



FEBRUARY HIGHLIGHTS:

- **EM hard currency bond issuance continued its strong momentum in February, at \$107.6bn (\$82.2bn, Feb. 2024) supported by a rally in US Treasuries that was driven by a compression of risk premium and fading growth optimism in the US (Figure 1).** Sovereign issuance neared \$35bn in February across 16 issuers (Figure 6), the highest level of issuance for the month since 2010. Issuance was driven by sovereigns across Europe and Central Asia (Figure 4) led by Poland (\$5.5bn), Romania (\$4.1bn), and Türkiye (\$2.5bn). February's second largest issuer was the Dominican Republic (\$5bn), its largest since 2020. The country has attracted investor interest with its above regional average growth and BB rating. Saudi Arabia came to the market again (\$2.4bn) with euro denominated debt following its large January issuance in US dollars (\$11.9bn). Nearly a third of the issuance thus far into the year has been in euros (Figure 12), possibly related to the stronger-for-longer dollar narrative among investors prior to the recent developments in Europe. Frontier issuance saw its recent highs with \$5.2bn of issuance (Figure 9 and 10) led by Kenya and Uzbekistan (\$1.5bn each).
- **Non-financial corporate issuance totaled \$15.2bn. The pace of issuance has continued to increase and has reached levels from mid-2022.** While Saudi Arabian corporates had the highest issuance last month (\$4bn), Latin American corporates have issued more than \$28bn since October (Figure 5). High yield corporates' pace of issuance slowed down modestly in February but continues to make up a notable portion across ratings along with BBB-rated corporates (Figure 8).
- **Sovereign spreads modestly widened across all credit grades (+12bps) in line with the widening of US corporate spreads (Figure 2).** Some market analysts think that interest rate differentials will be key to keep investor returns on hard currency issuance elevated as spreads remain at historical lows. Spreads continue to hover around levels seen prior to last year's US general election. Ecuador was the largest underperformer following its general elections earlier in the year (Figure 19).
- **Sovereign rating upgrades have slowed over the last six months (Annex Table 3) with one upgrade and two downgrades (Annex Table 4).** Fitch downgraded Mozambique's rating to CCC (from CCC+) on the back of domestic financing strains. On the other hand, Fitch also upgraded Tunisia to Caa1 (from Caa2) on improved external financing requirements and foreign exchange buffers along with improved private-sector debt profile. Senegal was also downgraded to B with a negative outlook on the back of large fiscal and debt revisions. The rating agency stated that it revised up its debt to GDP by nearly 30% to 106% because of "unreported investments that were funded via external project loans and domestic bank loans."

Overview

Chart 1. Pace of EM Sovereign and Corporate International Issuance

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

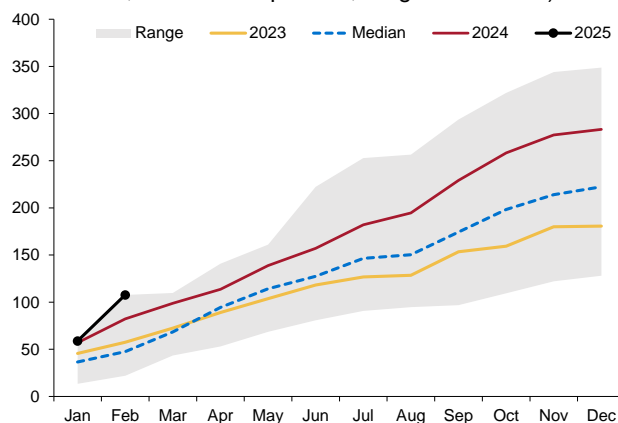
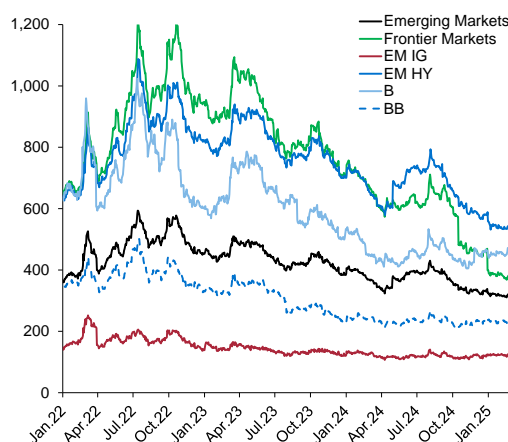


