

# iBoxx USD Emerging Markets Monthly Commentary

## Contributor

**Catalina Zota**  
Associate Director  
Fixed Income Product  
Management  
[elena.zota@spglobal.com](mailto:elena.zota@spglobal.com)

## June 2024 Commentary

### Market Overview

In June, at the half-year mark, U.S. Treasury yields ended higher than where they started at the beginning of 2024: the 2-year was at 4.71%, the 5-year was at 4.33%, the 10-year was at 4.36% and the 30-year was at 4.51%.<sup>1</sup> Compared to Jan. 2, 2024, this constitutes an average increase of 40 bps across the tenors. In contrast to curve inversion—which historically has predicted a recession—the increase in Treasury yields usually reflects positive investor sentiment and higher mortgage rates influencing the bond market. At its last meeting in June, the U.S. FOMC decided to keep the federal funds rate unchanged, citing easing but little-changed conditions since March<sup>2</sup> and hinting at one rate cut later in the year. The CPI was unchanged in May after rising 0.3% in April. For the 12-month period, inflation stood at 3.3%.<sup>3</sup> The BLS report in June stated that the U.S. unemployment rate was 4.0%,<sup>4</sup> little changed in May.

The overnight repo rate, a measure of market liquidity, ranged between 5.28%-5.47%,<sup>5</sup> in line with May. On the equities front, the [S&P 500](#)<sup>®</sup> was up 3.47% in June, led by Information Technology, Consumer Discretionary and Communication Services.

Latin America continued its turbulent year. Banco Central do Brasil kept the Selic interest rate at 10.5%,<sup>6</sup> quoting increasing household consumption, resilient economic activity and inflation not decelerating in line with the committee’s expectations. In Argentina, President Milei’s economic reforms passed the senate after his vice president cast the final vote. The reforms are a pared-down version of his original radical economic transition and still have to pass the house of deputies. Another win for Milei was China’s extension of a CNY 35 billion (USD 5 billion) currency swap line until July 2026,<sup>7</sup> giving the economy more room for reform and growth.

In Europe, the Eurostat report released on July 2, 2024, stated that eurozone inflation was at 2.5% in June, down from 2.6% in May.<sup>8</sup> In India, the HSBC India Manufacturing PMI<sup>9</sup> rose to 58.3 in June from 57.5 in May, five points above its long-run average. The increase was influenced by new orders, output and buying levels with favorable business conditions.

# iBoxx USD Emerging Markets Broad Indices

## June 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 June 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 June 2024, the best-performing indices were the iBoxx USD Emerging Markets Broad Sovereign & Sub-Sovereign Investment Grade at 0.97%, iBoxx USD Emerging Markets Corporates High Yield at 0.97% and iBoxx USD Emerging Markets Broad Investment Grade at 0.86%. The iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns fared slightly worse than the benchmark by 5 bps, at 0.58%, partially influenced by underperforming bonds from Ecuador, Kenya and Argentina. The iBoxx USD Emerging Markets Broad Sovereigns &

Sub-Sovereigns High Yield was the worst performer of the group, at 0.02%, lagging its one-year return. The iBoxx USD Emerging Markets Broad Investment Grade was above the iBoxx USD Emerging Markets Broad Overall benchmark by 10 bps at 1.69%, while the iBoxx USD Emerging Markets Broad Corporates High Yield came in 14 bps above its corporate benchmark. All indices had positive returns in June.

Most of the top 10 emerging markets experienced a decrease in yield, apart from Brazil (up 10 bps) and Mexico (up 5 bps) when compared to May 2024. Mexico's elections wreaked havoc on the country's bond market; compared to May, Mexico had the most significant decrease in monthly returns, down 2.34%, bringing its return for June to 0.20%, the lowest of the group. In the first half of 2024, the best-performing markets were China at 3.33%, Turkey at 2.78% and Brazil at 2.12%. Year-to-date, Indonesia and Saudi Arabia posted declines of -0.44% and -0.64%, respectively.

