

Bulletin - 4Q 2024

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US Rates, US Elections, China Dominate EM Discussions

Over the past few months, three factors have dominated the discussion at EMTA events across the globe—the much-anticipated onset of the US rate cut cycle, the US elections, and the Chinese economic outlook/Beijing's recent stimulus announcements—and how these would affect the global macroeconomy and EM.

This Bulletin includes speaker insights into each of these factors, as greater clarity evolved. Now that President-elect Trump is set to take office, more details have been released by Beijing, and additional US FOMC rate decisions are being made, EMTA will continue to provide a venue for a discussion of these and other variables affecting our markets.

BofA Securities Hosts EMTA Annual Meeting on December 9, 2024

EMTA's Annual Meeting will take place on Monday, December 9, 2024. The event will be hosted in-person by BofA Securities at One Bryant Park in midtown New York City. 300 EM professionals are expected to attend.

As in prior years, the agenda includes 2 panels of EM experts, one moderated by BofA's Claudio Irigoyen and composed of investor speakers, followed by JPMorgan's Joyce Chang leading a sell-side analyst discussion. (This will mark Chang's 29th consecutive appearance at the EMTA Annual Meeting.) The panels will focus on the outlook for EM debt in 2025 after the challenges of the current year.



(continued on [page 4](#))

Leslie Payton Jacobs, EMTA Senior Legal Counsel and MD for NDF/FX, to Retire

EMTA's Senior Legal Counsel and Managing Director for NDF/FX Projects Leslie Payton Jacobs to retire from full-time work on December 31, 2024.

Leslie joined EMTA as Senior Counsel in 2002 with primary responsibility for EMTA's NDF and FX-related initiatives. Among her many notable achievements during her twenty-two years of service were the helping the industry to standardize NDF and NDO market trading in multiple currency pairs (from 5 currency pairs in 2000 to 32 in 2024), prepare related Users' Guides and Guidance Notes related to the standardized documentation, as well as recommend best practices in the trading of non-deliverable FX and currency derivatives and oversee 18 industry-wide amendment protocols enabling the market to amend legacy trades for the NDF market. In addition, over the years, Leslie helped the EMTA Membership, and the industry generally, coordinate responses to a number of significant market disruption events, including those affecting Argentina, Russia and Ukraine.



Leslie also assumed a leading role on EMTA's Forums in Asia and Latin America and chaired NDF/FX Working Group meetings in New York, London, Hong Kong and Singapore over the years.

Before joining EMTA, Leslie was in-house legal counsel at each of Merrill Lynch and Bear Stearns. She began her legal career as an associate at Shearman & Sterling's New York office on the bank finance team, where she was involved in the sovereign debt restructurings for Mexico, Argentina and Brazil, representing the bank advisory groups.

After her formal step-down from EMTA, Leslie will continue on as an EMTA consultant for a period to ensure the smooth transition to ISDA of the documentary infrastructure and to oversee the set up and organization of a new joint EMTA and ISDA EM FX industry committee to continue EMTA's historic role in the industry of promoting fair, efficient and transparent trading in the EM FX market

As Leslie starts the next chapter of her life in Maine, EMTA staff thank her for her dedication, her humor and her companionship, and looks forward to working with her in this new capacity.

EMTA Board Meeting Held on October 1, 2024

EMTA's Board met on October 1, 2024 via Zoom. Pedro Torrado (Deutsche Bank), Osmin Rivera (Goldman Sachs) and Pasquale Calabro (UBS) were confirmed as Directors following nomination by their firms.

EMTA's Board Executive Committee for 2024 was confirmed as follows:

Co-Chairs

Mark L. Coombs (Ashmore Investment Management) James Banghart (J.P. Morgan Chase)

Vice Chairs

Brian Weinstein (Bank of America) Thomas Clarke (Citi)
Pedro Torrado (Deutsche Bank) Osmin Rivera (Goldman Sachs)
Dean Menegas (Spinnaker Capital)

Agenda items included a report on EMTA's finances, events calendar, and projects in the fixed income and FX and currency derivatives areas. Against a budgeted net total surplus of about \$14,000, EMTA's net total surplus for 2023 was \$89,200, due in part to strong membership dues and events revenues.

EMTA's budget for 2024 shows an operating surplus of \$106,000, with factors considered including the reduction in board assessments implemented in 2023, as well as some increases in IT expenses and investment income. Notable in the Board's discussion of FX derivatives was the impending ISDA/EMTA effort to revise the current global FX and derivatives architecture and documentation (see [page 16](#) of this Bulletin). EMTA's participation in this project is expected to involve a significant non-operating expense in 2024 (as well as 2025), spread across those two years.

EMTA Members with questions on the Board Meeting are welcome to contact Board Secretary Aviva Werner at awerner@emta.org.



As part of regular outreach to EMTA Board Directors, staff members Aviva Werner and Jonathan Murno recently met with Board Directors Omar Takriti (HSBC) in Hong Kong to discuss its events in Asia, as well meeting with our newly-elected Board Co-Chair Pedro Torrado (Deutsche Bank) in New York City.

As always, we thank all of our Board Directors for their valuable insight into current and future projects.



Annual Meeting (continued)

Confirmed speakers include Gabriel Casillas (Barclays), Amer Bisat (BlackRock), Dirk Willer (Citi), Drausio Giacomelli (Deutsche Bank), Alberto Ramos (Goldman Sachs), Hari Hariharan (NWI Investment), Cathy Hepworth (PGIM) and Samy Muaddi (T. Rowe Price).

ISI Markets will provide additional support for the event.

Invitations will be sent to all EMTA Members, who may attend at no cost. There is an attendance fee of \$1000 for employees of Non-member firms. For more information, please contact Jonathan Murno at jmurno@emta.org.

EMTA Recommends Market Practice for Ukraine's Naftogaz USD 2028 Bonds

On November 18, 2024, following consultations with major market participants, EMTA recommended a Market Practice for Ukraine's Naftogaz USD 2028 Bonds, updating the August 7, 2024 Market Practice recommendation that this bond trade flat, given that it was currently in the interest deferral period. The market agreed to review the August 7 recommendation when more information was available on payments.

EMTA worked cooperatively with Bloomberg to change its screens to "with accrued," together with a capitalization factor, as it became apparent that payments were made in cash and the issuer capitalized 4 prior coupons via increasing principal.

[Click Here](#) for the Market Practice.

EMTA had previously recommended on August 7, 2024 that Naftogaz's USD 2025 and EUR 2026 Bonds trade "with accrued."

For further information, please contact Aviva Werner at awerner@emta.org.

Suriname VRI Not Traded with Factor

Some EMTA Members were concerned that trading the Suriname Warrants was not commensurate with the Prospectus terms. Since Bloomberg typically does not support warrants on its screens, the question was how the market would trade this asset.

While the Suriname Trustee has confirmed that DTCC communicated factor announcements to holders of the VRIs, it was determined, after consultation with market participants in the EMTA Bond Working Group, that trading with a factor does not appear viable at this time, given the added work for the back offices.

For further information, please contact Aviva Werner at awerner@emta.org.

Ghana Special Payments Addressed

A special payment will be made on January 3, 2025 for interest accrued on the Notes from July 3, 2024. After consultation with market participants, it was determined that, instead of a Market Practice (thus also burdening the back offices), the market would trade based on the Bloomberg screens.

EMTA has continued to work cooperatively with Bloomberg to change its screens as it is deemed necessary, and Ghana's special payment is yet another example of how this has worked well since Bloomberg did change its screens after consultation with EMTA.

For further information, please contact Aviva Werner at awerner@emta.org.

Grenada Continues With Accrued Interest Trading

Bloomberg contacted EMTA since payment on the Grenada Bonds (ISIN USP48863AE77 (REG S) and CUSIP 38373UAE2 (144A)) was not made by the grace period, which ended on November 12, 2024. Since Grenada invoked the "hurricane clause," which allows suspension of payments due to environmental factors impacting the issuer, market participants determined that trading should continue on an accrued interest basis.

Bloomberg screens were adjusted accordingly (yet another example of how EMTA and Bloomberg collaborated well after EMTA consulted with market participants).

For further information, please contact Aviva Werner at awerner@emta.org.

Sri Lanka Launches Exchange Offer

Following the agreement-in-principle reached in September 2024, on November 25, 2024, Sri Lanka launched its Exchange Offer and Consent Solicitation to restructure \$12.55B in outstanding International Sovereign Bonds.

[Click Here](#) for the Press Release.

All the members of the Local Consortium of Sri Lanka, advised by Newstate Partners LLP and Baker & McKenzie Wong & Leow, indicated on November 26, 2024 its intention to participate in the restructuring, which will provide Sri Lanka with substantial debt relief. This will be in addition to the support provided to the government and wider economy since the foreign currency default in April 2022.

[Click Here](#) for the Press Release.

For further information, please contact Aviva Werner at awerner@emta.org.

Ethiopia's Ad Hoc Bondholder Committee Again Expresses Disappointment

On October 3, 2024, the Ethiopia Ad Hoc Bondholder Committee, consisting of international financial institutions based in the US and Europe and holding more than 40% in aggregate of Ethiopia's 6.625% Notes due 2024, expressed its disappointment following the global investor call held on October 1, 2024 by the Ethiopian authorities. The Committee does not support the restructuring terms presented on the call, claiming that a haircut of the Notes' principal claim is wholly inconsistent with the Committee's evaluation of Ethiopia's economic fundamentals.

[Click Here](#) for the Press Release.

The Committee also expressed its disappointment on August 14, 2024 following unfounded public comments made by the Ethiopian authorities.

The Committee is working with Newstate Partners LLP and Weil, Gotshal & Manges (London) LLP as its financial and legal advisors, respectively.

For further information, please contact Aviva Werner at awerner@emta.org.

South African Growth Under the Unity Government Reviewed in Johannesburg and Cape Town

Monetary and fiscal policy, as well as the growth outlook, were the main themes covered at EMTA's Forums on the South African Economic Outlook in Johannesburg (November 12, 2024) and Cape Town (November 14, 2024). The events were hosted by Standard Bank. Rand Merchant Bank and Citi provided additional support.

Elna Moolman (Standard Bank) led the Johannesburg discussion, and began by soliciting comments on the change in sentiment on the South African economy. James Turp (Sanlam Investments) underscored that many positive steps had been taken even prior to the formation of the government of national unity (GNU), including spending cuts and the “huge plus” of the end of load-shedding. The market had reacted very positively to the GNU, as many had been quite skeptical in the run-up to the elections, “and now there is a ton of potential that hasn't been unearthed for decades. Risk and pessimism are priced out, while optimism is priced in.”



Turp warned, however, that “goodwill is expiring, and now it's time for concrete action, and there are new and exciting strategies for the economy that can be adopted. There is more upside to unlock, and the hard work is about to begin.”