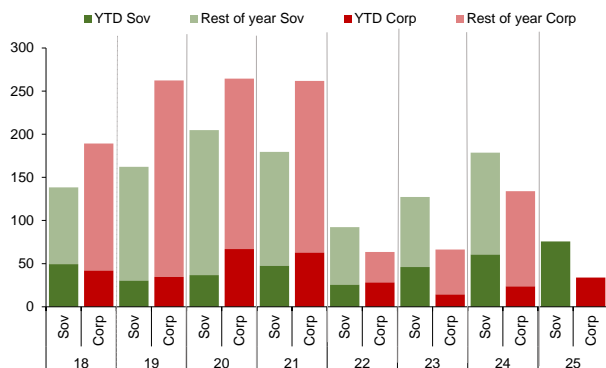
Chart 2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

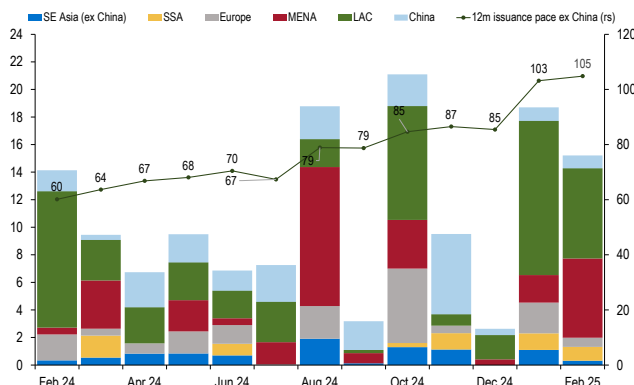
Strong pace of corporate and sovereign issuance has continued in February.

Chart 3. Total Sovereign and Corporate Issuance
(Historical monthly patterns, USD billions)



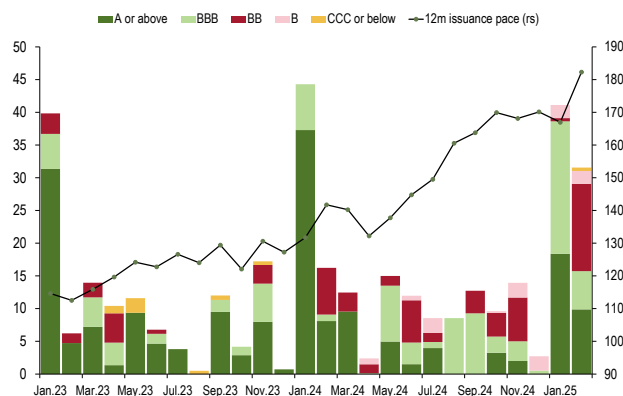
Corporates maintained momentum with issuances in Brazil (\$3.2bn) and Mexico (\$2.1bn) in LAC whereas Saudi Arabian corporates were the largest issuers (\$4bn).

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



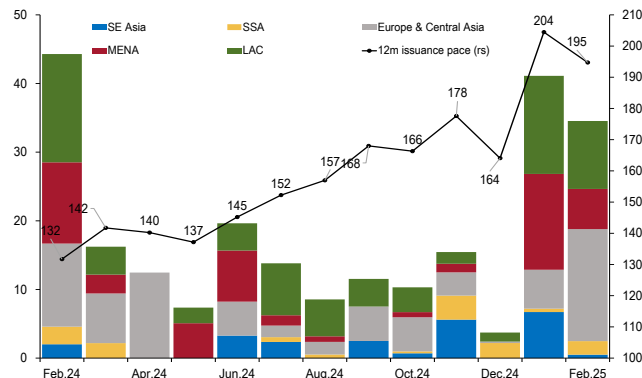
BB rated sovereigns (Brazil, Dominican Republic and Türkiye) dominated February with \$13.4bn.

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



Europe and Central Asia topped issuance with Poland (\$5.5bn), Romania (\$4.1bn), Qatar (\$3bn) and Türkiye (\$2.5bn).

