

## EM Corporate Strategy

# Distress Update: Share of distressed debt falls in a positive signal for default outlook

## Strong positive performance by EM Distressed YTD +13%

EM distressed corps (+13%) outperformed EM HY YTD (+1%), with distressed credits in Chile, India, Singapore outperforming, returning 29% to 36% YTD. The rally was broad, with positive returns YTD for 83% of distressed names and a median return of 8% YTD.

## Distressed O/S fell to 11.3% of HY, below historical avg

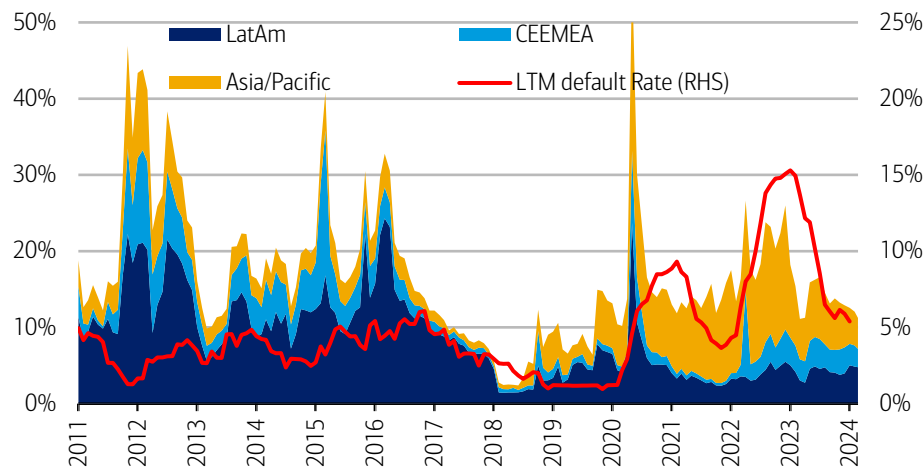
EM Corporate distressed bonds—with distress defined as OAS >1,000bps—shrank to 11.3% from 12.6% YTD as a share of EM Corp HY Face Value. This is below the average of 16.9% since 2011 and was driven 20 formerly distressed bonds tightening, gaining an average of +9.7pts in price YTD. Following the rally since October, HY spreads are tight at 492bps (11<sup>th</sup> percentile since 2011); but also HY yield is high at 9.0% (71<sup>st</sup> percentile).

## Despite high rates, less distressed O/S means low defaults

The low share of distressed bonds is positive for the default outlook. Since 2011, when the distressed O/S as % of HY fell below 12%, the average 12-mo forward default rate was 2.4%, lower than the average default rate of 3.6% over the same period. Our 2024E default rate forecast is also below the LT average at 3.1% ([see our Year Ahead report](#)).

### Exhibit 3: EM Corporate Distressed Debt as % of total EM Corporate HY Face Value by Region

The reduction in distressed bonds (OAS>1,000bps) YTD is primarily due to spreads tightening



Source: BofA Global Research, ICE Data Indices LLC

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## Majority of distressed bonds in China, Argentina, Ukraine

Distressed debt is concentrated in three sectors and regions: Chinese Real Estate with \$7.4bn in HY and \$1.7bn in IG, Argentine provinces with \$8.8bn, and Ukrainian Corporates with \$6.2bn. Finally, LatAm Telecom continues to have a relatively high amount of distressed debt, totaling \$4.2bn in Face Value.

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

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Refer to important disclosures on page 8 to 10.

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EM Corporate Strategy  
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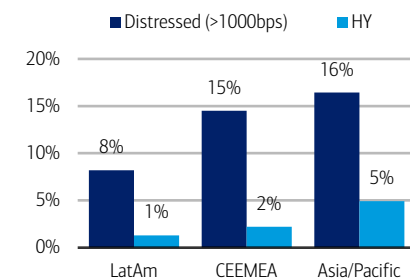
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### Exhibit 1: Distressed vs HY TRR % YTD

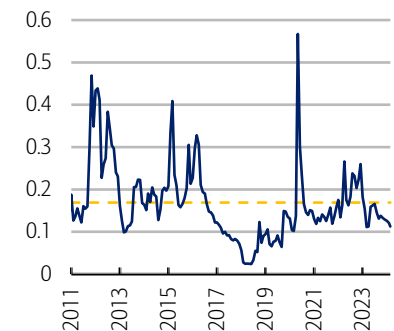
EM Distressed bonds outperformed HY YTD



Source: BofA Global Research, ICE Data Indices LLC  
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### Exhibit 2: EM Distressed as % share of HY

Share at 11.3% vs 16.9% avg since 2011



Source: BofA Global Research, ICE Data Indices LLC  
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We define distress as >1,000bps.

