

# iBoxx USD Emerging Markets Monthly Commentary

## Contributor

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

## October 2024 Commentary

### Market Overview

The U.S. economy added 12,000 jobs in October 2024, with the unemployment rate staying flat at 4.1%.<sup>1</sup> The major culprits of the disappointing results were two hurricanes—Helene and Milton—along with a strike by the International Longshoremen’s Association (ILA), which brought the country’s shipments to a halt for three days. The Bureau of Economic Analysis released its “advanced” estimate of Q3 GDP, stating an increase of 2.8%,<sup>2</sup> a slowdown from Q2 24 due to a downturn in private inventory investment and residential investment. U.S. Treasury yields as measured by the iBoxx USD Treasuries rose by 45 bps compared to the end of September.

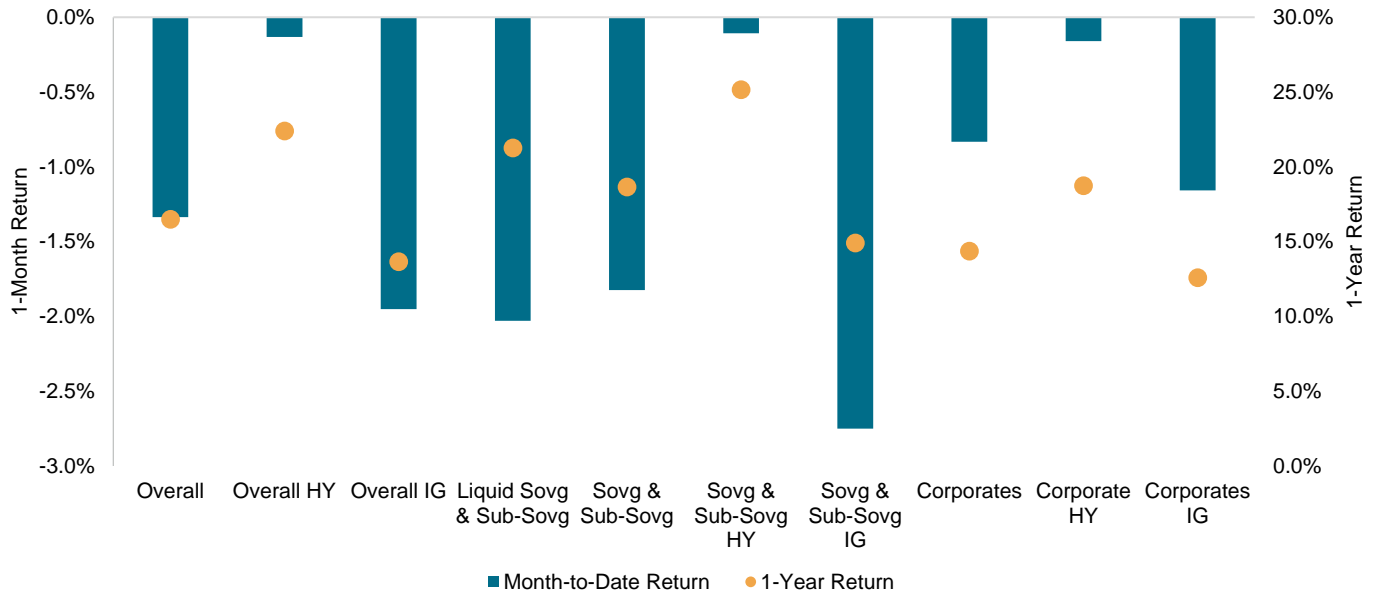
In South America, Brazil doubled its import tariff on steel from China to 25%. The month before, the government approved an increase in tariffs on many petrochemical products from 12.6% to 20%,<sup>3</sup> citing growing imports from Asian countries that were competing with the local industry. At the same time, the inflation rate, as measured by IPCA-15, rose 0.54%<sup>4</sup> due to energy prices.

