

EMERGING MARKETS

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Local EM indices were September's big winners

The external EM indices were relatively flat on the month – holding up better than the global investment grade indices, but not quite as well as high yield. But the real winners in the global markets were the local EM indices, which were up around 1% each as decent bond market gains were more than matched by FX gains. (p 2)

12-month information ratios favor external corporates over sovereigns

A comparison of rolling 12-month excess returns indicates that it is the external sovereign index that has the upper hand, coming out on top almost two-thirds of the time. But the comparison of rolling 12-month information ratios shows the exact opposite, with external corporates on top almost two-thirds of the time. (p 2)

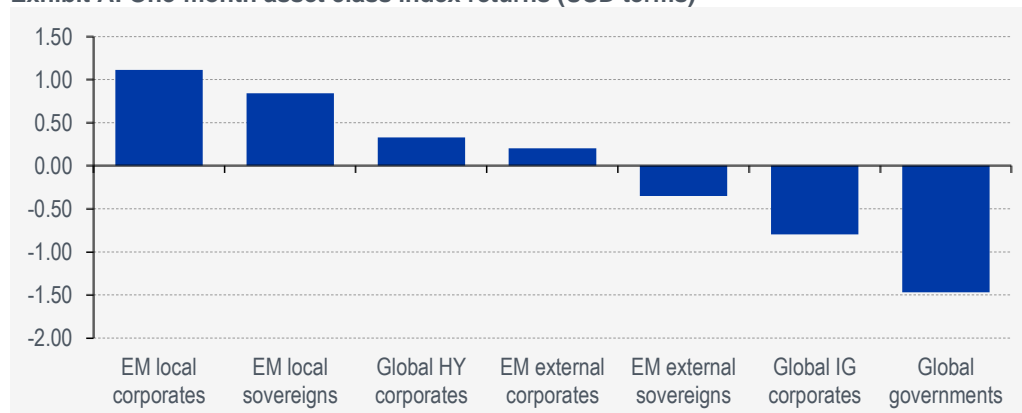
Asia lagged the other regions across all four of the EM indices

The Asian currency markets largely held their own in September, posting gains that were a little lower than EMEA but better than LatAm. However, Asian bond market returns were significantly lower than the other regions. (p 3)

Enhanced rebalancing preview information now available

We will now be publishing daily rebalancing previews starting on the 15th of each month. Previously, preview files were only available on the last three days of the month, so this change gives investors significantly more time to monitor anticipated changes in the index constituencies as they evolve. (p 14)

Exhibit A: One-month asset class index returns (USD terms)



Overview

In the global fixed income markets, the local EM indices were September's big winners.

September saw mixed results across the Emerging Markets. The external indices were relatively flat on the month – holding up better than the global investment grade indices, but not quite as well as high yield (Exhibit A). But the real winners in the global markets were the local EM indices, which were up around 1% each as decent bond market gains were more than matched by FX gains. For the year, the external and local EM roles are reversed with the external indices toward the top of the global rankings, each with a roughly 10% USD return, while the local indices place toward the bottom of the list with USD returns in the 7-8% range.

Somewhat surprisingly given their IG ratings, there is not much of a gap between the income return of the EM external indices and global high yield.

The EM external Sovereign index has jumped to the top of the 2019 YTD rankings largely on the strength of its curve performance (+7.31%). With a 7.71 year duration, the EM external Sovereign index has taken full advantage of 2019's Treasury and Bund curve rallies (95bp and 83bp, respectively). By comparison, the EM external Corporate index, with a 4.91 year duration, gained 2.76% less than its Sovereign peer from curve factors. And the Global High Yield Index (3.42 year duration) gained less than half as much from the curve. On the other hand, the EM external Sovereign index spread performance has been flat on the year, while the other indices have gained 2-3.5% from spread tightening. Notably, there is not much of a gap between the income return of the two EM external indices and global high yield. That is a little surprising given that the EM external Sovereign index has a BBB3 average rating, and the EM external corporate index has a BBB2 average rating, as compared to a B1 average rating for Global High Yield.

Exhibit B: External EM vs Global IG/HY 2019 YTD return factors
(local currency terms)

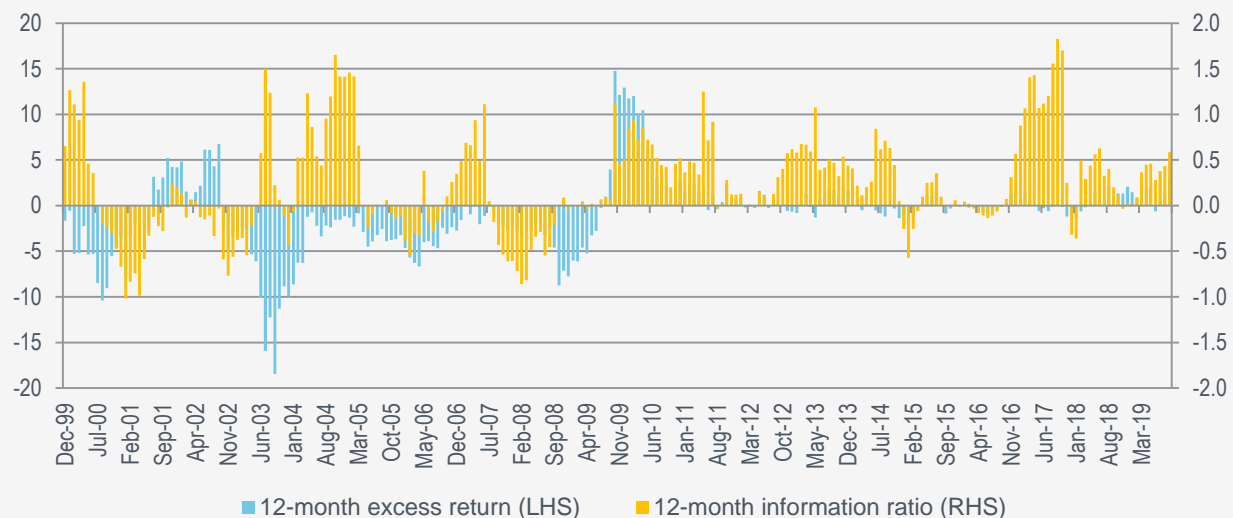
	Global IG Corp	Global HY	EM ext. Sov	EM ext. Corp
Income	2.34%	4.38%	3.88%	3.71%
Curve	5.91%	3.14%	7.31%	4.55%
Spread	2.63%	3.53%	0.03%	1.96%
Total	10.86%	10.87%	11.22%	10.19%

Rolling 12-month information ratios favor external corporates over sovereigns.

The external sovereign spread performance has not kept pace with external corporates this year but how about over the long haul? Since 1999, the external corporate index has a slightly higher annualized excess return than the external sovereign index (3.23% vs. 3.10%), but it also has a slightly lower information ratio (0.47 vs.

0.50). However, if we look at the comparisons in terms of rolling 12-month periods, greater differences start to emerge (Exhibit C). A comparison of rolling 12-month excess returns indicates that it is the external sovereign index that has the upper hand, coming out on top almost two-thirds of the time. But the comparison of rolling 12-month information ratios shows the exact opposite, with external corporates on top almost two-thirds of the time. That serves as a reminder that the significantly longer spread duration of the external sovereign index affects its excess return volatility. The difference in the 12-month excess returns of the two indices has been much more subdued over the last nine years than previously. But the differences in their information ratios remain substantial, and are strongly biased in favor of external corporates.

Exhibit C: External Corporate minus external Sovereign EM risk-adjusted performance (1999-current)



Asia lagged the other regions across all four of the EM indices in September.

Asia lagged the other regions across all four of the EM indices in September (Exhibit D). The Asian currency markets largely held their own in September, posting gains that were a little lower than EMEA but better than LatAm. However, Asian bond market returns were significantly lower than the other regions across all four of the EM indices. About two-thirds of the Asian countries represented in the external indices suffered losses on the month with South Korean Sovereigns (-1.12%) and Indonesia Sovereign (-0.98%) and Non-Sovereign debt (-0.5%) leading the way lower. South Korea and Philippines local sovereigns (-1.30% and -1.03% in local terms, respectively) had the largest setbacks in the local markets. None of the countries in the local non-sovereign index suffered a loss in local terms, though the majority saw relatively flat gains of a quarter percent or less.

Exhibit D: Emerging Market 1-month total returns (USD terms)

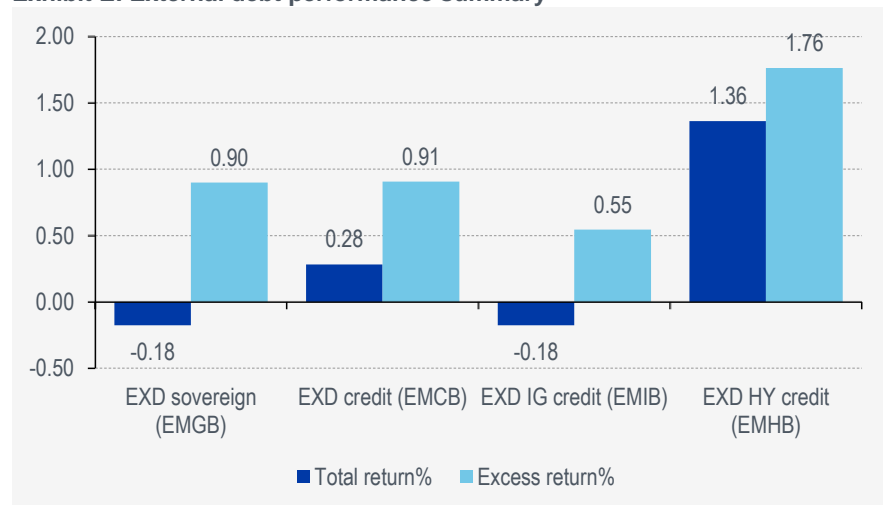
Sector	External		Local	
	Sov EMGB	Non-Sov EMCB	Sov WALD	Non-Sov LOCL
Asia	-0.80	-0.19	0.25	0.53
EMEA	-0.41	-0.08	1.46	2.02
LatAm	-0.08	1.18	1.24	1.44
AAA-AA	-1.95	-0.78	-0.23	0.77
A	-1.76	-0.70	-0.04	0.49
BBB	-0.99	0.09	0.93	1.42
BB	-0.81	0.62	2.11	1.65
B	2.05	1.81	3.92	1.50
CCC/lower	-0.68	6.25		
NR				0.76
Total	-0.35	0.20	0.84	1.11

The external corporate index 12-month upgrade/downgrade ratio fell to its lowest level since April 2018.

The volume of external corporate downgrades jumped to its second highest reading in the last year and a half. At \$39bn, September's total is almost double the average monthly volume of downgrades (\$20bn) over that period. While there was a sizable uptick in the volume of downgrades, upgrades went the other direction with only \$13bn in upgraded debt, or roughly half of the prior month tally. The setback drove the 12-month upgrade/downgrade ratio from 0.70 a month ago to just 0.56 at the end of September. That is the lowest it has been since April 2018.