TRR = Total Rate of Return

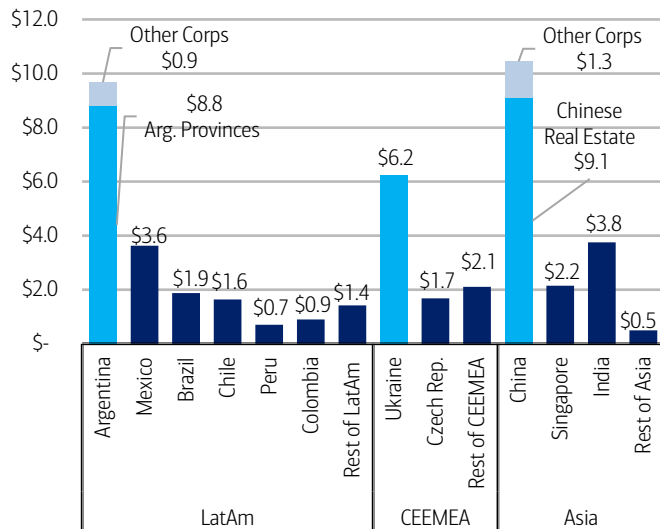
See list of abbreviations in appendix

## EM Distressed concentrated in China, Argentina, Ukraine

Chinese Property is no longer the by-far highest concentration in EM distressed debt, as the sector's Face Value that is included in the index has thinned due to a high rate of defaults.

### Exhibit 4: Distressed bonds outstanding by country (USD\$ bn)

Majority of distressed bonds outstanding in China, Argentina, Ukraine

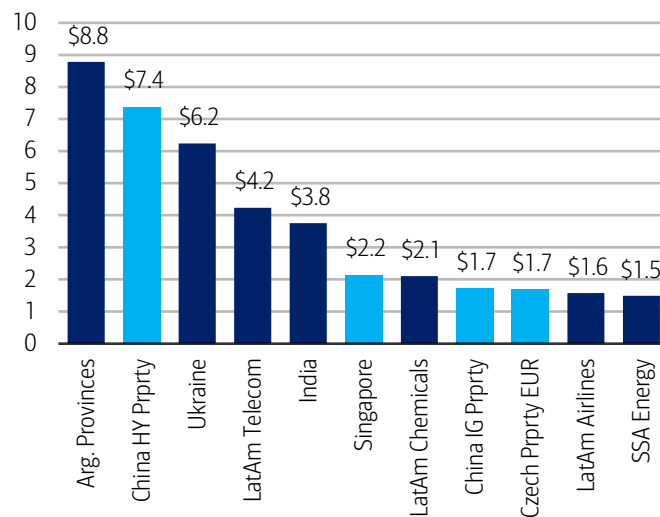


Source: BofA Global Research, ICE Data Indices LLC

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### Exhibit 5: Distressed Face Value by sector/theme (USD\$ bn)

Property (in China, Czech R, Singapore) is the largest sector concentration



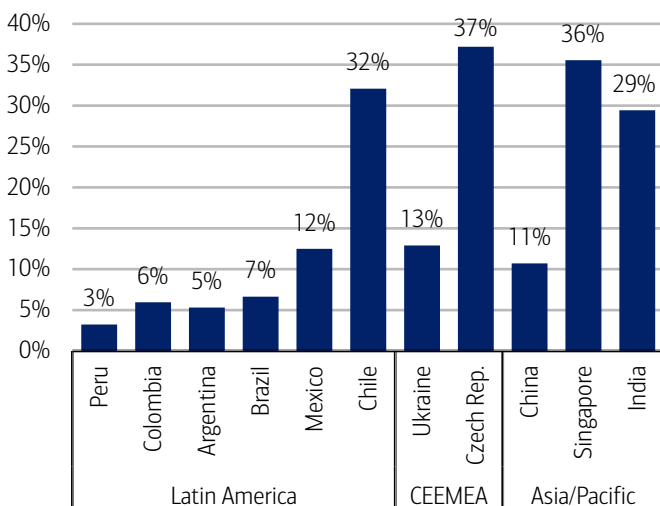
Source: BofA Global Research, ICE Data Indices LLC

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Top distressed performers YTD by country were Czech Rep. (CPI Property Group), Chile (driven by VTR), India (Vedanta), Singapore (GLP). In addition to those names, top performers by sector were LatAm Chemicals.