Moolman cited growth estimates as high as 3%, before noting her more conservative 2-2.5% medium-term growth forecast. Isaah Mhlanga (Rand Merchant Bank) observed that there were also many investment houses calling for less than 2% growth. “Maybe it's because there have been disappointments with reforms in the past two decades, so many have a wait-and-see stance.” However, Mhlanga reasoned that, “the risk is on the upside,” believing there was political willingness to carry out reforms (although there may be fiscal policy constraints). If so, 2.5% to 3% growth could be attainable over the medium term.

Veteran investor Ian Scott expected the GNU to adopt a pragmatic fiscal stance. He stressed that both the cost of capital and unemployment needed to be reduced. Mhlanga countered that too much emphasis was placed on reducing the cost of capital, and that South Africa had previously demonstrated good growth during periods of high interest rates.

The prospects of a fiscal anchor were discussed. Scott saw the fiscal anchor as critical to achieving 3% inflation, as well as for South Africa to regain its IG rating. In contrast, Mhlanga declared that “a fiscal anchor won't be coming from the legislature in the near term,” citing the desire by politicians to spend to appease the electorate, and not have their hands tied. While Finance Minister Godongwana had warned that no legislated fiscal anchor was forthcoming, “that doesn't mean it's not there...look at history, this is the first time there's been a primary surplus in 15 years!”

South Africa Forums (continued)

Turp agreed that South Africa needed a ratings upgrade, as well as growth; “it all comes back to growth, although it’s chicken and egg – one needs to borrow to get there,” even though the country’s cost of debt was already very expensive. He noted that it won’t be easy to spend wisely on growth initiatives, but he believes the country has the “right amount of dedication and capacity and will to do so.” On the other hand, he exclaimed, “don’t try to catch two rabbits, look at the one you can catch.” Moolman suggested sequencing, focusing on changes over time, enacting the fiscal anchor and then looking at the inflation target.

“Key to unlocking our growth potential is fixing Transnet,” opined Turp as the conversation turned to South Africa’s troubled SOEs. Eskom proved that solving the SOE issues can be done, he asserted, with money needing to be spent wisely and on growth-driving initiatives. Scott expressed surprise that explicit support for Transnet was not included in the government’s mid-term budget policy statement.

Getting off the grey listing was possible by year-end 2025, Moolman noted. Scott expected this would be the case. He considered an upgrade on the country’s outlook possible by the ratings agencies, but did not anticipate an actual credit upgrade. [NB: S&P Global Ratings raised the outlook on South Africa’s BB- rating to positive three days after the event.]

Is the market becoming too optimistic? Turp ventured that optimism was justified despite the government moving frustratingly slowly. Inflation forecasts are in the 4 to 5% range, the country was attracting foreign capital, and officials have adopted a more business-like tone. Mhlanga concurred, “Eskom is being dealt with, it’s not just being kicked down the road; and we assume it’s ‘when’ not ‘if’ they take on Transnet.” Once Transnet’s balance sheet is addressed, the focus can be placed on improving infrastructure. Progress hasn’t been fast enough as many would like, but “these are difficult reforms.”

At the Cape Town event two days later, Moolman resumed moderating duties. Nishan Maharaj (Coronation Fund Managers) expected growth would remain below 2% for the next 18-24 months; afterwards, assuming good news at Transnet and Eskom, it could eventually surpass 2%. “2% is good enough to stabilize, but it’s not the golden number we had hoped to achieve,” he remarked.

Rashaad Tayob (Foord Asset Management) emphasized that previously ANC policies had served to restrain the private sector from contributing to the country’s economic expansion. He remained unconvinced that there had been a fundamental change in official policy, and cautioned that growth may underwhelm the market. Terebinth Capital’s Carmen Nel concurred that government ideology may not have shifted, and that the private sector remains discouraged.



South Africa Forums (continued)

On the SOEs, Tayob expressed concern over potential “foot dragging” with Transnet. “I don’t see a proper plan; management doesn’t seem to get it.” Maharaj stressed the importance of the private sector; “it’s the air we need in the economy.”

“The fiscal anchor is an interesting topic in the papers,” commented Tayob, but he doubted it would be effective in South Africa. “We have a growth problem, not a debt problem,” he declared.

Nel didn’t anticipate an official change in the inflation target over the next twelve months, although the SARB could try to jawbone the target lower. In her analysis, the SARB should avoid drawing undesirable political attention, given the fragility of the GNU.

Following the election of Trump, Nel opined that tariff threats were likely a negotiating tactic, while recognizing the momentum to greater global fragmentation. Trump’s victory served as a reminder that voters don’t like inflation, “so you have to think about that in making fiscal policy,” she stated. Maharaj highlighted that a global tariff battle would be inflationary and could push up UST rates. Tayob maintained that the US is heading towards a debt crisis, “and it could be closer than the 5 to 10 years that many expect.” He pointed out that South Africa was vulnerable to any subsequent risk-off scenario.

Nel’s base case for the ZAR/USD exchange rate was 17 to 17.5, with an appreciation to 16.5 on the bullish side, whereby unity is maintained in the GNU, and the US FOMC continues its easing cycle. “It’s not obvious that the rand is going to either 16.5 or to 19,” she reasoned, citing US inflation a risk. (Her view was that current US rate cutting would not be deep, but a reversal in course was unlikely.) Maharaj considered the ZAR fairly valued at 17 to 18.



Isaah Mhlanga (Rand Merchant Bank) moderated a second panel in Cape Town, first polling speakers for their assessment of the geopolitical background. Sanlam Investment’s Mokgatla Madisha noted that support for tariffs has become somewhat bipartisan in the US, and he expected limited domestic pushback from the incoming Trump administration. However, this would push the dollar higher and widen the US trade deficit, and cooler heads were likely to eventually prevail. Mokgatla also expected less military conflict globally under Trump, reducing oil price risk.

“We don’t know if Trump will want to aim and fire at us,” commented Citi’s Gina Schoeman, as she noted that “we have married ourselves to the BRIC countries.” There was likely to be a “slightly higher” risk premium on South African assets until it became clearer “how we sit with the US geopolitically.” Melanie Stockigt (Laurium Capital) added that “fancy footwork” would be needed vis-à-vis the Trump administration, even if the GNU was in a better place to handle any conflict.

South Africa Forums (continued)

The GNU has thus far proven pragmatic, rather than ideological, with parties focusing on economic growth, in Madisha's assessment. Stockigt ventured that the unity government will increase its credibility if it continues to avoid public spats and overcomes recent test cases such as the national health bill. The government needs to ensure that people don't feel they are being left behind.

Mhlanga quickly polled speakers for US terminal rates. Madisha offered 3.5 to 4%, Stockigt 4% in a no-landing scenario, and 3% "not unreasonable" in a soft-landing, and Schoeman split the difference with a 3.75% assessment.

Schoeman believed that the SARB had recently tempered their talk of lowering the inflation target. "The government has been talking about reducing the target to 3% since Covid, and many EMs have moved to a 3% target—but very few EMs have hit their targets," she observed. She expected the target to be changed officially within 5 years, "but I don't think it's going to 3%...maybe 4%." Treasury officials would want to avoid sacrificing growth because of rate hikes to meet lower inflation targets, she stressed. Mokgatla seconded that MPC members are not in agreement with 3%. "The direction of travel is clear, but investors need certainty on the target, to make sure we understand the SARB's reaction function and to preserve their credibility," Stockigt stressed.

Turning to fiscal policy, Mokgatla hinted that the investor community might be willing to take on more SOE debt, provided it came with guarantees. The market assumed further aid would be provided to Transnet, but conditionality would avoid repeating the errors made at Eskom. Schoeman seconded that the need to offer a credible plan has been a welcome development.

Mhlanga cited previous growth forecasts of around 2%, and asked, "so how do we get to 3%?" For Schoeman, major reforms at Transnet were needed to unlock stronger growth. Mokgatla reiterated that greater investment and a larger role for the private sector were needed.

Expectations for Returns, Ratings Trajectories, Capital Inflows Covered at EMTA EM Corporate Bond Forum

Expectations for returns, ratings trajectories, capital inflows, and the China effect were among the topics covered at EMTA's EM Corporate Bond Forum, held on October 31, 2024 in New York City. Anne Milne (BofA Securities) moderated the session, which featured Celina Apostolo Merrill (BlackRock), Martha Rocha (Fitch Ratings), Natalia Corfield (JPMorgan) and Aayush Sonthalia (PGIM). Fitch Ratings hosted the event, with additional support from Bank of America and JPMorgan.

Milne asked attendees what they considered the main drivers of EM corporates (EMC) in 2025, with the US election results, trade and tariff policies, and the Chinese economic outlook among the responses. With overall EM corporate returns around 7% and a declining default rate, she requested speaker asset class outlooks.



Aayush Sonthalia (PGIM) replied that his base case included a soft landing in the US, rates normalization, “well-behaved” inflation, and reduced fears of both an economic collapse in China and an all-out war in the Middle East. Mid- to high-single digit EMC returns were possible in 2025, supported by a strong technical backdrop due to net negative new financing.

JPMorgan's Natalia Corfield didn't foresee many new dramas from a LatAm perspective. Despite potential political interference in Brazil or the recent Mexican judicial reform, “the main drivers for our asset class will continue to be the US market, as it has been for the past two or three years—the focus will remain on rate cuts, US inflation and US growth.” Her firm maintained a benign economic outlook, with forecast terminal rates at 3.0%. Corfield reasoned that, despite the results of the US election, low single digit EMC returns were possible in 2025.

“Corporate balance sheets haven't been this strong in years, and geopolitical crises have been relatively contained, especially in the Middle East,” stated BlackRock's Celina Apostolo Merrill. Strong fundamentals and valuations will eventually pull in capital flows into the asset class, in her view, as investors search for yield.

Martha Rocha (Fitch Ratings) provided a ratings context. So far in 2024 overall, there have been more LatAm corporate downgrades than upgrades (by a 1.5 ratio), with the telecom sector having a negative outlook. However, for the first time since 2022, in Q3, the number of upgrades exceeded that of downgrades. Looking ahead to 2025, she saw improvements in balance sheets and increased market access as potentially boosting those sectors currently with a negative outlook to a neutral stance. Rocha noted that, as for LatAm sovereigns, only Peru has a negative outlook at Fitch, while Aruba, the DomRep and Jamaica all have positive outlooks.

How can new investors and crossover accounts be attracted to the asset class, especially with occasional negative headlines? Apostolo Merrill stressed the importance of investor education, highlighting the structural underinvestment into EM corporates. For those accounts aiming to minimize volatility, the hard-currency EMC asset class helps avoid FX-related swings.

Corporate NYC (continued)

Sonthalia conceded that, for many investors, the 5%-6% yields on US credit have been sufficient to meet their return targets, leaving little incentive to move into EM. “Last year, we had expected there would be inflows when the Fed cuts started, but that hasn’t happened yet.” He was hopeful that there is a lot of “dry powder at private funds” which would eventually make their way into the asset class. “EM Corporates do still have greater spreads than DM corporates, have had inflows from non-dedicated investors and recovery rates are better than developed markets. Whether this is enough to drive dedicated flows, we will know after the US election and after the Fed cuts rates.” Corfield added that the low US default rate also didn’t help attract investors into EM. Finally, Milne argued that, for those investors getting a 5% yield on a CCC-rated US bond, “there are some pretty decent EM credits at the same yield.”

