

iBoxx USD Emerging Markets Monthly Commentary

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April 2024 Commentary

Market Overview

According to the U.S. Bureau of Labor Statistics, CPI increased 0.4% in March, the same increase as in February.¹ Over the past 12 months, inflation in the U.S. reached 3.5%, a 0.3% increase when compared to last month, driven by shelter and gasoline.¹ The FOMC statement released on May 1, 2024, emphasized the decision to maintain the target range for the federal funds rate at 5.25%-5.5%, quoting persistent inflation above the 2% target.² The Fed also decided that starting June 1, 2024, the cap on Treasury securities monthly redemptions will be lowered from the current USD 60 billion to USD 25 billion. The implications of this move put a slight downward pressure on bond yields while also providing market liquidity.

The overnight repo rate, a measure of market liquidity, ranged between 5.31%-5.35%.³ On the equities side, the **S&P 500®** was down 4.16% in April, with all sectors in the red with the exception of Utilities, which was up 1.65%. The biggest drop in the index was the Real Estate sector, down 8.50%.

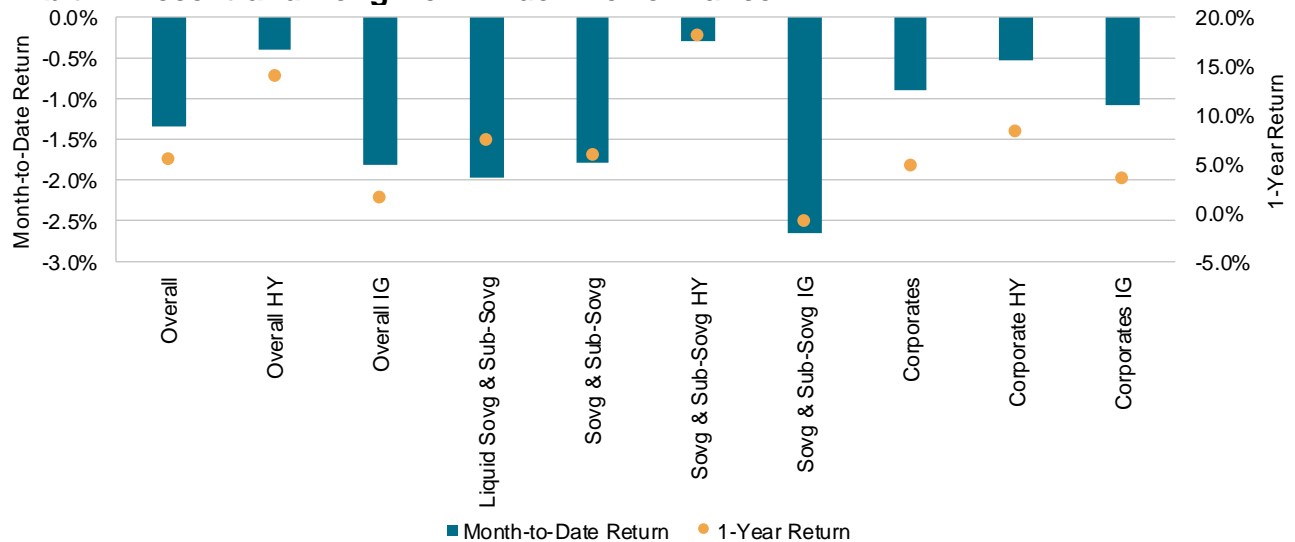
Moving on to Latin America, Mexico’s inflation rate accelerated in the first two weeks of April to 4.63%⁴ from 4.48% the previous month. According to the World Economic Outlook⁵ published by the IMF, Mexico’s expected GDP was revised down to 2.4% for 2024 due to weaker-than-expected economic factors, particularly the contraction seen in the manufacturing industry in early 2024. Brazil, Latin America’s largest economy, had its expected GDP growth reduced to 2.2% in 2024 due to tight monetary policy, fiscal consolidation and weakness in the agriculture sector. Argentina’s GDP projection was also negative, at -2.6% in 2024, with an expected inflation rate for the year of 249.8%. A more positive outlook is expected in 2025, after Milei’s reforms are fully implemented. Overall, growth in the Latin American and Caribbean regions is expected to slow down in 2024.