### Exhibit 6: TRR % YTD of distressed bonds, by country

Top distressed performers YTD: Czech Real Estate, Singapore, Chile

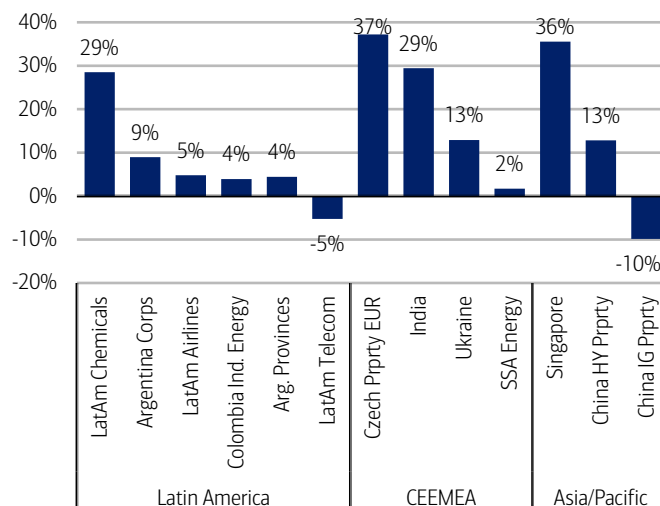


Source: BofA Global Research, ICE Data Indices LLC

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### Exhibit 7: TRR % YTD of distressed bonds, by sector/theme

Top distressed performers YTD: Czech/Singapore Property, LatAm Chemicals



Source: BofA Global Research, ICE Data Indices LLC

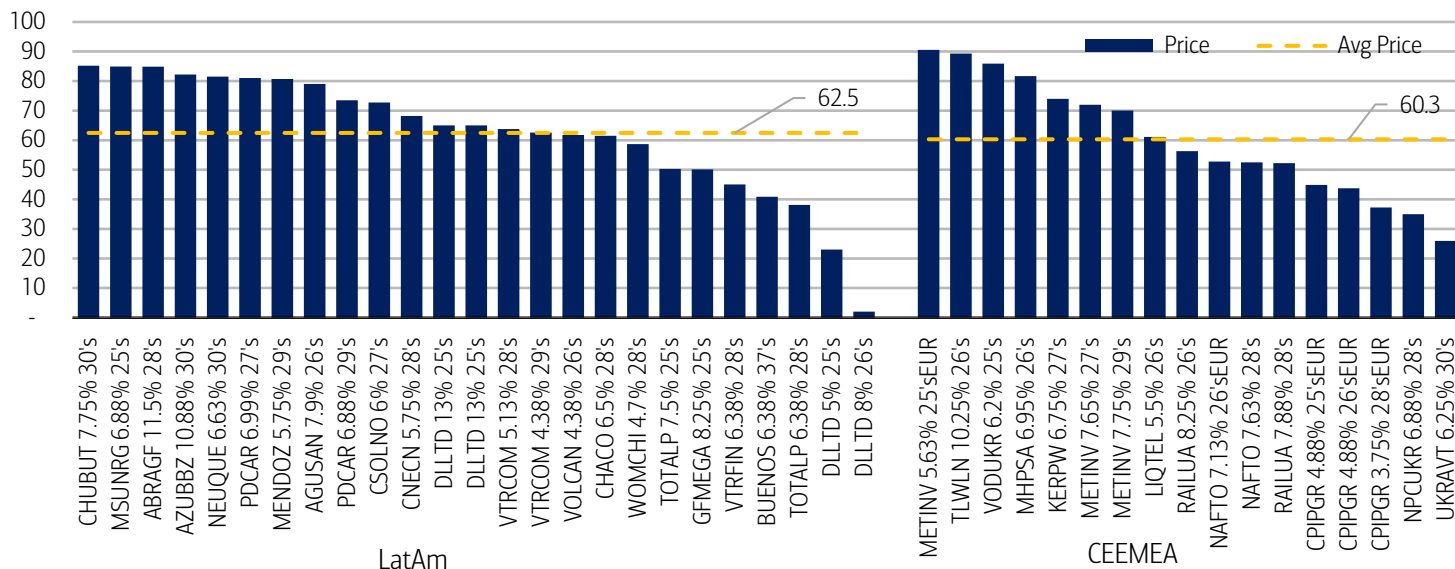
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Top performers globally were VTR Finance (+72%), CPI Property Group (+36%), UPC Ukrenegro (+34% YTD), Vedanta Resources (+29% YTD). Bottom performers were Gol (-30% YTD), Vanke (-11% YTD), Longfor (-6% YTD) and Volcan (-6% YTD).

