

# Weekly Emerging Markets Review

WEEK ENDING MARCH 24TH, 2017

## Market Technicals

EM sovereign spreads were flat at 308 basis points (bps) over U.S. Treasuries, while EM local currency yields declined 10 bps to 6.59%. The U.S. dollar-pay JP Morgan EMBI Global Diversified returned +3.7%, while the local currency JP Morgan GBI EM Global Diversified returned +7.0 % (year-to-date through March 23, 2017).

## News

Argentina reported a fourth quarter 2016 GDP contraction of 2.1% year-over-year (y/y), roughly in line with consensus estimates. More encouraging was the positive quarter-over-quarter growth figure of 0.5%, which was the strongest print since mid-2015, signaling that the country should emerge from recession this year. Growth in Chile softened to 0.5% y/y in the final quarter of 2016, as expected. Weaker investment and net exports drove the result, while domestic consumption held steady. Growth in Georgia reached 2.8% y/y, up from 2.3% y/y in the third quarter; industries including agriculture, manufacturing and transport showed improvement to end the year.

The Central Bank of Russia cut the policy rate by 25 basis points, bringing it 9.75%. Officials noted that inflation was falling faster than forecast, and they see room to ease gradually through 2017. In the Philippines, the central bank held the policy rate at 3%, while seeing upside risks to inflation amid solid domestic demand. Nigeria's central bank chose to keep rates steady at 14%. The central bank is dealing with elevated inflation, though it sees upward price pressures subsiding in coming months.

Emerging market sovereigns and corporates continued to issue bonds amid a broadly favorable market environment. Indonesia placed \$3 billion of sukuk notes as part of a multi-currency financing round. Lebanon also issued \$3 billion to refinance upcoming maturities. Globo Comunicação e Participações (Brazilian media), Türkiye Sinai Kalkınma Bankası (Turkish bank) and Korea National Oil Corporation highlighted corporate issuance.

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

Spreads	3/23/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
EMBI Global Div	308	342	415	353	308	257
Investment Grade	177	205	268	222	203	149
BB-rated	274	322	364	328	324	228
B-rated	469	503	576	462	668	669

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

Yields	3/23/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
GBI-EM Global Div	6.59	6.79	7.13	6.50	6.85	5.45
Brazil	9.73	11.10	16.03	12.59	12.32	8.16
Indonesia	7.43	8.03	8.92	7.96	8.73	5.75
Turkey	10.81	10.91	10.62	7.95	10.02	6.38

Source: JP Morgan