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Proposed NYS Legislation

There are several pending bills in the New York State legislature relating to the restructuring and enforceability of sovereign debt that, if enacted, would likely have a negative effect on the market for EM sovereign debt. The bills are similar to ones that have been proposed for the past several years (but lapsed without enactment), and the current bills are opposed by major financial trade associations, including SIFMA, ICMA and IIF.

(continued on [page 3](#))

EMTA Panel to Reveal Expectations for Mexico Under President-elect Sheinbaum

The landslide election of Claudia Sheinbaum as Mexico's next president, and the results of the legislative, gubernatorial, and local elections, will be reviewed at EMTA's Forum on the Mexican Elections, to be held in New York City on Thursday, June 6, 2024.

Gabriel Casillas (Barclays) will moderate a panel featuring Jens Nystedt (EMSO Asset Management), Simon Waever (Morgan Stanley), Kathryn Rooney Vera (StoneX) and Natalia Gurushina (VanEck). The panel is expected to address fiscal and monetary policy under President-elect Sheinbaum, and how her election may affect near-shoring, the USMCA, state aid to PEMEX and much more.



(continued on [page 26](#))

After Surprise Setback, Zambia Completes Restructuring

On June 4, 2024, after more than three years following Zambia's default on November 13, 2020, Zambia announced the final results of its Consent Solicitation, thus completing a successful restructuring with a high acceptance rate for all the bonds.

Zambia was the first African country to default on its Eurobond debt during the Covid-19 pandemic. Despite political willingness to restructure its debt, it was still in restructuring talks with creditors years later due to a number of reasons.

Despite the announcement of an agreement in principle on October 26, 2023 and the anticipated successful Zambia restructuring of its debt after many months of collaborative discussions between Zambia and the Zambia External Bondholder Steering Committee, the deal was suspended due to a number of factors (including comparability of treatment and tensions between China (the country's single biggest creditor) and other creditors).

This delay caused some to be skeptical of the G20 initiative, the Common Framework (CF) and its possible implications more generally for other upcoming sovereign restructurings. Comparability of Treatment is a seminal element of the CF, and China claimed in November 2023 that the deal with private creditors contained better terms than that with official creditors.

After months of delay, Zambia announced its intention on March 25, 2024 to restructure nearly \$4 Billion of bonds.

On May 13, 2024, Zambia launched its Consent Solicitation. Zambia retained Lazard Freres and White & Case as its financial and legal advisors, respectively, and consulted the Steering Committee of the Ad Hoc Creditor Committee (who currently own more than 33% of the outstanding bonds), advised by Newstate Partners and Weil Gotshal & Manges, on the key commercial terms to the restructuring of the 2022, 2024 and 2027 bonds. Members of the Committee include Amia Capital, Amundi Limited, Farallon Capital Management, Greylock Capital Management and RBC BlueBay Asset Management.

Pursuant to the Press Release, the structure of the agreement remains unchanged from the agreement in principle reached on November 20, 2023 (with some modifications delineated in an annex), and the terms are compatible with Zambia's Official Creditor Committee's assessment on comparability of treatment and the IMF's program parameters under the Second Review framework.

[Click Here](#) for Zambia's Press Release.

[Click Here](#) for the External Bondholder Steering Committee Press Release.

[Click Here](#) for the Launch Announcement and Notices of Meetings.

On May 28, 2024, Zambia announced the early results regarding its Consent Solicitation ahead of the May 30 deadline, with a range of 92.1% and 96.03%, depending on the bond.

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

A week later, Zambia announced the final results of its Consent Solicitation, thus completing the restructuring. The Proposal was approved by bondholders holding 97.23% of the outstanding principal amount of the 2022 bonds, 94.06% of the outstanding principal amount of the 2024 bonds and 97.42% of the outstanding principal amount of the 2027 bonds.

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

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

NYS Legislation (continued)

A draft paper by EMTA Executive Director Michael Chamberlin describes these bills and attempts to put them in contrast with several decades of largely public/private cooperation to ensure that sovereign debt restructurings can be orderly and sovereign debt remains enforceable—sometimes a delicate balance and perhaps a subject on which there are differing views.

[Click Here](#) for “Proposed NYS Legislation: History Lessons from Argentina’s Hold-Out Saga and the IMF’s 2001 SDRM Proposal”.

[Click Here](#) for the Compendium on Proposed New York State Legislation Relating to Sovereign Debt (6/16/21 Draft), which contains background information on this topic, as well as a summary of the May 4, 2021 EMTA panel discussion “Proposed New York State Legislation Relating to Sovereign Debt”.

[Click Here](#) for a summary of the September 22, 2023 EMTA panel discussion “Proposed NY and UK Legislation: Is Jurisdiction Change on Governing Law a Possible Answer?”

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

EMTA Recommends Settlement Market Practice for Suriname PIK Bonds

After months of consultations with market participants and Bloomberg, EMTA recommended on April 11, 2024 a Market Practice for the settlement of Suriname's PIK Bonds. There were a few ways the bonds could have settled, and valid arguments on each side, but at the end the market consensus was that the bonds should settle (unless otherwise agreed) at a partially 'dirty' price, inclusive of PIK accrued.

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

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

EI Salvador Notes to Trade at All-in Price, According to EMTA Market Practice

While not particularly contentious, some market participants wanted EMTA to clarify what the Market Practice should be for trades of EI Salvador's interest-only Notes (ISIN US283875CD23). After consultations with the market, EMTA recommended that those Notes trade (unless otherwise agreed) at an all-in 'dirty' price.

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

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

T+1 Becomes New Settlement for US Bonds

EMTA joins SIFMA, Euroclear and DTC in recommending a T+1 settlement schedule for Bonds with US ISINs/CUSIPs. The first trade date with such a settlement schedule was May 28, 2024.

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

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

Panel Examines Possible Outcomes in Run Up to South African Elections

The possibility of the ANC being forced into a coalition government, and the effects on the South African economy, were debated at an EMTA Forum on the South African Elections, held in London on May 9, 2024. The event, held almost three weeks before the vote, was hosted by ICBC Standard Bank and Standard Bank, with Rand Merchant Bank providing additional support.



Moderator Elna Moolman (Standard Bank) noted in her introductory comments that a consensus had been building of the ANC capturing a percentage somewhere “in the 40s” of the vote, and “more of the same from a policy perspective.” She agreed that a “reasonably smooth path” would likely follow election day,” offering her own estimate that the ANC would garner 43-47% of the vote.

Isaiah Mhlanga (Rand Merchant Bank) observed that there are always market concerns for extremist results. His base case was similar, with the ANC winning 45%. Mhlanga highlighted the strength of ANC’s campaign infrastructure, and the use of former President Mbeki among others in an attempt to increase middle-class voter participation. Opposition parties could be losing steam -- the DA could anger voters because of its positions on the Gaza war, the EFF has been falling in recent polls, and the MK is not eating into the support of any one single party, but rather taking votes from a combination of several. Should the ANC’s share fall below 40%, an alliance with the DA could prove fatal in subsequent elections; thus a deal with the EFF was more likely based on concerns over the party’s long-term survival.

Abrdn’s Kieran Curtis offered two potential positive outcomes. Should the ANC win 47-48% of the vote, it would allow them to gain a majority with a small-party strategy (possibly with the IFP), providing the most certainty for the market. At the other end of the barbell, he argued that should the ANC win only 40-42%, this would also be market-positive as, “this would force the ANC towards the DA, as it will be hard to do an alliance with the IFP and smaller parties.” Coalition negotiations are unlikely to be completed before the presidential vote, but “it’s pretty clear Ramaphosa will be re-elected,” although a subsequent no-confidence vote could be used as a strategy in coalition haggling.

Brent David (RBC BlueBay Asset Management) offered the more bearish view. David raised the alarm that, “the market is not pricing in the uncertainties whatsoever, in either bonds or the rand.” He called attention to historically low volatility levels. “I find that quite surprising,” he stated.

South Africa (continued)

Alliance Bernstein's Adriaan du Toit concurred that there wasn't enough risk premium in South African assets. He underscored the sense of frustration among South Africa's youth. "If young people vote, there could be an unexpected outcome." While the market might breathe a sigh of relief if the ANC is able to form a government with a smaller party, he questioned whether this was positive for South Africa long-term. He seconded Mhlanga's view that an ANC-DA coalition was unlikely.

