



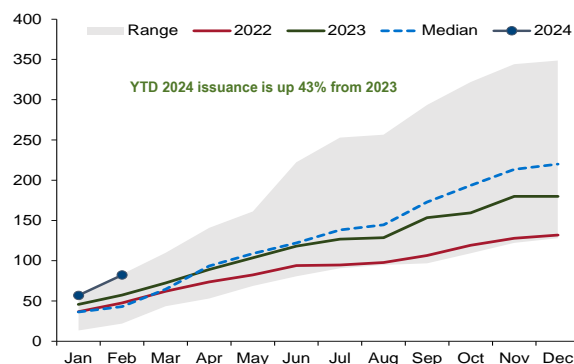
## FEBRUARY HIGHLIGHTS:

- **While total issuance dipped significantly in February (\$25.7bn) from the record set in January (\$58.4 bn), it still represented a strong month compared to the prior two Februaries.** The month was especially notable for the return to markets of several frontier issuers, with Paraguay, Benin, and Kenya issuing international bonds. Spreads on sovereign bonds tightened further, with the spread on JP Morgan's EMBIG declining to its lowest level in 2.5 years.
- **While sovereign issuance (\$16.2 bn) was less than half of January's record total, it still represented the strongest February for sovereigns since at least 2010.** While eight different sovereigns came to market, nearly half of the total was from just two issuers – Romania and Panama. As such, investment-grade issuance continues to represent the bulk of the total. Nonetheless, the month was notable for several high-yield (HY) issuers. At \$7.1 bn, it was the largest amount of bonds issued by sovereigns rated single B or below since at least 2019. Türkiye's sovereign wealth fund issued its first hard currency bond (\$0.5bn). The demand for 5-year bond was very strong at auction (\$7bn in bids) and traded above issue price following its issuance in February.
- **Following Cote D'Ivoire's issuance in January, the market opened further for frontier issuance in February, with three sovereigns coming to market.** However, it should be noted that despite the positive sign of increased issuance, these countries are paying much higher yields than they had in the recent past. Notably Kenya's recent issuance was priced at a yield greater than 10%. According to JP Morgan analysts, issuance at such high levels has been rare in the past decade, with only six sovereigns issuing at such levels. However, in the decade from 1995-2004, when treasury yields were much higher, it was not unusual to see emerging market sovereigns issue at or above 10%. During that period, 18 different sovereigns issued a total of 120 bonds at those rates. While not a significant number of sovereigns are in the immediate pipeline to issue, the size of amortizations coming due in March would indicate that issuance should continue to be strong assuming market conditions remain favorable. Currently, there are reports that Croatia, Abu Dhabi, and Thailand are considering issuing soon.
- **Nonfinancial corporate issuance fell to \$9.4 bn, from January's \$14.1bn, but an improvement from the last two Februaries which averaged just \$6.1bn.** Chinese corporate issuance remains anemic, with just \$400mm issued in the month.
- **EM sovereign spreads declined 32 bp overall to their lowest level since June 2021.** While investment-grade spreads did improve 12bp, most of the tightening in the overall index was from high-yield issuers. The HY component of the EMBIG index declined 65 bp for the month. Notably, spreads on frontier issuers, as measured by JP Morgan's NEXGEM index, declined 48 bp to 674 bp – the lowest level in 2 years and a 230 bp decline from a year ago.
- **Credit ratings action was mixed with two sovereigns upgraded by a single agency and two downgraded.** Fitch joined Moody's and S&P by downgrading Bolivia to CCC, and Niger was lowered further by Moody's from Caa2 to Caa3. Meanwhile, both Paraguay and Costa Rica were upgraded a notch by S&P and Fitch respectively. Côte d'Ivoire was upgraded to Ba2 from Ba3 by Moody's on March 1<sup>st</sup>.
- **Hard currency bond fund outflows continued in February, though at a moderate pace.** The extent of YTD outflows from these dedicated hard currency funds continues to mostly track with the outflow trend seen in 2022, reflecting investors' cautiousness despite the recent rally in risk assets. Meanwhile flows into local currency bond funds turned positive after seeing outflows in January.

