



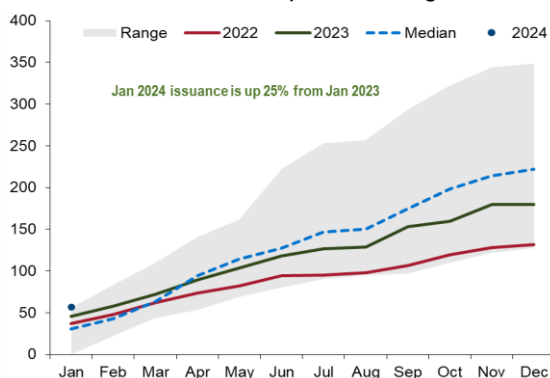
JANUARY HIGHLIGHTS:

- **January's EM hard currency bond gross issuances were the largest on record, at \$58.4 billion, and higher compared to the \$47.5 billion in January 2023, supported by relatively improved risk sentiment and strong investor appetite.** Sovereign spreads tighten on net since October, despite slight retracement in the past month. Notably, BB and B sovereign spreads have compressed in the past three months to pre-Fed tightening levels (2021).
- **Sovereign issuance accounted for a record \$44.3 billion, across nine issuers, and exceeding April 2020's pandemic-surge issuances of \$43.5 billion.** While investment-grade issuers led the way at the start of the year, January witnessed the return of a high-yield issuer that had been dormant. Saudi Arabia sold \$11.8 billion split across 6-year, 10-year and 30-year tranches, the largest since 2017. Mexico raised a record \$7.5 billion via 5-year, 12-year and 30-year tranches in the first week of the year, followed by a EUR2.0 billion 8-year sustainable issuance later in the month. Hungary also issued in both USD and EUR currencies. Brazil, Chile, Indonesia, and Romania tapped the USD markets while Poland sold two tranches of EUR issuances. Among frontier and low-income countries, Cote d'Ivoire's successful dual-tranche USD2.6 billion issuances, including a sustainability bond, provided some optimism for lower-rated sovereigns looking to tap the international market. These issuances marked its first international USD bond issuance in almost seven years.
- **Nonfinancial corporate issuance was the largest since January 2022, but remained below historical averages.** Total nonfinancial corporate issuance totaled \$14.1 billion (\$12.6 billion ex-China), compared to \$7.7 billion in January 2023 and \$22.7 billion in January 2022. Chinese corporate issuance remains dismal, with its \$1.5 billion issuances below January 2023's \$1.8 billion issuances. The total 2023 level was roughly half of the 2022 already-low level.
- **EM sovereign spreads widened by 18 bps in January. On net, they have tightened by 34 bps since the end of Oct. 2023, benefiting from the broad risk rally.** A similar trend was broadly observed in cross-sectors. Investment grade sovereign spreads marginally widen +17 bps to levels seen in Oct. 2023. High yield spreads widened +23 bps in January but tightened -69 bps since Oct. 2023. Frontier spreads were slightly wider +13 bps during the month, but tightened -86 bps since Oct. 2023, albeit with significant heterogeneity.
- **Credit ratings action was broadly positive with the exception for one sovereign default in December.** Ethiopia became Africa's third default in as many years after failing to make a \$33 million coupon payment on its only international government bond. Conversely, Suriname exited from default, with S&P raising its ratings to CCC+ from selective default in December. Brazil, Oman, Qatar and Vietnam also experienced credit rating upgrades in the past two months, although these rating adjustments were mostly alignments to those of other rating agencies.
- **After a brief respite at the end of November, hard currency bond fund outflows continued in January.** The extent of YTD outflows from these dedicated hard currency funds was modest and in-line with Jan 2022 levels, reflecting investors' cautiousness despite the recent rally in risk assets. A JP Morgan analysis suggests that investors support for recent issuances, particularly investment grade, were likely to include cross-over funds, who do not typically invest in EM bonds but are permitted to do so.
- **Despite Cote d'Ivoire's (and more recently Benin's) successful return to international markets, market reopening is likely to be selective for frontier issuers, consistent with the lack of investor flows.** Nonetheless, continued easing of global financial conditions and improvement in idiosyncratic fundamentals could accentuate the attractiveness of these hard currency issuances. Looking ahead, Kenya reportedly has mandated a series of investors' call to refinance its maturing eurobond, while Qatar is said to be readying its inaugural green bond issuance.