Moolman brought up South African growth prospects. Du Toit cited the power sector improvements since last year, which could boost growth and fuel the "current trickle of investment" into South Africa. Du Toit predicted around 2% growth next year, and "I'm not sure ANC policy continuity will lead to a meaningful shift in the growth trajectory or the unemployment situation." Greater confidence would take time, but was needed to propel growth to higher levels, he concluded.

Mhlanga voiced greater optimism on recent reforms. "Energy reform wasn't even on the table before, and now it is happening...load-shedding is down, and Transnet's most important asset has been privatized." According to Mhlanga, energy reforms are not reversible, even if the EFF enters the government. Moolman agreed, while cautioning that Transnet reforms could still be de-railed.

Turning to interest rates, David didn't anticipate near-term cuts in South Africa, even if the US Fed initiates its cutting cycle this year. A reduction in the 3 to 6% inflation target band to a simple 3% would be positive, "and the market will buy it." Other panelists agreed. Du Toit reasoned the band could be reduced in the next twelve months; Mhlanga affirmed that the SARB "should, they can, and they will." Curtis reminded attendees of the EFF's preference for a higher inflation target.

The panel responded to a wide variety of audience questions, including whether the ANC would trade the Finance Minister position in any accord with the EFF ("the ANC won't do a deal at all costs," replied Mhlanga); the credibility of fiscal policy; the outlook for South African commodity exports; the FATF grey list ("a lot of progress has been made with massive private sector assistance in closing the loopholes," according to Moolman); and South African-Russian relations.

In response to a question on how far assets could fall in an ANC-EFF government, David suggested bonds could widen 500 bps and the ZAR could fall by 20%, "although at some point this will become a buying opportunity, and the rand may only be down 10% a year later." The key concern was how much the EFF could roll back privatizations. Mhlanga offered a less dire prediction, suggesting a 10% knee-jerk sell-off, "half of which then gets reversed."

Du Toit refused to rule out further ratings downgrades, possibly to the single B level, in case of significant policy changes. "Bonds would go much wider in a worst-case scenario, and there is a greater than 0% chance South Africa could be cut to single B in three to five years," he warned.

Curtis argued that, "the most important outcome is that the executive remains the same." In his view, any change in the presidential office would endanger recent reform progress, as well as fiscal discipline. With the same executive, he disagreed with the prospect of a massive sell-off.

Buenos Aires Panel Pleased with Initial Milei Actions, While Cautioning Additional Progress Must Follow Quickly

Speakers at EMTA's forum on the first 100 days of the Milei administration in Argentina agreed that the new government has brought some stability and raised hopes for further structural reforms. However, they cautioned that time is running out for President Milei to move to the next stage of his reform agenda, including ushering essential legislation through Congress and gradually replacing capital controls and other heterodox measures with more orthodox market-friendly policies. Panelists discussed the need for a fiscal anchor, required changes to monetary and exchange rate policy, and the political challenges faced by the government.

The event was held in Buenos Aires on April 4, 2024. BancTrust sponsored the Forum, with the additional support of Cucchiara & Cía, LSEG (London Stock Exchange Group), and MAE (Mercado Abierto Electronico).

Congressman Luciano Laspina opened the event with a keynote address focused on the accomplishments and challenges faced by the Milei administration. He applauded the new government's success at reducing Argentina's fiscal and external imbalances, stemming the expansion of the monetary supply, stabilizing both the official and informal exchange rates, and reducing the country's sovereign risk levels.



However, Laspina warned that the government is at risk of relying too heavily on the capital controls and negative interest rates that have brought about this stability. He highlighted the need for the administration to gradually shift to more market-friendly policies to bring down inflation with a fiscal anchor rather than relying on an economic slowdown to curb price increases.

Laspina acknowledged the political challenges facing the Milei administration, given its limited control of congressional seats. He urged the government to engage more actively with the legislature to find common ground, which requires the participation of more senior members of the economic team to negotiate proposed reforms in more detail. Laspina expressed cautious optimism if the government focuses on more targeted reforms but observed that the clock is running out on getting these measures through Congress.

In the panel discussion, questions from moderator Ramiro Blázquez (BancTrust) focused on the sustainability of the exchange rate appreciation, the need for a fiscal anchor, contradictions in the current policy framework, measures required to reduce inflation and reactive economic activity, and public tolerance for ongoing austerity.

Buenos Aires (continued)

Panelists echoed Laspina's concerns, recognizing the initial stabilization, but noting the urgency of pivoting to market-friendly structural reforms. Although capital controls have stabilized the exchange rate, Juan Jose Battaglia (Cucchiara y Cia.) observed, "a fiscal pillar is most important for any scheme to work, especially since neither the domestic nor international market will finance a fiscal deficit."

Paula Gandara (AdCap Asset Management) noted that Milei will be reluctant to abandon capital controls since these have allowed the administration to accumulate reserves. However, these controls are a "short-term anchor, and only a competitive exchange rate will allow for a sustainable accumulation of reserves." She cautioned that the elimination of capital controls would have to be gradual, since the potential demand for dollars could be very large and disrupt Argentina's local markets.

All panelists expressed a sense of urgency over the need for congressional approval of Milei's proposed fiscal reforms. Several questioned the wisdom of packaging too many issues into a mega-proposal since this has slowed the pace of negotiations and contributed to legislative paralysis. However, there is optimism that progress can be made on targeted fiscal measures to stabilize the fiscal deficit, but this would require the government to engage more actively with Congress.

Citing his past experience as a public official, Gustavo Cañonero (CMF Asset Management) acknowledged the political constraints facing the government as it balances social demands with economic requirements. He noted that, "it is a real challenge to achieve results as quickly as we need to eliminate the risk of disillusionment of society, particularly given the disastrous legacy left by the previous administration." Cañonero praised the government's strong conviction to address the fiscal imbalances despite its inflationary consequences in the short run. He highlighted the importance of reducing inflation, saying, "the only easy solution would be to dollarize quickly and successfully, which I think would be extremely risky."

Blázquez asked the panelists what it would take to reactivate economic activity, and whether another debt restructuring is likely if the government fails to make progress. Cañonero replied that a free flow of capital is required for investment to grow, Gandara pointed to the need for a competitive exchange rate, and Battaglia commented that stopping the monetization of debt would support Argentina's economy and the country's bond prices. All panelists acknowledged that current conditions are not conducive to an organic recovery of economic activity, given continued capital controls and the lack of a fiscal anchor. Regarding restructuring, Argentina is burdened by its poor track record and needs to convince investors that it will not repeat its past mistakes.

Blázquez concluded the discussion on a more optimistic note, agreeing with one panelist's observation that there is a learning curve and society understands it cannot enrich itself by issuing more debt.

“Market Nervous About Candidate Milei, But So Far We Like President Milei”

While investors in Argentina have been “very happy with recent fiscal signals, they are also watching the road map for President Milei’s intended legislation,” summarized moderator Walter Stoeppelwerth (PPI) at the outset of EMTA’s Forum on the First 100 Day of the Milei Administration, held in London on March 14, 2024. The event covered domestic politics, FX policy and IMF relations, among other topics, and was sponsored by PPI.

Stoeppelwerth noted that, while not all of Milei’s fiscal proposals needed Congressional approval, those that did might be a challenge for the Argentine president, “who is not known to be a consensus builder.” It remained unclear whether Milei would be able to work with Congress to achieve his goals, while also demonstrating to the IMF that the country was taking “ownership.”

“The fiscal plan has been, and will be, executive-led in our view, so it’s key to see if that will continue,” commented Juan Navarro-Staicos (Rokos Capital Management). He estimated that 3 to 4% of Milei’s target of 5% of GDP in fiscal consolidation would be achieved via executive actions. Navarro-Staicos asserted that, “while there has been a lot of noise about the omnibus bill and Milei’s decree, these are mostly secondary reforms...what we should focus on is whether Milei can get something done that makes the fiscal consolidation more sustainable.”



“We were nervous about candidate Milei, but so far we like President Milei,” reasoned Kaan Nazli of Neuberger Berman. “A lot of wheels may come off,” on the president’s fiscal consolidation plans, but, as long as the market envisioned a positive path forward, it was likely to give the president the benefit of the doubt.

“Fiscal sustainability starts from the reform of the pension formula,” declared Martin Soler (HSBC Global Asset Management), and the 2Q increase in real terms underscores the urgency of negotiations with congress. A deal was possible, in his view.