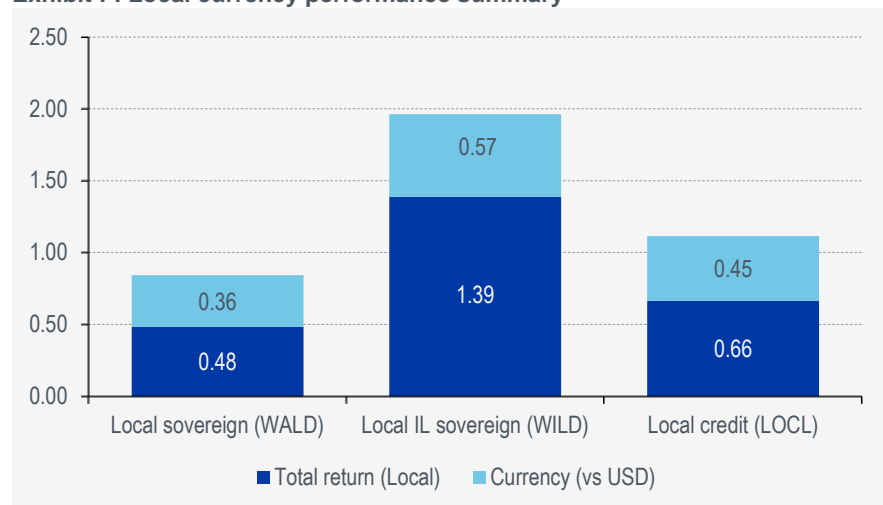
EM external credit performance was strong in September with excess returns ranging as high as 1.76% for high yield credit.

Exhibit E: External debt performance summary



Local EM indices led the global bond markets with gains of around 1% in September as decent bond returns were more than matched by FX gains.

Exhibit F: Local currency performance summary



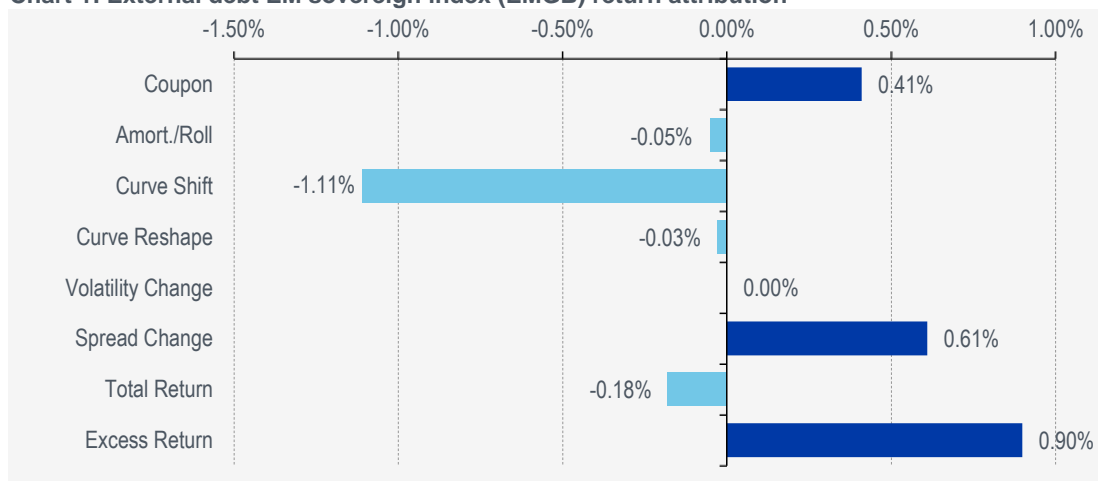
External sovereigns

Emerging Markets External Debt Sovereign Index (EMGB)

Performance

The rising yield curve was, by far, the biggest return factor in September – roughly doubling the offsetting spread tightening gains (-1.14% vs 0.61%).

Chart 1: External debt EM sovereign index (EMGB) return attribution



Following August's sizable spread rout, September's 7bp tightening was a meager consolation.

Chart 2: External debt EM sovereign index (EMGB) spread performance

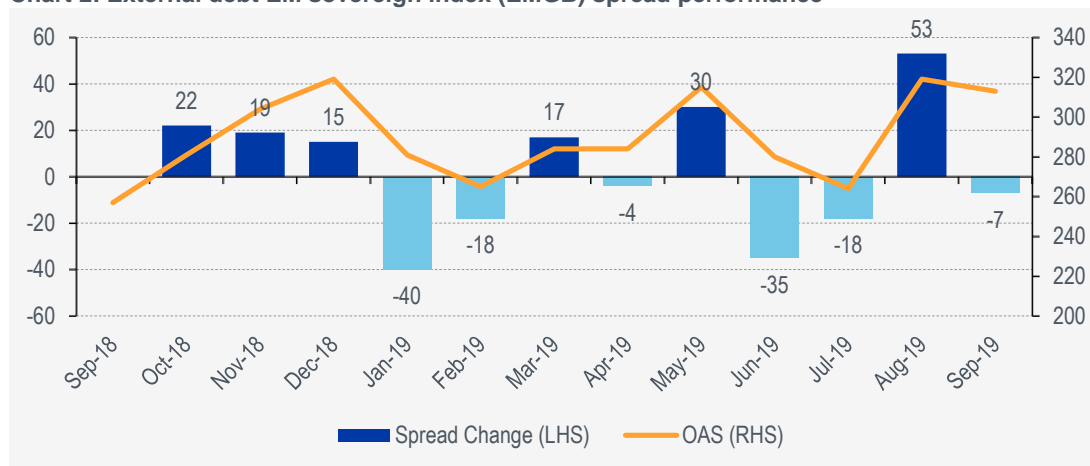


Chart 3: EXD EM sovereign index (EMGB) Total Return

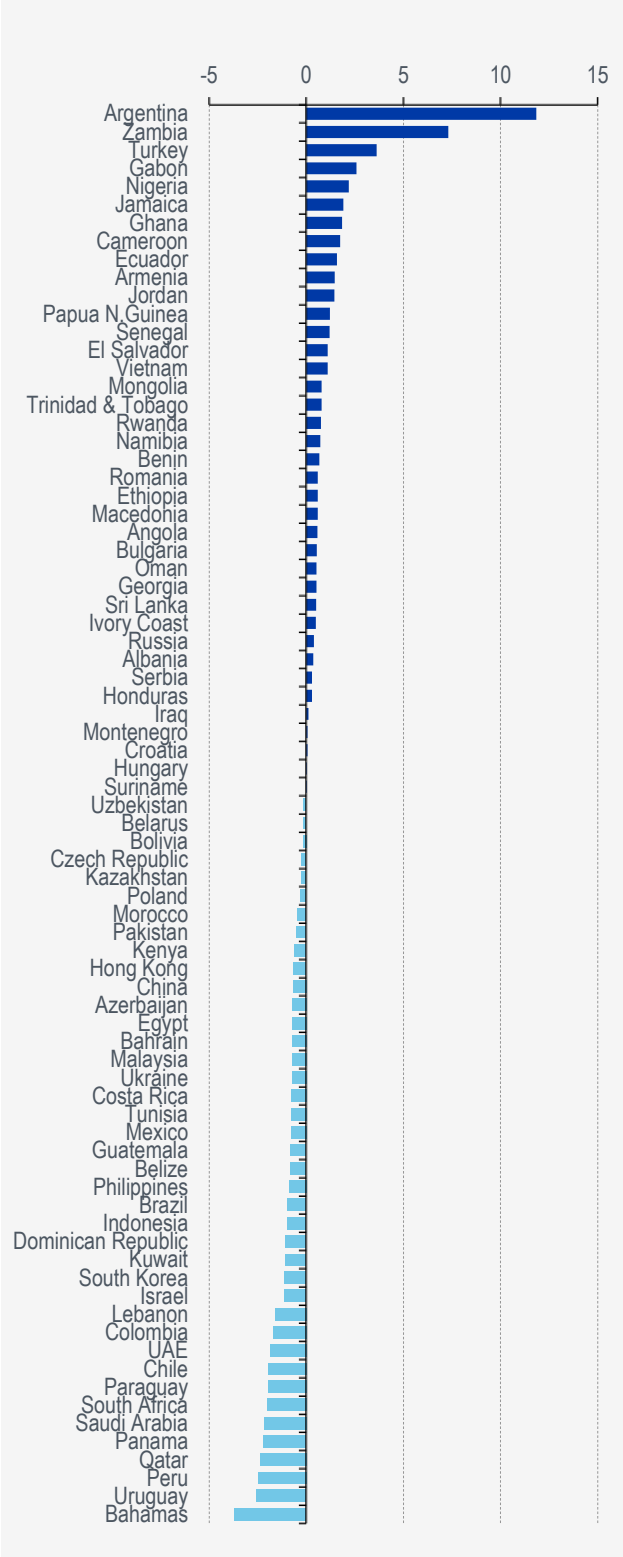
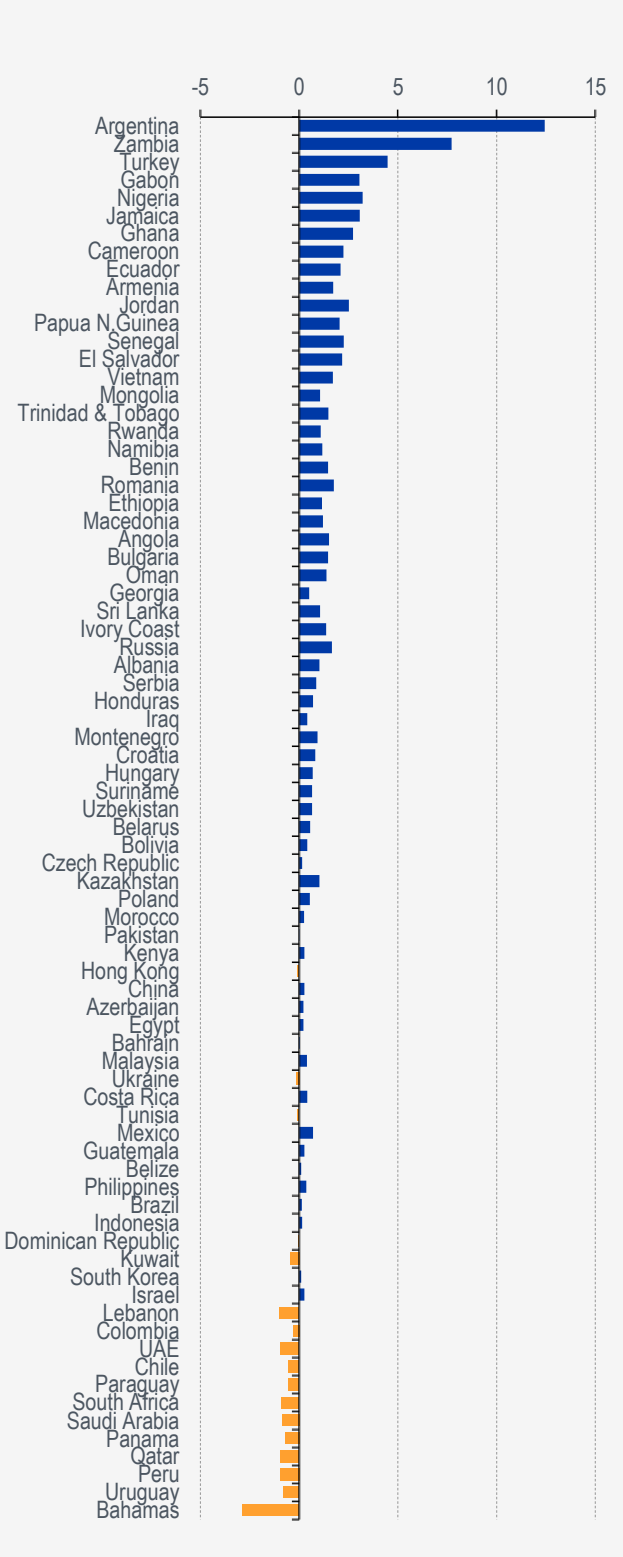


Chart 4: EXD EM sovereign index (EMGB) Excess Return %



Argentina (+12% excess return) rebounded and was the best-performing index constituent in September. But after the scale of the prior month's sell-off the country's debt still lags risk-matched benchmark government debt by 45% YTD. Next-best performer Zambia (+8%), on the other hand, has now erased the vast majority of its negative excess return (-1.52% YTD). Though it had a smaller nominal excess return, Turkey (+4.47%) had a larger impact on overall index performance thanks to its being one of the largest countries in the index (6.1%). Most constituent excess returns were moderately positive, but there were a few negatives on the list. The month's biggest laggard was the Bahamas (-2.87% excess return), though Lebanon (-1.00%) is a far larger share of the index (0.14% vs 1.61%). Though not nearly as bad as the August sell-off, Lebanon's performance was a third straight negative excess return and leaves it the biggest laggard after Argentina YTD.