## Overview

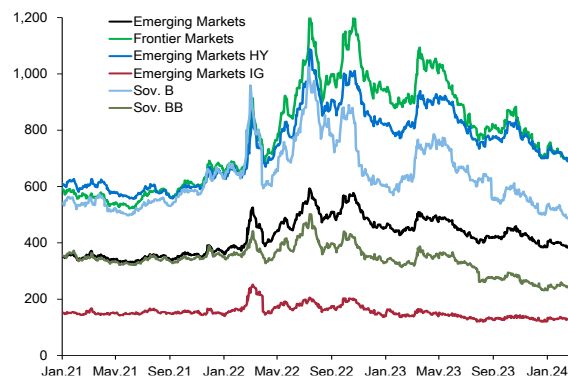
### 1. Pace of Sovereign and Corporate Issuance

(USD billions, ex. CHN corporates, range since 2011)



### 2. Emerging and Frontier Market Spreads

(Basis points)



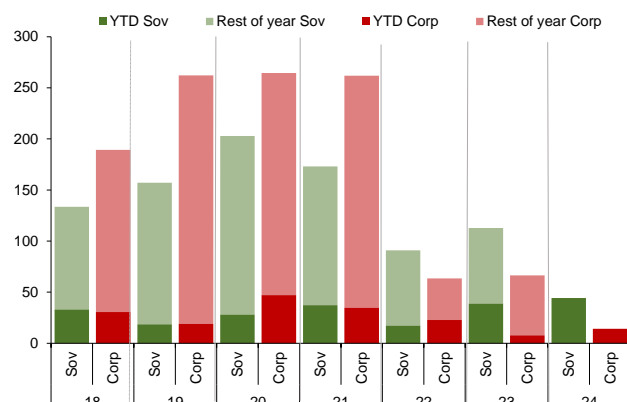
This monitor is produced by MCMGA. It captures international issuance, predominately denominated in hard currencies, and does not include domestically issued bonds in any currency.

Sources: Bloomberg, Bond Radar (issuance), EPFR (fund flows), JPMorgan (spreads), analyst reports, and IMF Staff.

## Issuance Detail: Emerging Market Corporates and Sovereigns

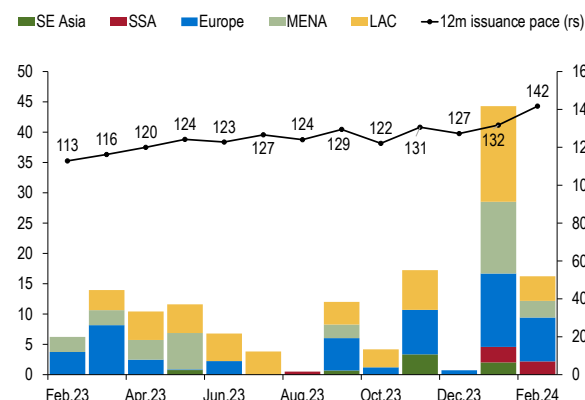
Although down compared to January, the strong pace for sovereign issuance continued into February

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



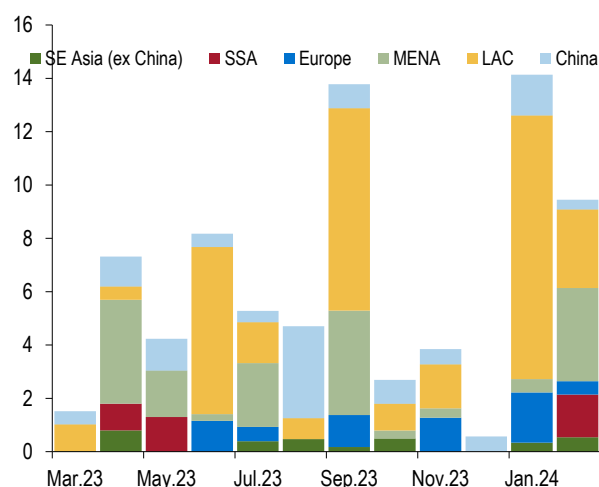
February saw \$16.2 bn in sovereign issuance, down from January's monthly record of \$44.3bn, but the highest for a February since 2018

**Chart 4. EM Sovereign International Bond Issuance by Region (USD billions)**



Corporate issuance dipped to \$9 bn in February but saw diverse regional representation

**Chart 5. Corporate International Bond Issuance by Region (USD billions)**



Eight sovereigns tapped the primary markets, led by multi-tranche issuance by Romania (\$4.3bn) and Panama (\$3.1bn)