The impact of China was addressed. Milne pointed out that much of the Chinese property sector firms had now defaulted, and the market was now focusing on the recent stimulus announcements, as well as the actual implementation and potentially more increased tariffs being imposed by the U.S. based on election outcomes. How were speakers incorporating China into their analysis?

Corfield revealed the results of recent JPMorgan surveys, with only 4% expecting to increase Chinese debt holdings at one conference. A more recent poll conducted during the recent IMF meetings showed a larger share, 25%, intended to add more Chinese debt in 2025. She confirmed that JPMorgan economists “were not excited” about the first round of stimulus measures, and hoped for more focus on consumption-driven growth.

Yet, regardless of Chinese demand, JPM strategists forecast a 17% increase in copper pricing in 2025, as well as strong performance by other base metals: a positive for the mining sector in Chile, Peru and Brazil. Apostolo Merrill expected strong demand for zinc and copper from energy transition projects, and steel will benefit from demand for the Saudi Neom project. Sonthalia ventured that retaliatory Chinese tariffs on US agricultural goods could be a boon for Brazil’s agricultural sector.

The new Sheinbaum administration in Mexico was debated. “We think broadly she is more receptive to dialogue and technical advice than AMLO, although he retains influence in Congress,” stated Sonthalia. He expected Sheinbaum to focus on domestic champions and accept the importance of near-shoring. Any adjustments to the USMCA should be monitored if Trump were elected, he advised.

Despite the judicial reform and the expected continuation of AMLO’s influence, Corfield was still “comfortable; we like a lot of Mexican companies, and we would pick up some of them in a sell-off.” Business sentiment has not declined since the reform’s passage, and key cabinet positions were given to technocrats, she added. Real wage increases have helped consumer goods companies, and recent government support on Pemex was in line with expectations. (Rocha confirmed that Fitch’s sovereign rating for Mexico already incorporates a consideration of Pemex’s debt.)

Apostolo Merrill posited there was a lot of “noise, and some stuff on hold,” but hoped for increased investment into the CFE; “they have missed some opportunities for investment during the AMLO administration and now have a lot of catch-up CAPEX to do.” CFE was a “bottleneck that needs to be fixed,” according to Rocha. Milne suggested that Sheinbaum may be communicating privately to investors--while having a different message in public--that she recognizes the need for private investment, “but let’s see action.” She stressed that Pemex still has negative cash flow despite the removal of duties and the government’s payment of Pemex debt, although Apostolo Merrill anticipated Pemex would continue to receive tax credits and other forms of support in 2025.

Will Milei's Economic Plan Remain on Track?

“How much can change in a year,” observed PPI’s Walter Stoettelwerth at the outset of EMTA’s Forum on Argentina, held on October 16, 2024 in New York City, and sponsored by PPI. Stoettelwerth called attention to ytd returns of nearly 60% on Argentine bonds, following the surprise victory of President Milei, and led a panel discussing whether Argentina’s economic overhaul would remain on track.

With Argentina’s IMF relations seemingly “thawed,” Stoettelwerth asked speakers if new IMF money was in the cards. Janet He (JPMorgan Asset Management) believed that there was scope for fresh IMF funds, but key was whether the Fund would be “incentivizing the right policies, using the right carrot,” which would be needed for Board approval. She reasoned that it “should be an easy argument” if Argentina lifted capital controls and devalued the peso, but actions such as the tax amnesty and repo line creation may sow doubt about Buenos Aires’ intentions.

Simon Waever (Morgan Stanley) highlighted the “huge amount of damage done” by the previous government and stated that a sequence of positive reviews and the rebuilding of trust were now needed. Argentina’s advantage was that large payments were not due until 2H 2026, buying time, but the Fund wanted accelerated FX depreciation.



BlackRock’s Pablo Goldberg argued that Argentina was undertaking the necessary steps for eventual currency control removal. The IMF would not require capital controls to be lifted prior to a new agreement, just that a clear path be presented, he predicted.

Political constraints served as the roadblocks to new money, declared Ramiro Blazquez (BancTrust). He believed the IMF would insist upon an FX devaluation first, which could be a “game changer” as the midterm election cycle will begin next August. In his analysis, the government could avoid a devaluation until after the midterm elections, and only afterwards would the Milei administration seek a new accord.

Goldberg ventured that, despite official pronouncements, there was a perhaps 30-40% chance of some form of the earlier removal of capital controls, either a devaluation or exchange rate unification. He conceded there was also a lesser risk that Argentina could move backwards, imposing some sort of import controls targeting specific imports despite its orthodox fiscal policy.

Waever acknowledged that six months ago he had a higher level of confidence of FX depreciating faster than the current crawling peg but still believes an adjustment is required by year-end.

The U-shaped Argentina’s economic recovery—and an increase in real wages—was critical for Milei’s political survival, stressed Blazquez. Then it was possible that reforms would trigger a virtual cycle such

Argentina NYC (continued)

as in the early 1990s. He noted that inflows from the tax amnesty had superseded forecasts dramatically and could prompt dollar-lending.

An early devaluation and full lifting of capital controls were not He's base case either, although she saw a window of opportunity prior to the mid-term election. She added that the lifting of capital controls was not a binary event, with gradual steps possible.

Stoepfelwerth feared he had become "somewhat of a killjoy" in responding to those investors who may be prematurely anticipating an Argentine ratings upgrade. "Investors who bought before the election have made a lot of money, and they are trying to figure out if there is any more juice left." Was more spread compression possible?

Goldberg conceded that there had been many boom-and-bust cycles with Argentine bonds. "A lot of stars need to be aligned, but now we have the political willingness to do a lot of work on the fiscal side." A credit ratings upgrade could translate into 200 bps in spread compression, but progress can be unwound quickly, especially with the midterms looming. "There is a path, and, upon delivery, spreads will continue to contract.

Waever agreed that more spread compression was possible. The next sovereign interest payments were covered, and the country was now focusing on funding principal payments. "If all is still going well, a liability management exercise is possible next July," he speculated. Blazquez underscored that Milei's approval ratings remain relatively high, in the 40s; "no one expected that." The main driver for bond prices is whether he can maintain popular support while carrying out fiscal consolidation.

The panel turned to Argentina's commodities. "Vaca Muerte is no longer a promise, and attending a lithium conference in Argentina is like attending a bitcoin conference in Vegas," quipped Stoepfelwerth. In concurrence, He recognized that the "energy boom is real," although she was not convinced revenue



would be sufficient to make upcoming dollar payments. Waever pointed out that there would be a \$2 billion surplus in the hydrocarbon sector this year, compared to a deficit as in prior years.

The panel concluded with the 2025 midterms. Goldberg cited the government's ability thus far to stay on track with its plans via decrees or vetoing bills it opposes, "but we need to see a governing alliance to reject populism; it's hard to see the government getting a majority." Blazquez praised officials for "how much they have gotten done, including the pension reform veto and the political cost it entailed, with so little support in Congress." Kirchnerism will remain a political force, "but its influence will wane if Milei is successful."

Over 125 market participants attended the event, which was also supported by BancTrust and Morgan Stanley.

Plans for a New EM FX Industry Paradigm

Industry efforts to update and modernize the *1998 FX and Currency Option Definitions* (the “FX Definitions”) have been underway since the beginning of 2024, the first comprehensive effort since 2000. After what will be an extended EMTA and ISDA Member review, and an equally extended implementation period, the updated FX Definitions are scheduled to go “live” in 2027.

The FX Definitions, co-sponsored by EMTA and ISDA, are an important piece of the industry architecture for standardizing and documenting FX and currency derivatives transactions. Another (and equally significant) part of the industry architecture for these kinds of transactions has been the architecture developed by the EMTA community specifically for Emerging Markets non-deliverable FX and currency option transactions. The development and stewardship over the years by the EMTA Membership of the *EMTA Template Terms for Non-Deliverable FX and Currency Option Transactions* has had an important effect on trading in these assets by improving transparency, legal certainty and, ultimately, liquidity.

The planned update of the FX Definitions offers a singular opportunity for a greater integration of the EMTA and ISDA documentation architectures, today used side-by-side by the industry, with the goal of increasing efficiency and facilitating access to these two sets of architectures by industry participants. We are very grateful for EMTA Member involvement and attention to the update efforts, our goal being to ensure that EM-specific issues are clearly identified and considered in the process and incorporated into the update.

The planned integration envisions the incorporation of the EMTA Template Terms into the main book of the FX Definitions as well as an updated approach to Annex A (the long-time rate source definitions booklet). Importantly, ISDA has committed to maintaining general and public industry access to the EMTA Template Terms. The integration is also intended to extend to other EMTA documents (such as its Market Practices and User’s Guides) so as to bring the relevant EM assets more fully under a single documentary architecture, which, going forward, will largely be managed by ISDA, all in the interest of industry efficiencies.

As part of the integration, a restructuring and consolidation of EMTA’s working groups is underway with the ultimate intent of their long-term management by ISDA to complement the management of the relevant documentation. EMTA and ISDA staff are currently working on a transition process for the documentation and intend to keep their respective memberships informed with a goal of minimalizing disruption to the industry as the transition proceeds.

Equally important to the planned changes at a documentation level is the intent to create new industry infrastructure to complement and support the documentation. This new industry infrastructure is contemplated to be a joint EMTA and ISDA FX committee to continue EMTA’s historical role in the industry to promote safe, efficient, orderly and transparent trading in the Emerging Market FX derivatives markets by responding to events affecting the Emerging Markets and, critically, to forge appropriate industry responses to market disruptions. The attendant documentation needs that will arise out of this committee’s recommendations will be handled by the newly constituted regional working groups and legal groups. The new committee, now in the process of formation, will be subject to appropriate competition law principles and will reflect a balance of industry interests and expertise.

FX Industry Paradigm (continued)

EMTA Members will be provided with ongoing updates, and soon, the option to refresh their interest in participating in one or more of the industry working groups (via an email link or invitation to be distributed by EMTA and ISDA at an appropriate point in the future).

EMTA is closely working with ISDA on all transition matters and will be available to the EMTA Membership throughout the process to ensure the appropriate outcome and to ensure that the transition to this new organizational paradigm is as smooth as possible for the industry.

For further information or questions, please contact Leslie Payton Jacobs at lpjacobs@emta.org.

Updating the 1998 FX and Currency Option Definitions Continues

EMTA and ISDA, as co-sponsors of the *1998 FX and Currency Option Definitions* (the “FX Definitions”), continue to collaborate on the process of updating the FX Definitions.

EMTA’s remit in this exercise is to ensure that EM-specific issues are clearly identified and considered in the process and incorporated into the update as is appropriate. To this end, EMTA invites EMTA Members to reach out to EMTA or to ISDA with suggestions as to EM-relevant issues that need to be adequately incorporated into the FX Definitions to facilitate the future trading of EM FX and currency derivatives.