In the eurozone, annual inflation is expected to remain at 2.4% according to a EuroStat⁶ press release on April 30, 2024. According to market analysts, this added to the argument of keeping the ECB interest rates unchanged for the next upcoming meeting. Moving to Asia, similar to last month, the HSBC India Manufacturing PMI⁷ was at a record high in April 2024, partially influenced by an overall global move away from China. Although falling from 59.1 to 58.8 in April, this represented the second-best improvement in three and a half years. The manufacturing PMI readings were fueled by strong demand in raw materials, better operating conditions and higher demand for goods.

iBoxx USD Emerging Markets Broad Indices

April 2024 Performance

Exhibit 1: Recent and Long-Term Index Performance



Please refer to the Appendix at the end of this document for the abbreviated index names. Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

In April 2024, all headline iBoxx USD Emerging Markets Broad Overall Indices posted negative returns. Of note is the decrease of 2.65% in the iBoxx USD Emerging Markets Broad Sovereign & Sub-Sovereign IG Index, which was 130 bps lower than the overall benchmark. The iBoxx USD Emerging Markets Broad Sovereign & Sub-Sovereign HY Index was in line with the YTD returns, posting the lowest decrease of the group at -0.31%. The high yield corporates index outperformed the overall corporates index by 37 bps, while the investment grade index underperformed by 17 bps.

Out of the 10 largest economies by index weight, Turkey, China and South Korea had flat to slightly negative monthly returns at 0.02%, -0.40% and -0.68%, respectively. The returns for these markets were partially driven by corporates, particularly the Real Estate, Industrials and Financials sectors. All markets except India experienced a decrease in duration and an increase in yield when compared to last month. China, the highest-weighted country in the index, experienced a 31 bps yield increase, a 7 bps drop in duration and a 1.11% decrease in return when compared to March 2024. Mexico and Saudi Arabia had yield increases of 42 bps and 40 bps, respectively, while duration decreased 20 bps and 7 bps, respectively. Brazil, India and Indonesia had the highest yield increases at 46 bps and 47 bps, respectively.

Exhibit 2: Top 10 Markets Performance

Market	Weight (%)	Delta from Last Month				April 30, 2024			
		Δ Yield	Δ Duration	MTD Return (%)	YTD Return (%)	Yield	Duration	MTD Return (%)	YTD Return (%)
China	17.03	0.31	-0.07	-1.11	-0.42	6.32	2.83	-0.40	1.23
Mexico	8.09	0.42	-0.20	-4.33	-2.39	7.41	7.11	-2.37	-1.33
Saudi Arabia	7.13	0.40	-0.12	-3.68	-2.29	5.84	6.92	-2.31	-3.23
South Korea	6.63	0.41	-0.05	-1.24	-0.68	5.57	2.74	-0.68	-0.07
UAE	6.36	0.41	-0.15	-2.69	-1.79	5.77	5.41	-1.79	-1.76
Brazil	5.67	0.46	-0.06	-2.83	-1.84	7.18	5.14	-1.81	-0.14
Indonesia	5.01	0.47	-0.21	-3.99	-2.74	5.92	6.83	-2.76	-3.47
Turkey	4.94	0.16	-0.04	-0.98	0.02	7.55	3.75	0.02	0.96
Chile	3.30	0.33	-0.18	-3.45	-2.33	6.24	7.66	-2.33	-2.25
India	2.91	0.46	0.04	-1.28	-0.93	6.83	3.51	-0.90	1.35