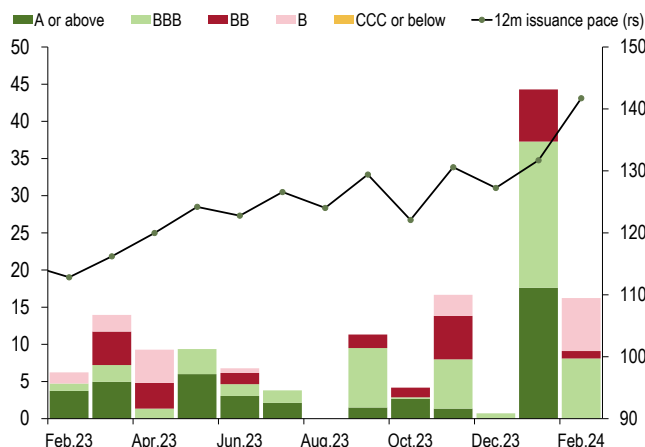
**Chart 6. Country Sovereign Issuance Totals (USD billions)**

Issuer	2022	2023	2024	Dec-23	Jan-24	Feb-24
Saudi Arabia	5.0	15.7	11.8	-	11.8	-
Mexico	7.3	5.3	9.6	-	9.6	-
Romania	8.5	10.5	8.3	0.7	4.0	4.3
Brazil	-	4.2	4.5	-	4.5	-
Poland	5.1	10.6	4.1	-	4.1	-
Hungary	5.2	7.0	4.1	-	4.1	-
Panama	4.0	3.9	3.1	-	-	3.1
Turkey	13.0	9.9	2.9	-	-	2.9
Côte d'Ivoire	-	-	2.6	-	2.6	-
Indonesia	8.2	5.7	2.0	-	2.0	-
Bahrain	-	2.0	2.0	-	-	2.0
Chile	7.0	11.2	1.7	-	1.7	-
Kenya	-	-	1.5	-	-	1.5
Paraguay	0.5	0.5	1.0	-	-	1.0
United Arab Emirates	4.2	3.2	0.7	-	-	0.7
Benin	-	-	0.7	-	-	0.7

## Issuance Detail

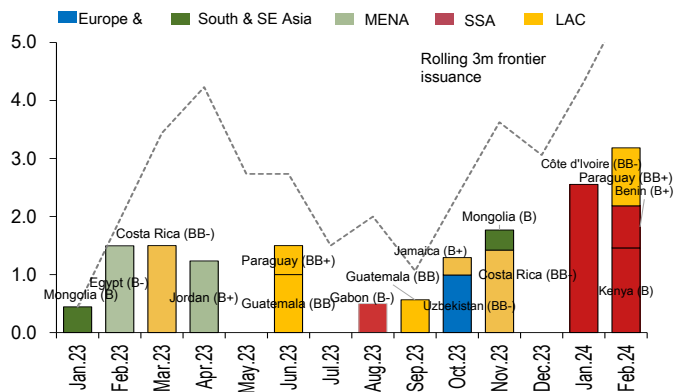
Share of issuance by rating seems to be evenly split between investment grade and high yield.

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



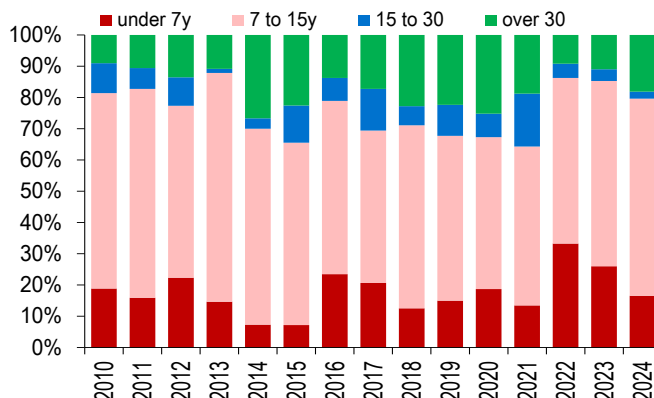
Several frontier issuers tapped markets in February, including Kenya, Paraguay and Benin