Andrew Stanners (abrdn) acknowledged that, thus far, Milei has been more successful than the market had anticipated, despite the withdrawal of the omnibus bill. Inflation would peak soon, raising the stakes. Argentina’s provincial leaders now seemed to understand that “they need to be part of the solution, and not part of the problem,” he added. Stanners’ take on Argentina had become constructive after a recent visit, but he wasn’t yet convinced that Argentina has permanently changed course.

Argentina (continued)

Stoeppelwerth referred to Argentina's history of popular protests at austerity measures, with energy and transportation subsidies possibly the next Milei targets. Would the government be able to get results fast enough to avoid social unrest? Nazli cited Milei's relatively high approval ratings, despite large declines in real incomes. "I think there is breathing room—but I'm talking in terms of months, not years; generally, I'm a bit more hopeful than say 2 or 3 years ago."

Navarro-Staicos compared Milei to both Mexican President AMLO, who has remained highly popular while maintaining a conservative fiscal stance, and to former President Macri, who faced great resistance by Argentines to his fiscal austerity actions. Milei has had an "uncanny ability" to identify with people, and thus far has kept up his popular appeal. "However, at some point, people will start to question things," he cautioned.

Stanners saw a "reasonable" recovery possible in the 2H 2024 if FX rates were unified, and if the economy contracted more than currently expected (helping future comparisons with a low base effect). He also recognized that the tolerance level of Argentines has been quite high thus far, with Milei benefiting from a lack of a coherent opposition.

On FX unification, "that's in chapter five of this book, and we are just in chapter one," stated Nazli, who speculated that this would be a 2025 event. Navarro-Staicos anticipated a gradual loosening of capital control measures in the coming months, possibly starting with permission to repatriate dividends and easing measures on the purchases of dollars by Argentines.

A potential IMF deal was not a front burner issue for investors currently but could become more of a focus in the future when larger payments were due the Fund, observed Stoeppelwerth, who asked speakers for their expectations. Stanners believed a new agreement could be reached quickly and would involve new money. The market should "have a good feel" on the possibility of a deal by the summer, in his analysis. "An IMF deal is not a 'must-have,' but would be nice," according to Navarro-Staicos, who envisioned a tight fiscal policy and reserve accumulation laying the groundwork to a new agreement. Soler pointed out that it was not in the IMF's interest to "play hard ball;" instead, there was an incentive for the Fund to be supportive of Milei's fiscal plans, which could lead to renewed capital market access for Argentina, and thus the Fund being repaid.

Zurich Forum Speakers Analyze Global Macro Effects on EM

Both global factors and EM-specific analysis were provided at EMTA's Annual Forum in Zurich. The event was held on Tuesday, May 28, 2024, and was sponsored by Citi and Deutsche Bank. Speakers addressed topics from the effects of the US and South African elections to the prospects for Sub-Saharan Africa, Argentina and Turkey.

Moderator Christian Wietoska (Deutsche Bank) requested top-down views of the global economy. Sergio Trigo Paz (UBP Asset Management) confirmed that his team had recently shifted their outlook from a “no landing” scenario in the first half of 2024 to a global slowdown in the second half. He anticipated this scenario will benefit EM fixed income and EM currencies. Over the medium term, he saw EM countries as the primary beneficiaries of de-globalization. He expected improvements in EM macroeconomic conditions, infrastructure, and governance driven by three factors: (1) the move by the US and EU to seek alternatives in their manufacturing and commodity supply chains, turning to EM neighbors (nearshoring); (2) Russian and Chinese efforts to diversify their dollar and euro reserves with EM currencies and precious metals, and (3) the demand for metals as a result of the ESG transition.



The US election will have marginally negative ramifications for EM, according to Carlos de Sousa (Vontobel Asset Management), whose base case was for a Trump victory. Countries whose leaders have adopted stances similar to Trump's will benefit (e.g. Argentina, Ecuador and El Salvador), while Mexico and Vietnam may fall under scrutiny over potential misuse by China to avoid tariffs. The USMCA may also become a target as its 2026 renewal date approaches, and US support for Ukraine is likely to be reduced if Trump wins, he added.

Peter Wietrak (Julius Baer) reviewed geopolitical risks to the asset class. “There are always significant geopolitical tail risks for EM,” he stated. He considered China-Taiwan to be low risk currently, while the Middle East's risk factor was hard to determine and could escalate quickly. A Trump victory in the US could force many EM countries to pick a side in the US-Russia clash, rather than maintaining their current neutrality.

Citi's David Cowan provided his views on Sub-Saharan Africa. While there had been much speculation of SSA defaults when global monetary policy tightened, several African credits successfully tapped the markets earlier this year when it appeared that DM countries were pivoting to cutting rates. A big question for SSA countries is if the IMF's recent emphasis on raising revenues to narrow fiscal deficits will work; “this is still an unproven issue; it's not clear if Kenya and other countries can raise revenue enough to plug those deficits.”

Zurich (continued)

Were dedicated EM outflows a temporary factor or a more structural concern, asked Wietoska. Trigo Paz responded that many EM dedicated funds had “gotten slaughtered” by investments in China property bonds and Asian debt funds. He anticipated the eventual return of many EM dedicated funds, but only after they are convinced of stabilization in the asset class, and see positive historical returns.

Wietrak believed US rate cuts could be a catalyst for investors to dip back into EM corporates, where he still saw value. He determined that EM IG corporates were attractive compared to their DM counterparts on a historical basis, which has likely been a key driver for the recent demand from DM investors. When considering sovereign exposure within his corporate mandates, he stressed that investors need to be tactical and closely examine each issue.

On South Africa’s elections, which occurred the next day, Cowan sensed that local businesses were adopting a more positive outlook. He characterized the ANC’s declining share of the vote as part of a general erosion of support for African revolutionary parties, including SWAPO in Namibia and the MPLA in Angola. He confirmed that the market preferred either a small loss forcing the ANC into an alliance with a small party, or a larger loss which made an accord with the DA necessary. “The most unwanted outcome is a result which forces the ANC to make more concessions than it wants to.”

Despite the unexpected \$35 billion FDI inflow into Egypt earlier this year, Cowan argued that “a lot is still unproven.” Key would be a free float of the pound, although privatization could help boost the economy. In Cowan’s view, the test will come in 2025 when he expects inflation to “fall off a cliff; then we will know if they are really serious about a free float.”

As for Argentina, it remained unclear to de Sousa if it would default in 2025. While Milei has delivered four consecutive months of fiscal surpluses, he underscored that the passage of the Omnibus bill was uncertain. In a positive scenario, Argentina would be able to kick the can down the road by some “minimal” amount of market access in the second half of next year. Trigo Paz anticipated rapid dollarization, while warning of “key man” risk in Milei.

A restructuring of Ukraine’s debt was in everyone’s interest, and neither bilateral nor multilateral creditors want another two-year payment suspension, according to de Sousa. A stumbling block is the IMF’s worst case DSA scenario, which would require a total debt write-off. However, he proposed solutions such as issuances containing an automatic reduction in terms should the economic outlook move closer to the worst-case scenario. If this situation isn’t resolved soon, there will be headlines on Ukraine defaulting, “and only Putin wants that,” he stated.

On Turkey, Wietoska affirmed his strong bullish stance. “Erdogan realized after the local elections that he needs to get inflation under control,” he declared. The Central Bank’s 500 bp rate hike has led to a change in sentiment, and there has been a massive de-dollarization of the country. Wietrak advised investors not to fight the support of local Turkish investors; sell-offs might provide buying opportunities, in his view.

US Elections, Geopolitics, Rates Dominate Frankfurt Forum

While the global macroeconomic backdrop posed challenges in EM, opportunities remain, according to speakers at EMTA's Annual Forum in Frankfurt. The event was hosted on Thursday, May 23, 2024, by Union Investment, with the additional support of BofA Securities and Deutsche Bank.

David Hauner (BofA Securities) emphasized the importance of geopolitical analysis in EM, and asked speakers what developments they were following. Andreas Hahner (Allianz Global Investors) agreed that portfolio managers have needed to pay closer attention to the political fragmentation across the globe for several years now. He listed several issues that required monitoring, such as the Russian war against Ukraine, China-Taiwan tensions, the potential for an escalation from the Gaza war, increased Russian involvement in francophone Africa, and a more anti-US tone of the expanded BRICs group.