In Europe, the ECB decided to lower rates by 25 bps on Oct. 17, although inflation rose from 1.7% in September to 2% in October.<sup>5</sup> The HSBC Flash India Manufacturing PMI recovered from September’s eight-month low of 56.5 to 57.4 in October.<sup>6</sup>

# iBoxx USD Emerging Markets Broad Indices

## October 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 Oct. 31, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Considering all those developments, October 2024 brought all emerging markets indices into negative territory. The Overall index erased its September gains, ending the month down 1.34%. The worst performer was the Sovg & Sub-Sovg IG at -2.75%, a 391 bps decrease compared to September. Although negative, high yield bonds outperformed the benchmarks. The Corporates HY was down 0.16% (99 bps higher than Corporates), while the Sovg & Sub-Sovg HY had a 0.11% decrease (193 bps above Sovg & Sub-Sovg). In terms of 1-year returns, the Sovg & Sub-Sovg HY led at 25.16%, 275 bps above the Overall HY, while the Corporates HY lagged at 18.75%, 366 bps below the Overall HY benchmark. Main contributors to the performance of the HY benchmarks were the bonds from Argentina, Bolivia, Chile, Maldives, Nigeria and Ukraine.

Yields rose across the top 10 emerging markets in October. China's yield drop was due to a C rated bond (XS2464423636) issued by MIE Holdings, which exited the index at rebalance. Türkiye, South Korea and Chile experienced the highest yield increase, while monthly returns declined. In October, Chile and Mexico fared the worst in the group, at -2.69% and -2.15% respectively. YTD returns remain positive, with Türkiye leading the group at 6.90%, followed by China at 6.50% and Brazil at 6.09%.

**Exhibit 2: Top 10 Markets Performance**

Market	Weight (%)	Delta from Last Month				October 2024			
		Δ Yield	Δ Duration	1-Month Return (%)	YTD Return	Yield	Duration	1-Month Return (%)	YTD Return
China	15.00	-0.88	-0.08	-1.68	-0.53	5.37	2.89	-0.49	6.50
Mexico	7.77	0.41	-0.23	-4.02	-2.31	7.10	7.06	-2.15	5.09
Saudi Arabia	7.58	0.37	-0.19	-2.97	-2.30	5.51	6.92	-2.20	1.97
UAE	6.85	0.39	-0.10	-2.69	-1.86	5.28	5.75	-1.77	3.48
South Korea	6.80	0.45	-0.01	-1.78	-0.88	4.90	2.70	-0.84	4.26
Brazil	5.99	0.40	-0.09	-2.77	-1.34	6.84	5.11	-1.25	6.09
Türkiye	5.09	0.46	-0.07	-3.01	-1.15	7.08	3.76	-1.06	6.90
Indonesia	4.89	0.36	-0.06	-3.47	-2.23	5.39	7.05	-2.12	2.79
Chile	3.37	0.42	-0.19	-4.26	-2.90	5.75	7.77	-2.69	4.77
Qatar	2.88	0.34	-0.25	-3.10	-2.11	5.07	6.95	-2.00	3.10

Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 2024. Index performance based on total return in USD. Δ Yield refers to change in semiannual yield for the month in percent. Delta 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

## October 2024 Performance

October was negative for both the liquid and sovereigns & sub-sovereigns indices. The Liquid Sovereigns & Sub-Sovereigns Index lagged its benchmark by 21 bps, down 2.03% for the month. The liquid 10+ year maturity sleeve of the liquid index performed the worst, at -3.05%, compared to last month's 2.26%. Long-dated bonds from higher-weighted countries (at the 7.5% weight cap) such as Türkiye, Saudi Arabia, UAE and Mexico had a significant impact on the underperformance of the 10+ year maturity segment. The CCC 10 year+ segment had the best performance for the month at 10.71%, largely due to the contribution by Argentine bonds. The 0-1 year slice of sovereigns & sub-sovereigns was the only positive sleeve, up 0.26%, while all the other maturities were in the negative territory. The Overall High Yield outperformed Investment Grade by 264 bps.