## Exhibit 2: Top 10 Markets Performance

Market	Weight (%)	Delta from Last Month				June 2024			
		Δ Yield	Δ Duration	1-Month Return (%)	YTD Return (%)	Yield	Duration	1-Month Return (%)	YTD Return (%)
China	16.02	-0.06	0.01	-0.66	0.72	5.87	2.88	0.70	3.33
Mexico	7.91	0.05	-0.03	-2.34	0.20	7.24	7.13	0.20	1.37
Saudi Arabia	7.24	-0.07	-0.04	-0.97	0.94	5.58	6.98	0.95	-0.44
UAE	6.67	-0.11	0.04	-0.52	1.06	5.44	5.67	1.07	0.86
South Korea	6.61	-0.12	0.02	-0.32	0.75	5.23	2.73	0.74	1.74
Brazil	6.01	0.10	-0.02	-0.76	0.76	7.09	5.12	0.75	2.12
Turkey	5.00	-0.06	0.00	-0.12	0.85	7.45	3.74	0.84	2.78
Indonesia	4.95	-0.03	-0.02	-1.49	0.70	5.63	6.93	0.71	-0.64
Chile	3.41	-0.09	-0.05	-0.84	1.50	5.91	7.73	1.50	1.54
Qatar	2.86	-0.13	0.05	-0.66	1.21	5.27	7.11	1.23	0.01

Source: S&P Dow Jones Indices LLC. Data as of June 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

## June 2024 Performance

June was a difficult month for sovereign & sub-sovereign high yield bonds, which posted an overall return of 0.02%. The high yield index was partially influenced by negative returns in the CCC 5-7 year and 10+ year sleeves of -2.68% and -3.38%, respectively. Meanwhile, BB 10+ year bonds had a negative return of -0.72% compared to 2.64% in May 2024. Investment grade bonds performed better than high yield, up 0.97%; however, there was an overall decrease of 104 bps compared to last month. The best performer in the investment grade bucket was the A 10+ year sleeve at 2.20%—a 142 bps decrease when compared to May. The liquid sovereign & sub-sovereign maturity sleeves also pulled back this month, with an average return decrease of 94 bps compared to May. The largest decline was in the 10+ year maturity sleeve (down 219 bps), bringing the return to 0.63% in June.

### 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 (%)
<b>Investment Grade</b>	0.46	0.61	0.78	1.03	1.06	1.24	0.97
AA	0.45	0.61	0.74	1.08	1.06	1.42	1.01
A	0.47	0.60	0.88	1.27	1.33	2.20	1.19
BBB	0.45	0.63	0.75	0.90	0.93	0.92	0.85
<b>High Yield</b>	0.54	0.48	0.45	-0.24	0.15	-0.50	0.02
BB	0.55	0.44	0.25	0.29	-0.47	-0.72	0.02
B	0.45	0.57	0.75	0.80	0.67	1.28	0.87
CCC	1.05	0.20	0.36	-2.68	-0.10	-3.38	-2.50
<b>Sovereigns &amp; Sub-Sovereigns</b>	0.49	0.56	0.66	0.46	0.74	0.70	0.63
<b>Liquid Sovereigns &amp; Sub-Sovereigns</b>	-	0.53	0.58	0.36	0.69	0.63	0.58

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

Bid-ask spreads were in line with previous months. In June, Latvia was a new entrant in the iBoxx USD Liquid Sovereigns & Sub-Sovereigns, with a bid-ask spread of 41.7 bps. Bolivia, Cote D'Ivoire and Pakistan had the highest average bid-ask spreads with 50 bps, 42 bps and 40 bps, respectively. The bid-ask decreased for Cote D'Ivoire, Pakistan and Jordan compared to last month, while that of Bolivia and Indonesia increased slightly.

**Exhibit 4: Average Bid-Ask Spread**

Country of Risk	June 30, 2024		May 31, 2024		Delta
	Average Bid-Ask Spread	Number of Bonds	Average Bid-Ask Spread	Number of Bonds	
Bolivia	50.7	1	48.3	1	2.44
Cote D'Ivoire	42.0	3	54.3	3	-12.29
Latvia	41.7	1	-	-	41.74
Pakistan	40.9	4	66.6	4	-25.69
Jordan	36.4	5	64.9	5	-28.52
Jamaica	33.6	3	37.0	3	-3.48
Guatemala	31.7	2	31.0	2	0.70
El Salvador	30.1	4	37.3	4	-7.21
Indonesia	29.9	46	28.6	48	1.36
Kenya	27.8	5	32.3	5	-4.56

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

Four countries were capped at 7.5% of the index weight: Turkey, Saudi Arabia, Indonesia and Mexico. Indonesia had an increase in average bid-ask of 1.36 bps, while Mexico, Saudi Arabia and Turkey saw decreases of -4.25 bps, -4.8 bps and -38 bps, respectively.

**June 2024 Rebalancing**

As of June 30, 2024, the iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns Index had a semiannual modified duration of 6.55, a semiannual yield of 6.44% and an option-adjusted spread (OAS) of 211 bps. Compared to last month, this represented a decrease of 6 bps in yield and a spread increase of 6 bps.