ISDA and its counsel have prepared a proposal for the restructuring of the FX Definitions to reconcile the conflicting treatments of the various Supplements to the FX Definitions by turning the Supplements into new “chapters” of the main booklet, introducing a few additional new chapters and rewiring others for clarity. Annex A will likely undergo some updating so that its integration into the FX Definitions will more readily support digitization and “versioning.”

Importantly for EMTA Members, since the early part of the year, ISDA and its counsel have been working through a substantive review of the various provisions for non-deliverable disruption events and fallbacks, which began with an assessment of what might need to be changed or updated. They have communicated directly and broadly with the ISDA membership through various of the ISDA working groups to collect member input. **It cannot be overstated how important it is that input reflecting the views of the EMTA community are collected and fed into that process.**

So far, a change has been made to the term “Price Source Disruption” to remove the phrase “impossible to obtain” from the provision, and instead, adopt new language that focuses on the settlement rate option being “made available”. A rate-cut off provision proposed to be added to the provision was generally rejected by the memberships as too inflexible to be workable in the Emerging Markets.

It is still envisioned that EMTA Template Terms will be more closely integrated into the ISDA architectural framework, likely in some form of a matrix or a grid, in order to create more efficiencies in updating and accessing the NDF documentation. Consideration is being given to a similar treatment for the provisions of Annex A to make it “versionable” and to facilitate amendments, somewhat like the 2021 Interest Rate Definitions.

It is anticipated that the EMTA Template Terms will remain substantively as they are now but a number of terms that have entered the common industry parlance (e.g., “Unscheduled Holiday” and “Cumulative Events”) will be included at the level of the main book. Thus, it is contemplated that the EMTA Template Terms will still be available to use with transactions as they reflect specific industry recommendations for Emerging Markets currencies.

ISDA has confirmed to EMTA that the EMTA Template Terms will remain publicly accessible to the industry with no charge.

EMTA Members may reach out directly to ISDA in the normal course of the communications on the update process or contact Leslie Payton Jacobs (lpjacobs@emta.org).

Annex A Amended and New Template Terms under Consideration, Furthering the EMTA Frontier Markets Project

Co-sponsors EMTA and ISDA have recently completed a significant amendment to *Annex A to the 1998 FX and Currency Option Definitions*. Following member review and comment, the updates are scheduled to be published on December 23, 2024. Updates and changes to Annex A include changes to reflect the rebranding by LSEG of the Refinitiv entities it acquired in a merger, the addition of a number of new currencies and their financial centers and several new settlement rate option definitions, as well as a number of minor or correcting updates to other provisions of Annex A.

New currencies (and their financial centers) added to Annex A include the Armenian Dram, Ethiopian Birr, Georgian Lari, Kyrgyzstani Som, Malagasy Ariary, Malawian Kwacha, Namibian Dollar, Rwandan Franc and Tajikistani Somoni. New settlement rate options added to Annex A include ones for the Algerian Dinar, Azerbaijani Manat, Central African CFA Franc, Costa Rican Colon, Dominican Peso, Mozambican Metical, Sri Lankan Rupee, Tanzanian Shilling, Tunisian Dinar and West African CFA Franc.

The addition of new currencies, financial centers and settlement rate options is intended to further EMTA's Frontier Markets Project, begun earlier in the year. This project is intended to build more standardization in documentation and trading terms in the frontier markets with a goal of promoting transparency and liquidity to those markets over time.

The updates to Annex A are intended to be complemented by the publication by EMTA of several new sets of EMTA Template Terms for non-deliverable FX forward and currency option transactions in various frontier markets (but not for all of the above currencies). The Template Terms have been prepared for the Algerian Dinar, Azerbaijani Manat, Costa Rican Colon, Dominican Peso, Moroccan Dinar, Mozambican Metical, Vietnamese Dong and West African CFA Franc. The proposed Template Terms were available on the EMTA website in its Draft Documentation Bulletin Board area for Member comment until December 4, 2024 and are scheduled to be published shortly thereafter.

Resources

As a reminder, EMTA's website offers its Members many FX-relevant resources:

Draft Documentation for current EMTA FX projects can be found [HERE](#).

EMTA FX Market Practices can be found [HERE](#).

EMTA Swaps and Derivatives Market Practices can be found [HERE](#).

Current Recommended Template Terms can be found [HERE](#).

User's Guides and Guidance Notes can be found [HERE](#).

New Developments in the FX and Currency Derivatives area can be found [HERE](#).

Multilateral Amendments and Documentation Protocols can be found [HERE](#).

Comments?

Please direct comments and questions on all FX and Currency Derivatives matters to Leslie Payton Jacobs at lpjacobs@emta.org.

Singapore Panel Explores Effects of Chinese Stimulus and US Elections on Asia

ING hosted EMTA's 19th Annual Forum in Singapore on October 10, 2024. During the lunchtime discussion, speakers addressed the impact of global macroeconomic factors on Asian EM credits, including the economic outlook for China and its spillover effects. BofA Securities, Deutsche Bank, Eurasia Group, HSBC and Standard Chartered provided additional support for the Forum.

Rob Carnell (ING) led the first panel on the outlook for South and Southeast Asia. Moderating for the final time before his retirement, he polled attendees for their views on the US presidential elections (the audience was evenly split) and terminal US rates (the audience largely split between 3 and 3.5%). He asked panelists how a Trump victory would affect South and Southeast Asian nations.

While positing a 55% base case on Trump's victory, Peter Mumford (Eurasia Group) stated that, "Trump



1.0 was a net positive for the region, as that administration was focused on the US-China dynamic rather than Southeast Asia, other than perhaps Vietnam at the end." In contrast, Mumford believed that, "at best, Trump 2.0 will be neutral or maybe negative to Southeast Asia," as he anticipated increased focus would be placed on bilateral trade deficits, as well as Chinese exports routed via Southeast Asia, without much value added, to circumvent US tariffs. Mumford added that a Harris administration would represent continuity and also address such tariff evasion.

Turning to DM rate cuts, Carnell asked which Asian central banks were expected to ease most rapidly. Abridn's Adam McCabe reasoned that, as Asian inflation had been under control for some time, the central banks are now free to reduce rates. Celeste Tay (BlackRock) agreed that Asian Central Bank rates policies have been overly tight for some time and suggested the Philippines, Indonesia and India could begin lowering rates. Neuberger Berman's Prashant Singh pointed out that Asian central banks hadn't hiked rates as dramatically as the Fed, and, thus, rate cuts would be moderate in comparison.

With speculation of further stimulus measures being adopted by Beijing, panelists saw Southeast Asian nations as beneficiaries. "The most obvious pick would be Chinese equities, but also countries like Malaysia and Thailand that are more linked to Chinese demand," stated Tay. McCabe concurred, while registering his caution that it wasn't clear how effective the stimulus measures announced to date would be. However, if the policy and structural changes in China had a meaningful impact, there would be positive spillover on Southeast Asia.

Singapore (continued)

India was still likely to be upgraded in the next 24 months, according to Singh, despite the election of a minority government making it more difficult to pass new reforms. Singh believed debt metrics and the fiscal accounts were the main stumbling blocks to a credit upgrade, and the pace of ratings improvement may be slower. Singh noted that equity valuations have been questioned, and cautioned that, “nowhere else in the EM world is there a starker distinction between the base case and alternate scenarios.”

Tay focused on the fiscal deficit and fiscal consolidation and seconded that India’s structural reforms are decelerating, and that political issues raised questions. McCabe praised the institutional reform at the RBI: “it’s a different RBI than 10 years ago, the policy targets are credible and they enjoy relative independence.” He ventured that central bank policy appeared to be keeping INR volatility minimal.

Carnell asked for other key themes in the region. Mumford responded that Indonesia and Thailand dominated the headlines. The change in administrations in Indonesia was “fairly neutral with significant risks to the downside, thus requiring a close eye,” according to Mumford. The new president may gain full support in the legislature, with risks including demographics and nationalist rhetoric. “It’s not clear what version of Prabowo we will get--the cute cuddly grandpa of the cartoon, or the other scary one...and how much will he be constrained by Jokowi?” Mumford suggested the market may be a bit too complacent in its assessment of Indonesia, “even if the finance minister stays, she won’t have the same influence in the new government.”

Thailand appeared to be a classic case of the central bank and government clashing on rate policy, and the tensions between battling inflation vs. growth stimulation. “Stability risks remain high because of the recent political turmoil, and there is no appetite for reforms,” Mumford affirmed. McCabe drew attention to Thailand’s aging population, an issue he considered to be overlooked in several Asian countries.

Tay characterized the development of the special economic zone on the border with Singapore as a significant development for Malaysia. She also cited “incremental efforts” to improve the fiscal accounts over the past year, although “the jury was still out.” Mumford joined in praising Malaysia’s data center development. However, he informed attendees that Malaysia, not Taiwan, is the largest supplier of chips to the US, and thus could draw unwanted attention.

Carnell asked if mid-level jobs in the Philippines could be replaced by AI. Mumford acknowledged this was a valid concern, while observing that there have been fears of automation replacing Philippine workers for a decade. He added that the country can be seen favorably from a geopolitical angle, with only a slight chance that the Philippines will invoke its mutual defense treaty with the US, as Washington sought to dampen Sino-Philippine tensions prior to the US elections.

Tay expressed disappointment that Philippines has not been able to catch higher value-added production. There were training implications (also the case for India), whereby a number of resources could have been used by emerging countries to further develop their skilled labor market.

Singapore (continued)

Kaushik Rudra (Standard Chartered) led the event's second panel, highlighting how expectations for US rates policy had evolved since the "higher for longer" era last year. Rudra first invited speakers to discuss their takes on the macroeconomic backdrop.

Sameer Goel (Deutsche Bank) described the market as having moved from a binary model (with expectations of either terminal rates south of 3%, or a hard landing with additional rate cuts needed) to a model with three possible outcomes, which now includes a no-landing scenario with a 100-bp rate cut path, stopping at just under 4%. "The highest probability is still a soft-landing scenario. The Fed still has the willingness and ability to quarterback this, but it has been reduced significantly," he stated. (He estimated this was now a 40-45% probability, compared to as much as 75% earlier.)



Although most speakers also assigned a low probability to a hard landing, Pin Ru Tan (HSBC) addressed which Asian nations would be most affected in that case. For this analysis, she suggested one must look at which countries are most insular, as well as the various channels of transmission. On the FX transmission path, Indonesia could be the most exposed, in her view.

While also seeing a soft landing as most likely, BofA Securities' Abhay Gupta emphasized the difficulty in achieving this. However, if the Fed ends up in panic mode, his research revealed that this has historically proven to be a good entry point for EM. Zhi Wei Feng (Loomis Sayles) opined that a hard landing would result in a lot of knee-jerk market reactions, which could open up Asian corporate market opportunities, depending on how economic officials react.