## EM Distressed Corporate bonds trade at \$60 on average

### Exhibit 8: Prices of distressed bonds in LatAm and CEEMEA

Low prices imply higher probabilities of default or lower recoveries

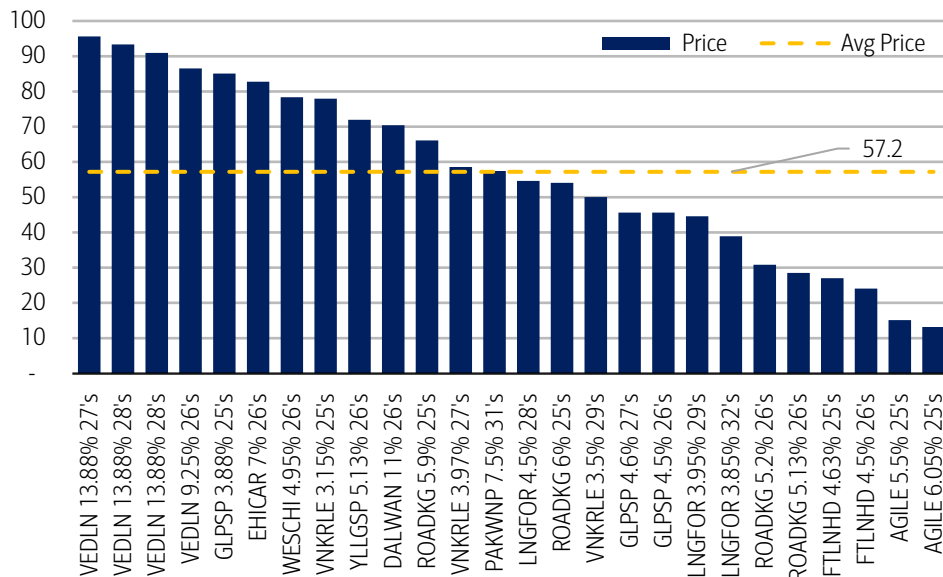


Source: BofA Global Research, ICE Data Indices LLC

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### Exhibit 9: Prices of distressed bonds in Asia Pacific

Low prices imply higher probabilities of default or lower recoveries



Source: BofA Global Research, ICE Data Indices LLC

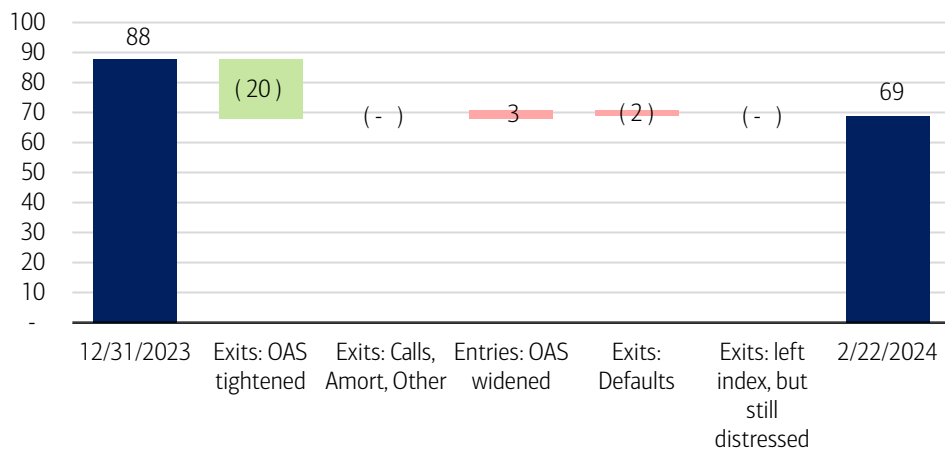
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## The distressed population shrank as spreads tightened

Year-to-date, 20 EM corporate distressed bonds tightened to levels <1,000bps, exiting distress.

### Exhibit 10: Bonds in distress fell to 69 from 88 YTD, mainly due to spreads tightening (20 bonds)

Attribution of the change in the number of distressed bonds YTD to contributing factors.



Source: BofA Global Research, ICE Data Indices LLC

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### Exhibit 11: EM Corporate bonds that left the distressed cohort YTD because their spreads tightened <1,000bps

Distressed bonds are defined as the subset of EMCB bonds with OAS >1,000bps. As of 2/22/2024.