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



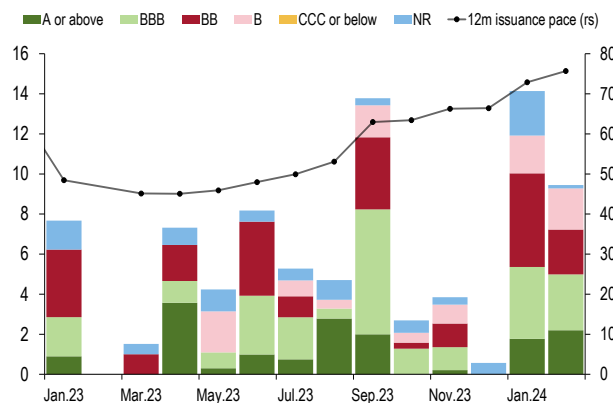
While still not at 2017-2021 levels, the avg. maturity of issuance has notably increased compared to recent years

**Chart 11. EM Sovereign Issuance by Maturity**  
(Percent)



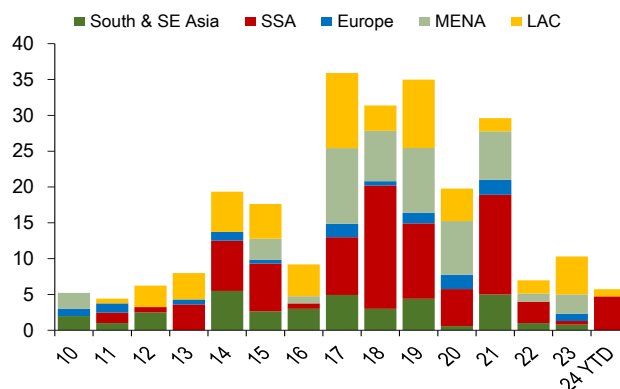
Corporates have also seen an even split between investment grade and high yield

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



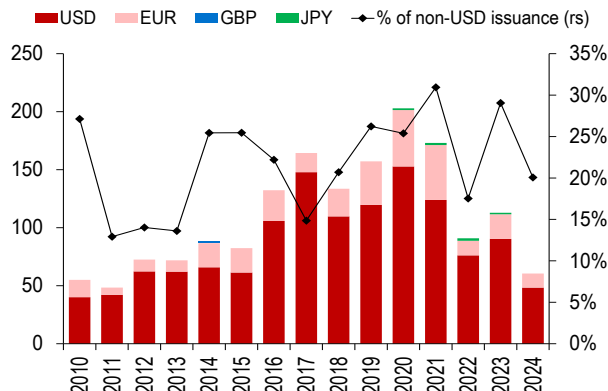
Following Côte d'Ivoire's lead last month, February continued to show promising signs of a return of frontier market issuance

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



USD continues to be the preferred choice for hard currency issuances

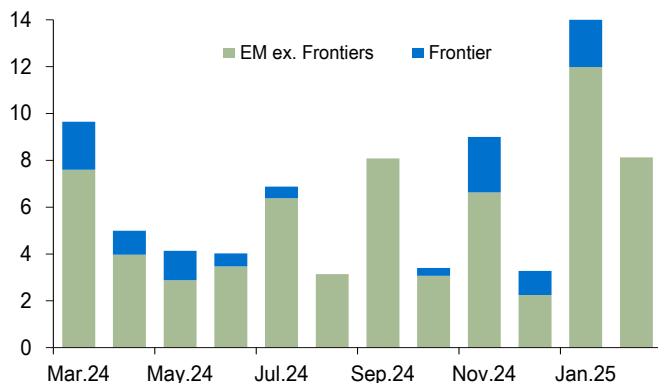
**Chart 12. EM Sovereign Issuance by Currency**  
(Percent)



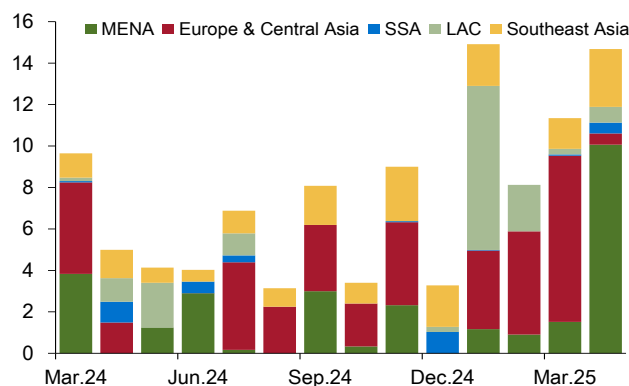
## Upcoming Amortizations

The pace of redemptions picks-up in March, including Azerbaijan, Egypt, Hungary, Indonesia, Qatar, Sri Lanka, and Turkey before moderating through May