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Δ Yield refers to change in semiannual yield for the month in percent. Δ Duration refers to change in semiannual modified duration for the month. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

iBoxx USD Emerging Markets Sovereigns & Sub-Sovereigns

April 2024 Performance

For the iBoxx USD Emerging Markets Sovereigns & Sub-Sovereigns Broad Index, we looked deeper into the monthly returns by ratings and maturities. The 10+ year maturity segment had the largest overall drop, with a -3.35% return, as the investment grade AA segment led the decrease, at -5.12%. The 10-year BBB sleeve had the smallest drop at -4.54%. Across the investment grade category, the best-performing maturity segment was the 0-1 year, with all the indices posting small positive returns. High yield performed better than investment grade bonds across ratings and maturities. The best-performing high yield segment was the 5-7 year maturity sleeve, with a return of 0.75%, followed by 0-1 year at 0.43%. The CCC 5-7 year segment returned a record 8.11%, followed by the 10+ year CCC segment at 6.83%. The high return of the CCC bonds was influenced by Argentina's sovereign and sub-sovereign debt. Overall, the iBoxx USD Liquid Emerging Markets Sovereign & Sub-Sovereign Index underperformed the benchmark, partially led down by the 10+ investment grade segment's -3.19% level, with an overall April return of -1.98% for the index.

Exhibit 3: Rating and Maturity Monthly Index Performance

Rating	0-1 Year (%)	1-3 Year (%)	3-5 Year (%)	5-7 Year (%)	7-10 Year (%)	10+ Year (%)	Overall (%)
Investment Grade	0.25	-0.42	-1.29	-2.08	-2.82	-4.65	-2.65
AA	0.27	-0.28	-1.38	-2.15	-2.85	-5.12	-2.11
A	0.23	-0.54	-1.32	-1.98	-2.73	-4.66	-2.44
BBB	0.24	-0.45	-1.20	-2.12	-2.87	-4.54	-3.02
High Yield	0.43	0.07	-0.55	0.75	-1.86	-0.45	-0.31
BB	0.33	-0.33	-1.11	-1.61	-2.32	-3.25	-1.87
B	0.38	0.09	-0.40	-1.02	-1.15	-2.11	-0.77
CCC	1.21	2.06	1.25	8.11	-3.12	6.83	5.86
CC		4.91					4.91
Sovereigns & Sub-Sovereigns	0.32	-0.24	-0.99	-0.80	-2.49	-3.35	-1.80
Liquid Sovereigns & Sub-Sovereigns		-0.29	-1.03	-0.47	-2.46	-3.19	-1.98

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

We also analyzed the monthly average bid-ask spread changes within the iBoxx USD Emerging Markets Liquid Sovereigns & Sub-Sovereigns Index. In April, Kazakhstan experienced the highest increase in the average bid-ask spread, up by 7.8 bps to 31 bps. Similar to last month, Bolivia's bid-ask spreads tightened, reaching 54.5 bps versus 67.8 in March.

Exhibit 4: Average Bid-Ask Spread

Country of Risk	April 30, 2024		March 31, 2024		Delta
	Average Bid-Ask Spread	Number of Bonds	Average Bid-Ask Spread	Number of bonds	
Kazakhstan	31.0	3	23.2	3	7.80
Jordan	34.8	5	28.5	5	6.32
Cote D'Ivoire	33.4	3	29.3	3	4.10
Senegal	32.8	2	29.2	2	3.65
Kenya	29.0	5	26.1	5	2.86
El Salvador	47.0	3	44.4	3	2.66
Pakistan	48.7	4	46.0	4	2.66
Jamaica	30.9	3	31.2	3	-0.25
Paraguay	28.9	3	29.3	3	-0.43
Bolivia	54.5	1	67.8	1	-13.26

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

The top four countries capped at 7.5%—Turkey, Saudi Arabia, Indonesia and Mexico—were relatively flat in terms of spreads. Turkey, Saudi Arabia and Indonesia saw their spreads go up 2.4 bps, while Mexico experienced a tightening of -3.5 bps. A narrower bid-ask spread typically signifies higher liquidity in the market.