Jutta Kruff (Ampega Asset Management) addressed the potential effects of the US elections on EM debt. In her assessment, election-related volatility might result in some buying opportunities, with China, Mexico and Middle Eastern credits the most vulnerable to price swings if the market starts to price in tariff and USMCA concerns in anticipation of a Trump victory.

Union Investment's Christian Wildmann highlighted that sticky inflation data had muddied the paths for 1Q DM rate cuts. As the window for US FOMC action narrows prior to the US election, he questioned whether a 50 bp reduction in rates would make much of a difference to EM debt. "I think it won't."

The panel moved on to individual EM countries, first examining the recent turnaround in sentiment on Egypt and Turkey. "I'm highly convinced that there has been a structural change in Turkey," declared Deutsche Bank's Christian Wietoska. He characterized the country's local elections as a wake-up call to Erdogan, pushing him to confront the high cost of living. As a result, Finance Minister Simsek has been given more power. Wietoska predicted inflation will fall below 40% in Turkey by the end of 2024, and below 20% by year-end 2025, and believed that investors will continue to add to positions. Kruff underscored that many investment managers had bought Turkish corporates, expecting further upgrades.

Wietoska was less convinced that Egypt will make progress on structural reform. "They are still vulnerable and may need GCC financial support again in three years," he cautioned. However, the surprise inflow of FDI earlier this year was too much for investors to ignore, especially with progress on capital controls.

Frankfurt (continued)

Wildmann reviewed the investment cases for China and India, acknowledging he was more convinced on the latter. He believed that Chinese asset pricing might have found a floor, due to factors such as increased consumption and greater tourism, and not because of the recently-announced economic measures. The property sector could subsequently benefit from renewed confidence in the overall economy.

Bullishness on India was widespread in the market, Wildmann noted, with reform progress feeding into growth and improved infrastructure. He reasoned that India was likely a safer bet than either Turkey or Egypt because it was not dependent on foreign inflows. “However, the challenge for investors is to find fixed income opportunities in India,” while risks included the “huge” key man risk in Prime Minister Modi, economic overheating and the public sector crowding out private industry.

Hahner offered views on several LatAm credits. AMLO’s most-likely successor, Claudia Sheinbaum, could face a difficult path ahead in Mexico. Spending cuts were needed, the country continued to underperform due to power issues, and a near-term solution to the Pemex issue was unlikely. “In our view, the country is currently not an upgrade story,” in his assessment.

Argentina was still “not out of the woods. They are doing the right things, but the public’s tolerance is unknown.” Hahner emphasized that Argentines need to feel the benefits of recent austerity measures; if not, popular protests could result.

As the South African election loomed, Wietoska voiced skepticism on recent polls. An ANC-EFF coalition would be of concern to the market but was not his base case. While any result that signaled the exclusion of the EFF from power could lead to a relief rally, true reform progress was really only likely if the ANC partnered with the DA.

Finally, Kruff commented on the outflows from EM accounts into DM. Global funds have very low allocations to EM, but are searching for carry and greater spread because the USD IG market has become expensive. “Good stories,” such as Turkey and Egypt, and overall improved EM fundamentals might help attract new inflows into EM from global funds, yet she noted that part of this could be “tourist money,” with the risk of reversal.

Are EM Corporates Overshadowed Despite Strong Fundamentals?

Speakers at EMTA's Corporate Forum in London affirmed their belief in strong fundamentals, while acknowledging the challenges confronting the asset class. The event was held on Tuesday, May 21, 2024, and was hosted by BofA Securities. Barclays and Santander provided additional support.

Kay Hope (BofA Securities) moderated the event, observing that, at the time of the panel, EM corporate returns of 2% ytd had edged out US HY, and had also outperformed EM sovereigns and US HG. With that in mind, how should investors position themselves in EM corporates? Stella Cridge (Barclays) reviewed the global macro backdrop and argued that a US soft landing and EM and European growth provided a stable environment for EM corporates. Agreeing, Alain Defise (Pictet Asset Management) cited the overall strong fundamentals of the asset class.



should investors position themselves in EM corporates? Stella Cridge (Barclays) reviewed the global macro backdrop and argued that a US soft landing and EM and European growth provided a stable environment for EM corporates. Agreeing, Alain Defise (Pictet Asset Management) cited the overall strong fundamentals of the asset class.

Kofi Bensti (PIMCO) expressed a more nuanced view. "I'm very confident in EM corporates as a standalone asset class, but when you put it in the context of 'higher for longer' global rates, I'd be more cautious." Declan Hanlon (Santander) pointed out that his firm's call for only two rate cuts earlier this year had previously appeared very bearish, but has now become a consensus view. "I'd expect that those companies that had been challenged by the higher rate environment may end up needing to restructure, given the cost of or inability to access the markets. We expect to see more dispersion in yields."

Hope returned to the last year's discussion on how to grow the EM corporate asset class, which had suffered a significant contraction in the wake of defaults in the Chinese property sector. Defise stated that, on the supply side, there is less need for corporate bond issues due to reduced CAPEX spending, while many issuers can place debt cheaper in their local markets. On the demand side, EM corporates continue to compete with "higher for longer" DM rates, while the EM IG premium has narrowed compared to its DM counterpart.

"I feel like we have beaten on every door," proclaimed Bentsi, "but we still lack a natural sponsor for our asset class." He seconded that there had been a net paydown in debt by EM corporates. Bentsi stressed that proponents of EM corporates need to "cut ourselves off from the EM sovereign market, which has a different dynamic—we need to separate ourselves from the traditional EM story, and place less emphasis on the countries and more on the companies." Cridge and Hope agreed that past crises had prompted EM corporates to de-risk and had weeded out weaker credits, leaving higher rated and higher quality issuers.

As the conversation turned to specific markets, Cridge underscored that Turkish corporates had evolved to being one of the positive surprise stories of the year after a more challenging period, following the about-turn in the country's economic policies. She added that the market would monitor the results of South African elections to determine what government would emerge, and that the ANC-led government had been slowly moving in the right direction in terms of policy reforms.

Corporate (continued)

Hanlon addressed the market's LatAm "darlings," but opined that the near-shoring investment theme has been oversold. As an example, he specified that some of the infrastructure required in Mexico to fully exploit near-shoring will take time to build. On the other hand, he cracked open the door on Pemex. "We haven't been bullish on Pemex in years, but some spread compression might be possible," due to oil price stabilization, explicit government support, and the energy transition credentials of Claudia Sheinbaum, whose victory in Mexico's presidential election two weeks after the panel had been widely expected. (Bentsi preferred to stick to strong standalone corporates that weren't "government support stories," whose analysis he felt was best left to sovereign analysts, in his view).

On Brazil. Hanlon reasoned that, since the new CEO at Petrobras is very aligned with President Lula, "headlines are likely to come shortly." Contingent risks include the buying back of refinery assets, or possibly Braskem, "and there is clearly more political risk in Petrobras now."

Reacting to Beijing's recent measures to prop up the housing sector, Defise acknowledged that his firm has since adopted a more constructive view, though "we still prefer the safer names in China. However, for once there is hope that a turnaround is coming."

The panel agreed that ESG has become somewhat politicized. Cridge maintained an optimistic outlook overall, with companies are still working on delivering on commitments they have made to investors. Corporations have gotten the message from investors on sustainability, so engagement is easier now, according to Defise. Hanlon observed that questions from US accounts on ESG have declined recently, and anticipated there would be less of an issue if Trump won the US presidential election. Pemex may make moves under Sheinbaum with an ESG plan to attract the European accounts currently unable to own the debt, "but this is not a near-term plan," he added.

EMTA Panelists Address Venezuelan Sanctions, Election and Possible Debt Restructuring

“There seems to be a contradiction in that President Maduro is stepping up the political tension, yet Venezuelan bonds have rallied,” observed moderator Ramiro Blazquez (BancTrust) in opening comments at EMTA’s Forum on Venezuela, held in New York City on Wednesday, April 10, 2024. The event explored the upcoming elections, the renewal of US sanctions and a debt restructuring, and was sponsored by BancTrust, with the additional support of Morgan Stanley.

Blazquez asked his panel for their thoughts on Venezuela’s domestic politics, and whether the US would extend sanctions relief after the upcoming renewal deadline. Ruth Krivoy (Sintesis Financiera, Global-Source Partners and former President of the Central Bank of Venezuela) argued that “if the opposition gets its act together and finds a unity candidate, it will be very difficult for the government to exclude them.” She suggested that the barred opposition candidate Maria Corina Machado risks losing relevance. “Maybe she thinks that international pressure will get her on the ballot, but it probably won’t; and any boycott campaign won’t work, because Venezuelans want to vote.”