Overview

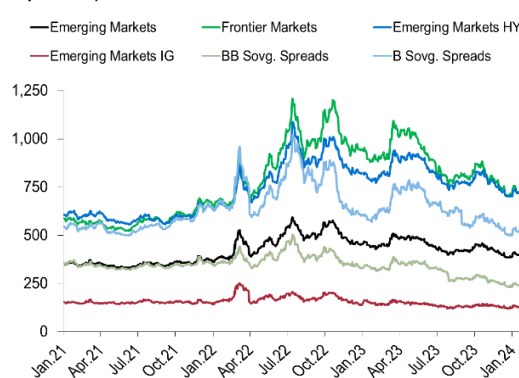
1. Pace of Sovereign and Corporate Issuance

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



2. Emerging and Frontier Market Spreads

(Basis points)



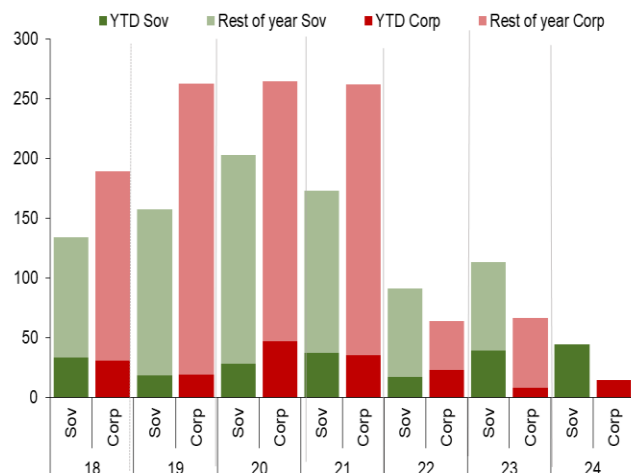
This monitor is produced by MCMGA. It captures international issuance, predominately denominated in hard currencies, and does not include domestically issued bonds in any currency.

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

Issuance Detail: Emerging Market Corporates and Sovereigns

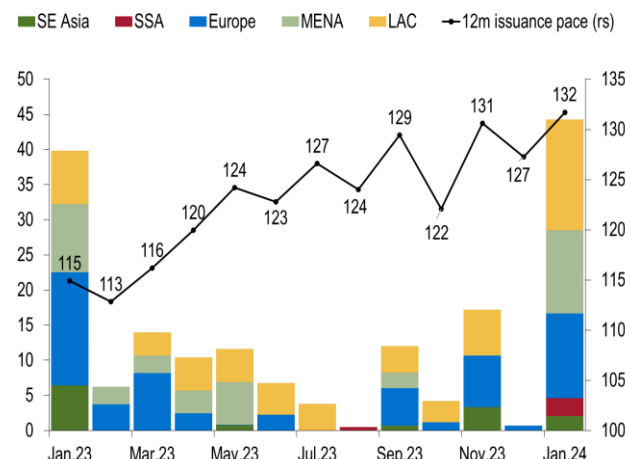
Total EM monthly issuances was at record high, led by big-ticket sovereign issuances

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



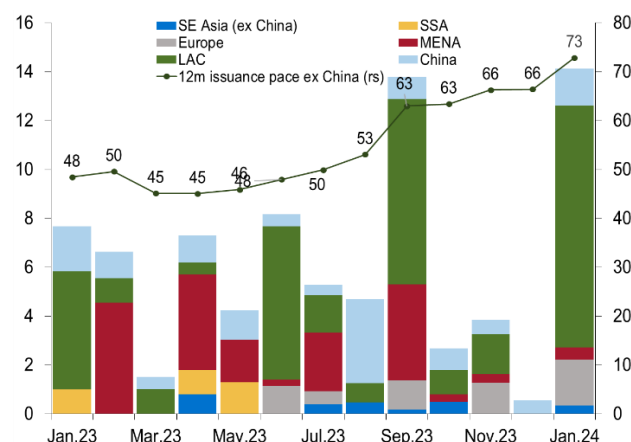
January's \$44.3 billion of sovereign issuances was the largest on record, exceeding April 2020's pandemic-surge issuances of \$43.5 billion

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



Corporate issuances continue to increase in January (\$14.1 billion), but remain modest compared to January 2022 level (pre-Fed tightening) of \$22.7 billion

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



Nine sovereigns tapped the primary markets, led by Saudi Arabia (\$11.8 billion), Mexico (\$9.6 billion) and Brazil (\$4.5 billion)