Speakers agreed with the first panel on the US elections. "No matter who wins, the attitude towards China will remain the same, just the approach will differ," Feng commented. Either administration would want to address dumping/oversupply and prevent China from accessing sophisticated technology. "However, while you can stop China from buying things, you can't stop China from developing itself, and that could also generate opportunities," she concluded. With vote counts potentially being extended, Goel speculated that there could be a move to safe havens. Tan recommended not taking maximum risk pre-election, in order to take advantage of opportunities in the potential volatility once polls close. Gupta noted that a divided congress would restrain US fiscal policy to some extent and limit spillover to the global economy from higher US rates.

Singapore (continued)

As the market awaited further details on the Chinese stimulus measures expected later that week, Rudra asked if panelists were anticipating a “game changer” announcement? Feng hoped the measures signaled a willingness to adopt a new approach. “This is no longer just a property sector issue – local governments have no money, the consumer has lost confidence.” She wondered if the earlier announcement might have been an attempt to inspire consumer spending pre-Golden Week, and initiate a self-fulfilling prophesy. “They are reluctant to use their bullets because of moral hazard, but it’s become a choice now between moral hazard and social unrest, and the package will have to take that under consideration.”

Tan stressed that the issue was not lack of supply, but rather the need to stimulate demand. The equity market had rallied in response to the September announcement, “but I think this is not a ‘whatever it takes’ moment, and it’s too early to say if this is a game changer yet.” To move the needle, she stated that the PBOC would need to show a greater willingness to take risk assets on its balance sheet, and she confirmed that HSBC’s house view was that the fiscal measures would include RMB 1 trillion in direct stimulus and another trillion RMB in bank recapitalization.

In her view, some useful policy support may include: (1) putting an end to the downward spiral in wages in order to manage consumer expectations, and (2) adopting fiscal stimulus that reduces the cost of living, e.g. increasing pensions (as opposed to cash vouchers) so that people will feel less obligated to build their own massive retirement savings.

Characterizing himself as in the more positive camp, Goel cited the importance of consumer sentiment in bolstering demand. He was encouraged by the indications of movement away from an investment-led economic model, while specifying that, “we still need to see the details on the fiscal proposals.” Gupta added that, “the quality of future growth must be the focus, not the quantity.”

Addressing monetary policy, Tan forecast an additional 30 bps in rate cuts and a 100 bps cut in the reserve requirement ratio. She offered a perspective that, “2% financing for companies may seem cheap, but it may not be when corporate profitability is uncertain.”

Feng offered her insight on a recovery in the property sector. She acknowledged that, with prices lower and reduced downpayments, the issue is now more willingness to buy rather than affordability. Buyers have become shy due to job security concerns and fears of further property value depreciation. The government would need to boost worker confidence in job security, and stabilize Tier 1 and Tier 2 property prices to bolster sentiment, she reasoned. “The Chinese government doesn’t want to repeat past mistakes; they know the urgency and they want to do something,” she stated.

Chinese Stimulus Measures Dominate EMTA Hong Kong Panel Discussion

The stimulus measures announced by the People's Bank of China (PBOC) in late September, and the outlook for the Chinese economy generally, was the focus of EMTA's 19th Annual Forum in Hong Kong. LSEG hosted the meeting on October 8, 2024, with additional support from BofA Securities, HSBC, ISI Markets, and S&P Global Ratings.

Abrdn's Joyce Bing took on moderating duties, and first addressed the elephant in the room. Were the PBOC stimulus measures enough to boost Chinese growth?

"The market seems to be saying 'show me the money,'" replied HSBC's Jing Liu, who recommended that attendees not rush to judgement, and wait for new information on potential fiscal measures. In her analysis, expectations for the rescue package had soared during Golden Week, and the market was anticipating RMB 1 trillion in direct support for consumption or large projects, plus additional indirect stimulus funding. Liu remained cautiously optimistic, suggesting that the decision to support the economy was potentially more important than the specific figure to be announced.



S&P Global Rating's Louis Kuijs questioned the effectiveness of some of the PBOC stimulus measures. "Spending money to help local governments settle their debt doesn't really boost growth, and the monetary measures are nice, but they also won't get growth going," he stressed. Kuijs awaited more of a fiscal response from Beijing.

Market concerns of "Japanification" were next. Liu argued that it was premature to draw such a comparison, and that, "there is still room for China to take its economy off the deflationary path."

Panel veteran Stephen Chang (PIMCO) reviewed the definition of "Japanification," with one interpretation being a balance sheet recession whereby paying down debt was the main theme, and new borrowing came to a halt. He ventured that Chinese officials will aim to avoid Japan's experience, with support for policies geared towards boosting consumption. Chang emphasized that cash transfers to lower-income workers and pension enhancements were more effective means to increase consumer spending.

Hong Kong (continued)

Kuijs acknowledged that he had begun to think more about the similarities between 1990s Japan and China in 2024 than he had in the past. Some of the common factors spooking the market were deflation, asset price declines, and the difficulties both economies had in rebalancing their economies towards greater consumption.

As the US elections approached, Kuijs responded to speculation that the US might raise tariffs on Chinese imports, measures that could also be adopted by other nations. He reasoned that higher tariffs on Chinese goods would be a net negative for much of Asia, as, while some countries would benefit from changes in the supply chain, reduced Chinese exports would also translate into reduced demand for Asian exports. Liu expected that, if elected, Harris would likely continue and expand the Biden policies *vis-à-vis* China, such as imposing tech sanctions. “There is a real risk of a certain level of de-coupling.” But China and the US have increased engagement with each other, a positive sign in managing their rivalry. On the other hand, Chinese stimulus efforts could mitigate tensions, with Liu citing the 2015 G-20 Summit that had prompted China to reduce its steel-making overcapacity.

On the Chinese corporate market, Chang believed that those companies still at risk “tend to be the smaller ones.” Chang would welcome new issues, while recognizing the difficulties that HY corporates would face in tapping the market.

Vikash Agarwalla (BofA Securities) drew attention to the improving fundamentals of Indian and Indonesian corporates. This was due to strong economic growth in both countries, stable political environments and better cash flow management leading to improved credit profiles. In the past, Indian renewable and infrastructure firms have been large issuers, with Indonesian SOES and commodity companies also previously tapping the market.

The corporate bond markets have contracted in recent years due to the rates environment and Chinese property defaults, Agarwalla conceded. While huge Chinese property issuances will not easily be replaced, Agarwalla pointed out various pockets from India and Indonesia as potential drivers of Asian corporate Eurobond market growth (in addition to regions such as South Korea). “They need capital, and they have 20-30 year aspirations...the whole supply chain for the renewable sector could be an important source of future issuance.”

The panel offered assessments on Asian valuations vs other EM. Chang was constructive on fundamentals and forecast a 2% default rate for the next 12 months. Technicals were keeping spreads tight (i.e., net redemptions in an era of limited new issuance). “There are not many scalable opportunities for us to get further involved in,” he concluded. Agarwalla concurred that Asian credit was not cheap. He also saw little default risk, ex-China property, and cited improved ratings over the previous 12-18 months.

Bing requested panelists offer an area for investors to monitor. “For us, the Chinese fiscal measures are the obvious ones to watch, and the measures to stabilize the property market may not work in the way authorities want,” Liu commented. Kuijs noted that U.S. rate predictions can quickly change, and there is “a huge amount of uncertainty around everyone’s baseline forecasts.” Chang would look for signs on how serious policy makers were in improving equity market sentiment and stabilizing the property market. Agarwalla would watch any populist movement in post-election India.

US Economy Will Have Greater Impact on Sub-Saharan Africa Than Election Result

The limited impact of the US elections on Sub-Saharan Africa, and the more relevant country-specific developments in countries such as Nigeria, Ghana, Zambia and South Africa were featured at EMTA's Forum on Sub-Saharan Africa (SSA), held in London on Thursday, September 26, 2024. ICBC Standard Bank hosted the event, with additional support from BofA Securities and Rand Merchant Bank.

In introductory comments, moderator Jibran Qureishi (Standard Bank) contrasted the current SSA outlook to that of one year ago. At that time, Kenya and Egypt were significant market concerns, the Ghanaian and Zambian restructurings had ground to a halt, and no one had anticipated Nigeria implementing new reforms.



Turning to the present date, Qureishi asked speakers how the US elections would impact SSA. “I don’t think it will have a material effect on African economies,” replied Yvette Babb (William Blair). Instead, she would focus on more relevant factors, such as the US economy’s soft vs. hard landing, and oil pricing, a key factor for Africa’s oil exporters.

Rand Merchant Bank’s Samantha Singh-Jami agreed that investors should monitor US recession risk. She expected more protectionism if Trump were elected, while noting the current administration had also taken steps in that direction. In her analysis, regardless of the victor, the US was likely to invest in Egypt and Kenya and those African countries it deemed strategic.

“As long as the election winner doesn’t alter the Fed’s path, then that is a positive for SSA,” declared Tatonga Rusike (BofA Securities). US rate cuts would lead to more SSA issuance, “but maybe not to the pre-pandemic exuberance level.”

Finally, Abrdn’s Kevin Daly offered his opinion that a Trump victory “could release more animal spirits in the US equity market, but I think you will see a steeper Treasury curve which could be to the detriment of SSA.” On the other hand, he argued that anticipated Fed rate cuts would eventually attract more capital flows into EM in the quest for higher yield.

While the market had been pleasantly surprised by the initial actions taken by Nigeria’s new Tinubu administration, some of this enthusiasm has since evaporated. “It’s frustrating that the road has been so bumpy in the FX regime,” commented Babb, who added that, “I still don’t know how the refinery program will work, and the whole pipeline thing seems convoluted.” Speculation over Central Bank Governor Cardoso losing his job also wasn’t helpful. Singh-Jami seconded that, “transparency is an issue; and there doesn’t seem to be any plan in place.”

SSA UK (continued)

Rusike drew attention to progress made at Nigeria's central bank, and improvements in oil production. "The sore point is that monetary policy has done a lot of the hard work; if they can do something positive on the fiscal side, that would be great." Daly spoke of the market's "delight" with the Tinubu team, and confirmed his "modestly optimistic" view on the credit, "but what's concerning is the volatility in the FX market; we need a positive confidence shock on naira stability, and lower inflation."

The recent turnaround in investor sentiment on Egypt has led to a crowded local currency trade, making the mass exodus of foreigners a risk, according to Babb. Singh-Jami noted that there could be spillover effects on Egypt as a result of the war in Gaza.

As for Kenya, Rusike maintained that social unrest should be monitored. He stressed the importance of Kenya remaining on board with its IMF program, as well as progress on fiscal policy. "When are they actually going to do more fiscal consolidation? It's not the financing that's the issue, it's the fiscal consolidation," underscored Singh-Jami. The loan from Abu Dhabi removed the financing risk for the next 2-3 years, in Daly's assessment.

Nairobi-based Qureishi concurred that the Abu Dhabi loan had brought a sigh of relief, while reminding attendees that it was not concessional. Other factors to consider, he believed, included President Ruto's failure to grasp that the protests are socio-economic in nature--not political--which will make fiscal adjustments difficult. And Kenya's Supreme Court hasn't yet issued a final ruling on the 2023 Financing Act, though Qureishi ventured that many of the measures could be reintroduced in new legislation if the law was ruled unconstitutional. Daly feared that the market could be discounting such a potential "shocker" from the court.