Krivoy sketched out several possible electoral outcomes. If Maduro lost, he might be willing to relinquish power to an opposition candidate he considered to be negotiable. Or if the opposition failed to unite and Maduro won, he might become more amenable to negotiations, although there was little likelihood of a change in policies.

Morgan Stanley’s Raul Gallegos emphasized “that the elections won’t be free and fair; the regime will engage in as much fraud as necessary in order to guarantee winning.” While he didn’t expect the opposition to field a united candidate, Gallegos deemed that to be of less importance because of his assumption of a rigged election. Gallegos believed that “the only way Maduro loses is if he has a deal in place for his security,” which he saw as a less than 5% probability.

Hans Humes (Greylock Capital Management) disagreed, seeing an opposition victory as a possibility. “It will be hard to change votes with international observers...there might be some fudging, but not an outright rigging of the vote,” he maintained. The ideal situation was for an opposition victory, then the new team immediately to head to the US to discuss a full sanctions rollback in conjunction with the outgoing Chavista government.

Venezuela (continued)

Kathryn Exum of Gramercy Fund Management voiced her opinion that the situation would remain fluid. She expected “a degree of unity behind an opposition candidate.” The elections were unlikely to be completely fair, “but the conditions are likely to be enough for the US to move beyond the sanctions policies that haven’t worked for the past six years.”

Panelists agreed that an outright return to the previous US sanctions policy was probably not in the cards. “Even in the event of Maduro stealing the election, the US would figure out a way to engage, because of its interests in oil and immigration,” stated Gallegos. He added that, “when you have Chevron and Alexandra Ocasio Cortez on the same page, it’s going to be hard to reimpose sanctions.” Exum saw a short-term extension of General License 44 as possible; “in some shape or form, companies will maintain access to the market.”

“Sanctions have proven to be a big failure,” asserted Krivoy. She suggested “fudges” will be made so Washington can avoid accusations of backtracking on its support for democracy. She raised concerns that US sanctions might work in favor of Maduro, not hurt him. “It helps him argue that the opposition are the tools of the imperialists.” US officials now understand this, in her analysis. More “comfort letters” were now likely to allow for more activity.

In any case, the resumption of a trading ban on secondary market trading was highly unlikely, Humes reasoned; “we can draw attention to how counterproductive that would be.” Finally, moderator Blazquez offered his own assessment that, should Trump be elected in the US, he would be “even more pragmatic despite his past ‘maximum pressure’ policy,” a view seconded by Exum.

How would the economy fare in the election run-up? Despite increased spending since February, “it’s a short election season, so there isn’t enough time to do major damage,” according to Krivoy. She estimated growth could reach 7.4% this year if there was a de jure or de facto renewal of sanctions relief, and 3.5% if sanctions were reimposed.

On a possible debt restructuring, Humes suggested there was room for optimism now because of the inclusion of staff members who have experience in complicated debt negotiations. This stood in contrast to the “pointless discussions of 2018.” A united Maduro-opposition front on a debt deal “would be great, but I don’t think there is enough time before the election.” He acknowledged that the inclusion of a value recovery instrument would likely make the deal palatable. Humes expressed confidence that incentives could be found to avoid holdouts, citing the difficulty of collecting on sovereign litigation, even if successful.

Krivoy offered a caveat to the belief that pragmatism would provide a tailwind to Venezuela. “It will work for a while, but, at some point, you will need to bring back the rule of law to the country; if not, it will just be bubbles in the air.”

Frontier Credit Outlook on the Rise, After Positive Surprises on Egyptian and Nigerian FX and Zambia Deal

The generally improved outlook for Frontier credits was a key theme at EMTA's Forum on the Frontier Markets, held in London on Tuesday, March 26, 2024. Positive surprises on FX policies in Egypt and Nigeria, the Zambia restructuring accord announced the previous day, and the decisive election vote in Senegal were among the topics discussed. William Blair hosted the event, with additional support from JPMorgan and S&P Global Ratings.

Yvette Babb (William Blair) chaired the discussion, asking for thoughts on the recent devaluations of the Nigerian naira and the Egyptian pound. Ayomide Mejabi (JPMorgan) acknowledged that “Egypt and



Nigeria have taken a lot of our time recently...the market seemed to be thinking 40 EGP/USD was a fair valuation, so the move was more than most people expected.” In Mejabi’s view, “the jury was still out” on exactly how the Egyptian Central Bank would manage FX and interest rates going forward, but at least “the can has been kicked down the road, for now.”

As for Nigeria, Mejabi stressed that the Central Bank has listened to market feedback even if it has delivered less quickly on reforms. “Policy-making is not perfect, but there are changes, and the improvements in the FX market are undeniable,” Mejabi stated. He expected a further appreciation of the naira to 1100 per dollar by year-end.

Giulia Pellegrini (Allianz Global Investors) reviewed the role of Frontier credits in an overall EM real money portfolio. “It’s great to see a return of interest in these markets, but we need to have a realistic approach,” she underscored. Pellegrini praised the better policy-making steps adopted by officials, while cautioning that, “it’s unreasonable to expect a complete fiscal turnaround in one year.” For her clients, only “plain vanilla structures, where we have confidence in liquidity,” were appropriate investments.” Should macroeconomic policies continue to improve, the door could be open to increased allocations in the future. Pellegrini suggested that, for now, given strong recent performance and expected US rate cuts, it was probably time to “take some chips off the table.”

Frank Gill (S&P Global Ratings) offered a ratings perspective. Frontier markets generally will run fiscal deficits in order to invest in their own economic development, “and, in a perfect world, FDI would finance these deficits, since domestic savings will not be enough.” Gill characterized Frontier ratings as generally moving in a more positive direction, calling attention to the recent news on Egypt’s FDI inflow and IMF

Frontier (continued)

accord as potential “game changers.” (His firm rates Egypt B-) Asked to comment on Zambia’s recent restructuring, Gill observed that most EM sovereigns are rated around the CCC or low B levels once a default is cured. While Zambian economic fundamentals had been improving in the past, the current drought is “weighing on the country’s metrics,” so its eventual post-cure rating might be lower than what it would have been had the default been cured a year ago.

Zambia Steering Committee member AJ Mediratta (Greylock Capital Management) also offered his insights. Mediratta recognized that the collapse of the previously announced deal with Zambia was highly unusual and unexpected. He had never seen an agreement between a country and its creditors and which complied with the IMF’s debt envelope be blocked by an official creditor which cited incomparability of treatment without revealing its own restructuring terms. The new agreement-in-principle features a new Value Recovery Instrument (VRI) or Contingent Instrument (referenced as Bond B in the press release) that Mediratta maintained is a significant improvement upon past GDP warrants, “which were great on paper, but traded poorly in practice.” He explained that, should Zambia’s IMF composite indicator lead to the country being recategorized as a middle-income country, Bond B’s 30-year 0.5% bond will be converted into a bond with a 7.5% coupon and an average life of approximately 9 years, offering investors considerable upside in the event of a reclassification of the country. Turning to the ‘comparability of treatment’ issue which cratered the initial agreement late last year, he added “that too sounds lovely in theory, but is incredibly complicated in practice given the differences between the official and private creditors”. In the future, as long as both agreements comply with the debt envelope the IMF has calculated for the country, “strategic ambiguity” between official and private sector restructuring terms may be the most constructive path forward, he concluded.

On valuations, Mejabi deemed defaulted Frontier hard currency credits to be “more or less” at fair levels. He pondered whether Zambia’s deal was a harbinger of smoother resolutions for other sovereigns in default, “or did the Zambia deal happen *despite* the Common Framework?” Pellegrini reasoned there was more potential upside in Venezuelan paper, citing index inclusion as one factor. Zambia’s drought and the slower economic turnaround in Ghana did not justify new positions, in her analysis.

The conclusive first round result in Senegal’s elections has been a source of relief to some investors, Mejabi affirmed, as had the walking-back of election manifesto policies on the currency and private sector. Senegal may tap the market to refinance private placements, in his assessment. Other likely issuers included Nigeria (“but they are sensitive on pricing and don’t want to come at the high 9 level”) and Egypt later in the year (“they should reduce their local paper costs”).