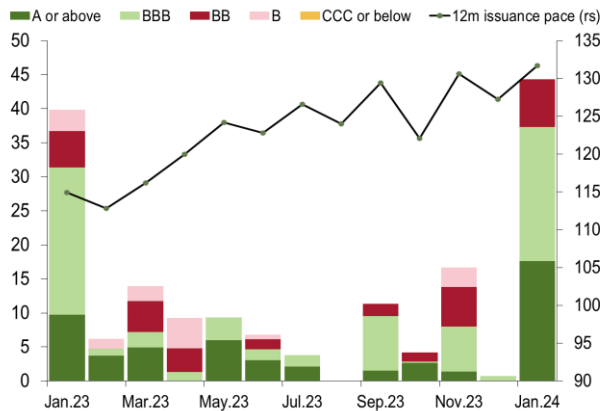
Chart 6. Country Sovereign Issuance Totals (USD billions)

Issuer	2022	2023	Nov-23	Dec-23	Jan-24
Saudi Arabia	5.0	15.7	-	-	11.8
Mexico	7.3	5.3	-	-	9.6
Brazil	-	4.2	2.0	-	4.5
Poland	5.1	10.6	1.9	-	4.1
Hungary	5.2	7.0	0.5	-	4.1
Romania	8.5	10.5	-	0.7	4.0
Côte d'Ivoire	-	-	-	-	2.6
Indonesia	8.2	5.7	2.0	-	2.0
Chile	7.0	11.2	-	-	1.7

Issuance Detail

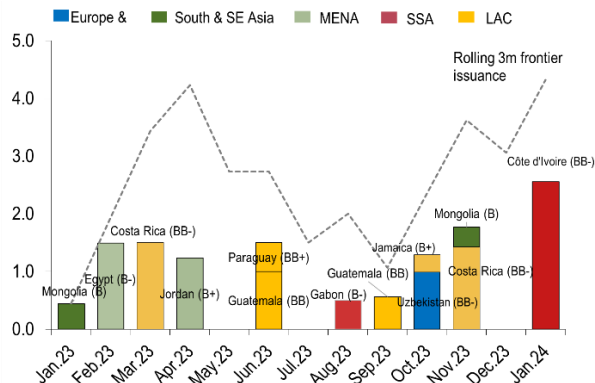
Investment-grade sovereigns, particularly those rated BBB continue to make up a large share of issuance in January

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



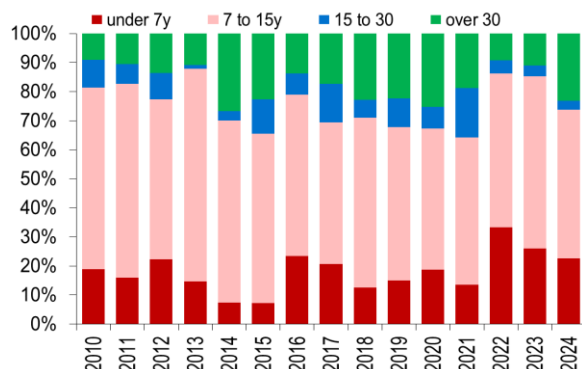
Côte d'Ivoire issued its first USD bond in nearly seven years, via a \$1.1 billion sustainable bond (maturing 2033) and \$1.5 billion conventional bond (maturing 2037)

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



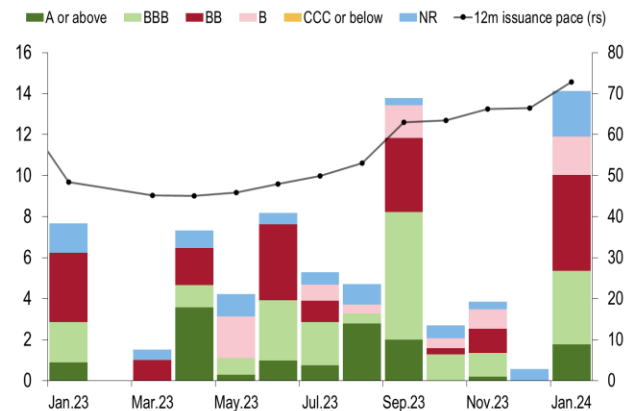
Avg. maturity has lengthen compared to the past two years, approaching historical averages with proportion of longer maturities (>15 years) comparable to pre-2022 levels

Chart 11. EM Sovereign Issuance by Maturity
(Percent)