**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	0.21	-0.46	-1.45	-2.21	-2.85	-4.75	-2.75
AA	0.20	-0.50	-1.54	-2.25	-2.81	-4.01	-1.98
A	0.22	-0.51	-1.41	-2.11	-2.63	-4.32	-2.38
BBB	0.22	-0.35	-1.41	-2.25	-3.04	-5.12	-3.36
High Yield	0.34	-0.14	-0.47	0.32	-1.76	0.52	-0.11
BB	0.22	-0.35	-1.29	-1.74	-2.32	-3.73	-2.08
B	0.24	-0.15	-0.49	-0.98	-1.21	-1.91	-0.81
CCC	2.06	1.29	4.32	5.56	2.60	10.71	7.84
Sovereigns & Sub-Sovereigns	0.26	-0.34	-1.08	-1.11	-2.50	-3.15	-1.82
Liquid Sovereigns & Sub-Sovereigns		-0.32	-1.05	-0.98	-2.58	-3.05	-2.03

Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**October 2024 Rebalancing**

As of Nov. 1, 2024, the iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns Index had a yield of 6.35%, a duration of 6.42 years and OAS (bps) of 193.95.

The liquid index posted a yield of 6.51%, a duration of 7.14 years and OAS of 209.79 (see Exhibit 4).

**Exhibit 4: Rebalancing Impact**

Date	Yield (%)	Duration (Years)	OAS (bps)
<b>iBoxx USD Emerging Markets Broad Sovereigns &amp; Sub-Sovereigns</b>			
Oct. 31, 2024	6.32	6.43	198.90
Nov. 1, 2024	6.35	6.42	193.95
<b>iBoxx USD Liquid Emerging Markets Sovereigns &amp; Sub-Sovereigns</b>			
Oct. 31, 2024	6.48	7.10	215.04
Nov. 1, 2024	6.51	7.14	209.79

Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 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

## October 2024 Performance

The iBoxx USD Emerging Markets Corporates lost 0.83% in October, with High Yield outperforming Investment Grade by 100 bps. Financials (-0.22%) performed better than Non-Financials (-1.15%), partially influenced by the Financial Services and Real Estate sectors. Year-to-date, Financials outperformed Non-Financials by 36 bps.

Yields increased by 34 bps on average across all sectors except for Energy, which experienced a 63 bps yield compression. The drop in yield was partially influenced by a Chinese CCC rated bond (XS2344083139) issued by Hilong Holding Ltd. The worst performer for the month was the Health Care sector, with a loss of 1.95%, followed by Technology (-1.67%), Basic Materials and Consumer Services (-1.20% each). Chinese (28.30% weight in the index) and Mexican (10.44%) corporate bonds influenced the underperformance of those sectors.