Name	Issuer	Rating: S&P/ Fitch / Moody's	Country	Sector	Face Value (\$mn)	Mat. Date	YTW	OAS	Price	Price YTD chg
Latin America										
ALBAAR 9.88% 27's	Generacion Mediterranea SA	/CCC/	Argentina	Utilities	307	12/1/27	12.6%	815	92.0	4.4
FECCN 7.88% 28's	Frontera Energy Corp.	B+/B/	Colombia	Energy	400	6/21/28	14.3%	986	79.8	5.0
TELEFO 4.95% 30's	Colombia Telecomunicaciones	B/BBB-/	Colombia	Telecom	500	7/17/30	12.7%	836	66.8	4.9
KIONET 7.5% 25's	SixSigma Networks Mexico	B+ /B2	Mexico	Technology	300	5/2/25	11.2%	632	95.9	4.5
CEEMEA										
CPIPGR 1.75% 30'sEUR	CPI Property Group S.A.	BBB-/ /Baa3	Czech Republic	Real Estate	760	1/14/30	8.7%	614	69.0	12.5
GTCAPW 2.25% 26'sEUR	GTC Aurora Luxembourg SA	/BB+/WR	Poland	Real Estate	543	6/23/26	9.0%	606	86.3	12.8
MHPSA 6.25% 29's	MHP Lux S.A.	CCC/C/	Ukraine	Food	350	9/19/29	13.7%	932	71.7	5.6
Asia/Pacific										
CPDEV 3.85% 25's	Central Plaza Development Ltd.	/BB+/	China	Agencies/Quasi	450.0	7/14/25	12.3%	744	89.5	5.2
CPDEV 4.65% 26's	Central Plaza Development Ltd.	/BBB-/	China	Agencies/Quasi	500.0	1/19/26	14.0%	926	84.8	4.8
FOSUNI 5.95% 25's	Fortune Star (BVI) Limited	BB-/ /	China	Capital Goods	700.0	10/19/25	11.2%	643	92.2	9.7
FOSUNI 5% 26's	Fortune Star (BVI) Limited	BB-/ /	China	Capital Goods	500.0	5/18/26	12.1%	744	86.5	14.3
FOSUNI 3.95% 26'sEUR	Fortune Star (BVI) Limited	BB-/ /WR	China	Capital Goods	4.0	10/2/26	12.3%	956	81.9	21.8
FOSUNI 5.05% 27's	Fortune Star (BVI) Limited	BB-/ /	China	Capital Goods	5.1	1/27/27	13.0%	842	81.2	15.5
GRNCH 4.7% 25's	Greentown China Holdings Ltd.	/ /Ba3	China	Real Estate	4.7	4/29/25	13.5%	853	90.7	4.0
GRNCH 5.65% 25's	Greentown China Holdings Ltd.	/ /Ba3	China	Real Estate	5.7	7/13/25	14.4%	957	89.3	4.6
PINGRE 3.25% 25's	Fuqing Investment Mgt Ltd.	/ /Ba2	China	Real Estate	3.3	6/23/25	9.8%	492	92.0	12.0
PINGRE 3.45% 26's	Pingan Real Estate Capital Ltd.	/ /Ba2	China	Real Estate	3.5	7/29/26	12.8%	821	81.0	12.0
ASRIJ 12% 25's	PT Alam Sutera Realty TBK	/ /Caa1	Indonesia	Real Estate	12.0	11/2/25	12.2%	679	99.7	7.5

Source: BofA Global Research, ICE Data Indices LLC

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Only three bonds entered distress YTD, all three in LatAm.

### Exhibit 12: EM Corporate bonds that entered the distressed cohort YTD because their spreads widened >1,000bps

Two Argentine Provinces and one Colombian Energy Independent entered distress since the beginning of the year. As of 2/22/2024.

Name	Issuer	Rating: S&P/ Fitch / Moody's	Country	Sector	Face Value (\$mn)	Mat. Date	YTW	OAS	Price	Price chg YTD
Latin America										
MENDOZ 5.75% 29's	Province of Mendoza	CCC-/ /Ca	Argentina	Agencies/Quasi	499	3/19/29	16%	1,122	80.7	(4)
NEUQUE 6.63% 30's	Neuquen (Province Of)	CCC-/CC/	Argentina	Agencies/Quasi	377	4/27/30	11%	1,053	81.5	(4)
CNECN 5.75% 28's	Canacol Energy Ltd	BB-/BB-/B1	Colombia	Energy	500	11/24/28	15%	1,104	68.2	(5)
CEEMEA										

Asia/Pacific

Source: BofA Global Research, ICE Data Indices LLC

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### Exhibit 13: Defaulted issuers YTD

In January there were four issuer defaults, not all in the index.

