

GEMs FI Strategy Watch

2024 EXD sovereign supply forecasts - just 1% inflows needed to cover net issuance

2024 EXD sovereign gross issuance forecast just \$143bn

We forecast gross issuance of \$143bn (\$71bn net of amortizations) for EM sovereign external bonds in 2024. This forecast compares to 2023's gross issuance of \$131bn (\$74bn net of amortizations and \$10bn net of amortizations, buybacks, and coupons, see Exhibit 1).

Our EM corporate analysts forecast \$244bn issuance for 2024 (\$127bn from Asia, \$79bn from EEMEA and \$38bn from LatAm), bringing the total to \$387bn of all EM external debt issuance forecast.

Also, issuance in US investment grade corporates is expected to rise by 6% to \$1.3tn, but for US high yield we forecast a -6% drop to \$165bn.

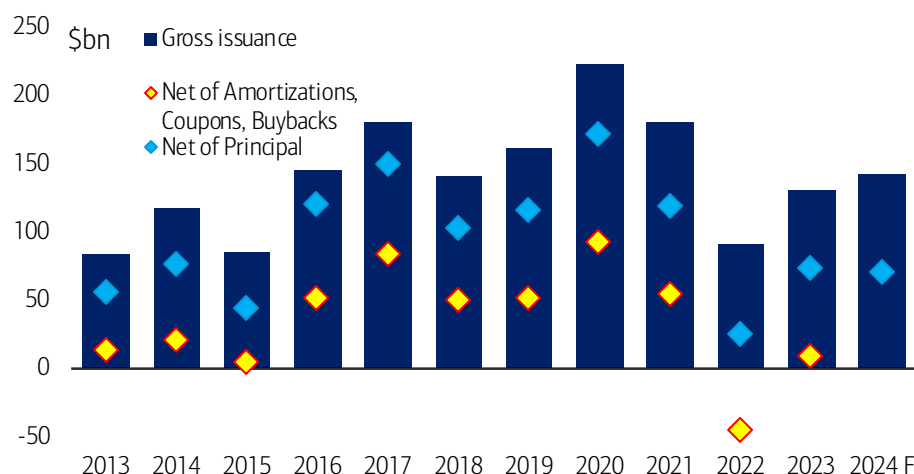
Just 1% inflows needed if coupons are reinvested

Primary markets are likely to remain bifurcated between sovereigns that have access to markets and lower-rated and distressed issuers that are locked out because issuing at prevailing yields would validate unaffordable debt.

We expect sovereign net debt issuance (gross minus principal coming due) at \$71bn, so about half of 2024's gross issuance will be rollover of scheduled principal amortizations. Additionally, if coupons are reinvested in the asset class, close to a mere 1% inflows would be needed to fund the expected net issuance.

Exhibit 1: Sovereign gross issuance forecast for 2024 is \$143bn while net issuance will be \$71bn

Sovereign gross and net issuance since 2013 (in \$bn)



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC

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GEM Fixed Income Strategy
Global

Jane Brauer

Sovereign Debt FI Strategist
BofAS
+1 646 855 9388
jane.brauer@bofa.com

Lucas Martin, CFA

Sovereign Debt FI Strategist
BofAS
+1 646 855 1731
lucas.martin@bofa.com

Merveille Paja

EEMEA Sovereign FI Strategist
MLI (UK)
+44 20 7996 6239
merveille.paja@bofa.com

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Refer to important disclosures on page 6 to 8.

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EXD Sovereign Supply Forecast

We forecast that in 2024, EM sovereigns will issue \$143bn gross and \$71bn net (excluding amortizations of \$72bn), compared to \$131bn gross and \$74bn net in 2023.

Primary markets are likely to remain bifurcated between sovereigns that have access to markets (primarily investment grade and BB-rated countries) and lower-rated and distressed issuers that are locked out because issuing at prevailing yields would validate unaffordable debt. We do not expect all-in yields to decline enough to materially change this outlook. For higher-rated issuers, we think there will be relatively subdued demand and thus ability to issue, as the average maturity of external debt issuances has been falling while the average coupon has been rising. Thus, many issuers may find that it is relatively more attractive to raise funding in local markets, especially given that external debt markets were one of the few where sovereigns could in the past issue at very long maturities.

We expect sovereign net debt issuance (gross minus principal coming due) at \$71bn. Net of coupons, our net issuance forecast is \$13. About half of 2024's gross issuance will be rollover of scheduled principal amortizations. If there are asset/liability management programs, we would expect our net issuance forecast to hold but gross issuance to increase.