April 2024 Rebalancing

As of April 30, 2024, the iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns Index had a semiannual modified duration of 6.80, a semiannual yield of 6.38% and an option-adjusted spread (OAS) of 212.6 bps. Compared to last month, this represents an increase of 14 bps in yield, a 0.38 decrease in duration and a spread tightening of 1.9 bps.

The liquid index posted a semiannual yield increase of 38 bps, while the semiannual modified duration decreased by 0.10 and the OAS tightened by 2.4 bps (see Exhibit 5).

Exhibit 5: Rebalancing Impact

Date	Semiannual Yield	Semiannual Modified Duration	OAS
iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns			
March 31, 2024	6.42	6.52	214.5
April 30, 2024	6.8	6.38	212.6
iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns			
March 31, 2024	6.57	7.23	230.7
April 30, 2024	6.95	7.13	228.3

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

The broad benchmark index dropped 28 bonds that matured in April 2024. These bonds were replaced by 10 bonds with maturities ranging from 2027 to 2054 from countries in Latin America, Asia and the Middle East. In the liquid index, six bonds were removed from the index due to the minimum time-to-maturity of one year.

Exhibit 6: Insertions and Deletions

Insertions						
Liquid Index Insertion	ISIN	Country of Risk	Coupon	Maturity Date	iBoxx Rating	Notional (USD Millions)
X	USP01012CF16	El Salvador	9.25	April 17, 2030	CCC	1,000
	USP3R94GBM01	Peru	5.95	April 30, 2029	BBB	300
	USY4938AAJ89	South Korea	4.875	April 3, 2027	AA	500
	USY4938AAL36	South Korea	4.875	April 3, 2029	AA	600
	XS2790212828	South Korea	5.125	May 8, 2029	A	400
X	XS2797416760	UAE	4.959	April 4, 2034	AA	1,000
	XS2800066297	Kazakhstan	5.5	April 15, 2027	BBB	500
X	XS2811094130	UAE	4.875	April 30, 2029	AA	1,750
X	XS2811094213	UAE	5.5	April 30, 2054	AA	1,750
X	XS2811094486	UAE	5	April 30, 2034	AA	1,500
Deletions						
Category	ISIN	Country of Risk	Coupon	Maturity Date	iBoxx Rating	Notional (USD Millions)
Broad Benchmark Index	US105756AR10	Brazil	8.875	April 15, 2024	BB	1,029
	USC42970AH34	South Korea	1	April 26, 2024	AA	500
	USP01012AS54	El Salvador	5.875	Jan. 30, 2025	CCC	348
	USP25619AB67	Argentina	7.75	July 26, 2026	CC	650
	USP56226AQ94	Costa Rica	6.375	May 15, 2043	BB	500
	USP56226AV89	Costa Rica	6.75	Oct. 7, 2031	BB	300
	XS1056560920	Pakistan	8.25	April 15, 2024	CCC	1,000
	XS1187065443	South Africa	7.125	Feb. 11, 2025	B	1,250
	XS1589748356	Indonesia	3.875	April 6, 2024	BBB	500
	XS1596070547	UAE	3	April 19, 2024	AA	850
	XS1864522757	South Africa	8.45	Aug. 10, 2028	B	500
	XS1864523300	South Korea	6.35	Aug. 10, 2028	BB	1,000
	XS1981786327	South Korea	3.25	April 17, 2024	A	400
	XS1982112812	Saudi Arabia	2.875	April 16, 2024	A	2,000
	XS2010027709	South Africa	4.314	July 23, 2027	BB	500
	XS2080205797	China	2.6	Dec. 10, 2024	A	500
	XS2080206092	China	3	Dec. 10, 2029	A	600
	XS2244843210	China	3.08		A	500
	XS2247703080	China	1.6	Jan. 20, 2026	A	500
	XS2247703163	China	2.7	Jan. 20, 2031	A	500
XS2348591707	Pakistan	7.5	June 4, 2031	CCC	500	
XS2475325366	China	2.75	April 29, 2024	A	300	
Liquid Index	USY5749LAA99	Malaysia	3.043	April 22, 2025	A	1,000
	XS1210507650	UAE	3.094	March 31, 2025	A	1,000
	XS1791937441	Saudi Arabia	4	April 17, 2025	A	4,250
	XS1864523300	South Africa	6.35	Aug. 10, 2028	BB	1,000
	XS2125308085	UAE	2.5	April 16, 2025	AA	3,000
	XS2155352151	Qatar	3.4	April 16, 2025	AA	2,000

