

Weekly Emerging Markets Review

WEEK ENDING MARCH 11TH, 2016

Market Technicals

Emerging market (EM) dollar-pay spreads tightened fifteen basis points (bps) to 419 bps over US Treasuries, while local debt yields fell fourteen bps to 6.63%. The US dollar-pay JP Morgan EMBI Global Diversified returned +3.1%, while the local currency JP Morgan GBI EM Global Diversified returned +6.3% (year-to-date through March 10, 2016).

News

China's Premier Li released statements about economic policy to mark the opening of the National People's Congress. The 2016 growth target was revised modestly lower to 6.5-7% (originally 7%), while the government signaled a more expansionary fiscal policy, targeting a 3% budget deficit (2.4% in 2015). The announcement also indicated that monetary policy would remain flexible, while authorities committed to infrastructure investment, supply-side reforms and ongoing reform of state-owned enterprises. In terms of data releases, China's foreign exchange reserves fell by a smaller than expected \$28.5 billion, and trade data showed continued weakness, with exports declining 25.4% year-over-year (y/y) and imports falling 13.8% y/y. Although China's headline inflation came significantly above expectations at 2.3% y/y, the reading was largely influenced by food prices; core inflation decelerated to 1.3% y/y.

Bank Negara Malaysia left its policy rate unchanged at 3.25% in Governor Zeti Aziz's final monetary policy decision. Governor Zeti, who has led the central bank since 1998, is set to step down at the end of her term in April, though no replacement has been appointed. The National Bank of Poland maintained its base rate at 1.5% following the recent replacement of several Monetary Policy Council members. Countering consensus expectations of a hike, Peru's central bank chose to hold rates at 4.25%; officials are pausing to assess the impact of four recent hikes.

Colombia's fourth quarter 2015 GDP came at 3.3% y/y, ahead of estimates and higher than the 3.2% y/y rate in the third quarter. Agriculture, manufacturing and services were among stronger performing sectors. Nigeria's GDP growth release showed a deceleration in the fourth quarter to 2.1% y/y, led by an 8.3% y/y contraction in the oil and gas sector. The release confirmed full year growth at 2.8%, the slowest pace since 1999.

US Dollar-Denominated EM Bonds (in bps)

Spreads	03/10/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
EMBI Global Div	419	415	353	308	257	404
Investment Grade	252	268	222	203	149	275
BB-rated	379	364	328	324	228	333
B-rated	608	576	462	668	669	870

Local Currency-Denominated EM Bonds (in %)

Yields	03/10/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
GBI-EM Global Div	6.63	7.09	6.50	6.85	5.45	6.57
Brazil	13.68	15.99	12.59	12.32	8.16	10.58
Indonesia	8.08	8.92	7.96	8.73	5.75	6.57
Turkey	9.99	10.66	7.95	10.02	6.38	10.28

Source: JP Morgan