Table 1: External debt EM sovereign index (EMGB) country performance summary

Country	%wt	Option-adjusted			Total Return		Excess Return	
		Duration	Yield	Spread	Month	YTD	Month	YTD
Asia								
China	0.51	6.75	2.19	52	-0.68	10.55	0.26	1.95
Hong Kong	0.10	4.35	1.92	34	-0.67	6.32	-0.08	1.28
Indonesia	7.07	7.87	2.89	146	-0.98	14.72	0.15	5.72
Malaysia	0.39	8.11	2.51	75	-0.74	12.27	0.40	2.53
Mongolia	0.29	2.83	5.24	364	0.79	10.00	1.06	5.52
Pakistan	0.52	4.22	6.33	471	-0.50	12.34	0.02	6.24
Papua N.Guinea	0.05	6.35	7.49	585	1.21	11.19	2.05	2.67
Philippines	3.01	8.96	2.47	83	-0.90	15.66	0.37	4.75
South Korea	0.75	8.37	1.87	56	-1.12	11.33	0.11	2.15
Sri Lanka	1.43	4.45	6.65	502	0.50	11.17	1.06	5.03
Vietnam	0.10	4.50	2.80	120	1.10	10.68	1.71	4.37
CEEMEA								
Albania	0.09	3.90	1.50	224	0.36	7.82	1.03	5.79
Angola	0.52	6.92	7.87	614	0.56	16.82	1.52	7.71
Armenia	0.10	6.28	3.96	234	1.47	11.53	1.73	6.92
Azerbaijan	0.25	6.88	3.63	198	-0.73	14.41	0.23	5.44
Bahrain	1.33	5.83	4.74	306	-0.74	13.77	0.04	6.18
Belarus	0.21	5.26	5.22	360	-0.14	14.37	0.56	7.19
Benin	0.05	4.61	5.16	593	0.67	6.04	1.46	4.60
Bulgaria	0.79	6.08	0.10	81	0.54	7.33	1.47	3.23
Cameroon	0.08	3.95	7.26	566	1.75	14.55	2.24	8.79
Croatia	1.40	5.38	1.07	93	0.05	11.22	0.81	6.81
Czech Republic	0.64	2.08	-0.32	46	-0.24	0.72	0.16	0.66
Egypt	2.65	6.66	6.15	483	-0.73	17.70	0.21	9.65
Ethiopia	0.10	4.29	5.71	411	0.59	14.08	1.16	7.92
Gabon	0.21	3.86	6.91	532	2.58	15.49	3.06	9.85
Georgia	0.05	1.41	3.08	138	0.52	5.70	0.51	2.64
Ghana	0.65	6.63	7.42	571	1.85	17.97	2.73	9.45
Hungary	1.32	5.12	2.07	81	0.02	9.84	0.68	3.82
Iraq	0.35	3.19	6.28	468	0.11	13.34	0.42	8.68
Israel	1.59	10.09	1.44	82	-1.13	13.80	0.27	4.38
Ivory Coast	0.68	6.64	5.62	478	0.49	18.85	1.36	11.19
Jordan	0.30	7.67	5.86	411	1.44	18.42	2.52	8.72
Kazakhstan	0.86	8.82	2.76	132	-0.25	15.27	1.03	5.23
Kenya	0.61	6.31	6.61	494	-0.61	21.39	0.26	13.14
Kuwait	0.79	4.81	2.31	69	-1.08	8.51	-0.46	1.84
Lebanon	1.61	4.88	15.22	1357	-1.62	-9.45	-1.00	-16.62
Macedonia	0.17	3.41	0.91	170	0.59	8.46	1.20	7.24
Montenegro	0.06	5.06	2.00	276	0.06	9.46	0.93	7.18
Morocco	0.46	4.86	1.90	140	-0.47	7.30	0.25	2.76
Namibia	0.12	3.86	4.60	298	0.72	13.43	1.18	7.84
Nigeria	1.09	7.53	6.81	508	2.19	20.86	3.21	11.20
Oman	2.10	6.34	5.47	378	0.53	15.63	1.38	7.44
Poland	4.27	5.97	0.48	57	-0.31	6.91	0.54	2.31
Qatar	4.48	9.93	2.89	108	-2.37	15.25	-0.94	4.05
Romania	3.05	9.01	1.89	190	0.59	14.23	1.76	7.06
Russia	4.09	9.19	3.38	193	0.39	17.10	1.66	6.89
Rwanda	0.04	3.12	4.23	265	0.76	14.05	1.09	9.33
Saudi Arabia	6.51	9.28	2.94	129	-2.19	16.46	-0.86	5.75
Senegal	0.39	7.56	5.32	425	1.20	18.75	2.26	10.33
Serbia	0.27	4.73	1.91	115	0.30	7.56	0.86	3.48
South Africa	1.72	8.03	4.60	296	-2.04	12.50	-0.88	2.94
Tunisia	0.30	4.26	7.03	713	-0.78	9.69	-0.08	6.95
Turkey	6.13	6.36	5.87	442	3.63	9.52	4.47	2.05

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Table 1: External debt EM sovereign index (EMGB) country performance summary

Country	Option-adjusted				Total Return		Excess Return	
	%wt	Duration	Yield	Spread	Month	YTD	Month	YTD
UAE	3.15	8.14	2.66	92	-1.86	11.19	-0.94	2.89
Ukraine	1.59	4.96	6.61	514	-0.75	25.59	-0.15	19.36
Uzbekistan	0.10	5.71	3.85	223	-0.13	1.79	0.65	-0.30
Zambia	0.21	3.54	17.56	1596	7.31	3.85	7.71	-1.52
LatAm								
Argentina	2.64	4.85	26.06	2498	11.84	-37.13	12.43	-44.59
Bahamas	0.14	5.98	5.07	344	-3.71	8.99	-2.87	0.77
Belize	0.03	6.74	11.05	1186	-0.83	6.20	0.10	-2.81
Bolivia	0.19	4.57	4.43	283	-0.17	13.72	0.42	7.26
Brazil	3.44	7.88	3.71	203	-0.98	13.95	0.14	4.36
Chile	1.38	9.84	1.47	83	-1.98	13.05	-0.52	4.22
Colombia	2.97	9.75	3.28	160	-1.71	17.73	-0.31	6.57
Costa Rica	0.37	8.70	6.32	450	-0.78	18.56	0.42	8.55
Dominican Republic	1.40	7.42	4.92	317	-1.06	13.53	-0.02	4.32
Ecuador	1.95	4.31	8.07	645	1.57	19.64	2.10	13.54
El Salvador	0.67	7.75	6.24	451	1.10	16.72	2.18	7.96
Guatemala	0.43	7.62	4.21	250	-0.82	14.67	0.26	5.91
Honduras	0.18	3.63	4.15	249	0.30	10.89	0.70	5.49
Jamaica	0.62	9.65	4.93	311	1.90	16.93	3.07	6.45
Mexico	6.62	10.41	3.02	185	-0.79	16.22	0.70	5.42
Panama	1.75	10.17	3.00	123	-2.19	17.17	-0.71	5.49
Paraguay	0.42	10.14	3.99	216	-1.98	16.43	-0.52	4.53
Peru	1.51	10.33	2.47	112	-2.49	16.75	-0.97	5.28
Suriname	0.05	4.74	11.51	989	0.02	-0.27	0.65	-7.20
Trinidad & Tobago	0.15	5.13	3.75	214	0.78	13.19	1.48	6.58
Uruguay	1.37	11.94	3.54	167	-2.57	19.20	-0.80	5.64
Grand Total	100.00	7.71	4.45	313	-0.18	11.22	0.90	2.65

Composition

Chart 5: EMGB % weight by rating

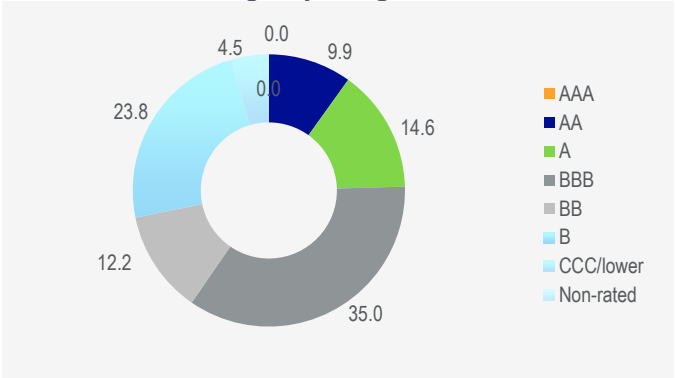


Chart 6: EMGB % weight by rating MOM change

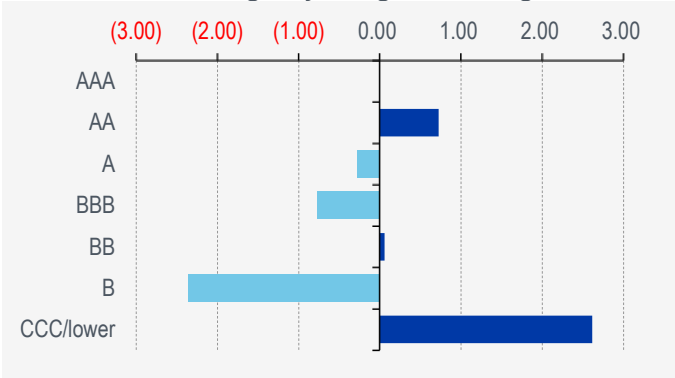


Chart 7: EMGB % weight by region

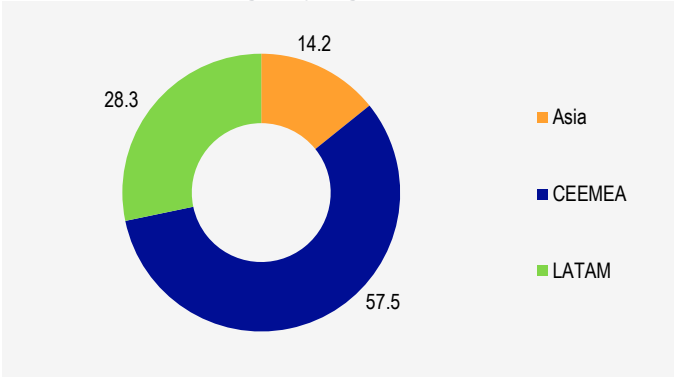
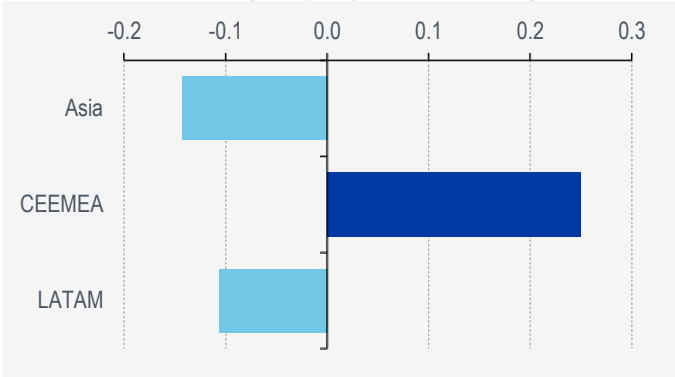