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

iBoxx USD Emerging Markets Corporates

April 2024 Performance

All corporate sectors except for Real Estate posted negative returns in April 2024. The biggest return falls are noticeable in Non-Financials, particularly Energy at -1.82%, Health Care at -1.58% and Consumer Services at -1.69%. Compared to last month, yield on Financials (Core Financials, Financial Services and Real Estate) tightened by 133 bps, while overall duration increased by 0.04. On the Non-Financials sectors, yields increased on average by 19 bps and duration dropped by 0.08.

Exhibit 7: Corporate Indices Performance

Sector or Rating	Market Cap (USD Millions)	Semiannual Yield	Semiannual Modified Duration	Returns		
				MTD (%)	QTD (%)	YTD (%)
Financials	408,708	6.93	2.19	-0.11	-0.11	1.89
Core Financials	234,993	6.32	2.25	-0.22	-0.22	1.29
Financial Services	128,533	6.54	1.89	-0.06	-0.06	1.66
Real Estate	45,182	11.21	2.71	0.33	0.33	5.62
Non-Financials	758,761	7.05	4.87	-1.32	-1.32	0.54
Basic Materials	128,576	6.95	4.69	-1.03	-1.03	1.54
Consumer Goods	67,899	6.57	3.84	-1.11	-1.11	0.33
Consumer Services	44,149	6.61	5.29	-1.69	-1.69	0.44
Energy	203,439	7.48	5.99	-1.82	-1.82	-0.56
Health Care	1,629	7.02	3.27	-1.58	-1.58	0.29
Industrials	86,540	6.61	3.74	-0.79	-0.79	0.88
Technology	62,738	5.95	5.42	-1.49	-1.49	-0.62
Telecommunications	39,066	6.83	4.69	-1.13	-1.13	1.31
Utilities	124,724	6.44	4.21	-1.15	-1.15	0.29
Investment Grade	800,069	6.04	4.19	-1.07	-1.07	-0.21
High Yield	367,400	9.24	3.36	-0.53	-0.53	3.73

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Year-to-date, the Real Estate sector had the highest return at 5.62%, in contrast with the Technology sector at -0.62%. The bump in Real Estate returns was influenced by Chinese companies, while the decrease in Energy was highly influenced by Argentina, Brazil and Colombia's corporate entities.

Investment grade corporates performed worse than high yield corporates across most maturity ranges. The worst performer was the AA segment at -1.82%, while the CC segment was the best performer at 7.75%. The AA category contains bonds from Energy and Technology

companies in the Middle East and Southeast Asia. Although accounting for a small percentage of index weight, the CC bucket includes Chinese, Ukrainian and Chilean companies in the Real Estate and Energy sectors, which posted positive returns in April.

Exhibit 8: Rating and Maturity Performance

Rating	0-1 Year (%)	1-3 Year (%)	3-5 Year (%)	5-7 Year (%)	7-10 Year (%)	10+ Year (%)	Overall (%)
Investment Grade	0.36	-2.01	-0.18	-1.54	-2.28	-0.98	-1.07
AA	0.33	-3.32	-0.53	-3.48	-0.85	-1.42	-1.82
A	0.35	-2.15	-0.23	-1.91	-3.49	-0.59	-1.11
BBB	0.36	-1.72	-0.09	-1.23	-2.15	-1.15	-0.94
High Yield	0.54	-0.97	0.27	-0.28	-1.60	-1.38	-0.53
BB	0.51	-1.36	-0.03	-0.76	-1.91	-1.18	-0.87
B	1.44	-0.32	1.29	-0.83	-0.52	-5.77	0.25
CCC	-4.21		-1.05	4.99	-1.09		-0.40
CC	8.38		1.28				7.75
C	-0.38						-0.76
Overall (%)	0.40	-1.67	-0.03	-1.04	-2.03	-1.06	-0.90