**Chart 13. EM Sovereign Maturities by Rating**  
(US billions)



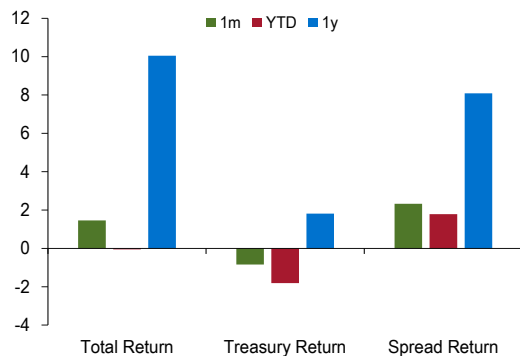
**Chart 14. EM Sovereign Amortizations by Region**  
(US billions)



## Fund Flows and Bond Returns

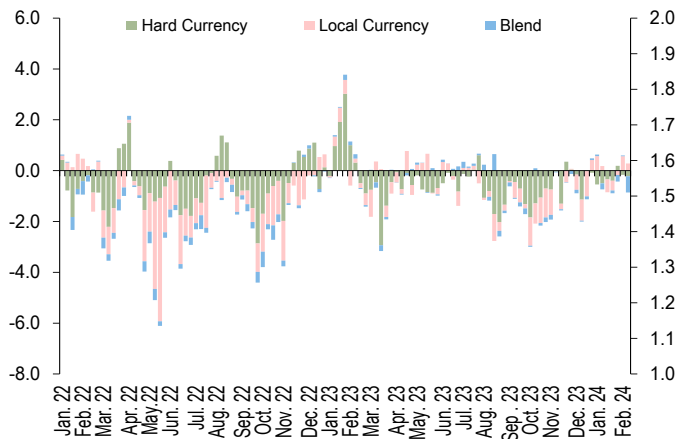
After a positive 2023, HC bonds are flat on the year as spread declines have balanced the rise in treasury yields

**Chart 15. Sovereign Hard Currency Bond Returns**  
(percent)



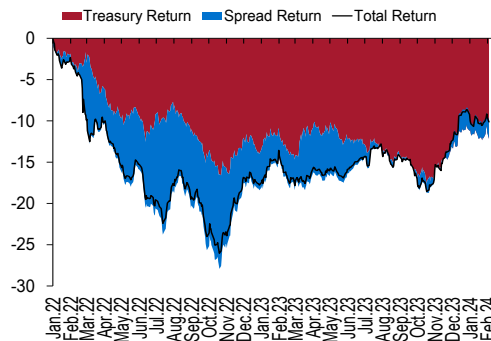
In February, local currency funds saw modest inflows, balancing flows from HC and blended funds

**Chart 17. ETF and Mutual Fund Flows**  
(USD billions)



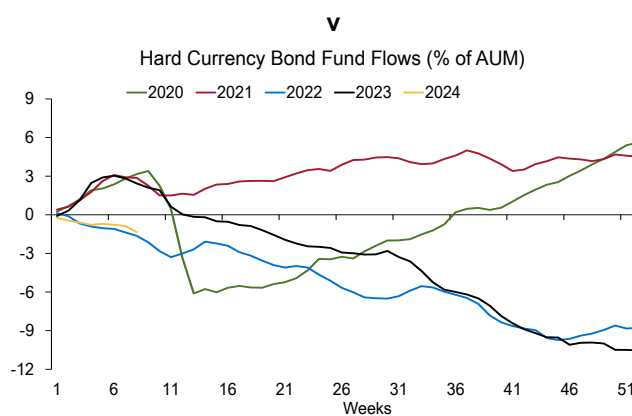
Since 2022, losses on hard currency sovereign bonds have been substantial, but has moderated since 4Q'2023