Chart 8: EMGB % weight by region MOM change



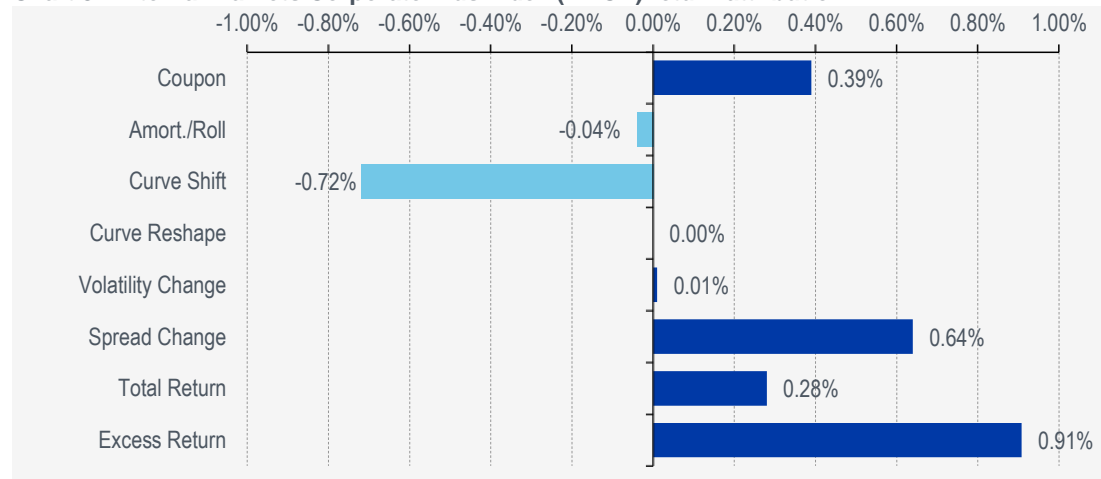
External non-sovereigns

Emerging Markets Corporate Plus Index (EMCB)

Performance

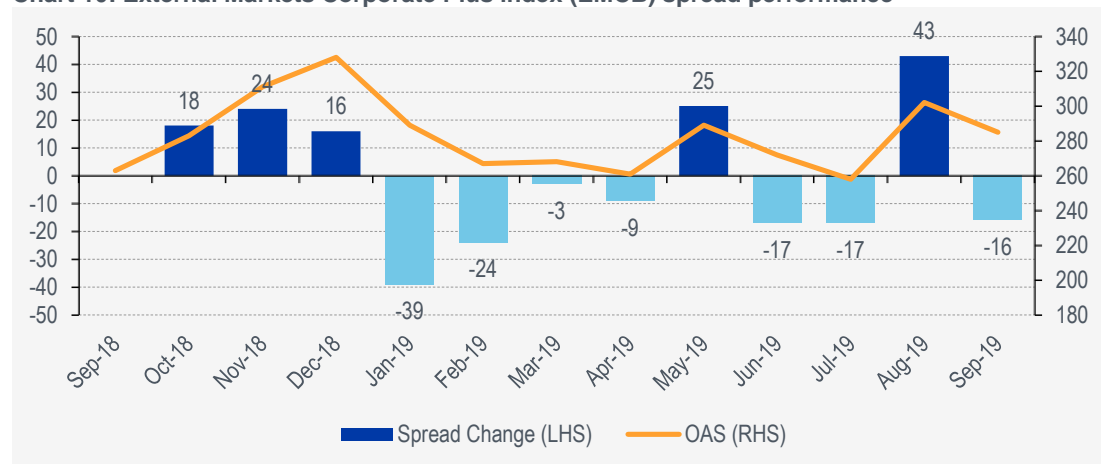
Most of the loss from the rising yield curve was covered by spread tightening (0.64% vs -0.72%). That spread tightening gain, plus the addition income from the starting spread, added up to a +0.91% excess return.

Chart 9: External Markets Corporate Plus index (EMCB) return attribution



Though not nearly a full pullback from the prior month's rout, September's rally brought the index spread back below the 300bp mark.

Chart 10: External Markets Corporate Plus index (EMCB) spread performance



The best-performer list was similar to last month's 10-worst, and mostly Argentinian thanks to the rally in that country's debt in general. After a bounce-back rally the prior month, the single worst-performing name was distressed Indonesian textile maker PT Delta Merlin Duania Textile (DUNIAT -58% excess return), which saw additional downgrades as default seems imminent.

Table 2: EMCB best/worst issuer returns

Ticker	%weight	Avg. Rating	OAS	OAS chg	Total return%	Excess return%
10 Best						
PDCAR	0.052	B2	2758	-955	24.77	25.02
GNNEIA	0.016	CCC1	3206	-1017	22.44	22.51
PAMPAR	0.064	B3	1160	-454	21.84	22.37
YPFLUZ	0.015	B3	1637	-431	20.48	20.97
YPFDAR	0.261	CCC1	1262	-580	20.39	20.83
BMAAR	0.015	CCC2	1253	-359	19.96	19.92
TRAGAS	0.024	B2	809	-391	18.45	18.99
GALIAR	0.010	CCC1	1385	-343	18.06	17.96
AGUSAN	0.009	CCC1	4734	-569	17.10	17.25
PROVSF	0.018	B2	1864	-425	14.10	14.46
10 Worst						
DUNIAT	0.007	CC	7903	3491	-57.80	-57.61
CHUBUT	0.027	B2	2545	461	-9.66	-9.43
OPRORU	0.016	CCC2	3755	837	-9.66	-9.61
XIN	0.035	B3	2294	790	-8.98	-8.97
RUYIGR	0.014	B3	2302	466	-8.67	-8.49
PDLLN	0.037	B3	1613	441	-8.27	-8.11
QHINVG	0.019	CCC1	7566	-26	-5.95	-6.03
SAWSST	0.016	B2	1503	248	-5.76	-5.50
SDCOKI	0.019	B3	7386	1377	-5.53	-5.65
ADNOUH	0.232	AA2	144	20	-4.78	-2.59

Table 3: Emerging Markets Corporate Plus sub-indices

Ticker	Description	OA S	OAS MOM chg	Total return% MTD	Total return% YTD	Excess return% MTD	Excess return% YTD
EMUB	ICE BofAML US Emerging Markets Corporate Plus Index	292	-18	0.30	10.67	0.92	4.26
EMEB	ICE BofAML Euro Emerging Markets Corporate Plus Index	209	-11	0.12	5.29	0.77	3.76
EMUH	ICE BofAML High Yield US Emerging Markets Corporate Plus Index	524	-45	1.36	10.41	1.75	5.38
EMIB	ICE BofAML High Grade Emerging Markets Corporate Plus Index	167	-6	-0.18	10.71	0.55	4.23
EMHB	ICE BofAML High Yield Emerging Markets Corporate Plus Index	565	-42	1.36	8.96	1.76	4.08
EM1B	ICE BofAML AAA-A Emerging Markets Corporate Plus Index	114	0	-0.60	9.15	0.13	2.77
EMAQ	ICE BofAML Single-A Emerging Markets Corporate Plus Index	121	-1	-0.59	9.42	0.15	2.92
EM2B	ICE BofAML BBB Emerging Markets Corporate Plus Index	211	-11	0.17	12.07	0.90	5.50
EM3B	ICE BofAML BB Emerging Markets Corporate Plus Index	359	-20	0.68	11.28	1.18	5.88
EM4B	ICE BofAML B & Lower Emerging Markets Corporate Plus Index	873	-79	2.40	5.79	2.65	1.64
EM5B	ICE BofAML Crossover Emerging Markets Corporate Plus Index	258	-14	0.34	11.84	0.99	5.65
EM6B	ICE BofAML B Emerging Markets Corporate Plus Index	622	-187	1.82	4.92	2.07	0.74
		195					
EM7B	ICE BofAML CCC and Lower Emerging Markets Corporate Plus Index	9	55	6.25	11.71	6.48	7.81
EMRL	ICE BofAML Latin America Emerging Markets Corporate Plus Index	379	-39	1.26	11.16	2.06	3.98
EMIL	ICE BofAML High Grade Latin America Emerging Markets Corporate Plus	251	-15	0.38	13.81	1.37	5.47
EMHL	ICE BofAML High Yield Latin America Emerging Markets Corporate Plus	578	-65	2.56	7.47	3.08	1.84
EMLF	ICE BofAML Latin America Financial Emerging Markets Corporate Plus Index	241	-30	0.97	9.31	1.30	4.66
ENLF	ICE BofAML Latin America Senior Financial Emerging Markets Corporate Plus Index	263	-25	0.81	11.17	1.21	6.18
EBLF	ICE BofAML Latin America Subordinated Financial Emerging Markets Corporate Plus Index	219	-36	1.13	7.75	1.39	3.39
EMRE	ICE BofAML EMEA Emerging Markets Corporate Plus Index	276	-21	0.07	10.45	0.67	5.00
EMIE	ICE BofAML High Grade EMEA Emerging Markets Corporate Plus Index	149	-6	-0.43	10.68	0.29	4.78
EMHE	ICE BofAML High Yield EMEA Emerging Markets Corporate Plus Index	452	-44	0.75	9.99	1.19	5.16
EMEF	ICE BofAML EMEA Financial Emerging Markets Corporate Plus Index	291	-38	1.25	10.03	1.51	6.13
ENEF	ICE BofAML EMEA Senior Financial Emerging Markets Corporate Plus Index	259	-37	1.03	9.25	1.28	5.41
EBEF	ICE BofAML EMEA Subordinated Financial Emerging Markets Corporate Plus Index	420	-47	2.14	13.64	2.45	9.43
EMDA	ICE BofAML Middle East & North Africa Emerging Markets Corporate Plus Index	244	-11	-0.99	8.72	-0.25	2.14
ECES	ICE BofAML Central & Eastern Europe Excluding Russia & Former Soviet States Emerging Markets Corporate Plus Index	337	-46	1.69	11.10	2.18	7.52
ECIS	ICE BofAML Russia & Former Soviet States Emerging Markets Corporate Plus Index	245	-19	0.36	12.13	0.87	6.88
EMRA	ICE BofAML Asia Emerging Markets Corporate Plus Index	239	-5	-0.14	9.50	0.41	3.93
EMAF	ICE BofAML Asia Financial Emerging Markets Corporate Plus Index	168	-3	-0.07	8.11	0.33	3.30
ENAF	ICE BofAML Asia Senior Financial Emerging Markets Corporate Plus Index	159	-3	-0.11	7.75	0.28	2.92
EBAF	ICE BofAML Asia Subordinated Financial Emerging Markets Corporate Plus Index	198	-2	0.06	9.21	0.46	4.50
EMIA	ICE BofAML High Grade Asia Emerging Markets Corporate Plus Index	140	-3	-0.31	9.51	0.30	3.56
EMHA	ICE BofAML High Yield Asia Emerging Markets Corporate Plus Index	660	-15	0.62	10.07	0.85	6.08
		192					
EMDS	ICE BofAML Distressed Emerging Markets Corporate Plus Index	4	-192	4.51	-16.02	4.75	-19.57
EMFN	ICE BofAML Emerging Markets Corporate Plus Financial Index	213	-17	0.46	8.85	0.81	4.31
EMNS	ICE BofAML Non-Financial Emerging Markets Corporate Plus Index	375	-23	0.30	9.97	0.89	4.18
EMPB	ICE BofAML Public Sector Issuers Emerging Markets Corporate Plus Index	228	-12	0.20	10.60	0.93	4.10
EMPT	ICE BofAML Private Sector Issuers Emerging Markets Corporate Plus Index	338	-22	0.36	9.84	0.89	4.33
EMFS	ICE BofAML Private Sector Financial Emerging Markets Corporate Plus Index	228	-19	0.52	9.16	0.90	4.49
EMEN	ICE BofAML Emerging Markets Corporate Plus Energy Index	261	-30	0.67	13.82	1.59	6.08
EMAB	ICE BofAML Automotive & Basic Industry Emerging Markets Corporate Plus Index	267	-13	0.13	11.24	0.80	4.83
EMTM	ICE BofAML Emerging Markets Corporate Plus Media & Telecommunications Index	314	-17	0.20	8.78	0.98	2.41
EMUT	ICE BofAML Emerging Markets Corporate Plus Utility Index	230	-7	-0.13	11.25	0.63	4.46
EMRB	ICE BofAML Emerging Markets Corporate Plus Real Estate, Building & Hotels Index	514	-11	0.39	10.52	0.74	5.91
EMCG	ICE BofAML Emerging Markets Corporate Plus Capital Goods Index	191	-8	-0.26	7.09	0.28	2.12
EMCS	ICE BofAML Emerging Markets Corporate Plus Consumer Index	323	-22	0.64	11.81	1.25	6.07
EMRT	ICE BofAML Emerging Markets Corporate Plus Transportation Index	234	-73	0.10	12.51	0.90	5.66

