

# Weekly Emerging Markets Review

WEEK ENDING SEPTEMBER 15TH, 2017

## Market Technicals

EM sovereign spreads tightened by nine basis points (bps) to 288 bps over U.S. Treasuries, while EM local currency yields were flat at 5.95%. The U.S. dollar-pay J.P. Morgan EMBI Global Diversified returned +9.5%, while the local currency J.P. Morgan GBI EM Global Diversified returned +15.7% (year-to-date through September 14, 2017).

## News

GDP growth in Turkey was healthy at 5.1% year-over-year (y/y) in the second quarter; working-day adjusted growth was even stronger at 6.5% y/y. While private consumption and net exports both contributed positively to output during the quarter, fixed investment was a key driver due to the robust performance of the construction sector. Acknowledging the positive growth result, the Central Bank of Turkey opted to keep its multiple policy rates unchanged, including the benchmark rate at 8%.

China's economic activity data for August was generally weaker than expected. Fixed asset investment slowed to 7.8% year-to-date y/y, from 8.3%, while industrial production also declined to 6% y/y, from 6.6%. The pace of retail sales also eased to 10.1% y/y.

Among other monetary policy decisions, the Central Bank of Russia cut its key rate by 50 basis points to 8.5%, matching expectations. Officials have been responding to inflation and inflation expectations that have fallen to historic lows. Peru's central bank also opted to loosen monetary conditions, easing rates a further 25 basis points to 3.5%; the 2017 easing cycle has been motivated by slower than expected growth dynamics. The Board of the Central Bank of Chile opted to keep rates steady at 2.5% as economic activity appears to have improved in recent months while inflation remains contained.

Moody's upgraded Georgia's sovereign rating to Ba2, from Ba3. The agency pointed to the country's economic resilience, strengthening institutions, and consistent progress on reforms.

A favorable market backdrop facilitated brisk primary market activity. Quasi-sovereign issuer Mexico City Airport printed new 10 and 30 year bonds and upsized the total size of the deal from \$3 billion to \$4 billion. The Kingdom of Bahrain also placed a multi-tranche (7, 12 and 30 year) deal totaling \$3 billion. Among the many corporates coming to market were Klabin (Brazilian packaging), Millicom (South American telecom), Banistmo (Panamanian bank), Cosan (Brazilian energy conglomerate), ENAP (Chilean state-owned energy) and Export Credit Bank of Turkey (state-owned bank). Markets were also focused on a tender offer and upcoming issuance from Ukraine, as the country continues with its recovery following a 2015 debt restructuring.

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

Spreads	09/14/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
EMBI Global Div	288	342	415	353	308	257
Investment Grade	162	205	268	222	203	149
BB-rated	243	322	364	328	324	228
B-rated	410	503	576	462	668	669

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

Yields	09/14/17	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	8.68	11.10	16.03	12.59	12.32	8.16
Indonesia	6.83	8.03	8.92	7.96	8.73	5.75
Turkey	10.63	10.91	10.62	7.95	10.02	6.38