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



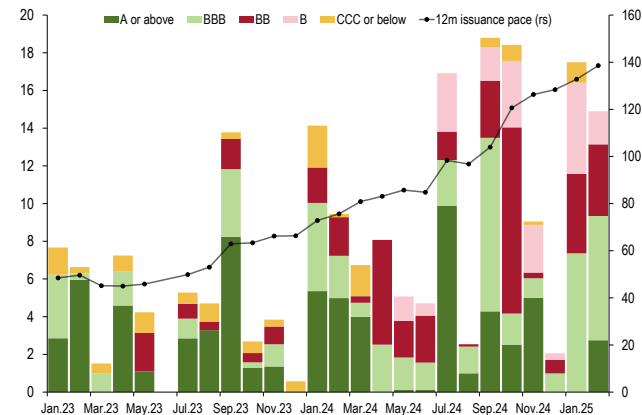
Fourteen out of the sixteen sovereigns tapped primary markets for the first time in this year.

Chart 6. Country Sovereign Issuance Totals
(USD billions)

Issuer	2025	Nov-24	Dec-24	Jan-25	Feb-25
Saudi Arabia	14.3	-	-	11.9	2.4
Mexico	11.0	-	-	11.0	-
Poland	8.6	0.6	-	3.1	5.5
Dominican Republic	5.0	-	-	-	5.0
Romania	4.1	0.3	0.2	-	4.1
Indonesia	3.4	2.8	-	3.4	-
Chile	3.3	-	-	3.3	-
Philippines	3.3	-	-	-	-
Qatar	3.0	-	-	-	3.0
Hungary	2.6	-	-	2.6	-
Türkiye	2.5	2.5	-	-	2.5
Brazil	2.5	-	-	-	2.5
Croatia	2.1	-	-	-	2.1
Egypt	2.0	-	-	2.0	-
Uzbekistan	1.5	-	-	-	1.5
Kenya	1.5	-	-	-	1.5
Paraguay	1.2	-	-	-	1.2
Uruguay	1.2	-	0.3	-	1.2
Albania	0.7	-	-	-	0.7
Gabon	0.5	-	-	-	0.5
United Arab Emirates	0.5	-	-	-	0.5
Mongolia	0.5	-	-	-	0.5
Benin	0.5	-	-	0.5	-

HY corporate issuance pace has slowed down recently but still makes up a notable portion.

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

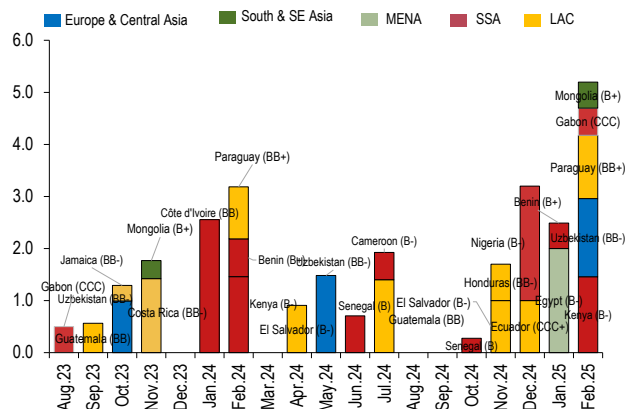


Issuance Detail: Emerging Market Corporates and Sovereigns

Frontiers across regions had a strong turnout in February.

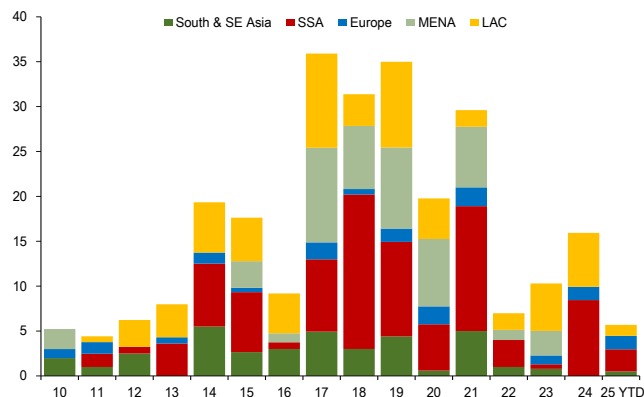
The pace of issuance has already reached nearly a third of 2024's strong levels.

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



The average maturity has notably decreased so far this year and remains behind that seen in 2017-2021.