Default Month	Ticker	Issuer	Region	Country	Sector	Reason	# of Bonds (in index)	index face value (USD \$mn)
Latin America								
Jan 2024	GOLLBZ	Gol Finance SA	Latin America	Brazil	Transportation	Bankruptcy	2	1,000
Jan 2024	ENJOY	Enjoy SA	Latin America	Chile	Gaming	Bankruptcy	1	204
CEEMEA								
Asia/Pacific								
Jan 2024	LMRTSP	LMIRT Capital	Asia/Pacific	Singapore	Real Estate	Distressed Exchange	1	188
Jan 2024	VEDLN	Vedanta Resources	Asia/Pacific	India	Materials	Distressed Exchange	4	3,751

Source: BofA Global Research, ICE Data Indices LLC

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## Full List of EM Corporate Distressed bonds

### Exhibit 14: The largest groups in distressed EM Corporates are Chinese Property, Argentina, Ukraine, and LatAm Telecom

List of EM Corporate bonds trading >1,000bps as of 2/22/2024

Name	Issuer	Rating: S&P/ Fitch / Moody's	Country	Sector	Face Value (\$mn)	Maturity Date	YTW	Price	OAS
Latin America									
BUENOS 6.38% 37's	Provincia de Buenos Aires	CCC-/ /Ca	Argentina	Agencies/Quasi	6,202	9/1/37	28%	40.9	1,545
CHACO 6.5% 28's	Chaco(Province Of)	/CC/Ca	Argentina	Agencies/Quasi	263	2/18/28	37%	61.5	3,230
CHUBUT 7.75% 30's	Provincia del Chubut	/CC/Ca	Argentina	Agencies/Quasi	470	7/26/30	15%	85.2	1,117
MENDOZ 5.75% 29's	Province of Mendoza	CCC-/ /Ca	Argentina	Agencies/Quasi	499	3/19/29	16%	80.7	1,122
NEUQUE 6.63% 30's	Neuquen (Province Of)	CCC-/CC/	Argentina	Agencies/Quasi	377	4/27/30	11%	81.5	1,053
PDCAR 6.99% 27's	Provincia De Cordoba	/CCC+/Ca	Argentina	Agencies/Quasi	516	6/1/27	17%	81.0	1,232
PDCAR 6.88% 29's	Provincia De Cordoba	/CCC+/Ca	Argentina	Agencies/Quasi	456	2/1/29	16%	73.5	1,137
AGUSAN 7.9% 26's	Agua y Saneamientos Arg.	/CCC-/	Argentina	Utilities	294	5/1/26	33%	79.0	2,788
MSUNRG 6.88% 25's	Rio Energy SA	/CCC/Caa3	Argentina	Utilities	600	2/1/25	26%	84.9	2,080
CORURI 10% 27's	Coruipre Netherlands BV	B-/ /B3	Brazil	Energy	300	2/10/27	15%	89.3	1,002
ABRAGF 11.5% 28's	Abra Global Finance	/ /Caa3	Brazil	Financials	1,004	3/2/28	17%	84.9	1,238
AZUBBZ 10.88% 30's	Azul Secured Finance LLP	/B-/Caa1	Brazil	Transportation	570	5/28/30	15%	82.2	1,129
VTRCOM 5.13% 28's	VTR Comunicaciones SpA	CCC/CC/Caa1	Chile	Media	474	1/15/28	19%	63.7	1,419
VTRCOM 4.38% 29's	VTR Comunicaciones SpA	CCC/CC/Caa1	Chile	Media	392	4/15/29	15%	62.6	1,073
VTRFIN 6.38% 28's	VTR Finance N.V.	CCC-/C/Caa3	Chile	Media	483	7/15/28	29%	45.0	2,505
WOMCHI 4.7% 28's	Kenbourne Invest S.A.	B/B-/Caa1	Chile	Telecom	290	1/22/28	21%	58.7	1,613
CNECN 5.75% 28's	Canacol Energy Ltd	BB-/BB-/B1	Colombia	Energy	500	11/24/28	15%	68.2	1,104
DLLTD 13% 25's	Digicel Int. Finance	/C/Caa3	Jamaica	Telecom	381	12/31/25	45%	65.0	3,712
DLLTD 8% 26's	Digicel Int. Finance	/C/Caa3	Jamaica	Telecom	250	12/31/26	>100%	2.0	>10,000
DLLTD 13% 25's	Digicel Int. Finance	/ /	Jamaica	Telecom	351	12/31/25	41%	65.0	3,684



**Exhibit 14: The largest groups in distressed EM Corporates are Chinese Property, Argentina, Ukraine, and LatAm Telecom**