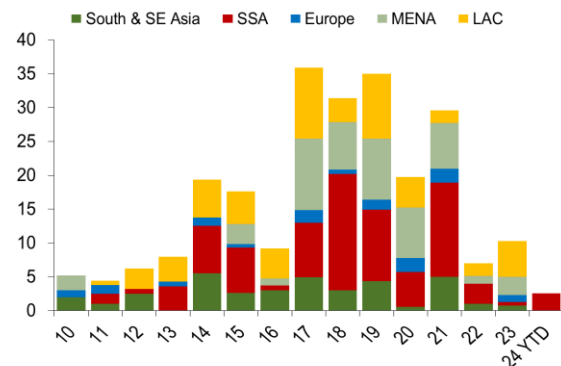
HYs share of corporate issuance constituted 56.4% of total EM corporate issuances, but largely due to United Group BV's EUR1.7 billion issuance across 4 tranches

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



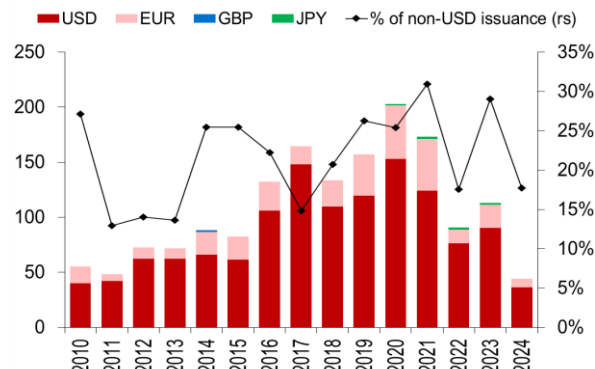
The well-supported Côte d'Ivoire issuance prompted several other frontiers to consider issuing soon, raising optimism following two challenging years

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)

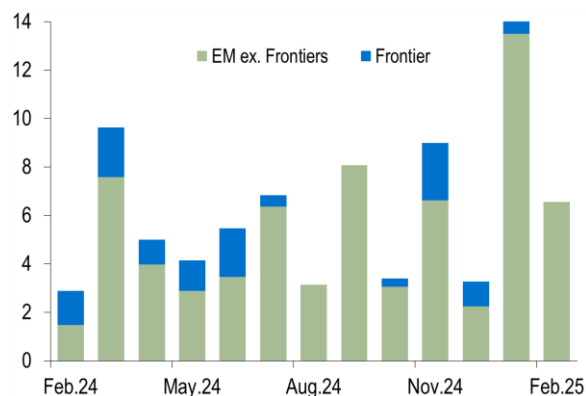
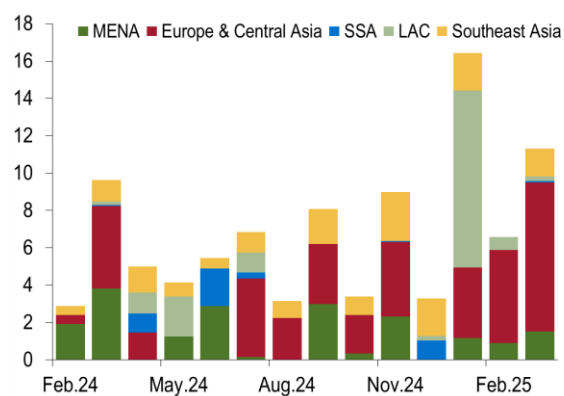


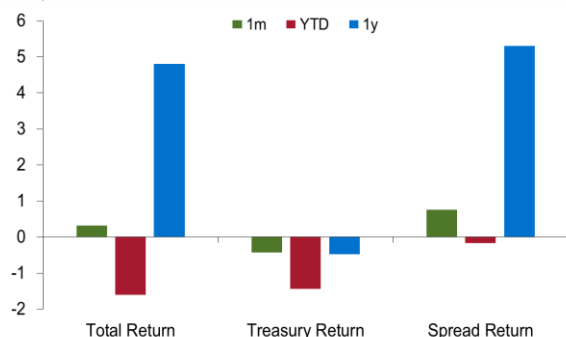
Chart 14. EM Sovereign Amortizations by Region
(US billions)



Fund Flows and Bond Returns

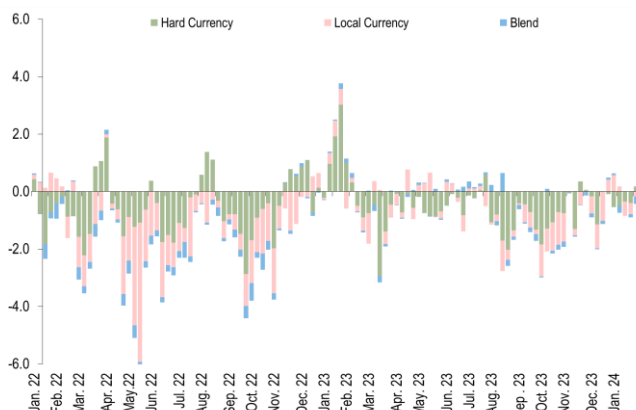
After a largely constructive 2023, HC bonds retreated as US Treasuries yields grind higher