Composition

Chart 11: EMCB % weight by rating

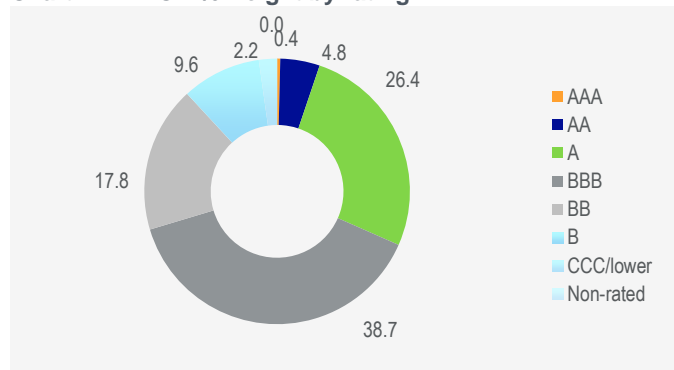


Chart 12: EMCB % weight by rating MOM change

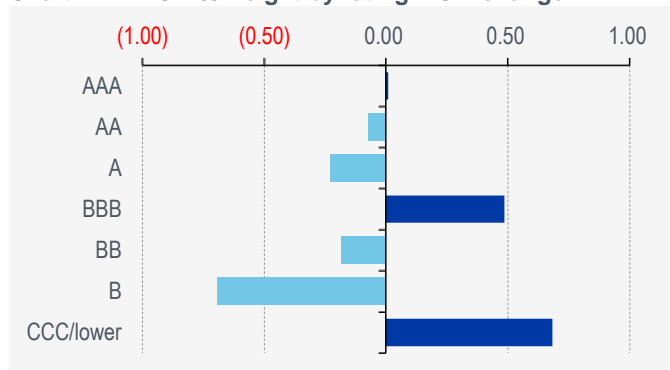


Chart 13: EMCB % weight by region

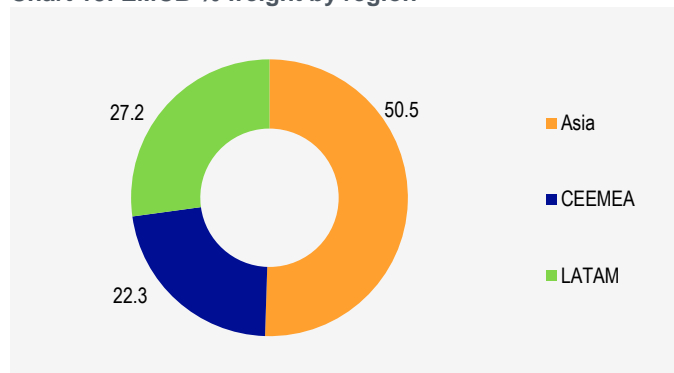


Chart 14: EMCB % weight by region MOM change

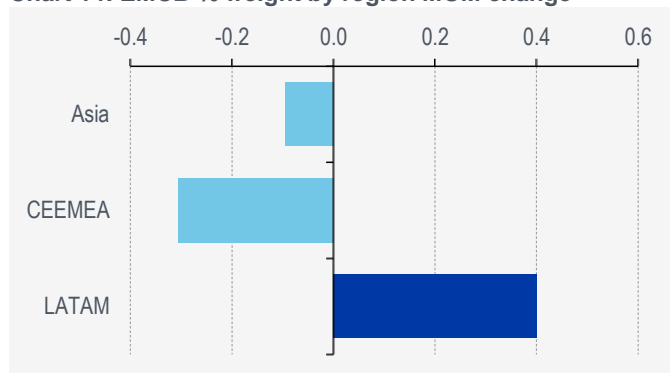


Chart 15: EMCB % weight by sector

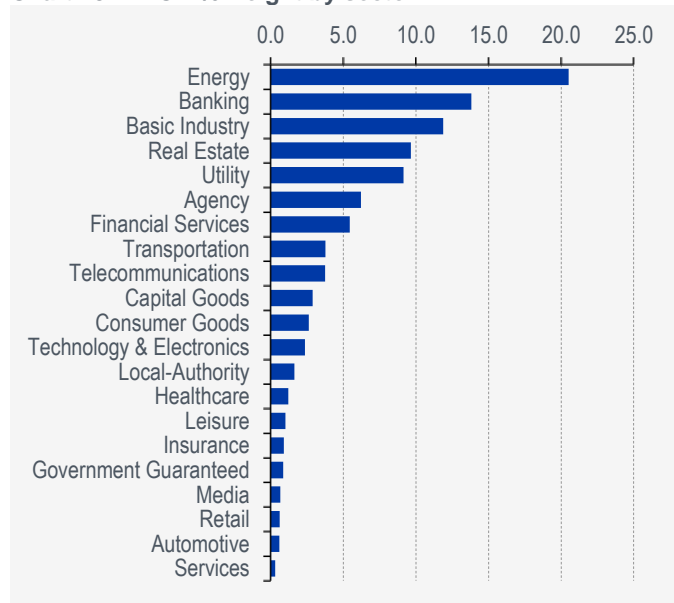
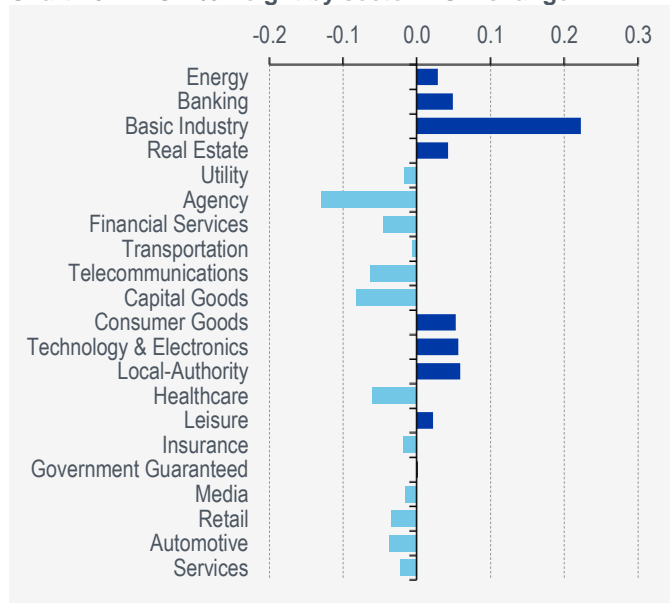


Chart 16: EMCB % weight by sector MOM change



Emerging Markets Liquid Corporate Plus Index (EMCL)

Performance

Chart 17: Emerging Markets Liquid Corporate Plus Index (EMCL) return attribution

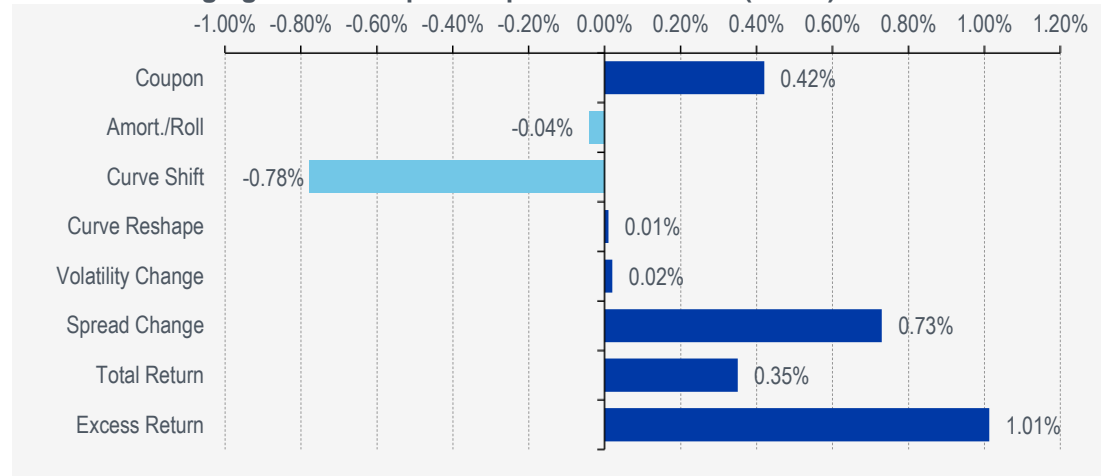


Chart 18: Emerging Markets Liquid Corporate Plus Index (EMCL) spread performance

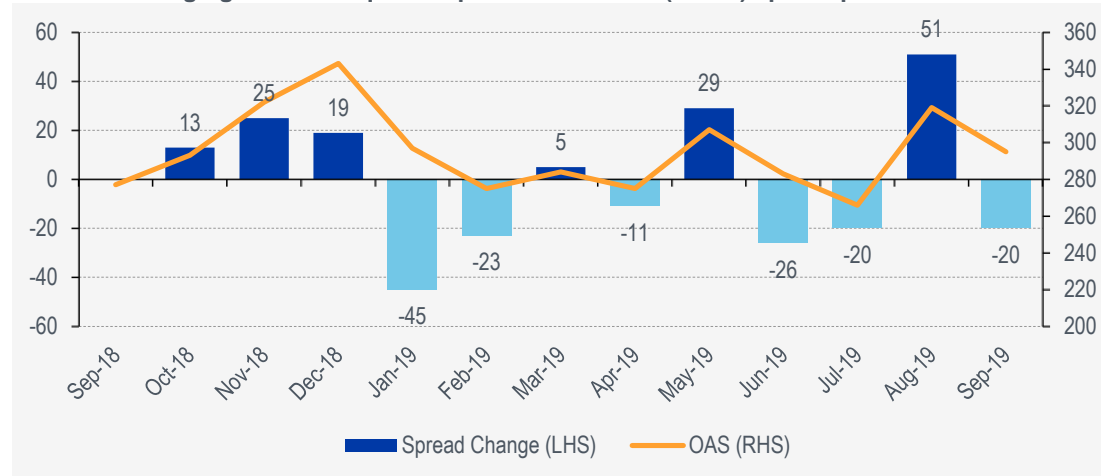


Table 4: Emerging Markets Liquid Corporate Plus (EMCL) best/worst issuer returns

Ticker	%weight	Avg. Rating	OAS	OAS chg	Total return%	Excess return%
10 Best						
PDCAR	0.086	B2	2758	-955	24.77	25.02
GNNEIA	0.027	CCC1	3206	-1017	22.44	22.51
PAMPAR	0.107	B3	1160	-454	21.84	22.37
YPFLUZ	0.025	B3	1637	-431	20.48	20.97
YPFDAR	0.436	CCC1	1262	-580	20.39	20.83
BMAAR	0.025	CCC2	1253	-359	19.96	19.92
TRAGAS	0.040	B2	809	-391	18.45	18.99
AGUSAN	0.016	CCC1	4734	-569	17.10	17.25
BUENOS	0.226	B3	5618	-330	12.99	13.11
IRCPAR	0.028	B3	1611	-415	12.67	12.90
10 Worst						
DUNIAT	0.011	CC	7903	3491	-57.80	-57.61
CHUBUT	0.045	B2	2545	461	-9.66	-9.43
OPRORU	0.026	CCC2	3755	837	-9.66	-9.61
RUYIGR	0.006	B3	2302	466	-8.67	-8.49
PDLLN	0.061	B3	1613	441	-8.27	-8.11
SAWSST	0.027	B2	1503	248	-5.76	-5.50
XIN	0.008	B3	1944	449	-5.74	-5.68
SDCOKI	0.008	B3	7386	1377	-5.53	-5.65
ADNOUH	0.388	AA2	144	20	-4.78	-2.59
NOGLN	0.064	CCC1	3129	259	-4.23	-3.97