List of EM Corporate bonds trading &gt;1,000bps as of 2/22/2024

Name	Issuer	Rating: S&P/ Fitch / Moody's	Country	Sector	Face Value (\$mn)	Maturity		YTW	Price	OAS
						Date				
DLLTD 5% 25's	Digicel Group 0.5 Limited	/C/Ca	Jamaica	Telecom	438	4/1/25	>100%	23.0	>10,000	
GFMEGA 8.25% 25's	Operadora De Servicios Mega	CCC+/ /Caa1	Mexico	Financials	352	2/11/25	>100%	50.1	9,454	
TOTALP 7.5% 25's	Total Play	/B-/Caa2	Mexico	Telecom	575	11/12/25	56%	50.3	5,130	
TOTALP 6.38% 28's	Total Play	/B-/Caa2	Mexico	Telecom	600	9/20/28	34%	38.1	2,954	
CSOLNO 6% 27's	Camposol S.A.	/B/Caa1	Peru	Food	339	2/3/27	18%	72.8	1,383	
VOLCAN 4.38% 26's	Volcan Compania Minera	/CCC-/Caa3	Peru	Metals & Mining	365	2/11/26	32%	61.8	2,732	
<b>CEEMEA</b>										
CPIPGR 4.88% 26'sEUR	CPI Property Group S.A.	BB/ /Ba2	Czech Republic	Real Estate	570	11/16/26	17%	43.7	1,339	
CPIPGR 4.88% 25'sEUR	CPI Property Group S.A.	BB/ /Ba2	Czech Republic	Real Estate	597	10/16/25	16%	44.9	1,266	
CPIPGR 3.75% 28'sEUR	CPI Property Group S.A.	BB/ /Ba2	Czech Republic	Real Estate	516	7/27/28	15%	37.3	1,187	
TLWLN 10.25% 26's	Tullow Oil	B-/ /Caa1	Ghana	Energy	1,485	5/15/26	17%	89.3	1,203	
LIQTEL 5.5% 26's	Liquid Telecom. Fin. plc	/B/B3	Mauritius	Telecom	620	9/4/26	28%	61.1	2,334	
NPCUKR 6.88% 28's	Ukrenergo	/CC/Ca	Ukraine	Agencies/Quasi	825	11/9/28	37%	35.0	5,173	
UKRAVT 6.25% 30's	State Road Agency Ukr. Ukravtodor	CCC/ /	Ukraine	Agencies/Quasi	700	6/24/30	55%	26.0	5,012	
NAFTO 7.63% 28's	Kondor Finance plc	/C/	Ukraine	Energy	500	11/8/28	25%	52.5	2,108	
NAFTO 7.13% 26'sEUR	Kondor Finance plc	/C/	Ukraine	Energy	652	7/19/26	>100%	52.8	>10,000	
KERPW 6.75% 27's	Kernel Holding SA	CC/C/	Ukraine	Food	300	10/27/27	16%	74.0	1,199	
MHPSA 6.95% 26's	MHP Lux S.A.	CCC/C/	Ukraine	Food	550	4/3/26	18%	81.7	1,307	
METINV 7.75% 29's	Metinvest B.V.	CCC+/CCC/	Ukraine	Metals & Mining	500	10/17/29	16%	70.0	1,164	
METINV 7.65% 27's	Metinvest B.V.	CCC+/CCC/	Ukraine	Metals & Mining	333	10/1/27	19%	72.0	1,420	
METINV 5.63% 25'sEUR	Metinvest B.V.	CCC+/CCC/	Ukraine	Metals & Mining	276	6/17/25	14%	90.5	1,051	
VODUKR 6.2% 25's	Vfu Funding PLC	CCC+/CCC-/	Ukraine	Telecom	359	2/11/25	23%	85.9	1,818	
RAILUA 8.25% 26's	Rail Capital Markets Plc	/CC/	Ukraine	Transportation	595	7/9/26	38%	56.3	>10,000	
RAILUA 7.88% 28's	Rail Capital Markets Plc	/CC/	Ukraine	Transportation	300	7/15/28	27%	52.3	3,641	
<b>Asia/Pacific</b>										
EHICAR 7% 26's	EHi Car Services Ltd.	/ /	China	Commercial Services	300	9/21/26	15%	82.8	1,075	
AGILE 6.05% 25's	Agile Group Holdings Ltd.	/ /Caa2	China	Real Estate	483	10/13/25	>100%	13.2	>10,000	
AGILE 5.5% 25's	Agile Group Holdings Ltd.	/ /Caa2	China	Real Estate	314	4/21/25	>100%	15.1	>10,000	
DALWAN 11% 26's	Wanda Properties Global Co Ltd	/CC/Ca	China	Real Estate	300	2/13/26	32%	70.4	2,768	
FTLNHD 4.63% 25's	New Metro Global Limited	/ /B3	China	Real Estate	300	10/15/25	>100%	27.0	>10,000	
FTLNHD 4.5% 26's	New Metro Global Limited	/ /B3	China	Real Estate	404	5/2/26	89%	24.1	8,410	
LNGFOR 4.5% 28's	Longfor Group Holdings Ltd.	/BBB-/Ba2	China	Real Estate	500	1/16/28	23%	54.6	1,821	