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



Sovereigns have increasingly started issue euro denominated debt as the dollar is expected to stay strong for longer.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)

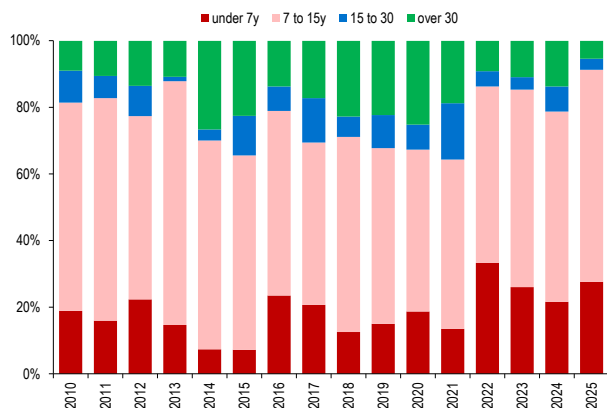
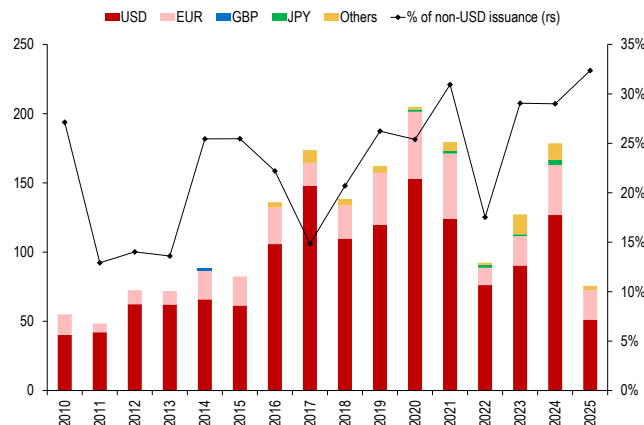


Chart 12. EM Sovereign Issuance by Currency
(Percent)



Upcoming Amortizations

The pace of redemptions is expected to pick-up in the coming months, especially in early 2025.

Chart 13. EM Sovereign Maturities by Rating
(USD billions)

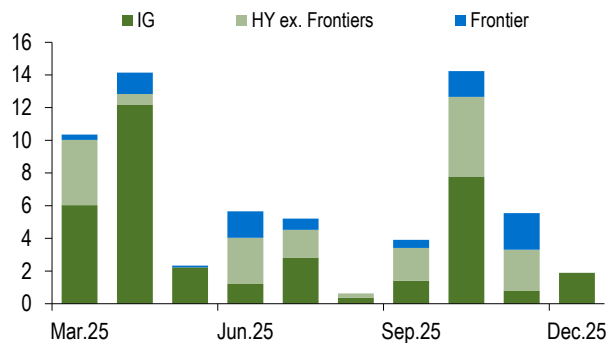
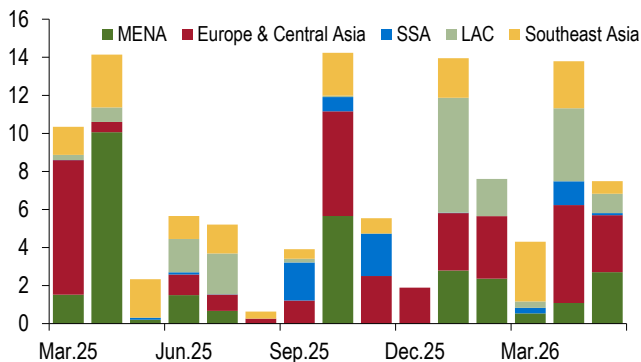


Chart 14. EM Sovereign Amortizations by Region
(USD billions)



Fund Flows and Bond Returns

Rally in US Treasuries upheld returns as spreads widened in line with US corporates...

... nonetheless they have been the main source of returns.