Chart 15. Sovereign Hard Currency Bond Returns
(percent)



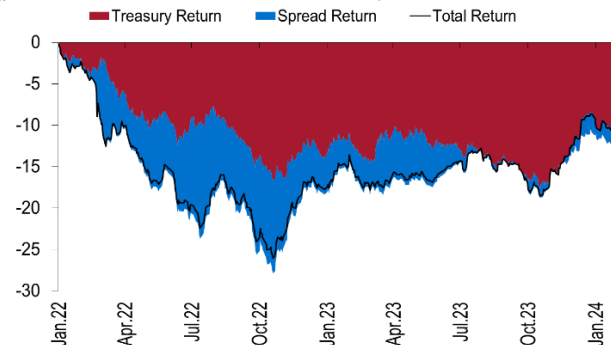
In January, hard currency fund outflows accelerated while local currency fund outflows slowed

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



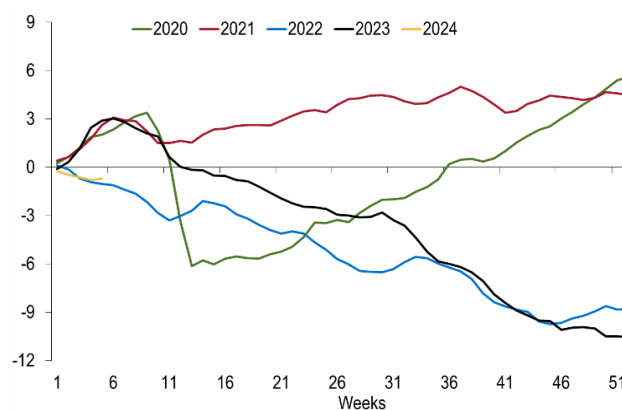
Since 2022, losses on hard currency sovereign bonds have been substantial, but has moderated since 4Q'2023

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



Outflows from hard currency flows continued in January, tracking a similar trend observed in 2022

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

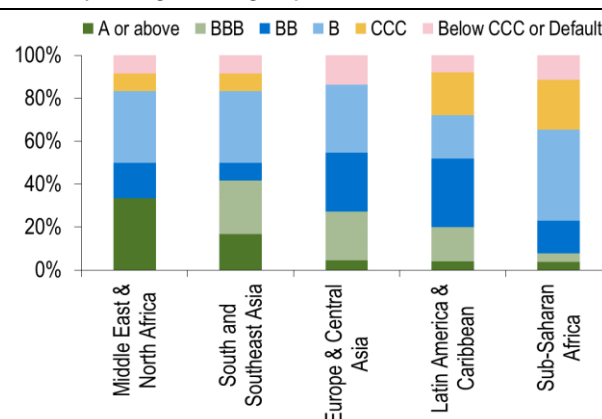


Annex

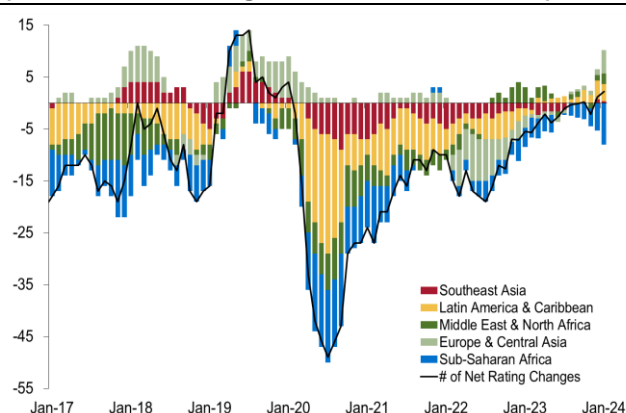
Annex Table 1. Issuance Coupons by Rating, USD bonds (percent)

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 Nov. 23		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
Brazil	BB	BB	BB	Ba2	BB-	BB	Ba2
Ethiopia	C	SD	RD	Caa3	CCC	CC	Caa3
Oman	BB+	BB+	BB+	Ba1	BB+	BB+	Ba2
Qatar	AA	AA	AA-	Aa2	AA	AA-	Aa3
Suriname	CCC-	CCC+	WD	Caa3	SD	WD	Caa3
Vietnam	BB+	BB+	BB+	Ba2	BB+	BB	Ba2

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".