

Weekly Emerging Markets Review

WEEK ENDING NOVEMBER 25TH, 2016

Market Technicals

Emerging market (EM) dollar-pay spreads were roughly flat at 359 basis points (bps) over US Treasuries, while local debt yields increased ten bps to 6.92%. The US dollar-pay JP Morgan EMBI Global Diversified returned +8.7%, while the local currency JP Morgan GBI EM Global Diversified returned +6.9% (year-to-date through November 24, 2016).

News

Several emerging markets held monetary policy meetings. Against consensus that it would stay on hold, the Central Bank of Turkey hiked the benchmark repo rate by 50 basis points to 8% in response to a meaningful depreciation of the lira that could lead to rising inflation expectations. Officials also widened the corridor around the key rate by hiking the lending rate 25 basis points to 8.5%, while keeping the deposit rate at 7.25%. Bank Negara Malaysia left the policy rate steady at 3%, while the South African Reserve Bank was also on hold at 7%. In Hungary, officials left the base rate unchanged at an historic low of 0.9%, but further eased the top end of its interest rate corridor by cutting the lending rate 15 basis points to 0.9%.

Among third quarter GDP releases, Mexico confirmed its earlier reported expansion of 2.0% year-over-year (y/y). Growth has been supported by robust service sector performance, but held back by weakness in the industrial sector. Colombia's growth came at 1.2% y/y, below consensus estimates of 1.5%. On a sequential basis, agriculture, mining and manufacturing contracted during the quarter. Thailand's growth figure came modestly below consensus at 3.2% y/y. The data showed healthy performance by the private sector, while lower public spending was a detractor.

Fitch moved the outlook on South Africa's BBB- credit rating to negative, noting that political volatility was likely to remain a constraint for investment and growth. High-yield rated sovereigns Jamaica and Mongolia saw diverging credit rating paths. Moody's rewarded Jamaica's commitment to fiscal consolidation and structural reforms by upgrading the country to B3, from Caa1. Meanwhile, Mongolia was lowered one notch to Caa1 and B- by Moody's and Fitch, respectively. Both agencies cited Mongolia's poor budget performance, rising public debt levels and external liquidity challenges.

US Dollar-Denominated EM Bonds (in bps)

Spreads	11/24/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
EMBI Global Div	359	415	353	308	257	404
Investment Grade	214	268	222	203	149	275
BB-rated	323	364	328	324	228	333
B-rated	509	576	462	668	669	870

Local Currency-Denominated EM Bonds (in %)

Yields	11/24/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
GBI-EM Global Div	6.92	7.13	6.50	6.85	5.45	6.57
Brazil	11.41	16.03	12.59	12.32	8.16	10.58
Indonesia	8.28	8.92	7.96	8.73	5.75	6.57
Turkey	10.90	10.62	7.95	10.02	6.38	10.28

Source: JP Morgan