Chart 15. Sovereign Hard Currency Bond Returns (Percent)

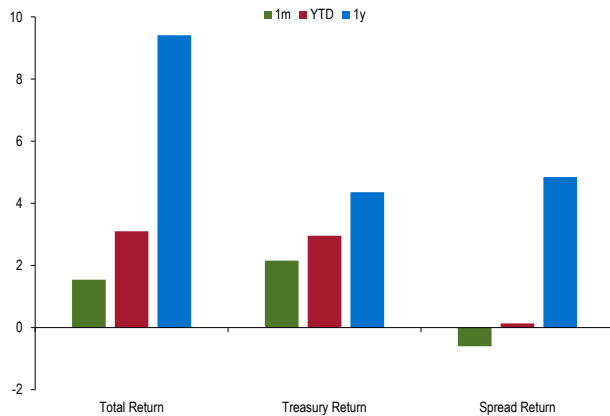
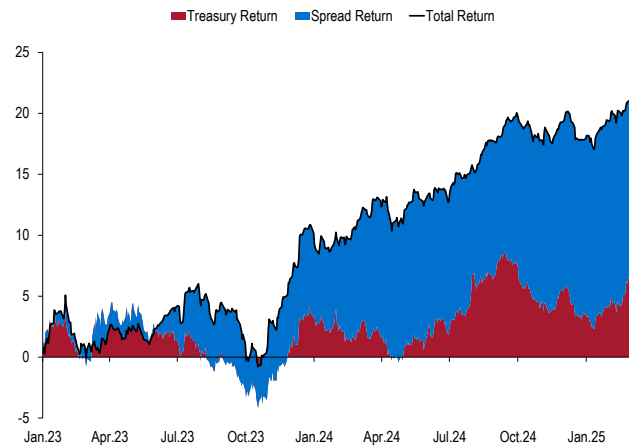
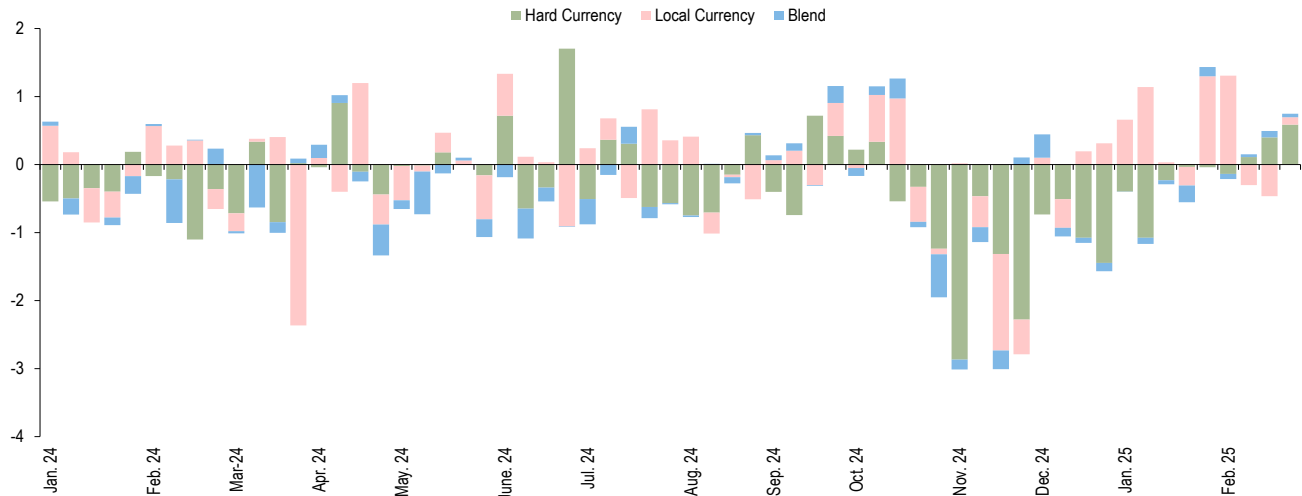


Chart 16. Sovereign Hard Currency Bond Returns (Percent, cumulative since Jan. 23)



