

Weekly Emerging Markets Review

WEEK ENDING JANUARY 13TH, 2017

Market Technicals

Sovereign spreads were roughly flat at 329 basis points (bps) over US Treasuries, while EM local sovereign yields narrowed nine basis points to 6.69%. The US dollar-pay JP Morgan EMBI Global Diversified returned +1.6%, while the local currency JP Morgan GBI EM Global Diversified returned +1.0 % (year-to-date through January 12, 2017).

News

Pressure on the Mexican peso and Turkish lira continued this week, with the currencies depreciating 2.1% and 3.7%, respectively. In Mexico, the Central Bank of Mexico (Banxico) sold \$2 billion last week after announcing it would be intervening in currency markets.

In monetary policy, the central bank of Brazil (BCB) cut its policy rate by 75 bps, to 13%. The magnitude of the cut was unexpected, with consensus calling for 50 bps in easing. In its statement, the BCB highlighted weaker-than-expected activity and more favorable inflation dynamics as the primary drivers behind its decision.

Elsewhere in Latin America, the Peruvian central bank (BCRP) remained on hold at 4.25%. In its press release it pointed to stable inflation expectations and noted that growth was likely to be in line with potential in 2017. In Poland, the central bank held its policy rate unchanged at 1.5%. The Polish central bank has been on hold since early-2015.

In other news, emerging market sovereigns began to return to international markets. Ecuador issued \$1 billion in 10 year bonds at 9.125%. This is the second time the country has issued internationally since December 2016. Additionally, both Honduras and Korea issued 10 year bonds this week at 6.25% and 2.9, respectively.

US Dollar-Denominated EM Bonds (in bps)

Spreads	1/12/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
EMBI Global Div	329	342	415	353	308	257
Investment Grade	194	205	268	222	203	149
BB-rated	310	322	364	328	324	228
B-rated	489	503	576	462	668	669

Local Currency-Denominated EM Bonds (in %)

Yields	1/12/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
GBI-EM Global Div	6.69	6.79	7.13	6.50	6.85	5.45
Brazil	10.53	11.10	16.03	12.59	12.32	8.16
Indonesia	7.83	8.03	8.92	7.96	8.73	5.75
Turkey	11.21	10.91	10.62	7.95	10.02	6.38

Source: JP Morgan