Composition

Chart 19: EMCL % weight by rating

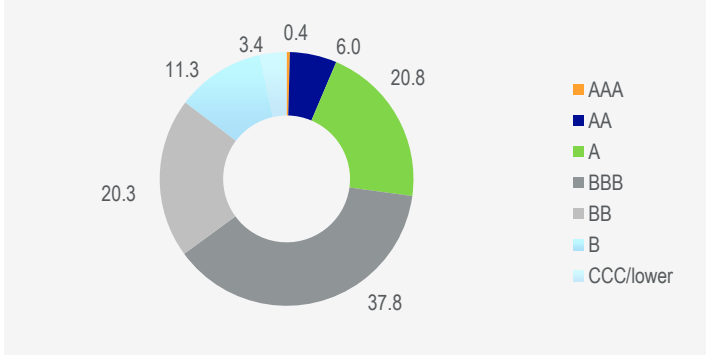


Chart 21: EMCL % weight by region

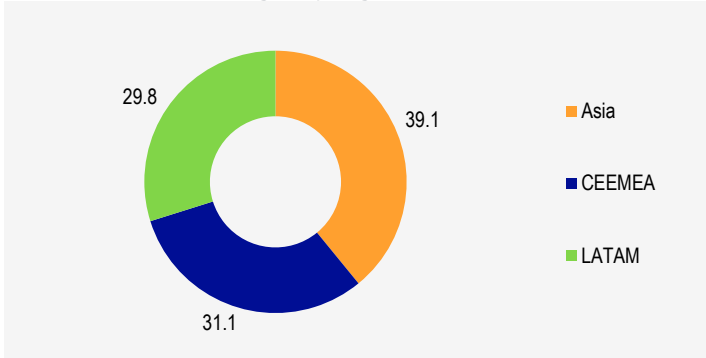


Chart 20: EMCL % weight by rating MOM change

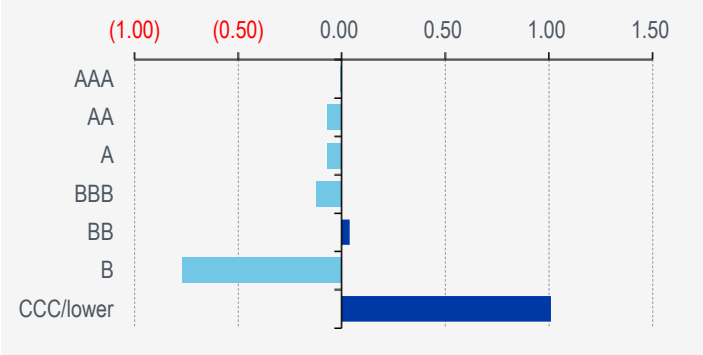
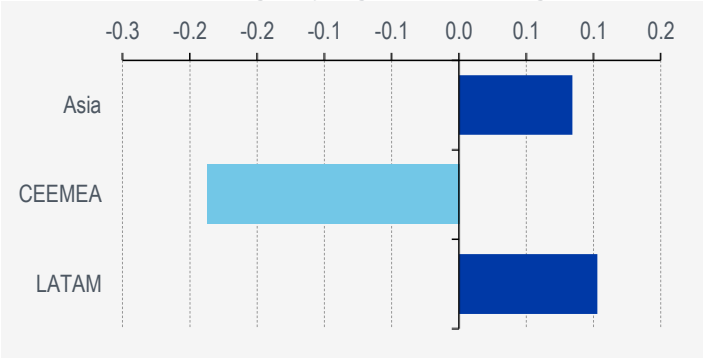


Chart 22: EMCL % weight by region MOM change



Local currency sovereigns

Diversified Emerging Markets Sovereign Bond Index (WALD)

Performance

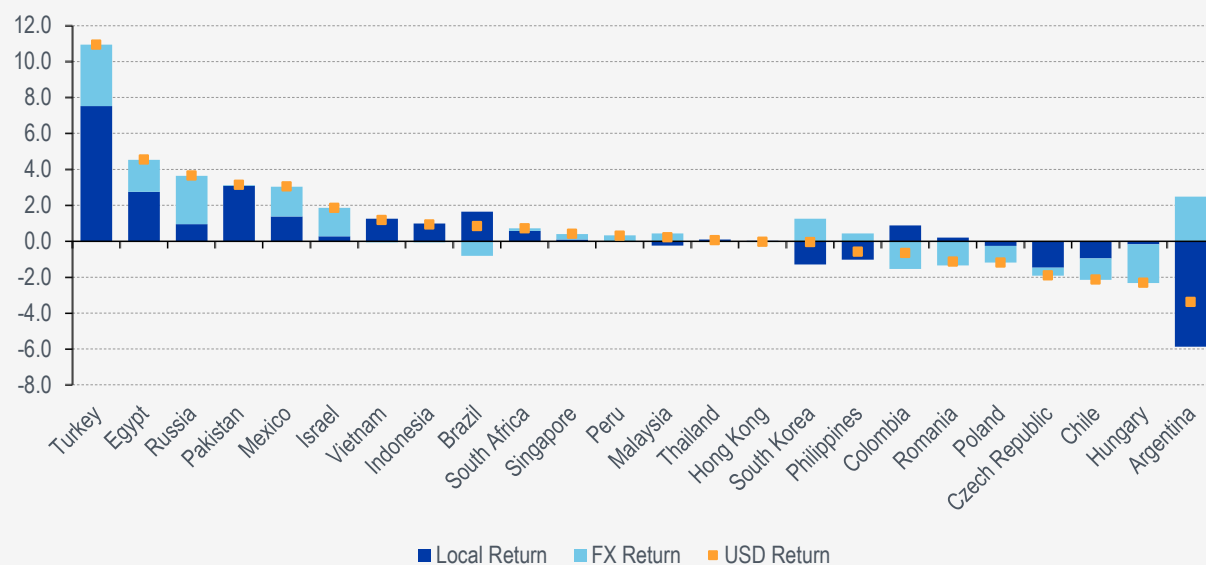
Turkey (11% USD) was the month's best-performing constituent in September. Ordinarily, with a double-digit return you would expect most of that performance to come from the currency, but that was not the case here. Turkey's local currency bond return was 7.52% – by far the best in the index – as inflation fell more than expected. The Turkish lira was also the index's best currency performance vs the USD (3.42%). The worst performer – both in local currency and USD terms – was Argentina (-3.39%). At least it was not as bad as last month. Argentina's debt continued to price in the previously announced maturity extensions of existing debt as part of a restructuring to avoid another default.

Table 5: Diversified Emerging Markets Sovereign Bond Index (WALD) performance summary

		Option-adjusted		Total Return		FX Return		USD Return	
Country	%wgt	Duration	Yield	Month	YTD	Month	YTD	Month	YTD
Asia									
Hong Kong	0.63	2.88	1.63	0.01	2.70	-0.05	-0.13	-0.04	2.56
Indonesia	7.39	5.74	7.16	0.99	10.86	-0.07	1.45	0.92	12.31
Malaysia	8.98	5.92	3.40	-0.24	7.48	0.44	-1.40	0.21	6.08
Pakistan	0.56	2.09	12.93	3.08	8.37	0.05	-12.15	3.13	-3.78
Philippines	4.27	5.61	4.55	-1.03	19.07	0.44	1.74	-0.60	20.80
Singapore	4.27	6.80	1.75	0.10	3.63	0.31	-1.49	0.41	2.14
South Korea	10.00	9.01	1.42	-1.30	5.90	1.25	-7.11	-0.06	-1.21
Thailand	8.25	10.71	1.58	0.09	16.08	-0.04	7.50	0.05	23.58
Vietnam	1.98	6.17	3.65	1.25	8.76	-0.06	-0.03	1.18	8.73
CEEMEA									
Czech Republic	2.54	6.67	1.36	-1.47	5.43	-0.44	-5.19	-1.91	0.24
Egypt	2.29	2.35	14.52	2.75	23.34	1.79	12.54	4.54	35.88
Hungary	2.13	4.70	0.95	-0.17	6.73	-2.16	-9.25	-2.32	-2.52
Israel	3.01	7.09	0.79	0.27	8.86	1.59	8.17	1.86	17.04
Poland	5.49	4.22	1.69	-0.27	3.86	-0.93	-6.54	-1.19	-2.68
Romania	1.70	3.32	3.57	0.20	5.45	-1.34	-6.75	-1.15	-1.30
Russia	4.82	4.63	6.73	0.96	13.22	2.69	7.84	3.65	21.05
South Africa	5.18	7.00	9.03	0.58	8.18	0.14	-5.55	0.72	2.63
Turkey	2.69	2.32	13.38	7.52	24.06	3.42	-7.18	10.94	16.88
LatAm									
Argentina	0.12	0.83	80.58	-5.88	-47.45	2.49	-18.19	-3.39	-65.64
Brazil	10.00	2.38	5.61	1.65	10.75	-0.81	-7.70	0.84	3.04
Chile	0.74	8.98	2.53	-0.96	16.31	-1.18	-5.46	-2.14	10.85
Colombia	2.82	5.08	5.31	0.89	9.25	-1.55	-7.25	-0.67	2.00
Mexico	8.34	4.86	7.03	1.38	15.24	1.66	-0.29	3.04	14.94
Peru	1.80	8.28	4.33	-0.02	15.51	0.32	-0.19	0.31	15.32
Grand Total	100.00	5.90	4.73	0.48	10.13	0.36	-2.21	0.84	7.92

USD returns were slightly biased to the positive end of the spectrum. The outliers among the best performers saw a significantly greater nominal return than those at the other end of the list.