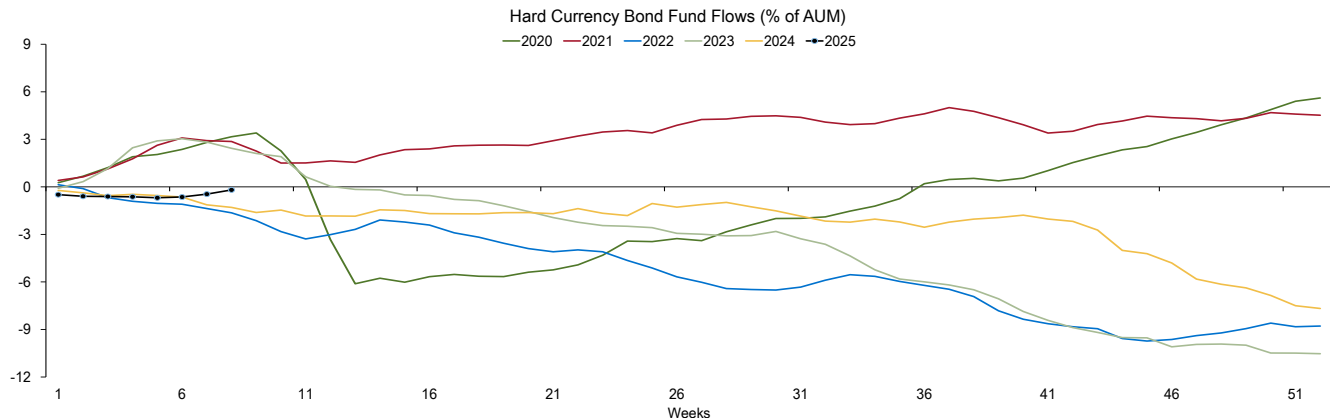
Year-to-date continue to be driven by local currency funds with some modest support from hard currency funds recently

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



Overall, hard currency bond funds' flows remain weak, but not nearly so severe as was seen the prior two years.

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



Sovereign Spreads and Yields

EM HC sovereign spreads mostly widened in February. Ecuador underperformed following its general elections.

Chart 19. Major Laggards and Gainers Last Month on Credit Spreads

(Basis points; restricted to issuers with spreads below 2500)

Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Ethiopia	(327)	2,475	Angola	26	667
Ukraine	(26)	791	Trinidad And Tobago	26	240
Tajikistan	(20)	364	Mozambique	27	1,035
Armenia	(15)	251	Sri Lanka	27	361
Kenya	(3)	515	Ivory Coast	28	393
Suriname	(3)	446	Pakistan	29	612
Nigeria	(2)	503	Cameroon	30	803
Gabon	(2)	758	El Salvador	31	411
Mexico	(1)	286	Iraq	32	253
China	(1)	(29)	Namibia	36	191
Kuwait	(0)	41	Bolivia	37	2,037
Panama	0	291	Mongolia	45	273
Hungary	0	147	Egypt	50	582
Poland	2	115	Senegal	106	636
Georgia	4	346	Ecuador	455	1,378

The median yield has increased some but remains below 7% and more than 30% of issuers have yields above 8 percent.

Chart 20. Distribution of Yields in EM Bond Index
(Share, 4-week average)

