

Weekly Emerging Markets Review

WEEK ENDING SEPTEMBER 30TH, 2016

Market Technicals

Emerging market (EM) dollar-pay spreads widened by ten basis points (bps) to 339 bps over US Treasuries, while local debt yields increased by three bps to 6.18%. The US dollar-pay JP Morgan EMBI Global Diversified returned +14.8%, while the local currency JP Morgan GBI EM Global Diversified returned +17.1% (year-to-date through September 29, 2016).

News

Moody's lowered Turkey's credit rating to Ba1 from Baa3, citing rising external financing risks, weakening credit metrics and erosion of institutional strength. The downgrade came faster than expected following Moody's move to a negative outlook in the aftermath of the country's failed coup attempt. The new rating leaves Turkey's foreign debt below investment-grade at two out of three major rating agencies, and will cause Turkey to fall out of bond indices like the Bloomberg Barclays Global Aggregate.

Mexico's central bank, Banxico, hiked the policy rate by 50 bps to 4.75%. The underperformance of the Mexican peso has been a significant factor in Banxico policy, as it seeks to prevent the currency from pushing up inflation expectations. Among its forward-looking considerations, Banxico cited "nervousness arising from the possible consequences of the electoral process in the United States."

US Dollar-Denominated EM Bonds (in bps)

Spreads	09/29/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
EMBI Global Div	339	415	353	308	257	404
Investment Grade	212	268	222	203	149	275
BB-rated	280	364	328	324	228	333
B-rated	492	576	462	668	669	870

Local Currency-Denominated EM Bonds (in %)

Yields	09/29/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
GBI-EM Global Div	6.18	7.13	6.50	6.85	5.45	6.57
Brazil	11.23	16.03	12.59	12.32	8.16	10.58
Indonesia	7.11	8.92	7.96	8.73	5.75	6.57
Turkey	9.14	10.62	7.95	10.02	6.38	10.28

Source: JP Morgan