Forecasted issuance is 12% of outstanding debt, but with 6% coming due and 5% of coupons being paid, we estimate that just 1% inflows will be needed in 2024 to cover the new issuance of this \$1.2tn EM sovereign external debt market. 2023 gross issuance was 11% of outstanding debt but with large fund outflows, it was a challenging year. Also, issuance in US investment grade corporates is expected to rise by 6% to \$1.3tn, but for US high yield we forecast a -6% drop to \$165bn.

Our EM corporate analysts forecast \$244bn issuance for 2024 (\$127bn from Asia, \$79bn from EEMEA and \$38bn from LatAm), bringing the total to \$387bn of all EM external debt issuance forecast.

Exhibit 2: Issuance forecast by region for \$1.2tn sovereign debt outstanding requires just 1% inflows to cover net issuance, net of maturities and coupons

Gross and net issuance forecasts by region (in USD bn)

Region	2024					2023
	Gross Issuance	Maturities	Coupons	Issuance Net of Maturities	Issuance Net of Maturities & Coupons	Gross Issuance
Asia	22	17	7	5	-2	19
EEMEA	84	51	32	33	1	81
LatAm	37	4	18	33	15	30
Total	143	72	58	71	13	131
Total % of Debt O/S	12%	6%	5%	6%	1%	11%

Source: BofA Global Research, as of 12 Dec 23

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Exhibit 3: Slightly higher debt issuance forecast for EM and US IG, but lower for US HY

Forecast and historical debt issuance Emerging Markets, US HY and US IG

Asset Class	Forecast gross issuance 2024	Gross issuance 2023	Gross issuance 2022	Gross issuance 2021	Gross issuance 2020	Gross issuance 2019	Forecast issuance net of principal 2024
EM Sov	143	131	91	180	222	161	71
EM Corp	244	227	202	507	485	450	-7
US IG	1330	1250	1200	1495	1855	1205	515
US HY	165	175	106	455	432	259	137

Source: BofA Global Research, as of 12 Dec 23. Note: Net issuance is only net of scheduled principal payments

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Exhibit 4: Gross issuance forecast for 2024 is \$143bn, while net issuance forecast is \$71bn. 2023 gross issuance was \$131bn and net issuance \$70bn.

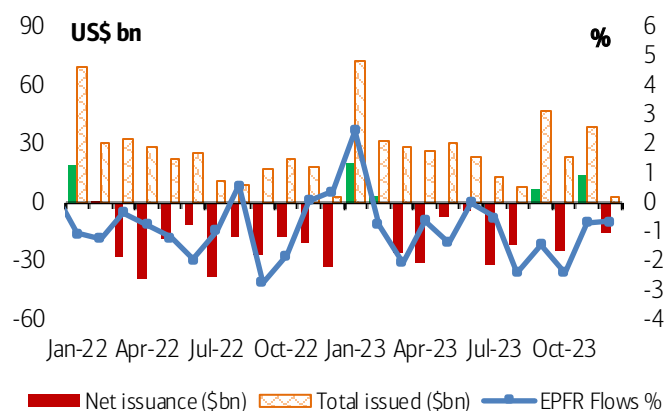
External debt issuance forecasts - Foreign currency, foreign law (in USD bn)