**Chart 16. Sovereign Hard Currency Bond Returns**  
(percent, cumulative since Jan. 22)



Hard currency funds continued to see modest outflows in February

**Chart 18. Hard Currency Fund Flows** (percent of AUM, cumulative, by year)



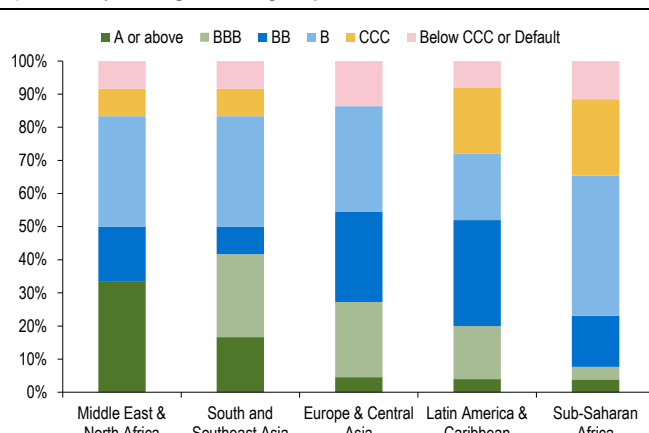


## Annex

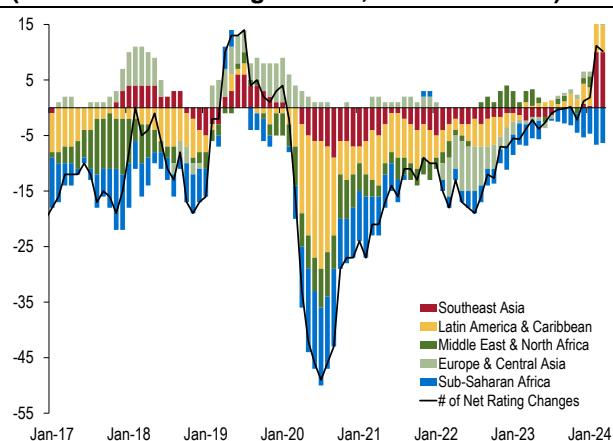
Annex Table 1. Issuance Coupons by Rating, USD bonds (percent)

Maturity (yrs)	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.21		2.4	3.3		2.4	3.6	4.8	4.8	5.9		4.4	6.3
Feb.21										3.9	5.9	7.5
Mar.21			3.5		3.2	3.7				3.0	7.9	8.9
Apr.21		2.1	3.1		3.3	4.2	2.8					
May.21		2.5	3.1		4.4							
Jun.21				1.5	2.3	3.8	5.1	4.3	4.8	3.5	5.4	
Jul.21		2.6	3.1		2.7	3.2				6.0	7.1	8.9
Aug.21												
Sep.21		1.9	3.1		2.1	3.2	5.4	4.7		5.8	6.9	8.5
Oct.21		2.0	3.1		3.0	3.6		5.2				
Nov.21			3.3								4.8	
Dec.21												
Jan.22	2.8	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							
Jun.22		4.1	5.0		5.4							
Jul.22												
Aug.22					5.4		5.3					
Sep.22				4.2	4.7	5.5						
Oct.22	5.3	5.5		5.2	5.7	6.0				9.8		
Nov.22	5.5	5.8		6.4	7.6		8.0			9.9		
Dec.22										9.9		
Jan.23	4.8	4.9	5.0	5.0	5.9	6.4	6.3	7.0			9.4	
Feb.23					6.5					10.9		
Mar.23		4.9	5.5	6.1	6.3	6.9	6.0	6.5		9.4		
Apr.23						6.3	7.5	6.0			7.7	
May.23	4.2	4.3										
Jun.23		5.0	5.3				6.2					
Jul.23					6.4							
Aug.23												
Sep.23		4.9			6.3	6.9		7.1				
Oct.23			3.4				7.9					
Nov.23		6.5		6.1	5.7		7.1	8.0	8.2			
Dec.23												
Jan.24	4.8	5.0	5.8	5.1	5.6	5.8	6.9	7.1				

Annex Table 2. Ratings by Region (share by rating and region)



Annex Table 3. Net Ratings Updates (number of net rating actions, six month sum)



Annex Table 4. Latest Ratings Actions

	New Median rating	Latest			End Jan. 24		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
Bolivia	CCC+	CCC+	CCC	Caa1	CCC+	B-	Caa1
Costa Rica	BB-	BB-	BB	B1	BB-	BB-	B1
Paraguay	BB+	BB+	BB+	Ba1	BB	BB+	Ba1
Niger	CCC-			Caa3			Caa2

Note: Annex Table 4 incorporates S&P, Fitch, and Moody's ratings agencies. Size of ratings adjustment not reflected; a ratings change by any agency counts as "1".