



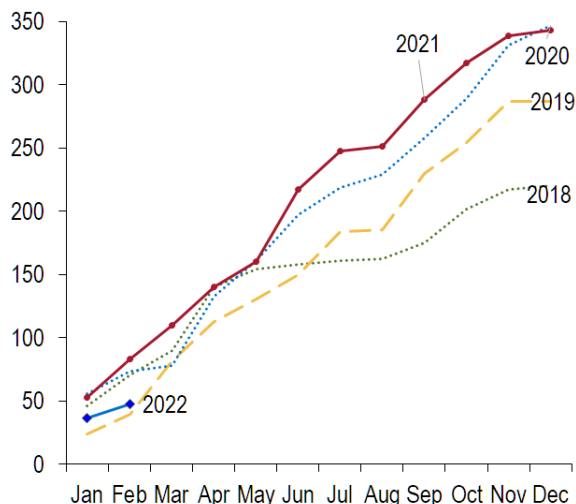
FEBRUARY 2022 HIGHLIGHTS

- **Russia’s invasion of Ukraine puts the primary market in a state of suspended animation.** Many countries have delayed plans to issue Eurobonds, as conditions have become more challenging. Even before the war in Ukraine, concerns about the outlook for monetary tightening had slowed hard currency bond sales significantly.
- **Sovereign issuance remained weak in February amid continued uncertainty**, with just \$8.3 bn, compared to 5-year February average of \$10.5 bn. It is normal for February to be a light month, but that is typically due to a seasonally high January which did not happen this year. **IG issuance was only \$0.9 bn** by Mexico, **HY issuance was led by the Dominican Republic** (\$3.5 bn) and Turkey (\$3 bn). This reverses a recent trend where sovereign issuance was dominated by IG countries.
- **Corporate issuance was very low at \$5.7 bn, roughly half of which was from China.** Excluding Decembers, which are typically very light months, this was the lowest monthly issuance from EM corporates since March 2020, which was hurt by the onset of the pandemic.
- **There are a few plans for issuance.** A limited number of sovereigns, are planning issuance in the near term. The outlook for ESG issuance looks promising Pakistan and the Philippines all planning a new ESG bonds. Additionally, Thailand is seeking banks to sell between \$500mm-\$1.5bn in bonds, and Egypt has selected banks to lead a \$2bn sukuk issuance. El Salvador continue to plan to issue a \$1 bn Bitcoin bond in March. Despite the current conditions, Chile was able to issue a \$2bn ESG bond this week.
- **EM sovereign credit spreads widened by almost 90 bps in February and 55 bps since February 23 with the start of the Russian invasion.** Frontier spreads rose by more than 125 bps (75bps since February 23) while IG spreads also rose to the highest levels since last year. Geopolitics weighed on the spread widening. The number of distressed issuers rose to 15 with the inclusion of Russia, Ukraine and Belarus.
- **EM hard currency bond fund flows are weak.** Local currency flows and returns have outperformed hard currency significantly. Hard currency funds have over \$5 bn outflows in 2022, vs \$1.3bn inflows for local currency.

February 2022 Overview

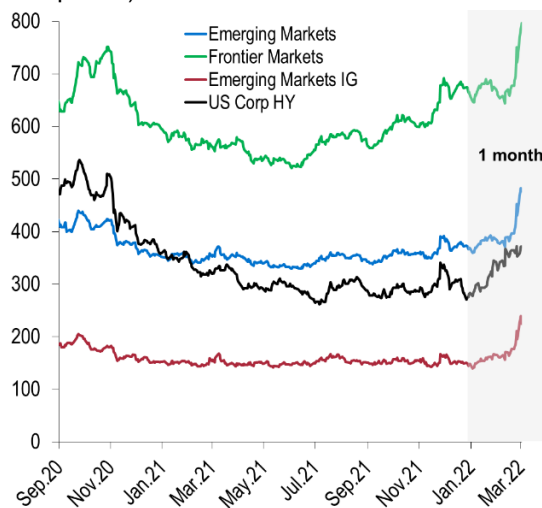
Total hard currency issuance remains anemic (ex. China corporates) with only \$11.1bn issued in February, the weakest February since 2016.

1. Pace of Sovereign and Corporate Issuance (USD billions, excluding China corporates)



The Russian invasion of Ukraine pushed EM credit spreads higher in late February.