	Main Countries	2024 Gross Fcst	Principal due 2024	Net 2024 issuance	Increase over 2023	2023 Gross Issuance	2023 Net issuance		Main Countries	2024 Gross Fcst	Principal due 2024	Net 2024 issuance	Increase over 2023	2023 Gross Issuance	2023 Net issuance
Total	Total non-G10	143	72	71	12	131	74								
Asia Pacific		22	17	5	3	19.2	9	MEAF		10	15	-5	-4	13	5
	China	8.6	4.6	4.0	8.6	0.0	-2.8		Morocco	1.1	1.1	0.0	-1.4	2.5	2.5
	Indonesia	8.0	6.3	1.7	2.2	5.8	-0.6		Nigeria	1.0	0.0	1.0	1.0	0.0	-0.5
	Philippines	5.0	2.6	2.4	1.0	4.0	3.3		Egypt	1.5	3.3	-1.8	0.0	1.5	-0.3
	Hong Kong	0.0	1.0	-1.0	-8.2	8.2	8.2		Iraq	0.0	0.3	-0.3	0.0	0.0	-1.3
	Frontier*	0.5	2.7	-2.2	-0.8	1.3	0.7		Israel	4.0	3.9	0.1	-3.5	7.5	6.4
EM Europe		47	25	22	1	47	29		Jordan	0.0	0.0	0.0	-1.3	1.3	1.3
	Hungary	4.0	1.0	3.0	-3.1	7.1	4.8		Kenya	1.0	2.0	-1.0	1.0	0.0	0.0
	Poland	14.4	6.9	7.5	3.7	10.7	5.2		South Africa	0.0	1.5	-1.5	0.0	0.0	0.0
	Romania	11.0	3.9	7.1	0.4	10.6	9.4		Tunisia	0.0	1.3	-1.3	0.0	0.0	-0.6
	Kazakhstan	2.0	1.5	0.5	2.0	0.0	-0.5		Frontier*	1.0	1.5	-0.5	0.5	0.5	-2.1
	Serbia	1.0	0.0	1.0	-0.8	1.8	1.8	GCC		27	11	16	6	21	8
	Türkiye	10.0	8.9	1.1	0.0	10.0	3.0		Abu Dhabi	0.0	0.0	0.0	0.0	0.0	-2.0
	Frontier*	5.0	3.0	2.0	-1.6	6.6	5.0		Bahrain	4.0	2.0	2.0	2.0	2.0	0.5
LatAm		37	4	33	7	30.5	23		Dubai	2.0	0.0	2.0	2.0	0.0	-0.8
	Brazil	4.0	1.0	3.0	-0.3	4.3	2.2		Kuwait	0.0	0.0	0.0	0.0	0.0	0.0
	Chile	4.0	0.0	4.0	0.0	4.0	4.0		Qatar	5.0	2.0	3.0	5.0	0.0	-5.0
	Colombia	3.0	0.7	2.3	-1.3	4.3	3.3		Saudi Arabia	9.0	1.1	7.9	-7.0	16.0	13.0
	Costa Rica	1.0	0.0	1.0	-2.0	3.0	2.0		Oman	0.0	1.8	-1.8	0.0	0.0	-1.3
	Dominican Republic	2.5	0.0	2.5	1.8	0.7	0.0		Sharjah	3.0	0.0	3.0	1.3	1.8	1.8
	Panama	2.5	0.4	2.1	-1.4	3.9	3.9		UAE	4.0	3.8	0.3	2.5	1.5	1.5
	Mexico	16.7	0.0	16.7	9.8	6.9	6.5								
	Peru	1.5	0.0	1.5	1.5	0.0	0.0								
	Frontier*	2.0	2.3	-0.3	-1.3	3.3	1.2								

Note: Frontier Markets include: **Other LatAm:** Argentina, Aruba, Bahamas, Bolivia, El Salvador, Guatemala, Honduras, Jamaica, Ecuador, Paraguay, Suriname, Trinidad, Uruguay, Venezuela.**Other EE:** Bulgaria, Czech Republic, Georgia, Macedonia, Armenia, Albania, Azerbaijan, Tajikistan, Uzbekistan, Srpska, Ukraine, Montenegro.**Other MEAF/GCC:** Angola, Benin, Cameroon, Gabon, Ghana, Rwanda, Ethiopia, Senegal, Namibia, Tanzania, Zambia, Ivory Coast.**Other Asia:** Fiji, Malaysia, India, Korea, Pakistan, Mongolia, Singapore, Sri Lanka, Thailand, Maldives, Vietnam.**Note:** Net issuance is only net of scheduled principal payments, not buybacks/tenders nor coupons.**Source:** BofA Global Research.

Exhibit 5: Net issuance was negative in December

Gross and net monthly issuance (\$bn) and EPFR flows into EXD (%), as of Dec 31 th. Positive net issuance in green, negative in red.