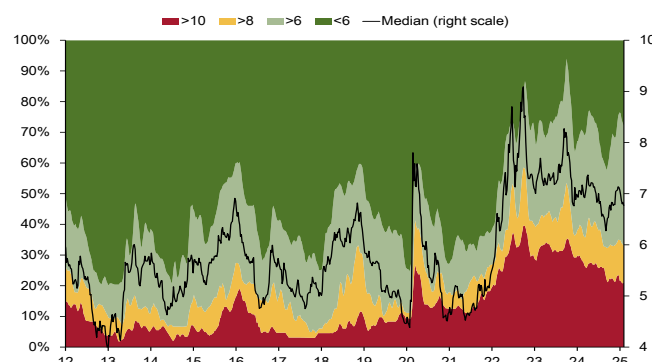
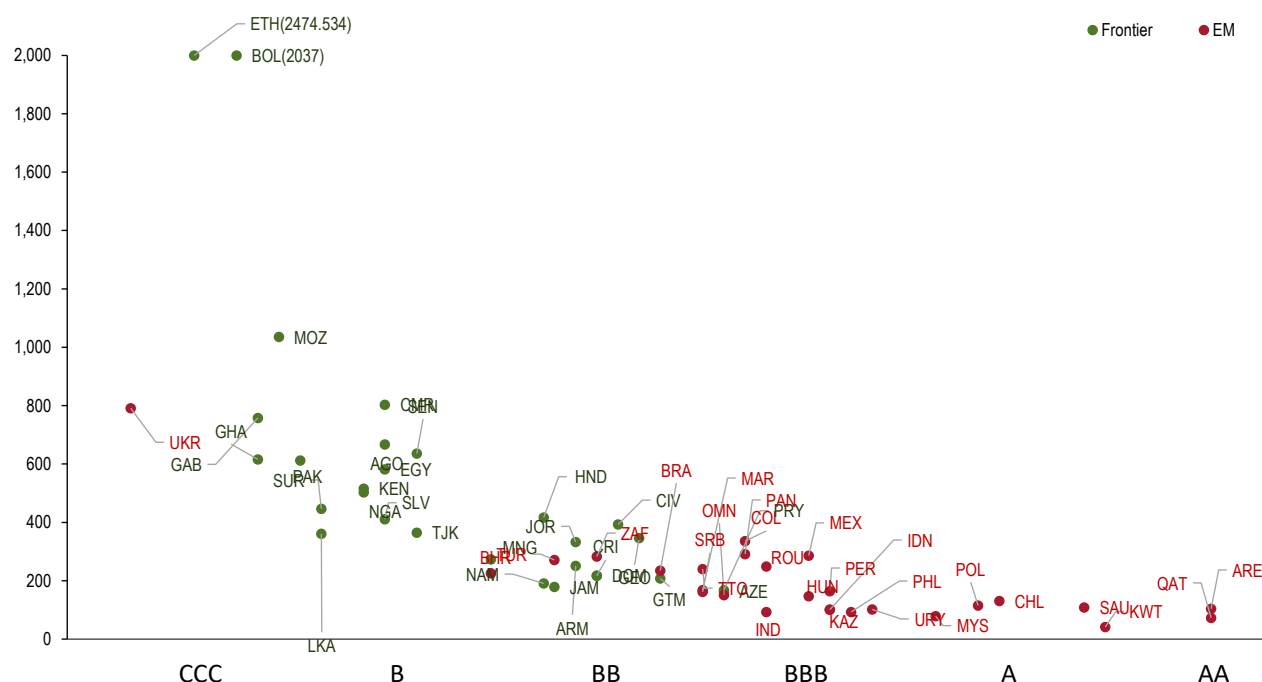


Chart 21. Spreads by Rating and Country

(Basis points, median rating)



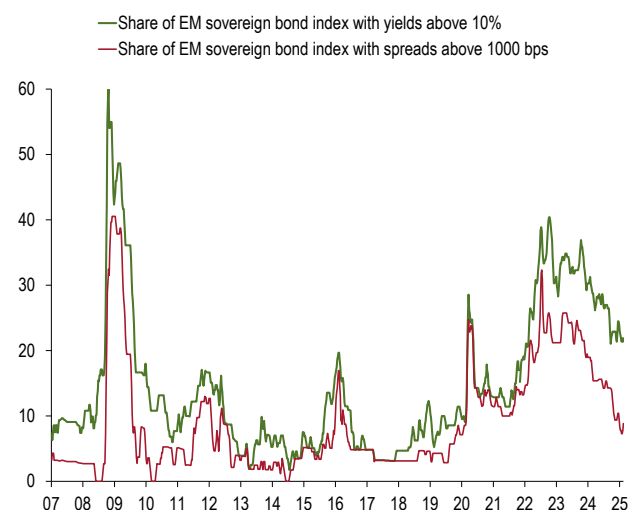
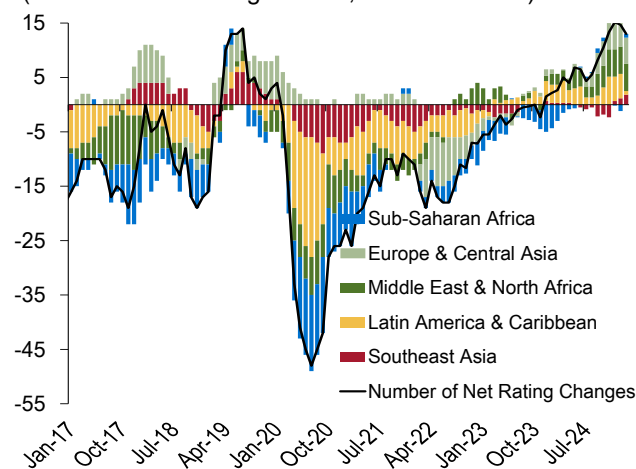
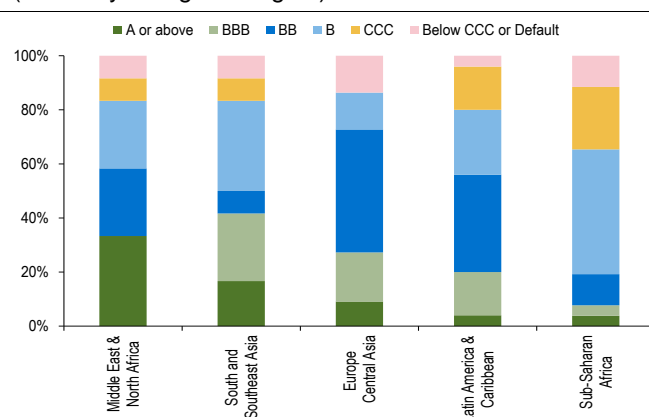
Annex