Chart 23: Diversified Emerging Markets Sovereign Bond Index (WALD) performance by country



Composition

Chart 24: WALD % weight by rating

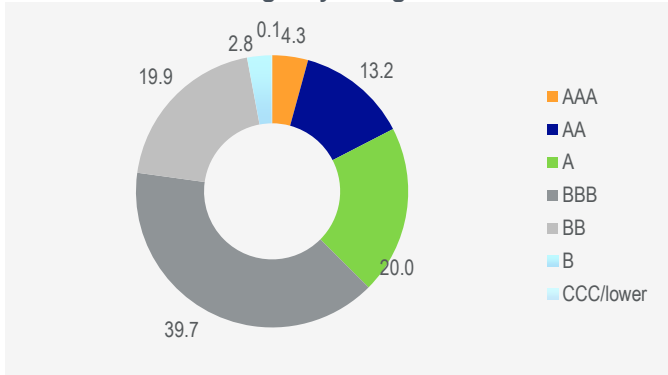


Chart 25: WALD % weight by rating MOM change

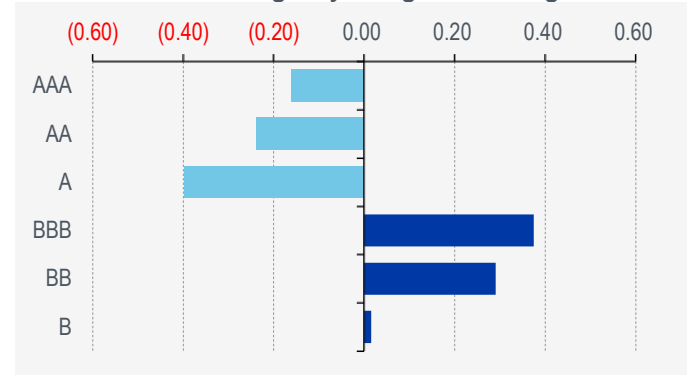


Chart 26: WALD % weight by region

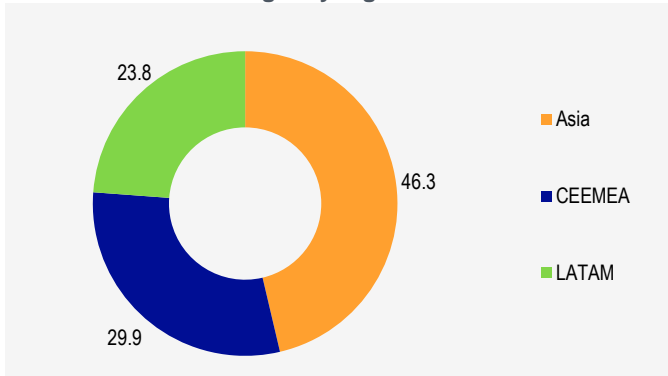


Chart 27: WALD % weight by region MOM change

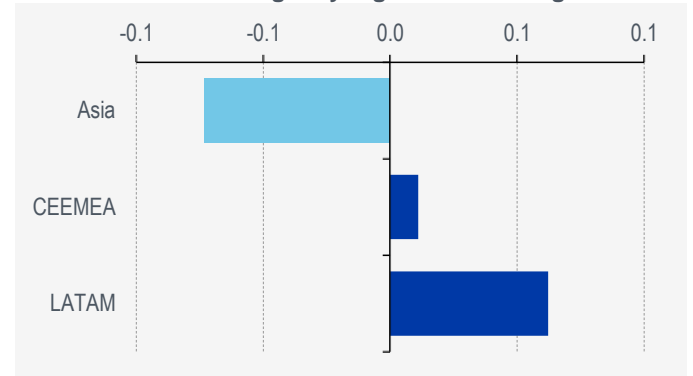


Chart 28: WALD %weight by Country

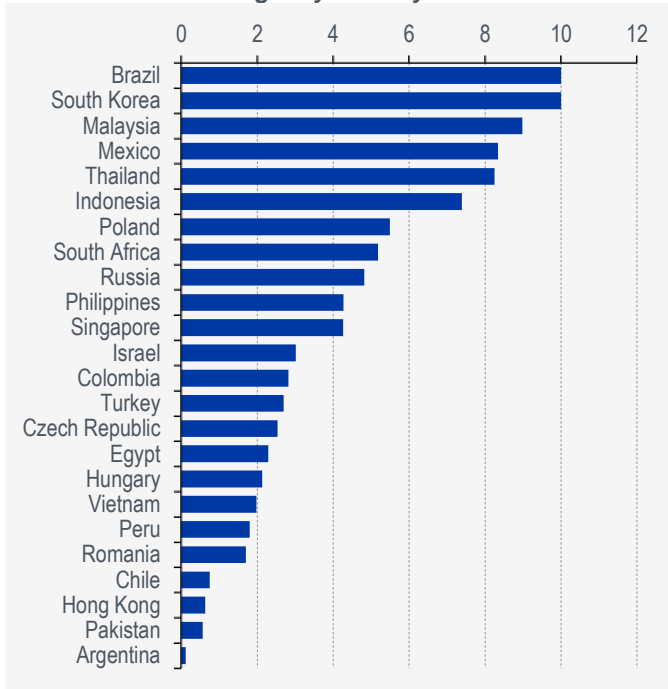
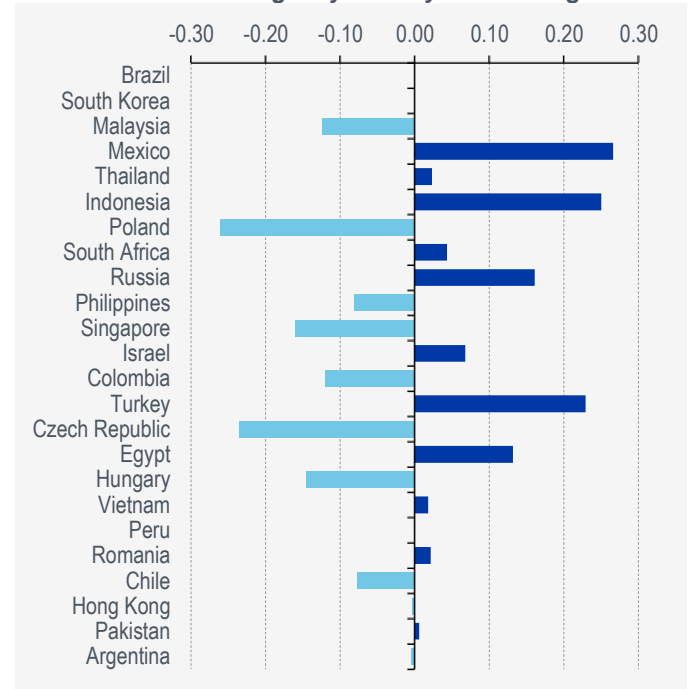


Chart 29: WALD % weight by country MOM change



Diversified Emerging Markets Inflation-Linked Sovereign Bond Index (WILD)

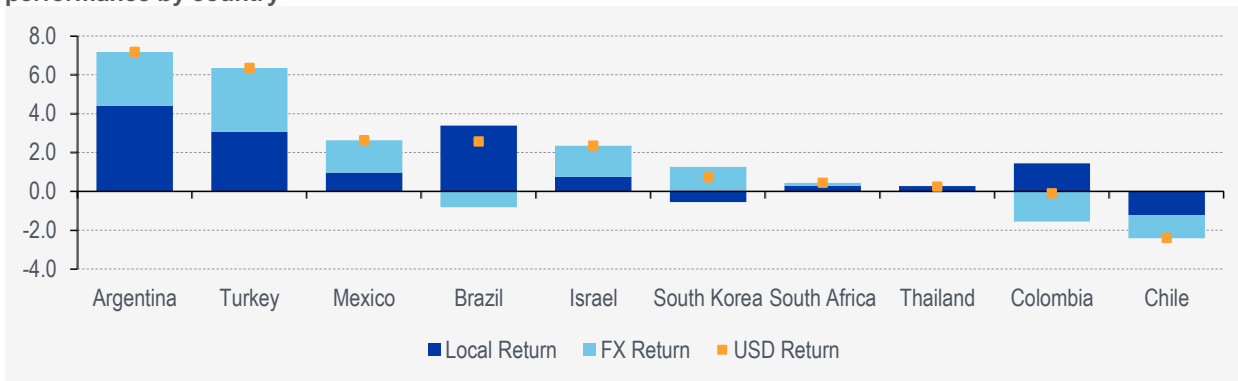
Performance

Argentina delivered the index's best return for USD-based investors (7.17%), but that is cold comfort considering its 59% loss the prior month. Doing almost as well was Turkey (6.35%), where performance was almost equally split between bonds and currency as inflation slowed to its lowest level in three years. After a bumpy ride in 2019, Turkish linkers now have a positive YTD return in USD terms (+2.74%). The only significant setback in the index was Chile (-2.41% USD), partially as a result of the first local currency bond loss for this market in exactly a year.

Table 6: Diversified Emerging Markets Inflation-Linked Sovereign Bond Index (WILD) performance summary

Country	%wt	Real Yield	Real Yield MOM Chg	Modified Duration	Local Return	FX Return	USD Return	Excess Return
Asia								
South Korea	1.8	0.29	-0.06	4.94	-0.55	1.26	0.71	0.07
Thailand	1.8	1.58	0.00	0.62	0.27	-0.04	0.23	0.15
CEEMEA								
Israel	16.5	-0.30	-0.01	4.91	0.75	1.59	2.34	0.52
South Africa	9.4	3.33	0.02	0.38	0.29	0.14	0.43	-0.30
Turkey	10.3	3.70	-0.46	0.14	3.06	3.28	6.35	1.24
LatAm								
Argentina	1.6	58.37	0.00	0.99	4.41	2.76	7.17	-4.23
Brazil	20.0	1.88	-0.50	2.74	3.38	-0.82	2.56	2.01
Chile	9.9	0.10	0.05	5.67	-1.23	-1.18	-2.41	-0.69
Colombia	8.6	1.95	-0.19	-0.92	1.44	-1.56	-0.12	1.41
Mexico	20.0	3.35	-0.06	6.53	0.97	1.65	2.62	-0.74
Grand Total	100.0	2.86	-0.55	3.31	1.39	0.57	1.96	0.43

Chart 30: Diversified Emerging Markets Inflation-Linked Sovereign Bond Index (WILD) performance by country