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

In the high yield space, the B 10+ years segment posted underperformed the most at -5.77%, followed by the CCC 0-1 year segment at -4.21%. For investment grade, the worst performing was the A 7-10 year slice, while the best return was posted by the BBB 0-1 year segment.

April 2024 Rebalancing

In April 2024, semiannual yield increased 36 bps, while duration edged down by 0.06. The OAS went down by 8.11 bps when compared to March 2024.

At the end-of-month rebalance, 44 bonds with maturities ranging from April 2024 to May 2051 and an index weight of 2.21% exited the index. Meanwhile, 45 bonds entered the index, with maturities between 6 months and 30 years, representing 1.95% of the index weight; the new bonds were predominately from Latin American countries (Colombia, Chile and Brazil), as well as South Korea, South Africa, China and Qatar, among others.

Exhibit 9: Rebalancing Impact

Date	Semiannual Yield	Semiannual Modified Duration	OAS
March 31, 2024	6.55	3.98	225.29
April 30, 2024	6.91	3.93	217.18

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Appendix

iBoxx USD Emerging Market Indices Overview

In January 2024, S&P Dow Jones Indices launched the iBoxx USD Emerging Markets Broad Overall Indices. The index suite represents the most comprehensive fixed income hard currency snapshot of the market due to its broad methodology construction. To enter the index, bonds must have a minimum notional amount of USD 250 million and no minimum time to maturity is required. As of April 30, 2024, the index has 2,981 bonds covering sovereigns, sub-sovereigns, corporates, and covered bonds, and has a market value of USD 2.35 trillion.

The iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns Index is one of the headline indices within the iBoxx USD Emerging Markets Broad Overall Series. The index is a market-capitalization-weighted benchmark covering sovereign and sub-sovereign entities domiciled in emerging markets. As of April 30, 2024, the index included 941 bonds from 138 issuers. The index serves as the underlying benchmark for the iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns Index.

The iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns Index measures the performance of USD-denominated sovereign and sub-sovereign bonds issued by emerging markets entities. The index rules select only bonds with at least USD 1 billion in notional amount outstanding and one year to maturity. Within the emerging markets, the index focuses on economies whose gross national income (GNI) per capita is below two times the World Bank high income GNI cut-off. Gulf Cooperation Council (GCC) countries are also eligible for the index regardless of their GNI. A country cap is applied and reviewed annually in December, and the current cap is 7.5%. The index is designed to be used as part of the iBoxx tradable ecosystem.

The iBoxx USD Emerging Markets Broad Corporates Index is a headline index within the iBoxx USD Emerging Markets Broad Overall Series. The index is a market-capitalization-weighted benchmark that covers corporate and covered bonds issued by emerging markets issuers. As of April 30, 2024, the index included 2,041 bonds from 853 issuers.

Abbreviated Index Names

Please note the following abbreviated index names used throughout this paper:

- Overall: iBoxx USD Emerging Markets Broad Overall
- Overall HY: iBoxx USD Emerging Markets Broad High Yield
- Overall IG: iBoxx USD Emerging Markets Broad Investment Grade
- Sovg. & Sub-Sovg.: iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns

- Liquid Sovg. & Sub-Sovg.: iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns
- Sovg & Sub-Sovg HY: iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns High Yield
- Sovg. & Sub-Sovg. IG: iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns Investment Grade
- Corporates: iBoxx USD Emerging Markets Broad Corporates
- Corporates HY: iBoxx USD Emerging Markets Broad Corporates High Yield
- Corporates IG: iBoxx USD Emerging Markets Broad Corporates Investment Grade

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