Annex Table 1. Issuance Coupons by Rating, Sovereign 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	3.1	2.9	3.2	4.9	6.1	4.7	5.3	4.7				
Feb.21							3.9	6.7				
Mar.21	4.4	3.5	3.3				5.5	8.5				
Apr.21	3.3	3.1	3.7	2.8								
May.21		4.4	2.8									
Jun.21	2.6	3.0	3.1	4.9	4.8	4.4	4.9	4.5				
Jul.21	3.2	2.9	2.9				6.0	7.9	7.4			
Aug.21												
Sep.21		2.9	2.6	6.1	5.0		7.3	7.6	6.8			
Oct.21	2.8	3.0	3.2			5.2						
Nov.21		2.3	3.3				3.9	5.6				
Dec.21												
Jan.22	3.6	3.8	3.5	3.8					8.0			
Feb.22					5.8		7.3	7.5				
Mar.22	4.2	3.9	3.6				8.5					
Apr.22				7.3	5.9				8.8			
May.22	5.0	5.3										
Jun.22	5.0	5.3	4.8									
Jul.22												
Aug.22	4.9	6.0			5.3							
Sep.22		4.7	4.8									
Oct.22	5.4	5.5		5.8			9.8					
Nov.22	5.5	6.7		8.0	6.4			9.9	9.9			
Dec.22												
Jan.23	4.9	5.0	4.8	5.1	6.0	4.6	6.8	7.5	6.3	9.4		
Feb.23				6.5						10.9		
Mar.23	4.9		5.5	6.3	6.6			6.5	6.3		9.4	
Apr.23					6.3			6.8				
May.23	4.4											
Jun.23		5.0	5.3					6.2				
Jul.23				6.4								
Aug.23												
Sep.23		4.9		6.1	6.6		7.1					
Oct.23		3.4							7.9			
Nov.23		6.5		5.6	5.8		6.3	8.0		7.9	8.5	
Dec.23												
Jan.24	4.9	5.8	4.9	5.8	5.2	4.7	7.0					
Feb.24					7.1	7.8	7.0			7.7	7.9	7.6
Mar.24	5.5	5.1	4.6							7.3		
Apr.24								8.4		0.3	9.3	
May.24	5.3	5.3	5.3	5.6	5.3		6.9					
Jun.24	4.9			5.4	6.4	5.1	6.6	6.0				
Jul.24							6.6	6.1		7.1	9.5	
Aug.24				5.5	5.0	4.4						
Sep.24				5.2	5.3		6.5					
Oct.24				5.1			8.1					
Nov.24		4.2		5.5	5.0		6.8	8.3		7.8		
Dec.24										10.0		
Jan.25	5.5	5.7	5.1	6.3	5.6	6.9	8.4			9.5	8.6	
Feb.25	5.4	5.5	4.9	7.5	5.4		6.8	7.0	7.2	6.6	9.5	

Annex Table 4. Latest Ratings Actions

	New Median rating	Latest			End Jan. 25		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
Mozambique	CCC	CCC+	CCCu	Caa2u	CCC+	CCC+u	Caa2u
Senegal	B	B		B3	B+		B1+
Tunisia	CCC+	NR	CCC+	Caa1	NR	CCC+	Caa2

Annex Table 2. Share of Distressed Issuers in EM Bond Index (Share, 3-week average)

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

Annex Table 5. Ratings by Region (Share by rating and region)


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".