2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

Sovereign issuance fell to \$6bn for the month, while overall corporate issuance declined to the lowest February since 2017. YTD issuance is the lowest since 2018 for both segments

Latin America continued to represent the bulk of sovereign issuance, thanks to the Dominican Republic, Bolivia and Mexico.

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

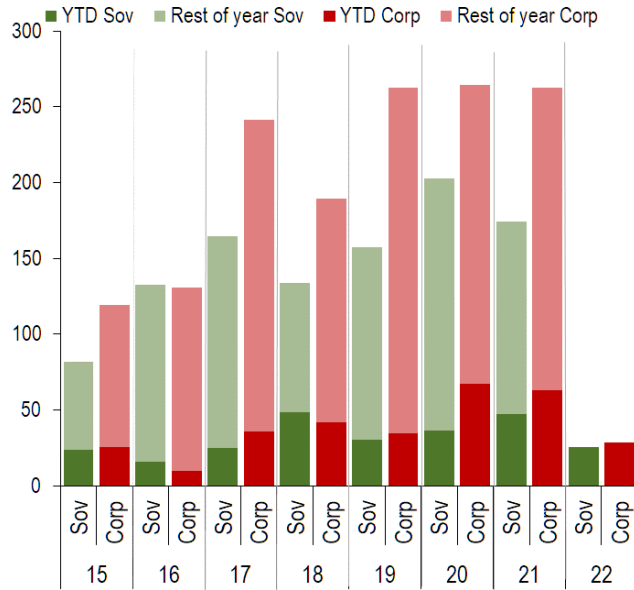
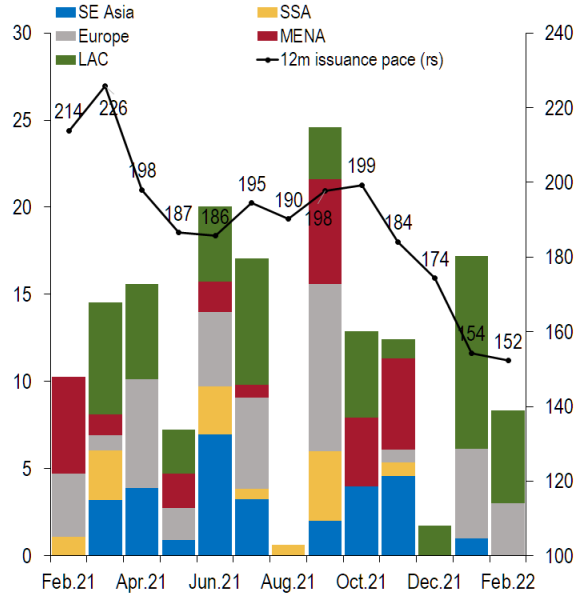


Chart 4. EM Sovereign Hard Currency Issuance by Region (USD billions)



Non-financial corporate issuance was small (\$5.7bn total), and split roughly equally between Latin America and China

ESG issuance slowed down but remains on pace to have a solid quarter.

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

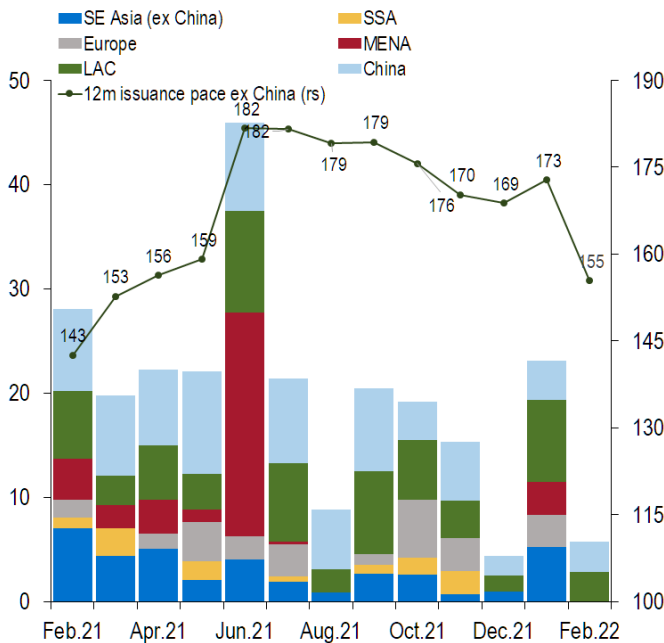
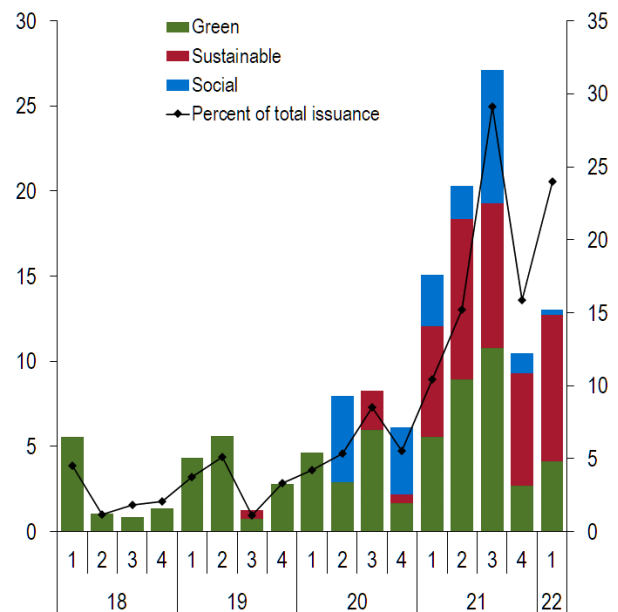


