Government Non-resident Debt Flows (USD billion; latest month is month to date)

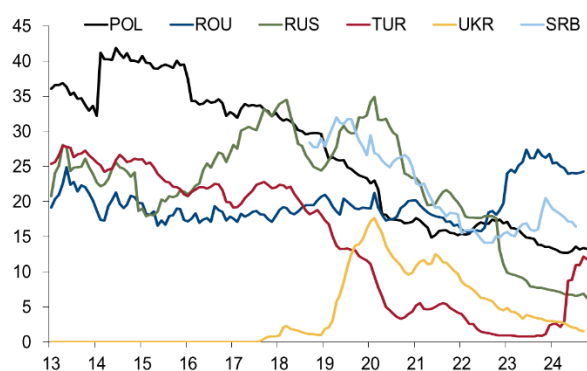
	Nov.23	Dec.23	Jan.24	Feb.24	Mar.24	Apr.24	May.24	Jun.24	Jul.24	Aug.24	Sep.24	Oct.24	Nov.24	Dec.24 mtd	2024YTD	2023	2022
BRA	0.1	-2.0	3.8	1.2	5.4	-3.2	3.3	5.5	-1.3	1.9	2.6	5.2			24.5	11.9	-7.2
MEX	1.0	4.9	-1.2	-3.2	4.0	-0.6	0.6	0.6	-2.2	1.9	2.9	-3.6	-1.7	0.1	-2.5	5.0	3.9
PER	0.0	0.0	0.0	-0.1	0.0	0.8	0.1	-0.9	1.1	0.7	0.9	0.1			2.7	-0.3	-1.9
COL	0.4	-0.4	-0.6	0.1	0.7	0.3	0.3	0.0	-0.4	0.5	-0.7	-0.1	-0.6		-0.6	-2.5	4.8
HUN	-0.1	-3.3	3.1	1.4	-2.7	1.0	0.8	-2.1	0.7	-0.5	-1.6	0.7	-1.6	0.0	-0.9	1.7	2.8
POL	-0.2	0.7	0.0	0.3	-0.3	-0.3	0.4	1.2	2.1	-0.5	1.5	-0.3			4.1	-3.2	4.9
TUR	0.3	1.3	0.3	0.1	-0.4	0.9	6.6	0.7	3.0	1.6	1.9	0.2	2.2		17.1	2.0	-2.2
ROU	0.1	0.8	-0.4	0.5	0.1	-0.3	0.0	0.2	0.7	0.4	0.5				1.6	7.4	2.4
SRB	0.0	0.1	0.2	0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1			0.1	0.0	-0.4
UKR	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0		-0.5	-0.4	-1.1
ZAF	1.7	-1.6	0.3	0.0	0.0	0.3	1.8	-0.5	0.7	-0.2	1.3	0.5	-1.2	0.6	3.7	2.9	0.3
EGY	0.4	0.1	1.0	-0.1	24.7	3.2	1.6	-0.1							30.3	6.6	-8.3
GHA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				-0.1	-0.1	-1.8
MYS	1.3	-0.5	-0.8	-0.3	0.4	0.2	0.9	-0.1	1.4	1.8	0.1	-2.6	-0.1		0.8	5.9	-1.9
IND	1.7	2.4	2.5	2.4	2.2	-1.9	1.0	2.1	2.6	2.8	2.3				16.1	8.4	-2.0
IDN	1.5	0.5	0.0	-0.3	-1.7	-1.3	1.1	0.1	0.3	2.5	1.2	1.0	-0.8		2.0	5.4	-9.0
THA	0.5	-0.3	-0.1	-0.4	-0.3	-0.7	0.5	-0.3	0.8	0.8	0.1	-1.0	-0.9	0.3	-1.1	0.3	6.2
CHN	22.9	16.8	11.2	-2.3	-11.7	1.5	10.8	-0.8	3.5	4.8	-17.8	-13.1			-13.7	5.8	-20.5
EM ex. CHN	8.7	2.7	8.0	1.6	32.1	-1.6	18.8	6.2	9.4	13.7	13.0	0.0	-4.8	1.0	97.3	51.1	-10.3

