

Best Rating Agency for Emerging Market Bonds

S&P Global Ratings

S&P Global Ratings reorganised its emerging markets effort at the end of 2019, setting up a specialist group that brought together its most senior analysts and economists in 16 countries that it defined as emerging markets across Asia Pacific, EMEA and Latin America.

The new structure was designed to better serve global investors through a coordinated approach, addressing the commonalities and differences within and between the largest investable emerging markets from a sovereign, financial and corporate perspective.

The move paid off during the pandemic when the need for these insights was stronger than ever.

“We have been able to adapt and to go very fast to market with timely, insightful and forward looking research on what the recovery will look like,” says Jose Perez-Gorzpe, head of credit research emerging markets at S&P Global Ratings.

“We’ve always had a very strong presence in emerging markets but establishing this unit has allowed us to leverage this capability.”

Elena Eliseyenko, head of Russia/CIS at S&P Global Ratings, is on the ground in Moscow and says that the new group has been helpful in the way it connects together the big EM capital markets.

“It’s great to have a dedicated team of emerging markets economists and analysts which has brought new dynamics to our relationships with our clients in emerging markets,” she says. “We’re putting on an event, for instance, around Brazil, Russia and South Africa, because investors want to find commonalities and have comparisons when we talk about the risks in those markets.”

That’s also been highlighted by the diverging experiences of countries in the Covid crisis, where factors such as the economic structure make big differences to the recovery outlook. Russia, for instance, is likely to see less of a contraction since it has a smaller services sector than many developed markets.

“We’re seeing a double hit to many EM economies — Covid and the plunge in oil prices — and very different dynamics within the pack of 16 countries,” says Perez-Gorzpe. “We are trying to give investors a feel of the differences in how the economies are performing.”



Jose Perez-Gorzpe,
head of credit research
emerging markets



Elena Eliseyenko,
head of Russia/CIS

The push for a more coordinated approach to EM was also a response to the way that low interest rates in developed markets have pushed more investors to look globally for opportunities. S&P Global Ratings wants to be there by promoting ratings transparency and helping investors understand the market dynamics and related risks.

“Investors are taking a more global view on EM performance and those with specific EM mandates are looking across the globe,” says Eliseyenko. “That’s why we are trying to be more visible in EM.”

Environmental, social and governance factors (ESG) aren’t always associated with emerging markets, but they are gaining traction. “The educational effort that we are putting into bringing this topic to the developing world is very important,” says Eliseyenko.

The firm regularly hosts joint events with exchanges, audit and advisory firms and others to promote greater transparency around ESG and help market participants understand the topic. “After all, if an EM company is dealing with international investors, it is certain now that they will be asked about its ESG profile,” Eliseyenko says.

On the issuer side, having an internationally respected rating remains as important as ever. “In many EM countries where the development of capital markets is very uneven, a rating is still a very powerful marketing tool,” says Eliseyenko. **GC**

**“Investors
are taking
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view on EM
performance”**