In response to an audience question about a competitor’s controversial comments on Kenya, Gill noted that, while his firm could consider an official debt buyback to be a default if its creditor committee determined that the sovereign would otherwise default, a voluntary buyback in the secondary market by itself would not *necessarily* trigger a default rating. Pellegrini saw the inclusion of sustainable investment offerings in a restructuring “as great in theory, but perhaps an unnecessary complication, and maybe better suited as a post-deal action,” with Babb concurring that the investor bases may not overlap. Pakistan has gotten some benefit of the doubt from the recent appointment of a former JPMorgan banker as Finance Minister, but “remains vulnerable” according to Mejabi. An IMF program for Tunisia appeared unlikely, “but perhaps they will re-engage with the Fund in 2025 or 2026.”

Despite Headwinds, Speakers See Opportunities in Andean Credits

Andean countries face several common challenges, including social upheaval, political and governance issues, and slow growth and investment, observed Shelly Shetty (Fitch Ratings) in introductory comments at EMTA's Forum on the Andean Countries. Shetty added that while fiscal deficits are below the pandemic peaks, countries are struggling to comply with targets embedded in their fiscal rules and debt/GDP is not stable, reform progress had lagged, and Andean credit ratings have generally been on a downwards trend in recent years. Despite these headwinds, speakers at the event, held at Fitch Ratings on March 20, 2024, in New York City, still saw pockets of opportunities in the region.

Shetty referred to recent negative headlines on Ecuador, notably including security issues, and questioned whether President Noboa was leveraging this to increase the VAT. Could such a move help prompt an IMF agreement, and how might a Fund program affect Noboa's chances for re-election? (She reminded attendees that her firm had not rated Ecuador above B- in the past five years.)



Aaron Gifford (T. Rowe Price) anticipated an IMF program could be announced shortly, but-tressed in part by geopolitics. He was generally impressed by the administration's economic program. "Although the country hasn't grown in years, momentum seems positive, so I'm cautiously optimistic," he said. Gifford warned, however, that the president ran the risk of being seen as a single-issue leader by Ecuadorians--to his peril, should the security situation degenerate.

VanEck's Eric Fine cited Ecuador's dollarization for "keeping economic policy together." He liked the credit on a short-term basis, while remaining unconvinced as to long-term sustainability. He stressed that Noboa's investing of his political capital in decreasing crime was positive for the country.

Olga Yangol of Credit Agricole focused on Colombia's growth prospects, acknowledging that her firm's 2% growth forecast for 2024 might now appear overly optimistic, and was subject to a downward revision. She emphasized that, "the boost to those countries from China's demand for commodities is a thing of the past; US growth won't help them the way that China did previously.

Despite President Petro's rhetoric on reducing reliance on the oil and gas sector, he recognizes its role in achieving progress on renewable energy, noted JPMorgan's Alejandra Andrade. "Petro wants Ecopetrol to serve as the poster child for the green transformation—but he needs their oil money to fund this," she stated. Fine added that investors have taken comfort that, while progress will be made on fiscal consolidation, Petro's more radical proposals have been stalled. Gifford concurred, pointing out that the proposed healthcare reforms have been tabled by the Senate, and opining that labor reforms "won't see the light of day," and pension proposals "will probably be watered down."

Andeans (continued)

Turning to Peru, Yangol predicted 2.5% growth this year, above her Chile and Colombia forecasts, but boosted by a lower base in 2023. While copper prices have been strong, the main headwind comes from governability, and Yangol expressed surprise that the administration has avoided early elections. She assumed that President Boluarte will now muddle through her term, despite impeachment attempts.

Peru's modest fiscal deficit, relatively low debt/GDP ratio and high net reserves justified Peru's low spreads, in Fine's view. "The political mess has not translated into the macro policy side," Gifford agreed.

Andrade rated social unrest a greater concern for Peru's mining companies than political instability. "We are seeing an expansion of existing mining projects in 2024, but we need to see more government efforts to make the corporate sector feel more comfortable to make new investments." On Petroperu, government support has evolved from capital injections ("blank checks") to Banco de la Nacion loans which have more strings attached as the government increases the company's accountability. "Support is morphing, not going away, and that's a good thing," she concluded.

The halting of Panamian production, and Zambia's drought, were helpful to Chile's copper industry, according to Fine. Concerns over a radical rewrite of the Chilean constitution have dissipated after the two failed referendums, he added. Gifford believed Boric would face an uphill battle with his tax and pension reform plans but considered the president to be adopting a pragmatic stance.

Andrade underscored that production at Chile's Codelco had been disappointing, battered by natural disasters. The company has a "pretty ambitious plan for a turnaround that could take years, up until 2030 possibly." She expected that the government would step in if necessary, but that the administration's presumption is that Codelco will fund itself.

The panel concluded with a general outlook on the Andeans. With the China slowdown already priced in, the current el Nino nearing its end, the unlikelihood of US fiscal tightening during the election cycle, and geopolitical factors making Latin America a safe haven, Gifford saw reasons for optimism on the Andeans, despite the medium- and long-term challenges. Andrade confirmed that she was "pretty comfortable" with LatAm corporates generally, and "the survivors who have made it through various cycles." Yangol maintained that the FX markets were more likely to be risk-off and favored the dollar overall. Fine added onshoring and supply side concerns were arguments in favor of the Andeans.

Credit Agricole and JPMorgan provided additional support for the event.

EMTA Members and the 1998 FX and Currency Option Definitions Update

ISDA and EMTA 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 focus is ensuring that EM specific issues are clearly identified and considered in the process and incorporated into the update. To this end, EMTA invites EMTA Members to reach out 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. EMTA Members may reach out directly to ISDA in the normal course of the communications on the update process or are invited to contact Leslie Payton Jacobs (lpjacobs@emta.org).

Indian Rupee Market Opens the Door to Onshore NDFs

Recent changes in India’s derivatives regulations have opened the door to the onshore transaction of non-deliverable FX forwards to be settled in Indian rupees.

Following the request of several Asia-based EMTA Member firms, EMTA has circulated a draft form of confirmation for onshore NDF transactions to its APAC Lawyers Group for comment. EMTA Members with an interest in this effort are invited to join the working group and should reach out to Leslie Payton Jacobs (lpjacobs@emta.org).

Updates to EMTA ISDA Swaps and Credit Derivatives Market Practice No. 1 Under Consideration

Responding to the year-end need to address the impact of a change in the Brazilian holiday calendar on the calculation for BRL CDI transactions (executed in line with EMTA-ISDA Swaps and Credit Derivatives Market Practice No 1 dated March 12, 2009), EMTA, ISDA, various of their respective members along with some of the noted infrastructure providers, worked to devised implementation plans and communications with the industry to affect an industry wide shift on the same day (to the extent possible) and with calculation methodologies that would be compatible with the expressed B3 intentions.

As a follow-on, consideration of possible updates to refresh the above Market Practice is underway. EMTA Members wishing to participate in the review of the market practice for possible updates are invited to contact Leslie Payton Jacobs (lpjacobs@emta.org).

EMTA Members may view EMTA-ISDA Swaps and Credit Derivatives Market Practice No 1 referenced in “Resources” on the following page.

Assessing the Need for Additional Currency Pairs for NDF Template Terms Standardizations

In order to ensure that EMTA's Template Terms are keeping pace with market need, periodically EMTA solicits input from its Membership on whether there are additional currency pairs where standardization of terms would be generally supported by, and respond to a need of, the Membership. Currently EMTA is compiling a "long" list of possible currency pairs for standardization with a view to refining that list with Member input. Currency pairs for which sufficient Member interest is received and for which terms can be agreed will then move to documentation process. This will involve the development of EMTA Template Terms and additions to Annex A of the 1998 FX and Currency Option Definitions. Currency pairs currently being considered are from several African countries, several Asian countries and two Caribbean countries. EMTA Members interested in reviewing the currencies under consideration and their proposed terms may contact EMTA.

EMTA Members wishing to contact EMTA with respect to any of the foregoing initiatives should reach out to Leslie Payton Jacobs (lpjacobs@emta.org).

