

# Weekly Emerging Markets Review

WEEK ENDING MAY 12TH, 2017

## Market Technicals

EM sovereign spreads tightened 4 basis points (bps) to 295 bps over U.S. Treasuries, while EM local currency yields increased 2 bps to 6.42%. The U.S. dollar-pay JP Morgan EMBI Global Diversified returned +5.5%, while the local currency JP Morgan GBI EM Global Diversified returned +7.9% (year-to-date through May 11, 2017).

## News

China released external and monetary indicators for April. Trade momentum eased, with exports showing growth of 8.0% year-over-year (y/y), down from 16.4%, while imports rose 11.9% y/y (down from 20.3%). The result was a larger-than-expected trade surplus for the month, and foreign reserves were also higher at \$3.029 trillion. Monetary data showed a modest increase in CPI inflation at 1.2% y/y (from 0.9%), although PPI inflation eased to 6.4% y/y (from 7.6%). China's latest lending data showed a slowdown, as regulators have recently announced measures tighten financial conditions, though the numbers for aggregate financing and new loans came ahead of consensus expectations.

Among monetary policy decisions, Peru's central bank cut rates by 25 basis points to 4%, against expectations it would remain on hold. Authorities noted softer economic activity and have revised down growth forecasts for 2017, while they see somewhat elevated inflation expectations easing in coming months. Central banks in Malaysia and the Philippines both held rates at 3%. Malaysian officials noted that emerging and advanced economies may be experiencing a synchronized growth recovery, while in the Philippines officials believe a recent pick-up in inflation will peak in the third quarter and ease afterwards.

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

Spreads	05/11/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
EMBI Global Div	295	342	415	353	308	257
Investment Grade	169	205	268	222	203	149
BB-rated	252	322	364	328	324	228
B-rated	432	503	576	462	668	669

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

Yields	05/11/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
GBI-EM Global Div	6.42	6.79	7.13	6.50	6.85	5.45
Brazil	9.41	11.10	16.03	12.59	12.32	8.16
Indonesia	7.49	8.03	8.92	7.96	8.73	5.75
Turkey	10.65	10.91	10.62	7.95	10.02	6.38

Source: JP Morgan