In the run-up to Ghana's 2025 elections, Rusike observed that, "neither of the two main parties have been good custodians of public finances." On the positive side, the country had a wide diversity of exports, as well as its increased reserves, built up during its default. "There will be life after default," he asserted. Daly opined that, "the only good thing that Ghana did this year was to get a good deal done," and recommended the government take action to restore credibility with the market.

A more hopeful tone was struck on South Africa. "I'm the most optimistic I've been in a long time...this is like a 1994 moment...the implementation of reforms that we never thought could happen are now possible," declared Babb. The deterioration in governance has stopped, and the power supply has improved. This could lead to growth in the private sector, although large socioeconomic issues remained in need of a solution.

Johannesburg-based Singh-Jami concurred that the country's outlook is brighter than it has been in decades. South Africa had survived the winter without load-shedding, and things were on a positive path for logistics, although there are some concerns on water infrastructure.

Rusike struck a more cautious note. His firm estimated South African growth would be 1.8% in 2025. "If they can deliver stronger GDP growth, then we can maybe start talking about credit rating upgrades. A one-notch upgrade is possible in the next twelve months, and another notch in 2-3 years, but a return to IG is probably far-fetched," he reasoned.

Panelists also were generally positive on the Zambian outlook. Singh-Jami emphasized the delicate balance between the rains needed for agriculture and avoiding floods of the country's open-pit copper mines. Rusike pointed out that copper production was increasing after past disappointments, although greater copper exports were necessary.

EMTA Inaugurates First Forum in Paris

Paris' EM community turned out in force at EMTA's inaugural Forum in the City of Lights, held on Tuesday, September 24, 2024. Over 60 market participants attended, as EMTA continues to serve as a gathering place for EM debt market participants across the globe. IVO Capital Partners hosted the event, with additional support from Deutsche Bank and Moody's Ratings.

Agnese Melbarde (IVO Capital Partners) initiated the panel discussion by citing the US FOMC's 50 bp rate cut during the prior week. She asked speakers how DM easing would affect the EM debt markets.

"We are quite cautious," responded Guillaume Tresca (Generali AM), who referenced the market's base case of a further 200 bps in rate cuts and the US avoiding a recession. He worried that the market might be too sanguine in its assessments of US growth and saw few opportunities outside of distressed credits. "We think EM IG and BB credits are super expensive, so we would reduce risk, and wait for the US elections," he concluded.



Alessandra Alecci of Carmignac agreed that EM spreads were tight, with the jury remaining out on US growth for several months. She turned to the high real rates in local debt for opportunities.

Moving on to the American elections, Alecci cautioned that volatility could result from speculation on US trade and tariff policy. Deutsche Bank's Danelee Masia raised concerns that the market has overlooked the ramifications on the CEE, with Czech Republic, Hungary and Poland most exposed (the latter especially from a security aspect).

"We all agree that US trade policy will be protective no matter who wins," maintained Lucie Villa (Moody's Ratings). Less clear was Beijing's reaction. Tresca ventured that many are misinterpreting Trump as favoring a strong dollar, while it was probably the case that Trump would favor weakening the US currency if elected.

"China used to be a source of demand, now it's a source of competition," emphasized Alecci. She underscored China's moving away from focusing on real estate in favor of new industries, such as electric vehicles and solar panels. Tresca admitted confusion at the steps undertaken by the PBOC in September in response to the slowdown; they were "hard to understand," and, he implied, unlikely to be effective.

Paris (continued)

The panel then reviewed EM-specific credits. The judicial reforms in Mexico were “clearly on the negative side,” Tresca declared, while acknowledging his surprise at the muted domestic pushback. He hoped that President Sheinbaum would prove to be fiscally conservative. “Let’s wait to see what the budget looks like in November.”

Alecci highlighted that Brazilian growth has surpassed market forecasts for several years. Both she and Villa were puzzled by the central bank’s rate hike, with Alecci attributing it possibly to historical fears of inflation. Villa confirmed her firm’s Ba2 rating on Brazil, with a positive outlook (which Moody’s subsequently upgraded shortly after the conference). Tresca stressed the divergence in views between the more negative local market and the more optimistic external investor base.

As for Mexico, “each year I think it will be their year, but I hope 2025 does not mark the start of material institutional deterioration in Mexico,” commented Melbarde. Tresca “didn’t buy the negative view that Mexico is collapsing,” and advised waiting for greater clarity on the country’s direction in Q1.

While Argentine debt has generated huge profits for those who bought prior to the election, Alecci was convinced that, “big reforms are already in the price.” Argentina has become a twin surplus country, she noted, while admitting surprise that large-scale protests have not yet taken place.

South Africa has also emerged from its recent elections to be an investor favorite, and “has the potential for significant change,” according to Masia. A more skeptical Villa reminded the audience of “Rampahoria,” and was unsure if the GNU would live up to expectations, an assessment shared by Tresca, who considered South Africa a “tactical trade.”

Melbarde’s firm has been increasing exposure to Turkey following the country’s U-turn on monetary policy, the restoration of credibility under Finance Minister Simsek, increased FX reserves and greater independence of the central bank. Masia suggested that spread compression may be running out of steam, but Turkey remained a carry trade in her opinion. Weak growth will put pressure on the central bank to cut rates further, although lira depreciation was a concern.

Less convinced was Alecci. “I’ve never seen Erdogan dealing with a slowdown without firing a key official.” Turkey was thus not a “key play” in her portfolio. Tresca praised Simsek’s accomplishments to date, while reasoning that the fight against inflation would require decelerating growth. “Things are going in the right direction, but this is a difficult journey,” he affirmed.

Finally, the panel turned to attracting capital inflows to EM. “Six months ago, we were waiting for the cuts to generate inflows, but now I don’t see the narrative,” said Tresca. Villa asserted that, with so many opportunities in DM, it was harder to get investors to do the EM analysis. Melbarde emphasized the EM diversification story to avoid the common risks in DM. She envisioned an eventual return to a search for yield when DM yields fall.

Opportunities – and Risks – Remain in Frontier Markets

Speakers at EMTA's Forum on Frontier Markets cautioned against over-optimism, while underscoring possible opportunities in several frontier credits. Additional themes covered at the Forum included the effects of the global macroeconomic backdrop and the US elections, and which frontier credits might be most vulnerable. Artisan Partners hosted the event in Boston on Thursday, September 19, 2024, with Oppenheimer & Co., Rand Merchant Bank and S&P Global Ratings providing additional support.

Moderator Unoma Okolo (Artisan Partners) referenced the previous day's 50 bps US FOMC rate cut (and Street estimates of an additional 200 bps in cuts over the next twelve months) in her introductory remarks. Did rate easing fundamentally alter the outlook for frontier credits, she asked, and which sovereigns might be first in line to tap the capital markets?

Fidelity Management and Research's Shantall Tegho downplayed the effects of the recent rate cut on economic fundamentals. "Risks will still be around--there is no plan to fix the fiscal deterioration in the US, and a hard landing scenario is still not off the table," she insisted. Tegho advised investors to remain vigilant in the battle over inflation for the next twelve months.



Fernando Losada (Oppenheimer & Co.) highlighted the deteriorating debt ratios of frontier countries since the Covid pandemic. A reduction in global rates was relevant in that it decreases frontier countries' debt service payments; however, Losada argued that the US's fiscal path is unsustainable, and will eventually result in higher long-term interest rates.

Post-pandemic SSA debt levels were indeed much higher, concurred Samantha Singh-Jami of Rand Merchant Bank. Frontier countries have thus been forced to juggle fiscal consolidation along with human development and social goals. "They are by no means out of the woods yet," she cautioned. S&P Global Rating's Joydeep Mukherji added his voice that the recent Fed cut "basically buys time for frontier countries; it's not a structural change."

Some frontier countries might be opportunistic in the current climate and seek to issue new debt, according to Mukherji. Losada saw Honduras as an issuance candidate, while Tegho believed Angola might tap the markets.

No matter the victor in the US election, there would be no difference in the trajectory, only the speed of US fiscal deterioration, according to Losada. Other speakers agreed. Losada feared that increased protectionism in the case of a Trump victory could hurt EM generally, with possible retaliation serving to depress global trade. Tegho expected greater focus to be placed on bilateral trade deals with strategic allies, rather than AGOA-style broader-based agreements.

Frontier Boston (continued)

Okolo steered the discussion to specific credits. Tegho called attention to Angola using most of its revenue to service foreign debt, although the country's Chinese obligations should be paid down in three years. If the country were to remove fuel subsidies, and get lucky with higher oil pricing, a more sustainable path was possible. On the other hand, a collapse in oil pricing to below \$50 per barrel would likely force the country to seek IMF assistance and reprofile its Chinese debt.

"We were very hesitant on El Salvador until about two weeks ago," confessed Losada. However, the IMF's recent press release indicating progress, and Bukele's declaration a la Milei that there would be no fiscal deficit in 2025, had caused him to reconsider. "The odds of having an IMF deal are now higher than it was before...it's not a done deal, but it is nearer," he reasoned. Losada dismissed speculation that Latin American leaders such as Bukele, Noboa and Milei would get more favorable IMF treatment under a Trump presidency; "these countries will get IMF money on their own merits, not because of a phone call by Trump."

The biggest risk to Pakistan's IMF program was domestic politics, according to Tegho. "For now, all major parties agree that they need to stay on this path," and Tegho maintained that Karachi would likely pass its next IMF review. Bilateral debt from China, Saudi Arabia and the UAE could be rolled over should the country also pass a second review, giving Pakistan more breathing room.

"We remain skeptical; we don't see any fundamental changes from past cycles," declared Mukherji, while confirming S&P's CCC+ sovereign credit rating on Pakistan. The government has been weakened by the contested election, and thus faces additional hurdles while it works to accomplish fiscal austerity. "It's very hard to raise taxes when the government is fighting for legitimacy," he pointed out.

Singh-Jami recalled that Nigeria's Tinubu administration had started off "with a bang," pleasantly surprising investors with its initial reforms. More recently, investors have been disappointed with the lack of additional progress on the FX and fuel subsidies, as well as poor communication from officials. She recommended that the government embark on a road show to advise investors of future goals and plans. "They are going in the right direction, just not as fast as we want," she concluded.

Fuel subsidies remained an issue in Bolivia as well, noted Losada. "The situation is deteriorating, and, without the removal of subsidies, Bolivia will eventually have to engage in some sort of debt reprofiling." A window of opportunity existed for the next 12-18 months before payments start coming due, and Losada reminded attendees that Argentina's Vaca Muerta oil field will deprive Bolivia of a natural gas client. S&P's Bolivia rating is CCC, with a negative outlook, Mukherji added.