Recommended FX and Currency Derivatives Market Practice on the ARS MAE Rate

On May 30, 2024, EMTA issued Recommended FX and Currency Derivatives Market Practice No. 100 which addresses the shift by the Buenos-Aires based MAE (Mercado Abierto Electronico) to a T+1 environment along with the Buenos Aires financial market generally. The MAE publishes the exchange rate fixing referenced by EMTA in its Recommended Template Terms for ARS Non-Deliverable FX Forward and Currency Option Transactions since 2014. The Market Practice was issued to help align the EMTA community with the onshore shift to a T+1 environment shift by recommending that the market recognize the updated (T+1) MAE fixing for current and legacy contracts. EMTA Members may view the Market Practice referenced in "Resources" below.

Questions may be directed to Leslie Payton Jacobs (lpjacobs@emta.org).

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.

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/>).

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.

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.

Balkans	https://www.emta.org/markets/markets-a-g/balkans-region/
Belarus	https://www.emta.org/markets/markets-a-g/belarus/
Cuba	https://www.emta.org/markets/markets-a-g/cuba/
Iran	https://www.emta.org/markets/markets-h-o/iran/
Israel	https://www.emta.org/markets/markets-h-o/israel/
Korea	https://www.emta.org/markets/markets-h-o/korea/
Nicaragua	https://www.emta.org/markets/markets-h-o/nicaragua/
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/
Zimbabwe	https://www.emta.org/markets/markets-p-z/zimbabwe/

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.

Mexico (continued)

The panel is expected to address fiscal and monetary policy under President-elect Sheinbaum, and how her election may affect near-shoring, the USMCA, state aid to PEMEX and much more.

The event is made possible with the support of Barclays, MarketAxess, Morgan Stanley and StoneX.

EMTA Members can register for the event for \$95 at www.emta.org. Non-members may also attend with a \$695 registration fee.

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

EMTA Summer Forum in London Celebrates 27 Years

EMTA's Annual Summer Forum will celebrate its twenty-seventh year on Thursday, June 13, 2024. The event will once again be hosted by BofA Securities at 2 King Edward Street in London.



The Forum will include two panel discussions on the outlook for EM investment. The first investor panel will be moderated by David Hauner (BofA Securities) and feature Michel Aubenbas (BlackRock), Bryan Carter (HSBC Asset Management), Guillaume Fonkenell (Pharo Management) and Razan Nasser (T. Rowe Price). The second panel will be moderated by Edwin Gutierrez (abrdn) and feature Tufan Cömert (BBVA), Walter Molano (BCP Securities), Emre Peker (Eurasia Group) and Paul Gamble (Fitch Ratings).



Additional support for the program is being provided by BBVA, BCP Securities and Fitch Ratings.

Registration for EMTA Members is \$95. There is a registration fee of US\$695 for Non-members.

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

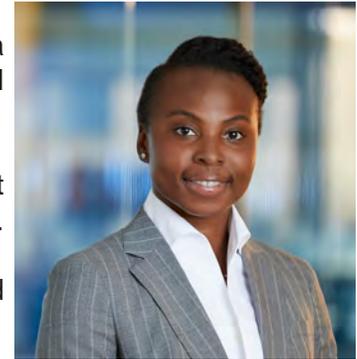
Boston Seminar to Focus on Frontier Credits

EMTA will return to Boston with a Forum on Frontier Markets on Thursday, September 19, 2024. Artisan Partners will serve as host of the event, which will start at 3:30 pm at their office at 53 State Street. The Forum will cover credits in Latin America, Africa and Asia.

Unoma Okolo (Artisan Partners) will chair the panel. At press time, Samantha Singh (Rand Merchant Bank) was confirmed as a speaker, with additional speakers to be announced shortly.

Invitations will be sent to all EMTA Members, who may register for the event at www.emta.org. Non-members may also attend, with a US\$495 registration fee.

Additional support for the program is provided by Rand Merchant Bank and S&P Global Ratings.



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

EMTA's Sub-Saharan African Forum Returns to London on September 26, 2024

EMTA's Forum on the Sub-Saharan African Economic Outlook will take place in London on Thursday, September 26, 2024. ICBC Standard will serve as host and lead sponsor of the event, which will start at 3:30 pm at their office at 20 Gresham Street.



Jibrán Qureishi (Standard Bank) will lead a discussion on challenges and opportunities in the region. Confirmed panellists include Kevin Daly (abrdn), Tatonga Rusike (BofA Securities), Samantha Singh (Rand Merchant Bank) and Yvette Babb (William Blair).

Invitations will be sent to all EMTA Members, who may register for the event at www.emta.org. Non-members may also attend, with a US\$695 registration fee.

Additional support for the program is provided by BofA Securities and Rand Merchant Bank.

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

South African Economic Outlook to be Reviewed in Johannesburg, Cape Town

Standard Bank will again host EMTA's annual events in Johannesburg and Cape Town, where the post-election outlook for South Africa will be discussed.

The Johannesburg event will take place on Tuesday, November 12, 2024, at Standard Bank's headquarters at 30 Baker Street in Rosebank. Elna Moolman (Standard Bank) will lead the discussion which will also feature Isaah Mhlanga (Rand Merchant Bank) and James Turp (Sanlam Investments). Additional speakers will be announced shortly. Rand Merchant Bank is providing additional support for the program.



Next up is the Cape Town Forum on Thursday, November 14, 2024. This will be held at the Vineyard Hotel on Colinton Road, Newlands in Cape Town. Elna Moolman (Standard Bank) and Isaah Mhlanga (Rand Merchant Bank) will split moderating duties. Gina Schoeman (Citi), Nishan Maharaj (Coronation Fund Managers) and Carmen Nel (Terebinth Capital) will also be on the panel. Additional speakers for this event, which is also being supported by Citi and Rand Merchant Bank, will also be announced shortly.

Invitations will soon be sent to all EMTA Members, who may register for the events at www.emta.org. Non-members may also attend, with a US\$495 registration fee.

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

EMTA Survey: 2023 Annual Emerging Markets Debt Trading at US\$5.592 Trillion

Fourth Quarter Volume at US\$1.223 Trillion

Emerging Markets debt trading volumes stood at US\$5.592 trillion in 2023, according to a report released on March 26, 2024 by EMTA. This was a 3% increase on the US\$5.419 trillion reported in 2022.

EMTA also announced that Emerging Markets debt trading volumes stood at US\$1.223 trillion in the fourth quarter of 2023. This compares with US\$1.361 trillion reported for the fourth quarter of 2022, a 10% decrease, and down 15% compared to third quarter 2023 volume of US\$1.440 trillion.

Local Markets Instruments at 69% of Volume

Turnover in local markets instruments stood at US\$3.851 trillion in 2023, accounting for 69% of total reported volume. This compares to US\$3.575 trillion in 2022, an 8% increase.

Mexican instruments were the most frequently traded local markets debt in 2023, at US\$1.095 trillion. Other frequently-traded local instruments were those from Brazil (US\$783 billion), China (US\$376 billion), India (US\$353 billion) and South Africa (US\$235 billion).

Eurobond Volumes at US\$1.716 Trillion

Eurobond trading stood at US\$1.716 trillion in 2023, down 6% compared with 2022's US\$1.822 trillion.

68% of Eurobond activity involved sovereign debt issues in 2023, with Survey participants reporting US\$1.163 trillion in sovereign Eurobond turnover. This compared to a 65% share of Eurobond activity in the previous year, when such volumes stood at US\$1.183 trillion.

Corporate Eurobond trading stood at US\$549 billion in 2023, accounting for 32% of total Eurobond activity (vs. a 35% share in 2022). Sovereign Eurobond activity accounted for 21% of overall Survey volumes, with corporate trading at 10% of total turnover.

Four of the top five frequently traded Eurobonds in 2023 were from Argentina, according to Survey participants, including bonds due in 2030 (US\$22 billion in turnover), 2035 (US\$20 billion), 2038 (US\$13 billion), and 2041 (US\$11 billion). Ecuador's 2035 bond, at US\$10 billion in turnover, was the fifth most frequently traded EM bond, according to Survey participants.

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\$6 billion in warrant and option trades during the year and US\$19 billion in loan assignments.

Debt Survey (continued)

Mexican, Brazilian and Chinese Instruments Most Frequently Traded Overall

Mexican instruments were the most frequently traded instruments overall, according to Survey participants, with US\$1.241 trillion in turnover, and compared to US\$1.148 trillion reported in 2022 (up 8%). Mexican volumes represented 22% of overall volumes.

Brazilian instruments were the second most frequently traded instruments in the EMTA report, at US\$864 billion, according to Survey participants. This represents a 5% increase from the US\$820 billion reported in 2022. Brazilian volumes accounted for 15% of total reported volumes.