Chart 6. EM ESG Issuance (USD billions; percent; quarterly)



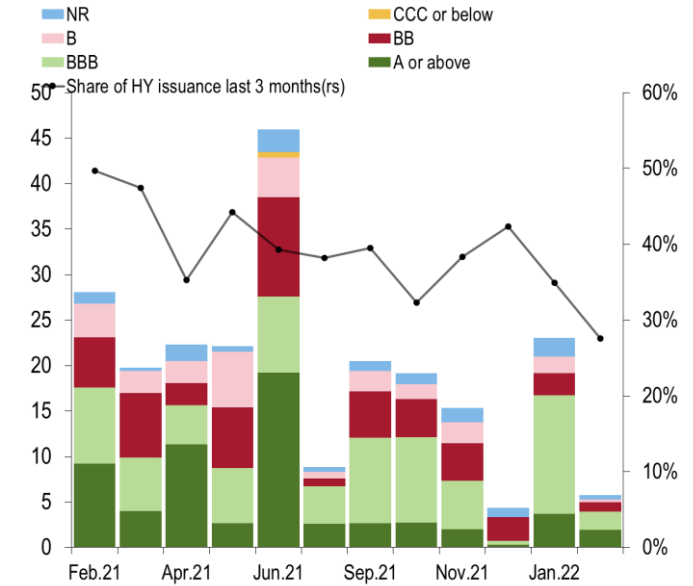
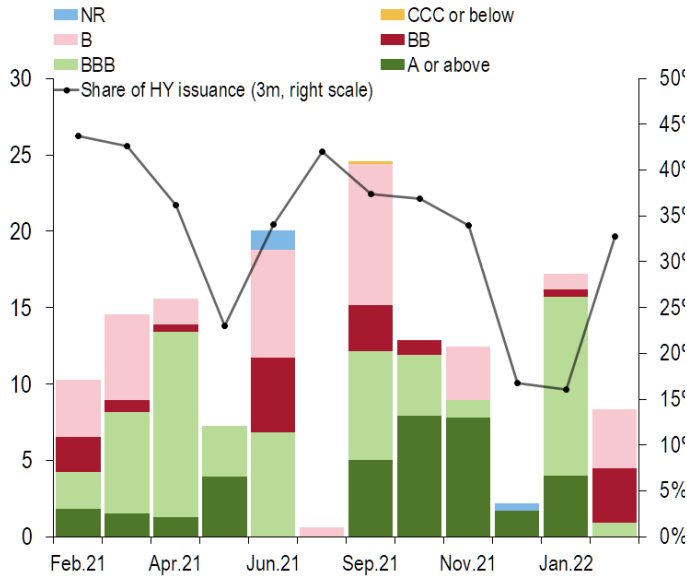
Issuance Detail by Rating

There was an uptick in high yield sovereign issuance in February thanks largely to a few small LatAm countries as well as Turkey.

Meanwhile in the corporate space, high yield issuance fell sharply.