Figure 4. Local Currency Government Debt Holdings: Investor Composition

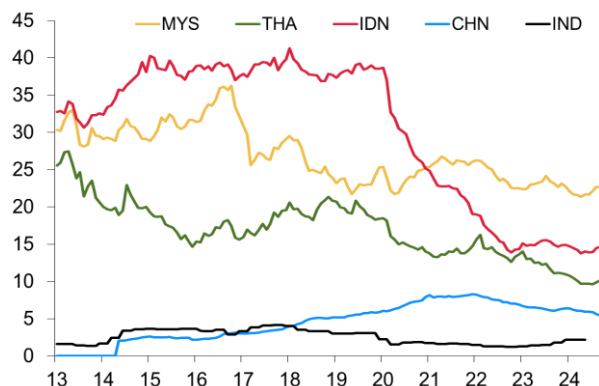
	Foreign Holdings (US blns)	Foreign Share (percent)	Change since Dec. 2023 (ppt)	Change since Dec. 2022 (ppt)	Domestic Bank Share (percent)	Change since Dec. 2023 (ppt)	Change since Dec. 2022 (ppt)	Domestic NBF Share (percent)	Change since Dec. 2023 (ppt)	Change since Dec. 2022 (ppt)
BRA	126	11	1.3	1.4	29	-1.1	-0.5	50	-0.4	-0.7
MEX	85	13	-2.7	-4.0	9	-1.2	-2.9	51	1.4	4.3
COL	24	18	-3.5	-8.1	15	2.4	1.0	46	4.4	11.4
PER	17	41	4.2	-0.6	29	1.6	4.9	7	-8.3	-7.5
POL	37	13	-0.3	-3.6	45	1.6	3.9	14	0.0	0.3
TUR	18	13	10.5	12.0	62	-13.5	-10.8	13	4.2	3.1
ROU	20	24	-2.4	4.6	41	3.3	-2.5	24	-0.6	-0.3
GEO	0.1	2	-0.5	-2.1	68	12.1	11.4	12	0.6	3.7
CHN	451	5	-0.9	-1.7	62	-1.5	0.2	23	0.3	-0.4
IDN	56	15	-0.4	0.2	19	-7.6	-13.1	22	0.5	2.9
MYS	58	21	-1.3	-1.0	30	-2.3	-1.6	36	-0.2	1.9
THA	26	10	-1.3	-4.0	27	2.3	4.0	6	-0.2	-0.7
IND	28	2	0.4	0.9	40	-0.8	0.8	36	-0.3	0.0
ZAF	53	24	-1.1	-1.4	20	0.1	-1.5	54	1.8	3.7
EGY	37	50	35.2	38.1	43	2.3	0.0	18	-0.4	0.0

Figure 5. Regional Look: Non-resident Share of Domestic Government Debt

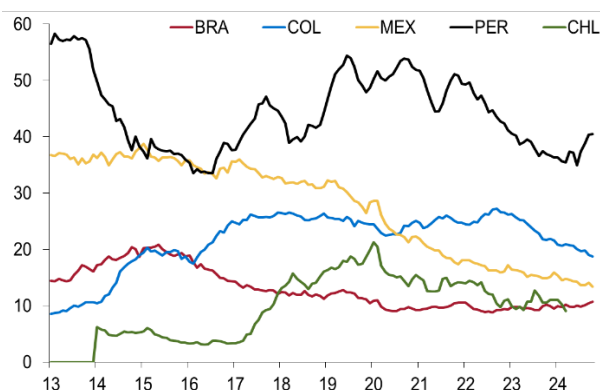
a. Eastern Europe (percent share)



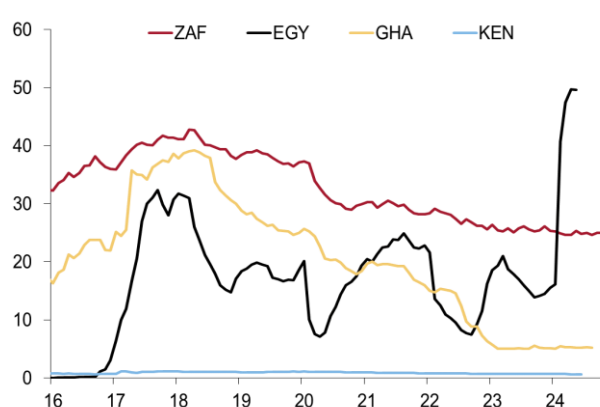
b. Asia (percent share)



c. Latin America (percent share)



d. Africa (percent share)



Notes: China data includes government and policy bank bonds. Egypt refers only to Treasury bills. In Figure 4, the 'latest' figures may refer to different months for each country and are the latest available. Due to lagged releases, data on flows and holdings may be slightly inconsistent for some countries. Data on NBFIs refers to insurance, pension (including public), and investment funds where specifically available, but exact categorization may differ across countries. South Africa includes 'other financial institutions' alongside pension funds and insurance for NBFIs.

