

# Weekly Emerging Markets Review

WEEK ENDING NOVEMBER 10TH, 2016

## Market Technicals

Emerging market (EM) dollar-pay spreads tightened eighteen basis points (bps) to 331 bps over US Treasuries, while local debt yields increased nine bps to 6.47%. The US dollar-pay JP Morgan EMBI Global Diversified returned +12.5%, while the local currency JP Morgan GBI EM Global Diversified returned +13.7% (year-to-date through November 9, 2016).

## News

Within emerging markets, Mexico is perceived to face the most fundamental downside under a Donald Trump presidency, given that Trump's campaign featured specific policy proposals that could impact Mexican trade, immigration and remittance flows. Mexican assets came under pressure in the immediate aftermath of the US vote led by the Mexican peso, which fell about 10% against the US dollar. Mexican officials chose not to take any immediate steps to stabilize domestic financial markets, and sought to strike a constructive tone on the future of US-Mexican relations.

China reported trade data modestly weaker than market expectations, with exports and imports contracting 7.3% and 1.4% year-over-year (y/y), respectively. China's consumer price inflation came in line at 2.1% y/y, while producer price inflation continued to surprise to the upside, printing at 1.2% y/y.

Indonesia's third quarter GDP growth performed slightly below market consensus at 5.0% y/y. On a quarterly basis, investment and government spending slowed relative to the second quarter, while private consumption remained the core underlying growth driver.

Among monetary policy decisions, the National Bank of Poland held rates at 1.5%, and the monetary policy committee suggested that policy would remain stable in coming months. The Bank of Thailand chose to hold rates at 1.5%. Policymakers expect to remain accommodative, and continue to express concerns regarding the strength of the Thai baht.

The Indian government unexpectedly announced that it was taking high denomination currency notes out of circulation by the end of 2016, to be replaced by new, more secure bills next year. The government believes that replacing the old currency, which was frequently used in illegal transactions and held to avoid taxes, will help reduce corruption and generate financing for the budget.

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

Spreads	11/09/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
EMBI Global Div	331	415	353	308	257	404
Investment Grade	190	268	222	203	149	275
BB-rated	295	364	328	324	228	333
B-rated	481	576	462	668	669	870

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

Yields	11/09/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
GBI-EM Global Div	6.47	7.13	6.50	6.85	5.45	6.57
Brazil	11.11	16.03	12.59	12.32	8.16	10.58
Indonesia	7.57	8.92	7.96	8.73	5.75	6.57
Turkey	10.22	10.62	7.95	10.02	6.38	10.28

Source: JP Morgan