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

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

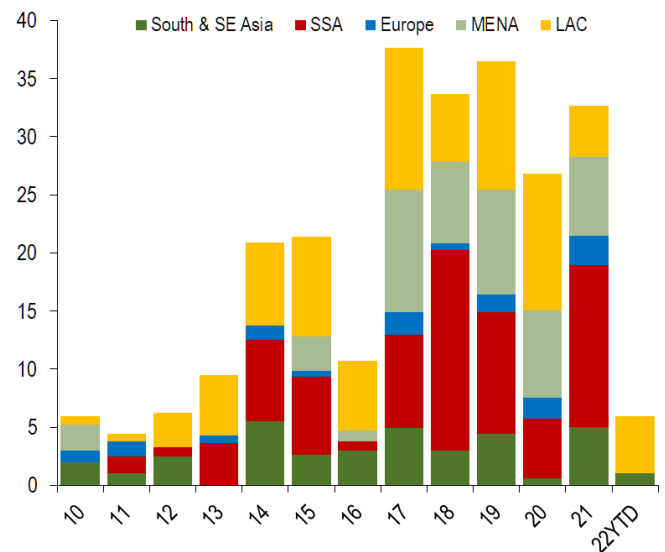
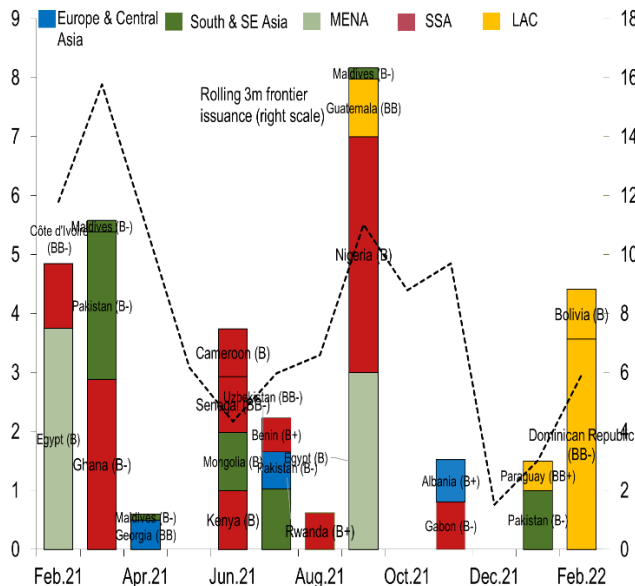


The Dominican Republic (\$3.5bn) and Bolivia (\$0.85bn) issued in February, accounting for the largest frontier issuance month since August.

Latin America continues to account for nearly all frontier issuance so far in 2022.

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

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



Issuance Detail by Maturity and Currency

Average maturity for EM sovereigns has slumped so far in 2022, with only 17% of issuance having a maturity of over 15 years

Slovenia issued the only nondollar bond (euros) in February, continuing a dollar heavy trend to start the year.

Chart 11. EM Sovereign Issuance by Maturity (Percent)

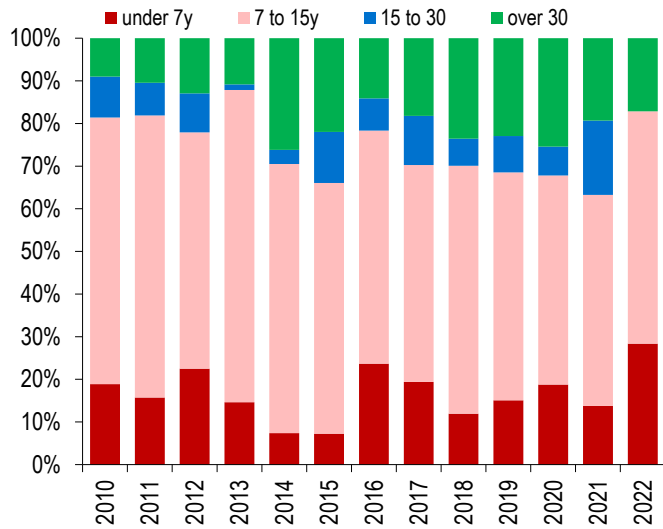
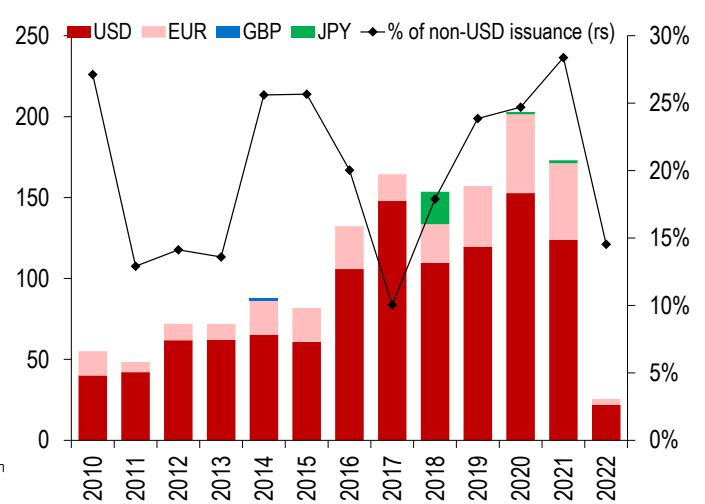