### Exhibit 5: Corporate Indices Performance

Sector or Rating	Market Cap (USD Millions)	Yield (%)	Duration (Years)	Returns (%)		
				1-Month	QTD	YTD
<b>Financials</b>	<b>415,868</b>	<b>5.96</b>	<b>2.22</b>	<b>-0.22</b>	<b>-0.22</b>	<b>7.09</b>
Core Financials	243,704	5.75	2.26	-0.33	-0.33	5.97
Financial Services	130,491	5.69	1.96	-0.08	-0.08	6.13
Real Estate	41,673	8.04	2.85	-0.03	-0.03	16.62
<b>Non-Financials</b>	<b>791,161</b>	<b>6.29</b>	<b>4.96</b>	<b>-1.15</b>	<b>-1.15</b>	<b>6.73</b>
Basic Materials	135,493	6.55	5.00	-1.20	-1.20	7.74
Consumer Goods	71,617	5.93	3.68	-1.02	-1.02	5.94
Consumer Services	43,791	6.19	5.45	-1.20	-1.20	6.08
Energy	215,238	6.91	6.04	-1.26	-1.26	7.02
Health Care	1,692	6.11	2.90	-1.95	-1.95	6.51
Industrials	86,868	6.08	3.80	-0.82	-0.82	6.45
Technology	62,522	5.30	5.48	-1.67	-1.67	5.74
Telecommunications	38,383	6.06	4.65	-0.69	-0.69	8.77
Utilities	135,556	5.95	4.33	-1.09	-1.09	5.96
<b>Investment Grade</b>	<b>814,345</b>	<b>5.50</b>	<b>4.32</b>	<b>-1.16</b>	<b>-1.16</b>	<b>4.98</b>
<b>High Yield</b>	<b>392,684</b>	<b>8.23</b>	<b>3.40</b>	<b>-0.16</b>	<b>-0.16</b>	<b>11.54</b>
<b>Overall</b>	<b>1,207,029</b>	<b>6.28</b>	<b>4.02</b>	<b>-0.83</b>	<b>-0.83</b>	<b>6.90</b>

Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

In October, Corporate HY bonds outperformed Corporate IG bonds by 100 bps. The highest returns were observed in the CC 3-5 year (up 4.74%) and CC 1-3 year (up 3.20%). Overall CC outperformed overall HY at 2.50% versus -0.16%, followed by overall CCC at 1.83%. The 0-1 year maturity segment had a positive return at 0.34%, with the exception of the CC at -0.45%. The worst performer this month was the AA 10+ year segment at -4.03%, largely due to the poor performance by bonds from China, Qatar and UAE.

### Exhibit 6: 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>0.28</b>	<b>-0.29</b>	<b>-1.04</b>	<b>-1.88</b>	<b>-2.10</b>	<b>-3.20</b>	<b>-1.16</b>
AA	0.17	-0.57	-1.34	-2.19	-1.89	-4.03	-1.73
A	0.22	-0.40	-1.14	-2.10	-2.29	-3.17	-1.12
BBB	0.34	-0.14	-0.92	-1.69	-2.08	-3.06	-1.11
<b>High Yield</b>	<b>0.52</b>	<b>0.39</b>	<b>-0.07</b>	<b>-0.73</b>	<b>-1.18</b>	<b>-1.12</b>	<b>-0.16</b>
BB	0.45	0.24	-0.41	-1.21	-1.31	-1.04	-0.42
B	0.58	0.20	0.08	-0.13	-0.94	-2.78	0.04
CCC	1.23	1.89	2.00	1.96	2.45		1.83
CC	-0.45	3.20	4.74				2.50
<b>Overall</b>	<b>0.34</b>	<b>-0.07</b>	<b>-0.66</b>	<b>-1.44</b>	<b>-1.76</b>	<b>-2.75</b>	<b>-0.83</b>

Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

## October 2024 Rebalancing

As of Nov. 1, 2024, the iBoxx USD Emerging Markets Corporates had a yield of 6.33%, a duration of 4.02 and OAS of 193.4.

### Exhibit 7: Rebalancing Impact

Date	Yield (%)	Duration (Years)	OAS (bps)
Oct. 31, 2024	6.28	4.02	195.40
Nov. 1, 2024	6.33	4.02	193.40

Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 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

The iBoxx USD Emerging Markets Broad Overall Index measures the performance of USD-denominated bonds issued by entities domiciled in emerging markets. To qualify for the index, bonds must have a minimum notional amount of USD 250 million and no minimum time to maturity is required. As of Oct. 31, 2024, the index had 2,997 bonds covering sovereigns, sub-sovereigns, corporates and covered bonds, and had a market value of USD 2.49 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 Oct. 31, 2024, the index included 977 bonds from 180 issuers and had a market value of USD 1.28 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 Oct. 31, 2024, the index included 2,019 bonds from 1,029 issuers and had a market value of USD 1.23 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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