The liquid index posted a semiannual yield decrease of 6 bps, while the semiannual modified duration decreased 0.01 and the OAS increased 6.1 bps (see Exhibit 5).

**Exhibit 5: Rebalancing Impact**

Date	Semiannual Yield	Semiannual Modified Duration	OAS
<b>iBoxx USD Emerging Markets Broad Sovereigns &amp; Sub-Sovereigns</b>			
May 31, 2024	6.61	6.44	205.0
June 30, 2024	6.55	6.44	211.1
<b>iBoxx USD Liquid Emerging Markets Sovereigns &amp; Sub-Sovereigns</b>			
May 31, 2024	6.75	7.17	220.5
June 30, 2024	6.69	7.16	226.6

Source: S&P Dow Jones Indices LLC. Data as of June 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 8 bonds with maturities in June. These bonds were replaced by 9 bonds with maturities ranging from 2027 to 2034 from Brazil, Saudi Arabia, UAE, Senegal, Serbia, Trinidad and Tobago, and South Korea. In the liquid index, two 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	US105756CK49	Brazil	6.125	Jan. 22, 2032	BB	2000
	USP93960AK10	Trinidad And Tobago	6.4	June 26, 2034	BBB	750
X	XS2829208169	Saudi Arabia	5.25	June 4/, 034	A	2250
X	XS2829208599	Saudi Arabia	5.25	June 4, 2030	A	1500
	XS2830445727	United Arab Emirates	5.294	June 4, 2034	AA	750
X	XS2830523465	Saudi Arabia	5.25	June 4, 2027	A	1250
	XS2838363476	Senegal	7.75	June 10, 2031	B	750
X	XS2838999691	Serbia	6	June 12, 2034	BB	1500
	XS2846982234	South Korea	4.75	June 26, 2027	AA	1000
Deletions						
Category	ISIN	Country of Risk	Coupon	Maturity Date	iBoxx Rating	Notional (USD Millions)
Broad Benchmark Index	US302154CY36	South Korea	2.375	June 25, 2024	AA	500
	US302154DH93	South Korea	0.625	June 29, 2024	AA	750
	US500630DF23	South Korea	0.4	June 19, 2024	AA	700
	US50064FAR55	South Korea	2	June 19, 2024	AA	500
	XS1028952403	Kenya	6.875	June 24, 2024	B	556.97
	XS1620176831	Oman	4.397	June 1, 2024	BB	1818.065
	XS2009878880	India	3.75	June 18, 2024	BBB	400
	XS2352861574	Saudi Arabia	0.946	June 17, 2024	A	1000
Liquid Index	US105756CD06	Brazil	2.875	June 6, 2025	BB	1750
	XS1245432742	Egypt	5.875	June 11, 2025	B	1500

Source: S&P Dow Jones Indices LLC. Data as of June 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

## June 2024 Performance

All corporate sectors posted positive returns YTD. Notably, high yield posted 6.6%, while investment grade had a return of 1.94%. Real Estate, Telecommunications and Basic Materials led with YTD returns of 11.06%, 4.62% and 4.19%, respectively. Compared to last month, yields decreased for all sectors except for Basic Materials and Industrials, up 4 bps and 1 bp, respectively. The best-performing sectors this month were Real Estate, Telecommunications and Basic Materials at 1.51%, 1.10% and 1.36%, respectively. Financials came in 10 bps lower than Non-Financials in June. The Real Estate sector has a small weight (104 bonds, 3.7%) in the overall iBoxx USD Emerging Markets Corporate Bond Index and is made up of bonds from countries in China, UAE and Mexico, among others. The Basic Materials sector has a weight of 11.5% in the index and has 214 bonds from various countries in Latin America, the Middle East and Asia-Pacific.