LNGFOR 3.85% 32's	Longfor Group Holdings Ltd.	BB+/BBB-/Ba2	China	Real Estate	400	1/13/32	19%	38.9	1,487	
LNGFOR 3.95% 29's	Longfor Group Holdings Ltd.	BB+/BBB-/Ba2	China	Real Estate	850	9/16/29	21%	44.6	1,714	
ROADKG 6% 25's	RKPF Overseas 2019 (A) Ltd.	/ /Caa1	China	Real Estate	339	9/4/25	54%	54.0	4,884	
ROADKG 5.9% 25's	RKPF Overseas 2019 (A) Ltd.	/ /Caa1	China	Real Estate	300	3/5/25	52%	66.1	4,758	
ROADKG 5.2% 26's	RKPF Overseas 2020 A Ltd.	/ /Caa1	China	Real Estate	500	1/12/26	84%	30.8	7,993	
ROADKG 5.13% 26's	RKPF Overseas 2020 A Ltd.	/ /Caa1	China	Real Estate	500	7/26/26	71%	28.5	6,637	
VNKRLE 3.97% 27's	Vanke Real Estate (Hong Kong) Co Ltd	BBB/BBB/Ba1	China	Real Estate	1,000	11/9/27	20%	58.6	1,598	
VNKRLE 3.15% 25's	Vanke Real Estate (Hong Kong) Co Ltd	BBB/BBB/Ba1	China	Real Estate	423	5/12/25	25%	78.0	2,037	
VNKRLE 3.5% 29's	Vanke Real Estate (Hong Kong) Co Ltd	BBB/BBB/Ba1	China	Real Estate	300	11/12/29	18%	50.0	1,343	
WESCHI 4.95% 26's	West China Cement Ltd.	/BB-/Ba3	China	Real Estate	600	7/8/26	16%	78.3	1,170	
YLLGSP 5.13% 26's	Yanlord Land (HK) Co. Ltd.	/ /B2	China	Real Estate	500	5/20/26	22%	72.0	1,690	
VEDLN 13.88% 28's	Vedanta Resources Ltd.	CCC+/ /Ca	India	Metals & Mining	951	12/9/28	17%	91.0	2,316	
VEDLN 9.25% 26's	Vedanta Resources Finance II PLC	CCC+/ /Ca	India	Metals & Mining	600	4/23/26	17%	86.5	1,226	
VEDLN 13.88% 27's	Vedanta Resources Finance II PLC	/ /	India	Metals & Mining	1,000	1/21/27	16%	95.6	1,115	
VEDLN 13.88% 28's	Vedanta Resources Finance II PLC	CCC+/ /	India	Metals & Mining	1,200	12/9/28	16%	93.3	1,112	
PAKWNP 7.5% 31's	Pakistan Water & Power Dev. Authority	CCC+/CCC/	Pakistan	Utilities	500	6/4/31	18%	57.4	1,397	
GLPSP 4.6% 27's	Global Logistic Properties Ltd	/B+/	Singapore	Real Estate	300	6/29/27	15%	45.6	1,065	
GLPSP 4.5% 26's	Global Logistic Properties Ltd	/B+/	Singapore	Real Estate	850	5/17/26	15%	45.6	1,133	
GLPSP 3.88% 25's	Global Logistic Properties Ltd	/BB/WR	Singapore	Real Estate	1,000	6/4/25	17%	85.1	1,244	
GLPSP 3.88% 25's	Global Logistic Properties Ltd	/BB/WR	Singapore	Real Estate	1,000	6/4/25	17%	85.1	1,252	

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

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## Appendix – list of common abbreviations

% chg	percent change
4Q	Fourth Quarter
AT1	Additional Tier 1 Capital
AUM	Assets Under Management
CB	central banks
CEEMEA	Central Eastern Europe, Middle East, Africa
chg	change (simple difference)
CoCos	Contingent Convertibles
EBITDA	Earnings before Interest, Tax, Depreciation, Amortization
EM	Emerging Markets
Fed	The Federal Reserve
GCC	Gulf Cooperation Council
GFC	Global Financial Crisis
HG	High Grade
HY	High Yield
IG	Investment Grade
LatAm	Latin America
LGFV	Local Government Financing Vehicles (China)
LHS	Left Hand Side
LTM	Last Twelve Months
MTD	Month to Date
NY	New York
OAS	Option Adjusted Spread
Quasis	Quasi Sovereign Corporations
Prprty	Property (Real Estate)
RHS	Right Hand Side
T2	Tier 2 Capital
TRR	Total Rate of Return
Turns of leverage	Multiples (of LTM Leverage)
US	United States
USD	United States Dollar
YTW	Yield to Worst

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