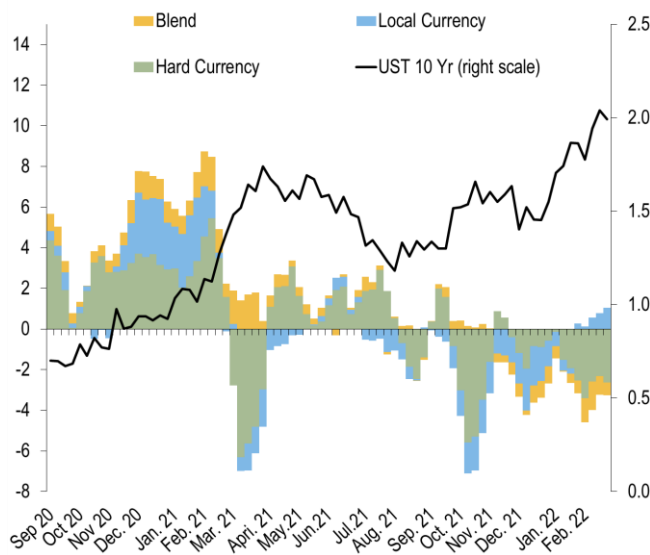
Chart 12. EM Sovereign Issuance by Currency (Percent)



Flows: EM Debt Dedicated Funds

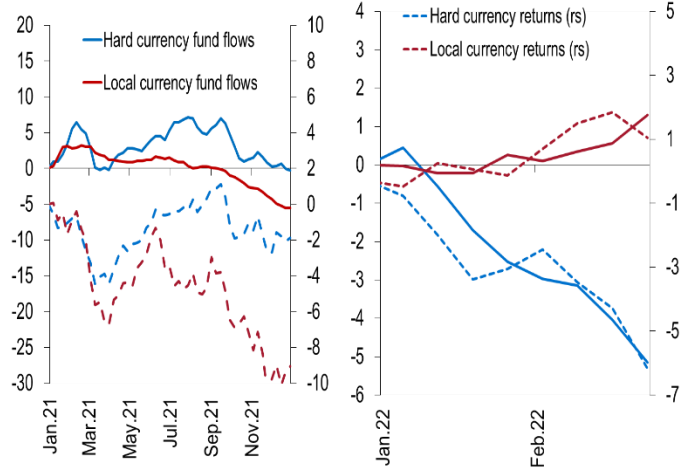
Average debt flows remain under pressure with a notable differentiation across subsegments

Chart 13. Bond Fund Flows and US 10-year yield
(USD billions, 4 week sum; percent)



Local currency flows and returns have outperformed hard currency assets significantly, in contrast with 2021

Chart 14. Weekly Fund Flows Year to Date and Returns
(Jan 1, 2021 = 0; USD billions, left scale; percent, right scale)



Spreads on Hard Currency Bonds

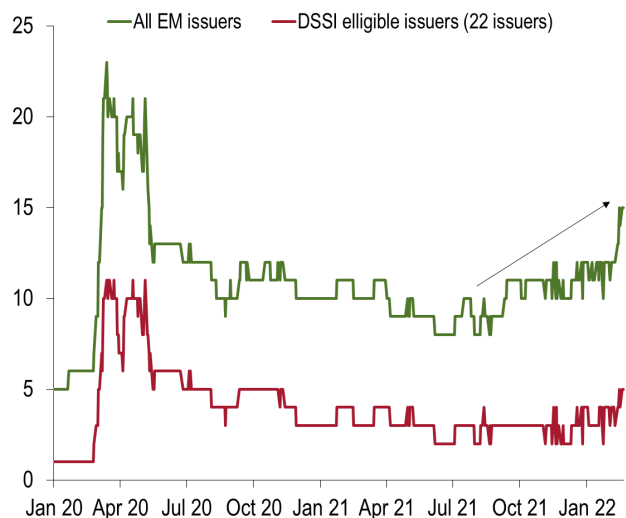
The war in Ukraine weighed on spreads, with the widening led by Russia, Ukraine and Belarus