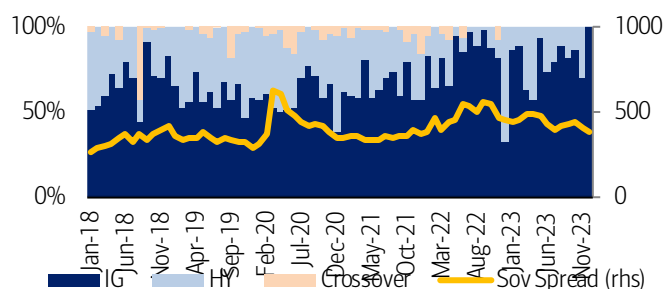


Source: BofA Global Research, Bloomberg, ICE Data indices, LLC., EPFR Global

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Exhibit 7: HY issuance had nearly disappeared by Sep'22, but has been recovering some since. Large Türkiye HY issuance dominated Dec

Monthly % of gross issuance by rating bucket and general sovereign spreads (without concessions, rhs) since Jan '18 – Dec '23

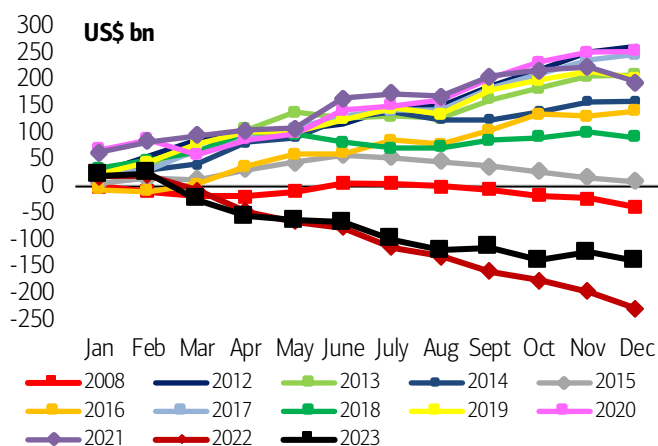


Source: BofA Global Research, Bloomberg Bond Radar, JPEIDISP Index (Sovereign spreads).

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Exhibit 9: 2023 was also negative following the 2022 worst year ever

Cumulative sov & corp net issuance in USD & EUR

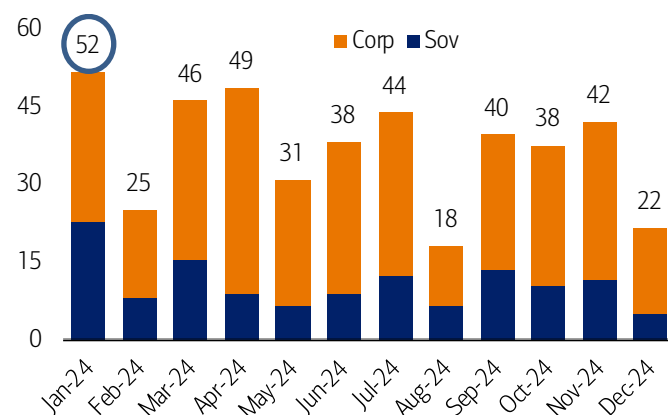


Note: Net issuance is total issuance less principal, interest and buybacks paid. Source: BofA Global Research, Bloomberg.

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Exhibit 6: Jan debt service payment will be \$52bn.

Debt service payment (EM Corporate, EMCB, and Sovereign, EMGB)

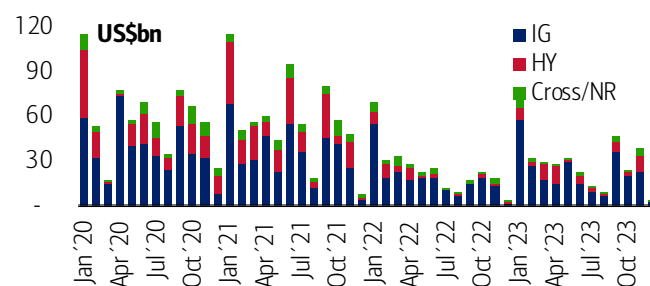


Source: BofA Global Research, Bloomberg, ICE Data indices, LLC

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Exhibit 8: Very low Dec with large IG component

Monthly gross issuance by rating since Jan '20 – Dec '23 MTD

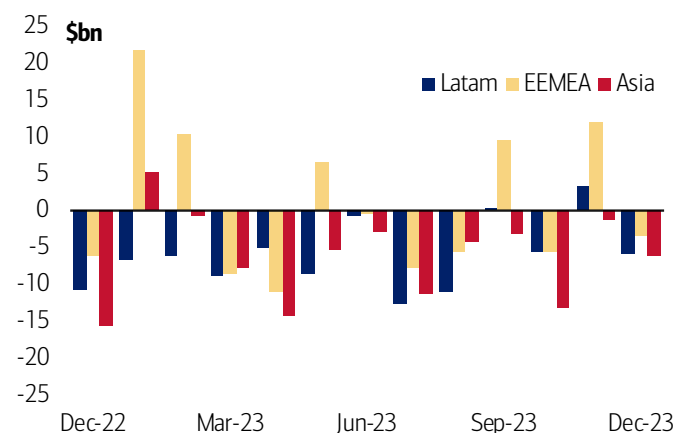


Source: BofA Global Research, Bloomberg Bond Radar.