"Honduras is a country where a left of center government can have an IMF accord without it being a dirty word," observed Mukherji while confirming his firm's BB- sovereign credit rating. Honduras has low levels of external debt, but finance ministry decision-making has become politicized. Losada interpreted a recent press release as indicating that the country's IMF program remained on track.

What were some optimistic notes in the frontier markets? Losada cited Suriname's oil discoveries. Tegho saw potential for Sub-Saharan African oil exporters, including Gabon. Singh-Jami suggested that the stars could align for Zambia if rains ended the drought but were not so severe as to flood the country's open-pit mines.

Opportunities in Sub Saharan Africa Assessed at EMTA Forum in NYC

African economies could benefit from lower interest rates, with a number of credits offering potential investment returns, according to speakers at EMTA's Forum on Sub-Saharan Africa (SSA) in New York City. The event took place on Tuesday, September 17, 2024, the day before the US FOMC initiated its much-anticipated easing cycle and was sponsored by Rand Merchant Bank.

Rand Merchant Bank's Samantha Singh-Jami requested that speakers outline their global macro views, and the likely impact on SSA sovereigns. At Gramercy Funds Management, the base case was for a US soft landing, Kathryn Exum announced. Expected US rate cuts would provide a more constructive backdrop for SSA and could open new financing windows. Concurring, PGIM Fixed Income's Todd Petersen added that, while there weren't a lot of SSA countries at immediate risk, "the sooner we get lower interest rates, the better for Sub-Saharan Africa."



The status quo for SSA would likely be maintained if Harris won the US election, opined Nuveen's John Espinosa. This would result in relatively more economic and diplomatic engagement, and greater use of multilateral organizations, than under a second Trump administration, which was more likely to engage with SSA countries in a transactional nature. However, in his analysis, regardless of the victor, SSA would be primarily seen as a geopolitical battlefield by the major powers.

Unoma Okolo (Artisan Partners) agreed. "At best, the US sees SSA as a secondary or tertiary focal point; this will continue no matter who wins, there will just be more visits, more photos under a Harris administration." She anticipated that, as part of the global geopolitical battle, the US might try to establish a greater SSA military presence, such as a new base in the Ivory Coast, while blocking any new Chinese bases (e.g., in Gabon).

The future of Ghana and Zambia post-restructuring was analyzed. Petersen acknowledged the challenges due to Zambia's drought, and Ghana's commitment to austerity "was open to discussion" in the run-up to its next elections. "For now, it seems like these countries are taking the IMF pain...but it is hard to make progress with the political cost during an election cycle." He compared the "vanilla bond" offered in the Ghana restructuring favorably to the more complicated Sri Lanka deal. Espinosa stated that he was encouraged that Zambia has a much more manageable debt profile post debt restructuring, in addition to solid economic prospects once it recovers from the drought, and a pipeline of mining FID, especially copper.

SSA NYC (continued)

Senegal was cited by Forum speakers as an SSA credit with upside potential. Espinosa noted its variety of revenue streams. Exum attributed recent bond underperformance to political uncertainty and the possibility of the IMF review being extended into 2025, but she expected pragmatism to win out.

Similarly, Ivory Coast was viewed positively by several speakers in the run up to the 2025 elections. Exum anticipated “similar policies and broad continuity, with a splintered opposition.” One risk was a move by President Ouattara to run for a fourth term, and the potential for political drama and protests.

Okolo praised Angolan officials for their most recent IMF program achievements, including progress on privatizations. Luanda would return to the Fund should oil prices collapse, in her assessment, and could count on US support. She added that Angola was a candidate for debt-for-nature swaps. Espinosa observed that there has been market speculation over a possible new Angolan debt issue for several months.

Kenya can count on its next IMF disbursement due to its strategic importance to the US, Okolo reasoned. Exum and Petersen agreed, while both suggested that, at some point, the economic math—and IMF quota—could prompt further discussions. Okolo drew a comparison with Pakistan and similar programs that might raise eyebrows on a purely economic basis. Espinosa observed that Kenya has historically benefited from multilateral support despite missing targets; “these are two themes for investment in Kenya.” Singh-Jami also expected a continuance of the status quo.

Nigerians have already absorbed considerable pain, and petrol prices would have to be hiked if the naira continued to depreciate, according to Okolo. This could prove “very dangerous.” An IMF package was needed to make new progress on reforms, but Okolo conceded she was “not hopeful,” and voiced her concerns over recent central bank moves away from policy orthodoxy.

Investors in South Africa have been pleasantly surprised by the GNU thus far and the “institutional credibility” it has established, Espinosa stated. “But the jury is still out on growth, and a key question is who will succeed President Ramaphosa.” Singh-Jami offered her personal observations of greater confidence in the future among her fellow South Africans, despite some fearing a limited return of load-shedding.

EMTA Tracking OFAC Sanctions for EM Countries

OFAC-related materials are available in the country-specific Markets areas of EMTA's website referenced below. EMTA Members are encouraged to visit these frequently as EMTA tracks events in those countries.

Balkins	https://www.emta.org/markets/markets-a-g/balkans-region/
Burma	https://www.emta.org/markets/markets-a-g/burma-myanmar/
Iran	https://www.emta.org/markets/markets-h-o/iran/
Israel	https://www.emta.org/markets/markets-h-o/israel/
Russia	https://www.emta.org/markets/markets-p-z/russia/
Sudan	https://www.emta.org/markets/markets-p-z/sudan/
Syria	https://www.emta.org/markets/markets-p-z/syria/
Ukraine	https://www.emta.org/markets/markets-p-z/ukraine/
Venezuela	https://www.emta.org/markets/markets-p-z/venezuela/

For further information, please contact Aviva Werner at awerner@emta.org.

Resources

As a reminder, EMTA's website offers its Members many Fixed Income relevant resources:

- New Developments can be found [HERE](#).
- Market Practices can be found [HERE](#).
- Documentation can be found [HERE](#).
- Caselaw can be found [HERE](#).

Comments?

Please direct comments and questions on all Fixed Income matters to Aviva Werner at awerner@emta.org.

EM Corporate Bond Outlook Panel in Boston Set for January 15, 2025

EMTA's EM Corporate Forum returns to Boston on Wednesday, January 15, 2025. The event will focus on the 2025 outlook for EM corporate bonds.

Anne Milne (BofA Securities) will lead the panel. Elisabeth Colleran (Loomis Sayles) and Akbar Causer (Morgan Stanley) will also be featured on the panel with additional speakers to be announced shortly.

EMTA Members may register for the event online at www.emta.org. There is a registration fee of US\$695 for Non-members. The event is sponsored by BofA Securities.

Please contact Jonathan Murno at jmurno@emta.org for more information.



EMTA's Miami Forum to Focus on Trump Effect on Latin America

Latin American's economic outlook during the second Trump administration will be the theme of EMTA's Eleventh Annual Forum in Miami on Thursday, January 23, 2025. XP will host the event at 701 Brickell Avenue in downtown Miami.



Alberto Bernal (XP) will moderate the panel. Confirmed speakers include Tiago Severo (BlueCrest Capital Management), Todd Martinez (Fitch Ratings), Patrick Esteruelas (EMSO) and Kathryn Rooney Vera (StoneX).

Additional support for the program is being provided by Fitch Ratings and StoneX.

Invitations to the event will be sent to EMTA Members shortly. Non-members may also attend for a \$695 registration fee.

For more information, please contact Jonathan Murno at jmurno@emta.org.

MENA/GCC London Forum Scheduled for January 29, 2025

EMTA's Annual Forum on the MENA/GCC Markets will take place in London on Wednesday, January 29, 2025. This event will focus on the economic outlook for MENA/GCC credits in 2025, and will be held at the IISS, 6 Temple Place in London WC2R 2PG.



Jean-Michel Saliba (BofA Securities) will moderate the panel. Carla Slim (Standard Chartered) and Razan Nasser (T. Rowe Price) will also be featured on the panel, with additional speakers to be announced.

EMTA Members can register for the event at www.emta.org. Non-members may also attend at a US\$695 registration fee.

The event is made possible with the support of BofA Securities. Additional support for the program is being provided by Standard Chartered.

For more information, please contact Jonathan Murno at jmurno@emta.org.

EMTA Schedules First Forum on CEE Economies

EMTA's first Forum focusing exclusively on the outlook for the Central and Eastern European (CEE) countries will take place on Thursday, March 13, 2024. BofA Securities will host the event at 2 King Edward Street in London.

Mai Doan (BofA Securities) will lead the event's panel discussion. Marek Drimal (Societe Generale) will also be featured on the panel, with additional speakers to be announced.

EMTA Members can register for the event at www.emta.org. Non-members may also attend at a US\$695 registration fee.

Additional support for the program is being provided by Societe Generale and S&P Global Ratings.

For more information, please contact Jonathan Murno at jmurno@emta.org.



EMTA Survey: Second Quarter Emerging Markets Debt Trading at US\$1.441 Trillion

Volume Up 10% vs Second Quarter 2023

Emerging Markets debt trading volumes stood at US\$1.441 trillion in the second quarter of 2024, according to a report released on September 30, 2024 by EMTA. This was a 10% increase on the US\$1.311 trillion reported in the second quarter of 2023.

Local Markets Instruments at 66% of Volume

Turnover in local markets instruments stood at US\$946 billion in the second quarter of 2024, accounting for 66% of total reported volume. This compares to US\$928 billion in the second quarter of 2023, a 2% increase.

Mexican instruments were the most frequently traded local markets debt in the second quarter of 2024, at US\$403 billion. Other frequently-traded local instruments were those from China (US\$106 billion), India (US\$93 billion), South Africa (US\$59 billion) and Brazil (US\$52 billion).

Eurobond Volumes at US\$494 Billion

Eurobond trading stood at US\$494 billion in the second quarter of 2024, up 30% compared with second quarter 2023's US\$381 billion.

73% of Eurobond activity involved sovereign debt issues in the second quarter of 2024, with Survey participants reporting US\$360 billion in sovereign Eurobond turnover. This compared to a 72% share of Eurobond activity in the previous quarter, when such volumes stood at US\$408 billion.

Corporate Eurobond trading stood at US\$130 billion in second quarter of 2024, accounting for 26% of total Eurobond activity (vs. a 27% share in the previous quarter). Sovereign Eurobond activity accounted for 25% of overall Survey volumes, with corporate trading at 9% of total turnover.

The most frequently traded Eurobonds in the second quarter of 2024 were Argentina's 2035, 2030, 2041 and 2038 USD bonds (with volumes of US\$6.5 billion, US\$2.8 billion, US\$2.6 billion and US\$2.5 billion respectively), followed by Abu Dhabi's 2054 bond (US\$2.4 billion).

In addition to local markets bonds, and sovereign and corporate Eurobonds, the Survey also includes turnover in warrants, options and loans. Survey participants reported US\$413 million in warrant and option trades during the quarter and US\$509 million in loan assignments.

Debt Survey (continued)

Mexican, Chinese and Indian Instruments Most Frequently Traded Overall

Mexican instruments were the most frequently traded instruments overall, according to Survey participants, with US\$447 billion in turnover, and compared to US\$297 billion reported in the second quarter of 2023 (up 51%). Mexican volumes represented 31% of overall volumes.