### Exhibit 7: Corporate Indices Performance

Sector or Rating	Market Cap (USD Millions)	Semiannual Yield	Semiannual Modified Duration	Returns (%)		
				1-Month	QTD	YTD
<b>Financials</b>	<b>412,428</b>	<b>6.54</b>	<b>2.20</b>	<b>0.76</b>	<b>1.83</b>	<b>3.86</b>
Core Financials	239,542	6.19	2.24	0.66	1.32	2.85
Financial Services	128,729	6.29	1.91	0.70	1.52	3.26
Real Estate	44,156	9.15	2.80	1.51	5.49	11.06
<b>Non-Financials</b>	<b>780,904</b>	<b>6.60</b>	<b>4.93</b>	<b>0.86</b>	<b>1.22</b>	<b>2.92</b>
Basic Materials	138,137	6.79	4.89	1.10	1.56	4.19
Consumer Goods	68,014	6.32	3.80	0.86	1.06	2.52
Consumer Services	45,498	6.44	5.22	0.61	0.61	2.79
Energy	209,086	7.23	5.97	0.75	1.10	2.40
Health Care	1,670	6.59	3.13	0.91	0.88	2.80
Industrials	87,145	6.41	3.79	0.73	1.28	2.98
Technology	63,356	5.66	5.43	0.80	1.09	1.98
Telecommunications	38,570	6.41	4.91	1.36	2.11	4.62
Utilities	129,428	6.22	4.32	0.84	1.13	2.60
<b>Investment Grade</b>	<b>802,671</b>	<b>5.77</b>	<b>4.29</b>	<b>0.76</b>	<b>1.06</b>	<b>1.94</b>
<b>High Yield</b>	<b>390,661</b>	<b>8.83</b>	<b>3.36</b>	<b>0.97</b>	<b>2.22</b>	<b>6.60</b>
<b>Overall</b>	<b>1,193,332</b>	<b>6.64</b>	<b>3.98</b>	<b>0.83</b>	<b>1.43</b>	<b>3.27</b>

Source: S&P Dow Jones Indices LLC. Data as of June 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 June, high yield corporates outperformed investment grade by 21 bps, ending the month at 0.97%. This month, the 5-7 year maturity sleeve had a return of 1.07%, the highest within its

group. In the 5-7 year maturity bucket, the highest performer was the B rating sleeve at 1.96%—up 41 bps compared to May 2024. Across all maturities, CC returned the highest at 7.71%, followed by CCC at 2.21% and B at 1.27%. The C bucket experienced a drastic fall in June, off 6.98%, influenced by bonds in Argentina, Chile, China, Peru and Ukraine in the Industrials, Energy, Real Estate and Consumer Goods sectors. Within investment grade, AA outperformed at 0.88%; however, it was lower than last month by 76 bps. The BBB segment was the strongest performer in the 7-10 year and 10+ year maturities, up 1.05% and 1.06%, respectively. The BBB returns can be attributed to bonds from China's Financials and Industrials sectors, India's Consumer Goods sector and Chile's Basic Materials sector.

### 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 (%)
<b>Investment Grade</b>	<b>0.51</b>	<b>0.64</b>	<b>0.80</b>	<b>0.98</b>	<b>0.97</b>	<b>0.95</b>	<b>0.76</b>
AA	0.50	0.55	0.83	1.02	0.94	1.38	0.88
A	0.49	0.63	0.76	0.94	0.73	0.68	0.67
BBB	0.53	0.66	0.82	1.00	1.05	1.06	0.80
<b>High Yield</b>	<b>0.79</b>	<b>1.01</b>	<b>1.12</b>	<b>1.21</b>	<b>0.95</b>	<b>0.40</b>	<b>0.97</b>
BB	0.70	0.75	0.76	0.95	0.72	0.24	0.71
B	0.99	1.16	0.91	1.96	1.92	3.97	1.27
CCC	1.78	2.34	2.77	1.35	1.52	-	2.21
CC	2.78	4.87	23.02	-	-	-	7.71
C	-8.93	-	0.29	-	-	-	-6.98
<b>Overall (%)</b>	<b>0.58</b>	<b>0.77</b>	<b>0.92</b>	<b>1.07</b>	<b>0.96</b>	<b>0.83</b>	<b>0.83</b>

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

## June 2024 Rebalancing

In June 2024, the semiannual yield decreased 3 bps, while duration edged up by 0.02. The OAS increased 7.59 bps compared to May 2024.

At the end-of-month rebalance, 41 bonds with maturities ranging June 2024 to June 2079 and an index weight of 1.85% exited the index. Meanwhile, 21 bonds entered the index, with maturities between 2 and 18 years and representing 0.91% of the index weight; the new bonds were predominately from Latin American countries (Colombia, Chile and Brazil), as well as China, Bahrain, Kuwait and Qatar, among others.

### Exhibit 9: Rebalancing Impact

Date	Semiannual Yield	Semiannual Modified Duration	OAS
May 31, 2024	6.67	3.96	209.43
June 30, 2024	6.64	3.98	217.02

Source: S&P Dow Jones Indices LLC. Data as of June 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 June 30, 2024, the index had 2,970 bonds covering sovereigns, sub-sovereigns, corporates and covered bonds, and had a market value of USD 2.40 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 June 30, 2024, the index included 947 bonds from 139 issuers and had a market value of USD 1.2 trillion. 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 June 30, 2024, the index included 2,023 bonds from 854 issuers and had a market value of USD 1.2 trillion.

## 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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