

Weekly Emerging Markets Review

WEEK ENDING SEPTEMBER 8TH, 2017

Market Technicals

EM sovereign spreads compressed by two basis points (bps) to 298 basis points (bps) over U.S. Treasuries, while EM local currency yields declined eight bps to 5.95%. The U.S. dollar-pay JP Morgan EMBI Global Diversified returned +9.6%, while the local currency JP Morgan GBI EM Global Diversified returned +16.5% (year-to-date through September 7, 2017).

News

In Brazil, the Copom chose to cut the Selic rate a further 100 basis points to 8.25%, matching consensus estimates. Officials signaled that the path of easing was likely to moderate in coming meetings. The National Bank of Poland kept rates steady at 1.5%, in line with expectations. Officials were satisfied with the overall macroeconomic backdrop, and saw limited risks that inflation would breach the target in the medium term. Policy rates are likely to remain on hold well into 2018. Malaysia's central bank was also on hold, at 3%, amid contained inflation and solid growth prospects.

Among economic data releases, South African growth registered improvement as second quarter output expanded 1.1% year-over-year (y/y). Consumption indicators were stronger during the period, though investment remained in contraction. China reported mixed trade data, with exports slowing slightly more than expected to 5.5% y/y, while imports accelerated more than forecast to 13.3%.

After the Labor Day holiday in the U.S., EM primary market activity came back to life with a broad range of corporates and sovereigns moving forward with issuance plans amid a favorable market backdrop. The Republic of Tajikistan was a notable debut market entrant, placing \$500 million of a ten year maturity at a 7.125% annual rate. The small, former Soviet state will become a constituent of the EM sovereign benchmark next month.

US Dollar-Denominated EM Bonds (in bps)

Spreads	09/07/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
EMBI Global Div	298	342	415	353	308	257
Investment Grade	170	205	268	222	203	149
BB-rated	252	322	364	328	324	228
B-rated	424	503	576	462	668	669

Local Currency-Denominated EM Bonds (in %)

Yields	09/07/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
GBI-EM Global Div	5.95	6.79	7.13	6.50	6.85	5.45
Brazil	8.72	11.10	16.03	12.59	12.32	8.16
Indonesia	6.80	8.03	8.92	7.96	8.73	5.75
Turkey	10.60	10.91	10.62	7.95	10.02	6.38

Source: JP Morgan