

Weekly Emerging Markets Review

WEEK ENDING MAY 5TH, 2017

Market Technicals

EM sovereign spreads narrowed by 7 basis points (bps) to 299 bps over U.S. Treasuries, while EM local currency yields fell 9 bps to 6.40%. The U.S. dollar-pay JP Morgan EMBI Global Diversified returned +5.4%, while the local currency JP Morgan GBI EM Global Diversified returned +7.7% (year-to-date through May 4, 2017).

News

The start of May brought with it the latest release of global PMI data. China's two manufacturing PMI series were weaker than expected; the national statistics reading fell to 51.2 (from 51.8), while the Caixin reading declined to 50.3 (from 51.2). The manufacturing PMI reading for India was flat at 52.5, while Indonesia's release showed improvement to 51.2 (from 50.5). The data from Brazil improved to 50.1 from 49.6, bringing the reading above 50 for the first time since early 2015. Polish PMI also moved higher to 54.1 from 53.5. The Markit manufacturing PMI for Mexico declined to 50.7 (from 51.5), while Russia published a similar result, falling to 50.8 (from 52.4).

Indonesia released GDP growth for the first quarter of 2017 at 5.0% year-over-year, slightly below consensus estimates. By sector, agricultural performance was stronger, while manufacturing was steady and mining slowed.

Romania's central bank held the benchmark rate at 1.75%, as expected, but eased reserve requirements for foreign exchange deposits to 8%, from 10%. Governor Isarescu stated that the path of inflation may be slower than the bank's prior forecast.

New issue markets remained open to global issuers, with sovereign dollar bonds being placed by Turkey, Sri Lanka and Panama. The National Bank for Economic & Social Development, a Brazilian quasi-sovereign, issued seven year bonds, while corporate deals were placed by Celeo Redes (Chilean utility), ACWA Power (Saudi utility) and Fibabanka (Turkish bank) among others.

US Dollar-Denominated EM Bonds (in bps)

Spreads	05/04/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
EMBI Global Div	299	342	415	353	308	257
Investment Grade	172	205	268	222	203	149
BB-rated	254	322	364	328	324	228
B-rated	439	503	576	462	668	669

Local Currency-Denominated EM Bonds (in %)

Yields	05/04/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
GBI-EM Global Div	6.40	6.79	7.13	6.50	6.85	5.45
Brazil	9.65	11.10	16.03	12.59	12.32	8.16
Indonesia	7.30	8.03	8.92	7.96	8.73	5.75
Turkey	10.51	10.91	10.62	7.95	10.02	6.38

Source: JP Morgan