

# Weekly Emerging Markets Review

WEEK ENDING JANUARY 20TH, 2017

## Market Technicals

Sovereign spreads tightened four basis points (bps) to 325 bps over U.S. Treasuries, while EM local sovereign yields increased three bps to 6.72%. The US dollar-pay JP Morgan EMBI Global Diversified returned +1.3%, while the local currency JP Morgan GBI EM Global Diversified returned +0.3 % (year-to-date through January 19, 2017).

## News

The latest activity data from China was a reminder of the country's adjustment from investment-led to consumption-driven growth. December industrial production and fixed asset investment growth eased modestly to 6.0% year-over-year (y/y) and 8.1% y/y, respectively, while retail sales came better than expected at 10.9% y/y. For the fourth quarter, GDP expanded 6.8% y/y, marginally ahead of the 6.7% consensus expectation.

Among monetary policy decisions, the Central Bank of Chile chose to ease its policy rate 25 basis points to 3.25%, having been on hold throughout 2016. The Board noted that inflation expectations were in the lower part of the tolerance range, while recent economic activity data have been weak. Bank Indonesia and Bank Negara Malaysia opted to leave policy rates unchanged at 4.75% and 3%, respectively. Officials from both banks noted healthy domestic activity and possible upside for global growth.

New bond issuance from emerging market sovereigns and corporates was robust. Argentina, Colombia, Chile (local currency), Honduras, Dominican Republic, Turkey, and the Philippines were among sovereign issuers in the last few trading days. Each deal saw healthy demand, leading issuers to offer relatively modest pricing concessions for investors. Primary markets were also active for corporates and quasi-sovereigns; Metro de Santiago (Chile), Export-Import Bank of Korea and State Bank of India were among the non-sovereign issuers.

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

Spreads	1/19/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
EMBI Global Div	325	342	415	353	308	257
Investment Grade	191	205	268	222	203	149
BB-rated	304	322	364	328	324	228
B-rated	486	503	576	462	668	669

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

Yields	1/19/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
GBI-EM Global Div	6.72	6.79	7.13	6.50	6.85	5.45
Brazil	10.46	11.10	16.03	12.59	12.32	8.16
Indonesia	7.77	8.03	8.92	7.96	8.73	5.75
Turkey	11.19	10.91	10.62	7.95	10.02	6.38

Source: JP Morgan