Figure 6. Cumulative Non-resident Flows into Local Currency Govt. Bonds Since 2009 (USD billion)

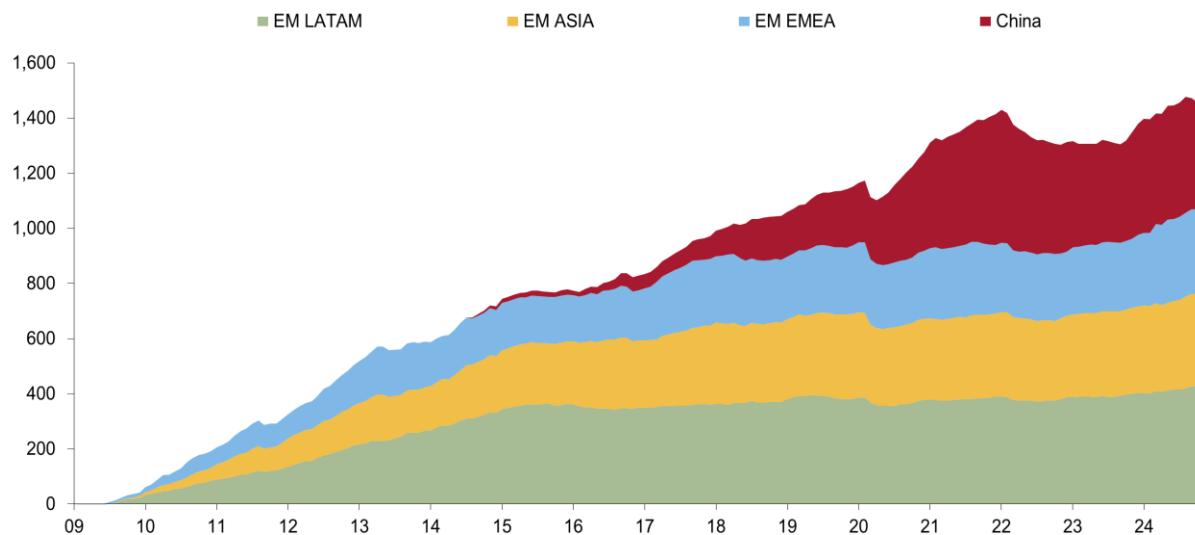


Figure 7. Non-resident Flows into onshore China Local Currency Bonds, by Sector (USD billions)

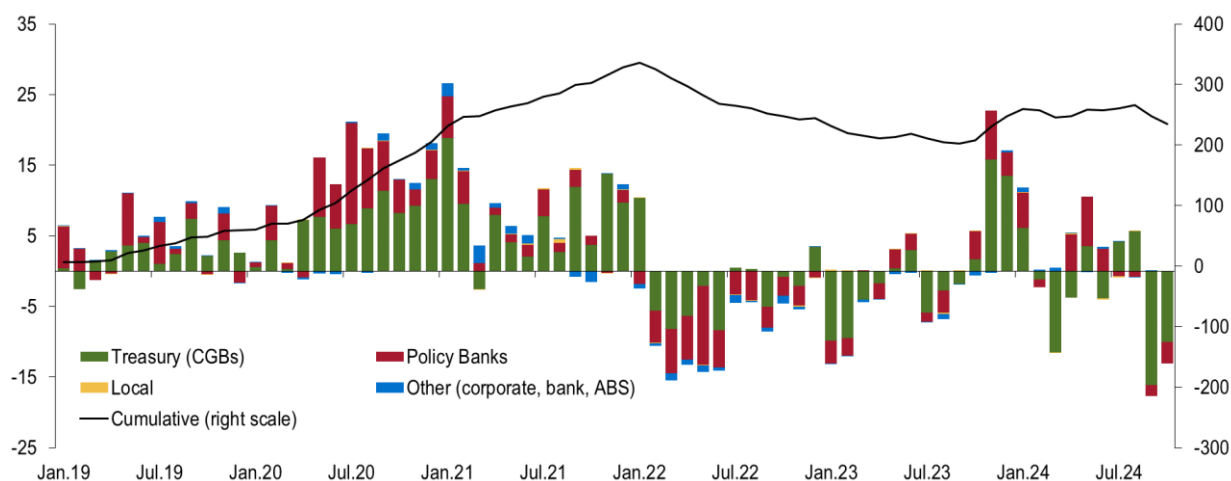


Figure 8. Non-resident Flows into India, Index Eligible Bonds, Fully Accessible Route (USD billions)