Chart 15. Major Laggards and Gainers Last Month on Credit spreads (Basis points; change in February)

Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Costa Rica	(22)	498	Pakistan	164	777
Mozambique	(10)	867	Tunisia	218	1,579
China	3	22	Honduras	227	654
Iraq	4	540	Suriname	236	1,751
Saudi Arabia	7	137	Ghana	277	1,286
Qatar	8	118	Sri Lanka	316	2,858
Brazil	8	322	Lebanon	339	22,735
United Arab E	10	146	Belarus	2,312	3,248
Angola	11	687	Ukraine	2,569	3,453
Bolivia	14	490	Russia	3,975	4,234
Kuwait	19	61			
Uruguay	19	158			

The number of distressed issuers has increased to 15, with the inclusion of Russia, Ukraine and Belarus

Chart 16. 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	2021	2022	Dec-21	Jan-22	Feb-22
Romania	8.2	5.1	-	5.1	-
Mexico	9.1	5.0	-	4.1	0.9
Chile	16.8	4.0	1.3	4.0	-
Dominican Republic	2.5	3.6	-	-	3.6
Turkey	10.0	3.0	-	-	3.0
Panama	4.7	2.5	-	2.5	-
Pakistan	3.5	1.0	-	1.0	-
Bolivia	-	0.9	-	-	0.9
Paraguay	0.9	0.5	-	0.5	-
Venezuela	-	-	-	-	-
Lebanon	-	-	-	-	-
Argentina	-	-	-	-	-
Zambia	-	-	-	-	-
Ecuador	-	-	-	-	-
Belize	-	-	-	-	-
Mozambique	-	-	-	-	-
Gabon	0.8	-	-	-	-
Congo, Republic of	-	-	-	-	-
Democratic Republic of t	-	-	-	-	-
Barbados	-	-	-	-	-
Suriname	-	-	-	-	-
Angola	-	-	-	-	-
Iraq	-	-	-	-	-
St. Vincent and the Gren	-	-	-	-	-
Solomon Islands	-	-	-	-	-
Niger	-	-	-	-	-
Nicaragua	-	-	-	-	-
Moldova	-	-	-	-	-
Mali	-	-	-	-	-
Lao P.D.R.	-	-	-	-	-
Cabo Verde	-	-	-	-	-
Togo	-	-	-	-	-
Bosnia and Herzegovina	0.4	-	-	-	-
Lesotho	-	-	-	-	-
Kyrgyz Republic	-	-	-	-	-
Cambodia	-	-	-	-	-
Burkina Faso	-	-	-	-	-
Swaziland	-	-	-	-	-
Uganda	-	-	-	-	-
Seychelles	-	-	-	-	-

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

Issuer	2021	2022	Dec-21	Jan-22	Feb-22
China	93.7	6.6	1.9	3.7	2.9
Brazil	23.3	3.7	-	2.9	0.8
Mexico	17.1	2.6	1.5	0.8	1.7
India	14.0	5.2	1.0	5.2	-
Qatar	13.4	-	-	-	-
Russia	12.6	-	-	-	-
United Arab Emirates	10.6	0.7	-	0.7	-
Chile	10.0	2.1	-	2.1	-
Indonesia	8.8	-	-	-	-
Saudi Arabia	6.9	2.5	-	2.5	-
Malaysia	6.1	-	-	-	-
South Africa	5.2	-	-	-	-
Colombia	5.1	1.2	-	0.9	0.3
Peru	3.7	-	-	-	-
Poland	3.3	-	-	-	-
Philippines	3.2	-	-	-	-
Turkey	2.7	0.5	-	0.5	-
Ghana	2.7	-	-	-	-
Panama	1.9	-	-	-	-
Nigeria	1.7	-	-	-	-
Thailand	1.5	-	-	-	-
Morocco	1.5	-	-	-	-
Ukraine	1.4	-	-	-	-
Argentina	1.4	-	-	-	-
Hungary	1.2	0.6	-	0.6	-
Uzbekistan	1.0	-	-	-	-
Bahrain	0.9	-	-	-	-
Bulgaria	0.7	-	-	-	-
Guatemala	0.7	1.1	-	1.1	-
Kuwait	0.7	-	-	-	-