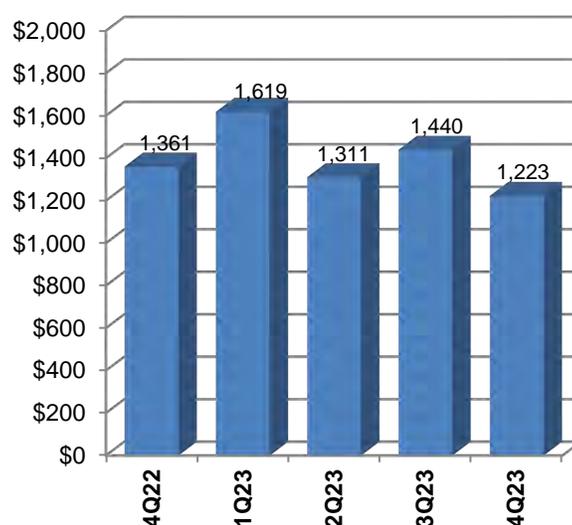
Third were Chinese assets, whose volume stood at US\$465 billion. This compares to US\$572 billion in 2022 (down 19%). Chinese instrument trading accounted for 8% of Survey volume.

Other frequently traded instruments were debt instruments from India (US\$391 billion) and South Africa (US\$288 billion).

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 30 leading investment and commercial banks, asset management firms and hedge funds.

For a copy of EMTA's Fourth Quarter 2023 or 2023 Annual Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org.

Figures in Billions of US Dollars



EMTA Survey: Emerging Markets CDS Trades at US\$1.158 Trillion in 2023

Fourth Quarter Volume at US\$232 Billion

The Emerging Markets CDS trading reported by ten major dealers totaled US\$1.158 trillion in 2023, according to a Survey released on March 22, 2024 by EMTA. This represented a 13% drop compared to the US\$1.337 trillion reported in 2022.

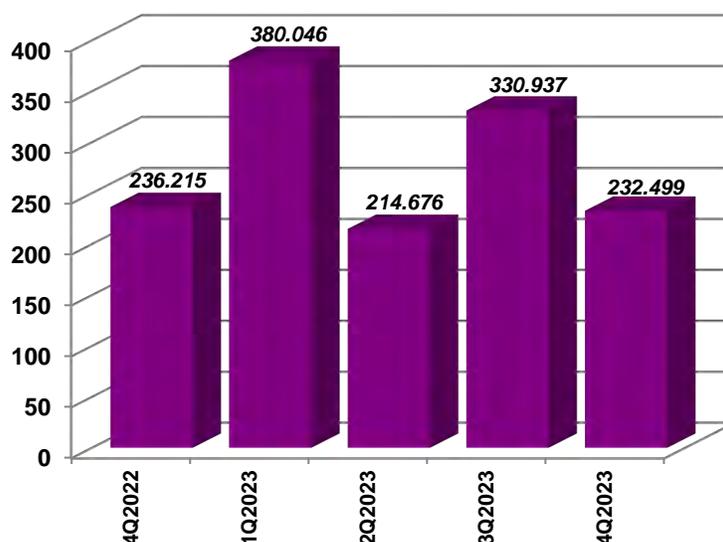
On a quarterly basis, CDS volumes reported to EMTA totaled US\$232 billion in the fourth quarter of 2023; this represents a 2% decline from the US\$236 billion reported in the fourth quarter of 2022.

The largest CDS volumes in the quarterly Survey during the fourth quarter were those on South Africa, at US\$24 billion. EMTA Survey participants also reported US\$19 billion in Turkish CDS and US\$16 billion in Chinese CDS contracts.

The EMTA Survey also included volumes on nine corporate CDS contracts, with the highest reported quarterly volume on Petrobras (at US\$1.7 billion).

For a copy of EMTA's Fourth Quarter 2023 CDS Trading Volume Survey, please contact jmurno@emta.org.

Figures in Billions of US Dollars



Membership Update

EMTA warmly welcomed **Brevan Howard Capital Management** as its most recent new Member during the Second 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 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.

Information on the different categories of membership and annual dues may also be found on the EMTA website at www.emta.org.

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.

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 conferences).

[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>
Bond/Loan Trading	Aviva Werner	(646) 676-4292
Corporate Bonds	Jonathan Murno/Leslie Payton-Jacobs/ Aviva Werner	(646) 676-4293/(646) 676-4290 ext. 6/ (646) 676-4292
Credit Derivatives	Leslie Payton-Jacobs/Aviva Werner	(646) 676-4290 ext. 6/(646) 676-4292
EM Litigation/Arbitration	Aviva Werner	(646) 676-4292
EMTA Events	Jonathan Murno/Nadine Simonelli	(646) 676-4293/ (646) 676-4295
EMTA Governance/Board/Policy	Michael Chamberlin	(646) 676-4290
EMTA Membership	Jonathan Murno/Suzette Vaccaro	(646) 676-4293/4294
FX Derivatives	Leslie Payton-Jacobs	(646) 676-4290 ext. 6
International Financial Architecture	Aviva Werner	(646) 676-4292
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).

Michael Chamberlin	mchamberlin@emta.org
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Nadine Simonelli	nsimonelli@emta.org
Suzette Vaccaro	svaccaro@emta.org
Aviva Werner	awerner@emta.org

EMTA Calendar

Mon., May 6	Recommended Market Close (London) May Day Bank Holiday
Thurs., May 9	EMTA Forum on the South African Elections Sponsored by ICBC Standard Bank 20 Gresham Street London
Tues., May 21	EMTA Corporate Bond Forum Sponsored by BofA Securities 2 King Edward Street London
Thurs., May 23	EMTA Forum in Frankfurt Sponsored by Union Investment Neue Mainzer Straße 6-12 / WinX Tower
Fri., May 24	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 27	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday
Tues., May 28	EMTA Forum in Zurich Zurich Marriott Hotel Neumuehlequai 42
Thurs., June 6	EMTA Forum on Mexico Elections ISDA Conference Center 10 East 53rd Street, 8th Floor New York City
Thurs., June 13	EMTA Summer Forum Hosted by BofA Securities 2 King Edward Street London
Wed., June 19	Recommended Market Close (NYC/London) Juneteenth Holiday
Wed., July 3	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., July 4	Recommended Market Close (NYC/London) Independence Day
Mon., August 26	Recommended Market Close (London) Summer Bank Holiday
Mon., Sept. 2	Recommended Market Close (NYC/London) Labor Day
Tues., Sept. 17	EMTA Forum on Sub-Saharan Africa Sponsored by Rand Merchant Bank ISDA Conference Center 10 East 53rd Street, 8th Floor New York City
Thurs., Sept. 19	EMTA Forum on the Frontier Credits Hosted by Artisan Partners 53 State Street Boston

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Tues., Sept. 24*	EMTA Forum in Paris
Thurs., Sept. 26	EMTA Forum on Sub-Saharan Africa Sponsored by ICBC Standard Bank 20 Gresham Street London
Tues., Oct. 8	EMTA Forum in Hong Kong LSEG Office 18/F, ICBC Tower Three Garden Road, Central
Thurs., Oct. 10	EMTA Forum in Singapore Raffles Hotel 1 Beach Road
Mon., Oct. 14	Recommended Market Close (NYC/London) Columbus Day
Wed., Oct. 16	EMTA Forum on Argentina ISDA Conference Center 10 East 53rd Street, 8th Floor New York City
Wed., Oct. 30*	EMTA Corporate Bond Forum New York City
Tues., Nov. 12	EMTA Forum in Johannesburg 30 Baker Street Rosebank
Thurs., Nov. 14	EMTA Forum in Cape Town Vineyard Hotel Colinton Road Newlands
Wed., Nov. 27	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 28	Recommended Market Close (NYC/London) Thanksgiving Day
Fri., Nov. 29	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Dec. 9	EMTA Annual Meeting Hosted by Bank of America One Bryant Park New York City
Tues., Dec. 24	Recommended 2:00 p.m. (NYC) Early Market Close
Wed., Dec. 25	Recommended Market Close (NYC/London) Christmas Day
Thurs., Dec. 26	Recommended Market Close (London) Boxing Day
Tues., Dec. 31	Recommended 2:00 p.m. (NYC) Early Market Close
Wed., Jan. 1, 2025	Recommended Market Close (NYC/London) New Year's Day (2025)

*Details TBA