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Exhibit 10: Net issuance negative across all regions in December

Monthly net issuance by region



Note: Net issuance is total issuance less principal, interest and buybacks paid. Source: BofA Global Research, Bloomberg.

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information.



Research Analysts

Asia FI/FX Strategy & Economics

Helen Qiao

China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 3961
helen.qiao@bofa.com

Claudio Piron

Emerging Asia FI/FX Strategist
Merrill Lynch (Singapore)
+65 6678 0401
claudio.piron@bofa.com

Adarsh Sinha

FX Strategist
Merrill Lynch (Hong Kong)
+852 3508 7155
adarsh.sinha@bofa.com

Jojo Gonzales ^^

Research Analyst
Philippine Equity Partners
jojo.gonzales@pep.com.ph

Abhay Gupta

Emerging Asia FI/FX Strategist
Merrill Lynch (Singapore)
abhay.gupta2@bofa.com

Pipat Luengnaruemitchai

Emerging Asia Economist
Kiatnakin Phatra Securities
pipat.luen@kkpfg.com

Miao Ouyang

China & Asia Economist
Merrill Lynch (Hong Kong)
miao.ouyang@bofa.com

Xiaoqing Pi

China Economist
Merrill Lynch (Hong Kong)
xiaoqing.pi@bofa.com

Benson Wu

China & Korea Economist
Merrill Lynch (Hong Kong)
benson.wu@bofa.com

Ting Him Ho, CFA

Asia Economist
Merrill Lynch (Hong Kong)
tinghim.ho@bofa.com

Janice Xue

Emerging Asia FI/FX Strategist
Merrill Lynch (Hong Kong)
janice.xue@bofa.com

EEMEA Cross Asset Strategy, Econ

David Hauner, CFA >>

Global EM FI/FX Strategist
MLI (UK)
+44 20 7996 1241
david.hauner@bofa.com

Mai Doan

CEE Economist
MLI (UK)
mai.doan@bofa.com

Zumrut Imamoglu

Turkey & Israel Economist
MLI (UK)
zumrut.imamoglu@bofa.com

Vladimir Osakovskiy >>

EM Sovereign FI/EQ strategist
Merrill Lynch (DIFC)
vladimir.osakovskiy@bofa.com

Jean-Michel Saliba

MENA Economist/Strategist
MLI (UK)
jean-michel.saliba@bofa.com

Merveille Paja

EEMEA Sovereign FI Strategist
MLI (UK)
merveille.paja@bofa.com

Mikhail Liluashvili

EEMEA Local Markets Strategist
MLI (UK)
mikhail.liluashvili@bofa.com

Tatonga Rusike

Sub-Saharan Africa Economist
MLI (UK)
tatonga.rusike@bofa.com

LatAm FI/FX Strategy & Economics

Claudio Irigoyen

Global Economist
BofAS
+1 646 855 1734
claudio.irigoyen@bofa.com

David Beker >>

Bz Econ/FI & LatAm EQ Strategy
Merrill Lynch (Brazil)
+55 11 2188 4371
david.beker@bofa.com

Jane Brauer

Sovereign Debt FI Strategist
BofAS
+1 646 855 9388
jane.brauer@bofa.com

Carlos Capistran

Canada and Mexico Economist
BofAS
+1 646 743 2921
carlos.capistran@bofa.com

Pedro Diaz

Caribbean Economist
BofAS
pdiaz2@bofa.com

Christian Gonzalez Rojas

LatAm Local Markets Strategist
BofAS
christian.gonzalezrojas@bofa.com

Lucas Martin, CFA

Sovereign Debt FI Strategist
BofAS
lucas.martin@bofa.com

Alexander Müller

Andean(ex-Ven) Carib Economist
BofAS
alexander.muller@bofa.com

Natacha Perez

Brazil Economist
Merrill Lynch (Brazil)
natacha.perez@bofa.com

Sebastian Rondeau

LatAm FI/FX Strategist
BofAS
sebastian.rondeau@bofa.com

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