

# Weekly Emerging Markets Review

WEEK ENDING JUNE 17TH, 2016

## Market Technicals

Emerging market (EM) dollar-pay spreads widened 24 basis points (bps) on the week to 411 bps over US Treasuries, while local debt yields increased 10 bps to 6.54%. The US dollar-pay JP Morgan EMBI Global Diversified returned +7.9%, while the local currency JP Morgan GBI EM Global Diversified returned +9.1% (year-to-date through June 16, 2016).

## News

Against expectations it would remain on hold, Bank Indonesia eased its new policy rate (the 7 day reverse repo rate) by 25 bps to 5.25%. Officials have expressed a desire to support lending and growth, which they feel face downside risks this year. Chile's central bank held the policy rate steady at 3.5%, matching consensus, balancing still-elevated inflation with the lower global interest rate environment. The Central Bank of Egypt chose to hike its deposit and lending rates by 100 bps each, to 11.75% and 12.75%, respectively, as inflation has spiked amid challenging supply-side conditions.

China's economic activity data for May was generally weaker than expected, particularly fixed asset investment, which grew 9.6% year-to-date, year-over-year (y/y), down from 10.5% in April. Retail sales expanded 10.0% y/y, slightly below consensus, while industrial production matched expectations at 6.0% y/y.

Nigeria's central bank announced that it would move to a floating exchange rate regime effective June 20. Officials had kept the exchange rate pegged since early 2015, even as lower oil prices and oil production shocks severely restricted domestic US dollar liquidity, leading to sharply slower growth. Forward markets suggest that the naira may devalue by 25% or more when interbank trading is allowed next week.

## US Dollar-Denominated EM Bonds (in bps)

Spreads	06/16/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
EMBI Global Div	411	415	353	308	257	404
Investment Grade	255	268	222	203	149	275
BB-rated	359	364	328	324	228	333
B-rated	587	576	462	668	669	870

## Local Currency-Denominated EM Bonds (in %)

Yields	06/16/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
GBI-EM Global Div	6.54	7.09	6.50	6.85	5.45	6.57
Brazil	12.29	15.99	12.59	12.32	8.16	10.58
Indonesia	7.71	8.92	7.96	8.73	5.75	6.57
Turkey	9.42	10.66	7.95	10.02	6.38	10.28

Source: JP Morgan