Chinese instruments were the second most frequently traded instruments in the EMTA report, at US\$119 billion, according to Survey participants. This represents an 6% decrease from the US\$127 billion reported in the second quarter of 2023. Chinese volumes accounted for 8% of total reported volumes.

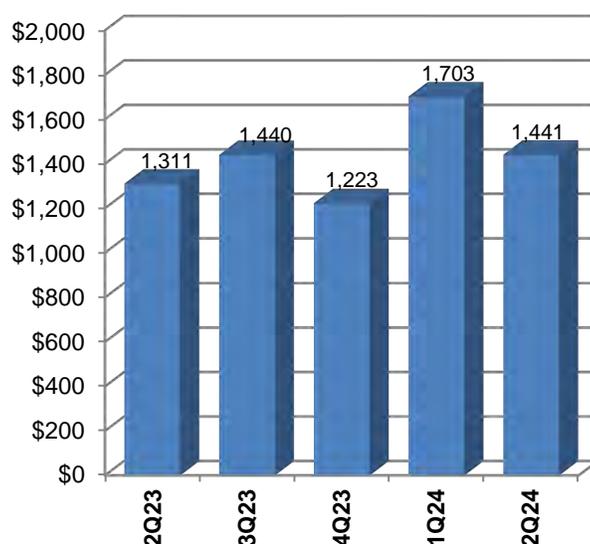
Third were Indian assets, whose volume stood at US\$102 billion. This compares to US\$110 billion in the second quarter of 2023 (down 7%). Indian instrument trading accounted for 7% of Survey volume.

Other frequently traded instruments were debt instruments from Colombia (US\$82 billion) and Brazil (US\$73 billion).

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 29 leading investment and commercial banks, asset management firms and hedge funds.

For a copy of EMTA's Second Quarter 2024 Volume Survey, please contact Jonathan Murno at jmurno@emta.org.

Figures in Billions of US Dollars



EMTA Survey: Emerging Markets CDS Trades at US\$256 Billion in Second Quarter

Volumes Up 19% vs. 2Q 2023

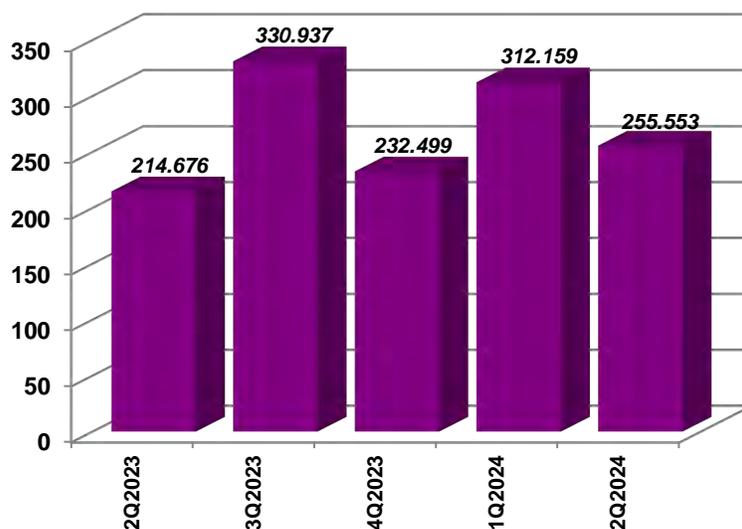
Emerging Markets CDS trading stood at US\$256 billion in the second quarter of 2024, according to a Survey of 10 major dealers released on September 30, 2024 by EMTA.

The largest CDS volumes in the Survey during the quarter were those on South Africa, at US\$25 billion. EMTA Survey participants also reported US\$24 billion in both Turkish and Mexican CDS contracts.

The EMTA Survey also included volumes on nine corporate CDS contracts, with the highest reported quarterly volume on Pemex (at US\$2.1 billion).

For a copy of EMTA's Second Quarter 2024 CDS Trading Volume Survey, please contact jmurno@emta.org.

Figures in Billions of US Dollars



Membership Update

EMTA warmly welcomed **U.S. Bank National Association** as the newest Member during the Fourth Quarter of 2024.

Members include over 170 banks, broker-dealers, money management firms, hedge firms, law firms, other service providers and others.

EMTA Membership benefits include access to the EMTA website and to EMTA's staff, invitations to EMTA's many events around the globe at reduced or no cost, eligibility to participate in working groups or other EMTA initiatives, and much more.

If you are interested in EMTA Membership, or if you know of prospective members, please contact Jonathan Murno at jmurno@emta.org or (646) 676-4293 or Suzette Vaccaro at svaccaro@emta.org or (646) 676-4294.

[Click Here](#) for information on the different categories of Membership, annual dues and much more.

EMTA is your Forum

Questions arise from time to time about EMTA's policies regarding views expressed in items posted on its website or by speakers or panelists at EMTA events.

For the record, EMTA, by long-standing custom, does not necessarily endorse such views. Items posted on EMTA's website, and speakers and panelists at EMTA events, are selected because EMTA believes that they will be of topical interest to its Members and to the broader market, and will contribute to the free exchange of views and information in the marketplace.

EMTA is always interested in market feedback on the effectiveness of its website, events and activities generally. Please take the time to let us know whether or not you agree with what you see on our website or hear at one of our events and, most importantly, whether there is something that EMTA should be doing, or doing differently, to better serve the EM marketplace.

US and UK Holidays

EMTA circulated the list of 2024 US and UK Annual Holidays in December 2023 in conjunction with the SIFMA distribution of such Annual Holidays (see <https://www.emta.org/activities-and-services/holiday-and-settlement-schedules/>), and expects to circulate the list of 2025 US and UK Annual Holidays in December 2024.

In light of the T+1 settlement for bonds with US ISINs/CUSIPs and, therefore, remaining T+2 settlement for other bonds, in order to avoid confusion, EMTA will continue to send emails, reminding market participants of early and full closes prior to each US and UK Holiday, but will no longer provide any trade or settlement date schedules.

For more information, please contact Aviva Werner at awerner@emta.org.

Stay in Touch to Stay Current!

If you have recently changed emails or moved offices, please update your information by visiting <https://netforumpro.com/eWeb/DynamicPage.aspx?Site=EMTA>.

EMTA Jobs Page

EMTA is providing information on current industry positions of possible interest to members of the EM trading and investment community. Both “Jobs Offered” and “Positions Wanted” information are available to EMTA Members and other market participants.

This information can be found on EMTA’s website at www.emta.org (see “Employment” on EMTA’s home page).

We encourage you to pass along this information to former colleagues seeking employment in the EM debt industry, and, if your institution is looking for an EM professional, please consider posting available job positions with us.

To post a summary resume, please contact Suzette Vaccaro at svaccaro@emta.org.



*EMTA Members:
To obtain a password for the
Members Only area, please
[Click Here](#)*

Website Updates

EMTA publishes a wide range of materials relevant to participants in the Emerging Markets industry.

Please take time to visit these areas on our website:

[New Developments](#) (information about EMTA projects and other industry developments).

[Upcoming Events](#) (the registration site for EMTA Seminars and Webinars).

[Membership](#) (information on Membership and EMTA Member Institutions).

[Documentation](#) (standard documentation and Market Practices for fixed income and FX products).

[Key Industry Views](#) (key industry perspectives and market commentary).

[From the Market](#) (items submitted to EMTA that may be of interest to the Emerging Markets industry participants).

[Emerging Markets Caselaw](#) (court decisions and related litigation materials (including amicus briefs)).

[Employment](#) (industry positions currently available for Members of the Emerging Markets industry).

EMTA is on LinkedIn!

EMTA is happy to announce that we are now on LinkedIn.

Follow us on LinkedIn as an additional way to keep up-to-date on EMTA projects and upcoming events. We invite all EMTA Members to connect with us at: <https://www.linkedin.com/company/emta-inc>.

As always, we thank you for your support.

EMTA Hotlines

<u>Topic</u>	<u>Contact</u>	<u>Telephone</u>
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EMTA Membership	Jonathan Murno/Suzette Vaccaro	(646) 676-4293/4294
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Investor Rights	Aviva Werner	(646) 676-4292
Legal/Compliance	Aviva Werner	(646) 676-4292
Library and Archive Requests	Evelyn Ramirez	(646) 676-4290
Local Markets	Leslie Payton Jacobs/Aviva Werner	(646) 676-4290 ext. 6/(646) 676-4292
OFAC Sanctions	Aviva Werner	(646) 676-4292
Volume Surveys	Jonathan Murno	(646) 676-4293
Warrants/VRR's	Aviva Werner	(646) 676-4292
Website	Suzette Vaccaro	(646) 676-4294

EMTA staff can also be reached through the general telephone number (646) 676-4290, at the following email addresses or through EMTA's website (www.emta.org).

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Aviva Werner	awerner@emta.org

EMTA Calendar

Wednesday, October 30	EMTA Corporate Bond Forum Hosted by Fitch Ratings Hearst Tower 300 West 57th Street New York City
Tuesday, November 12	EMTA Forum in Johannesburg 30 Baker Street Rosebank
Thursday, November 14	EMTA Forum in Cape Town Vineyard Hotel Colinton Road Newlands
Wednesday, November 27	Recommended 2:00 p.m. (NYC) Early Market Close
Thursday, November 28	Recommended Market Close (NYC/London) Thanksgiving Day
Friday, November 29	Recommended 2:00 p.m. (NYC) Early Market Close
Monday, December 9	EMTA Annual Meeting Hosted by Bank of America One Bryant Park New York City
Tuesday, December 24	Recommended 2:00 p.m. (NYC) Early Market Close
Wednesday, December 25	Recommended Market Close (NYC/London) Christmas Day
Thursday, December 26	Recommended Market Close (London) Boxing Day
Tuesday, December 31	Recommended 2:00 p.m. (NYC) Early Market Close
Wednesday, January 1, 2025	Recommended Market Close (NYC/London) New Year's Day (2025)
Wednesday, January 15	EM Corporate Bond Forum 2025 Outlook Sponsored by BofA Securities Langham Hotel Chase Room 250 Franklin Street Boston
Thursday, January 23	EMTA Forum in Miami Hosted by XP Investments 701 Brickell Avenue Downtown Miami

- Wednesday, January 29** **EMTA Forum on the MENA/GCC Outlook**
International Institute for Strategic Studies
6 Temple Place
London
- Thursday, February 13** **EMTA Winter Forum**
Sponsored by JPMorgan
The Great Hall
60 Victoria Embankment
London
- Monday, February 17 Recommended Market Close (NYC/London) Presidents' Day
- Monday, February 17** **EMTA Forum on the MENA/GCC Outlook**
The Capital Club Dubai
Gate Village, Building 3
Dubai International Finance Centre (DIFC)
- Thursday, March 13** **EMTA Forum on Central and Eastern Europe**
Sponsored by BofA Securities
2 King Edward Street
London