Composition

Chart 31: WILD % weight by rating

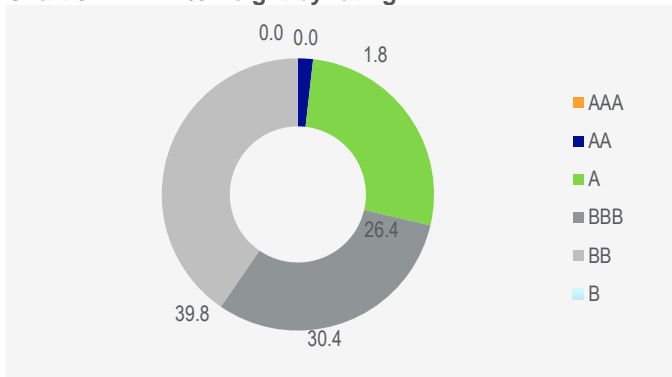


Chart 32: WILD % weight by rating MOM change

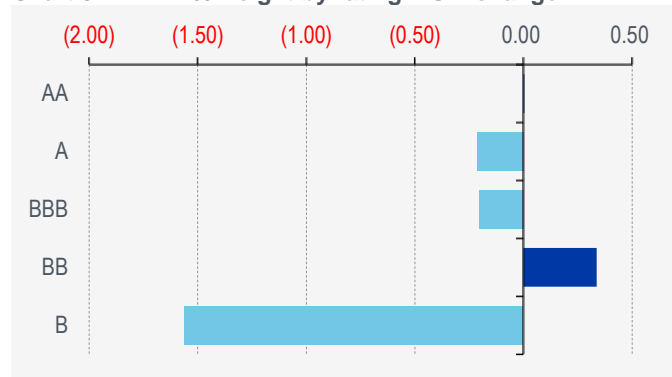


Chart 33: WILD % weight by region

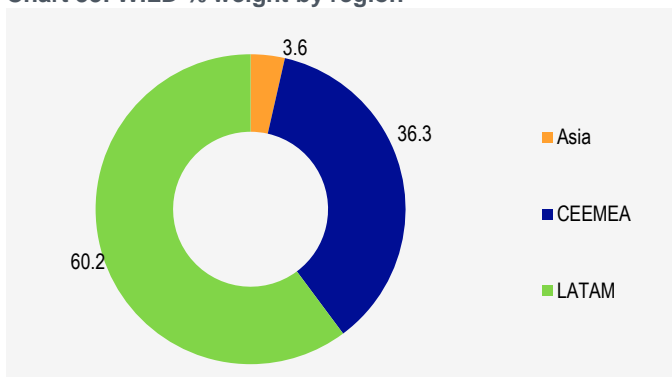


Chart 34: WILD % weight by region MOM change

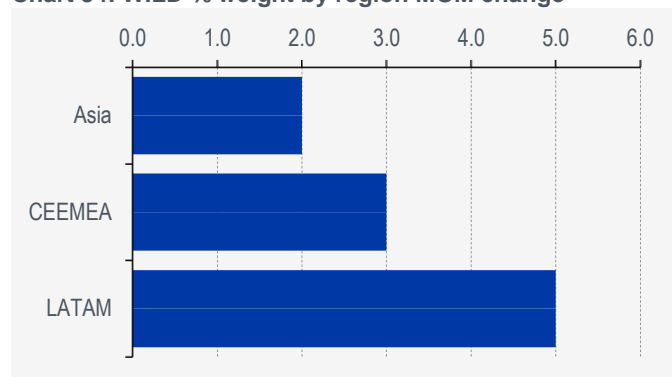


Chart 35: WILD %weight by Country

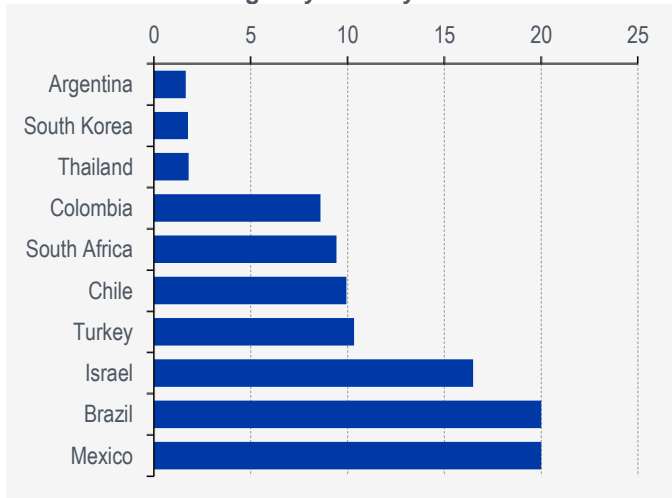
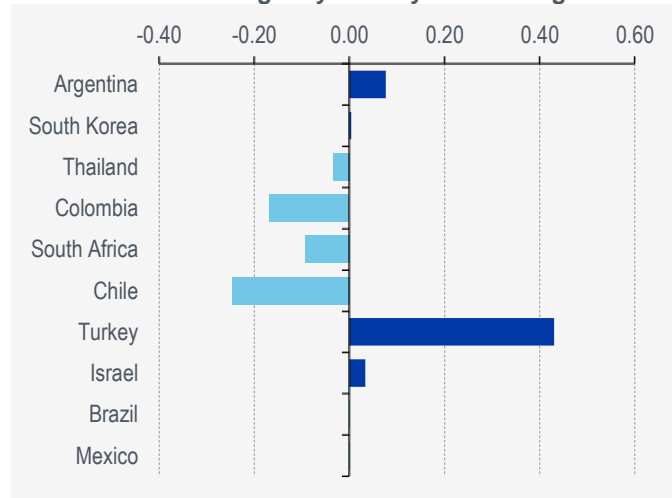


Chart 36: WILD % weight by country MOM change



Local currency non-sovereigns

Diversified Local Emerging Markets Non-Sovereign Index (LOCL)

Performance

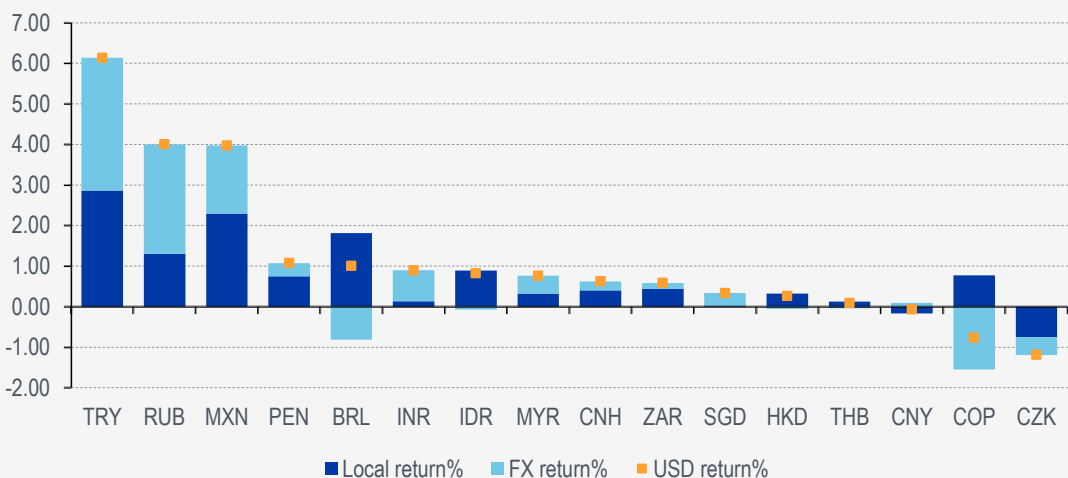
The best currency component for USD-based investors was also the smallest: Turkish lira (6.14%). And almost half that return was attributed to the rally in the underlying yield curve. Of the largest segments of the index, the best currencies were the Russian ruble and Mexican peso (4.00% and 3.97% in USD terms, respectively). In both cases there were bond as well as currency rallies, and both delivered positive excess return.

Table 7: Diversified Local EM Non-Sovereign Index (LOCL) performance by currency

Currency	%wt	Yield	OAS	MOM Chg	Local Return	FX Return	USD Return	Excess Return
South African Rand	10.0	9.08	109	-1	0.44	0.14	0.58	0.17
Hong Kong Dollar	10.0	2.88	132	-1	0.32	-0.05	0.27	0.51
Mexican Peso	10.0	9.30	237	-9	2.30	1.67	3.97	0.74
Singapore Dollar	10.0	2.88	112	6	0.03	0.31	0.34	-0.03
Russian Ruble	10.0	7.44	91	-18	1.30	2.70	4.00	0.46
Indian Rupee	9.9	8.18	206	-74	0.14	0.76	0.90	-0.19
Colombian Peso	9.3	6.59	153	5	0.78	-1.55	-0.77	0.00
Peruvian Sol	7.2	13.33	643	-2	0.75	0.33	1.07	0.50
Chinese Offshore Renminbi	5.5	5.17	236	2	0.40	0.22	0.63	0.13
Malaysian Ringgit	5.4	4.19	71	-5	0.32	0.44	0.76	0.30
Chinese Yuan	4.5	3.45	48	8	-0.17	0.10	-0.07	-0.13
Indonesia Rupiah	2.2	9.86	362	11	0.89	-0.07	0.82	0.39
Brazilian Real	2.0	7.54	67	18	1.82	-0.81	1.01	-1.07
Thai Baht	2.0	1.46	3	-1	0.13	-0.04	0.09	0.01
Czech Koruna	1.7	2.72	148	12	-0.75	-0.44	-1.19	-0.32
Turkish Lira	0.3	15.99	281	91	2.86	3.27	6.14	-0.69
Grand Total	100.0	6.69	180	-7	0.66	0.45	1.11	0.20

With strong currency and bond gains, Turkish, Russian and Mexican debt stand alone at the top of the rankings.

Chart 37: Diversified Local EM Non-Sovereign Index (LOCL) performance by currency



Composition

Chart 38: LOCL % weight by rating

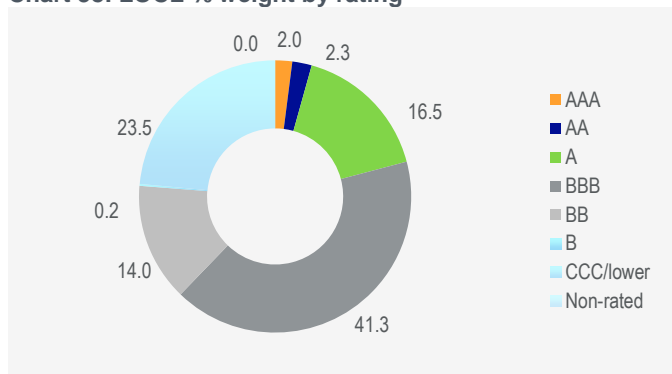


Chart 39: LOCL % weight by rating MOM change

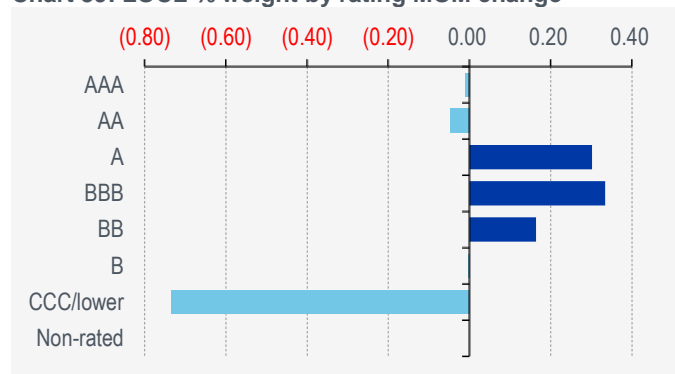


Chart 40: LOCL % weight by sector

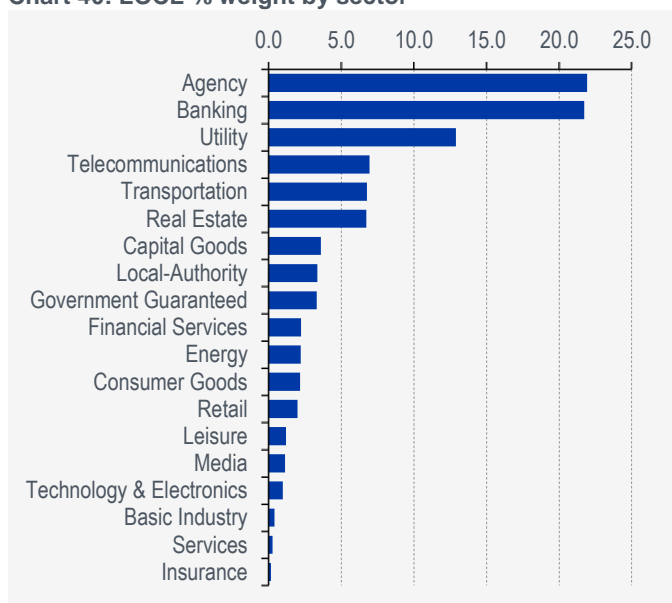


Chart 41: LOCL % weight by sector MOM change

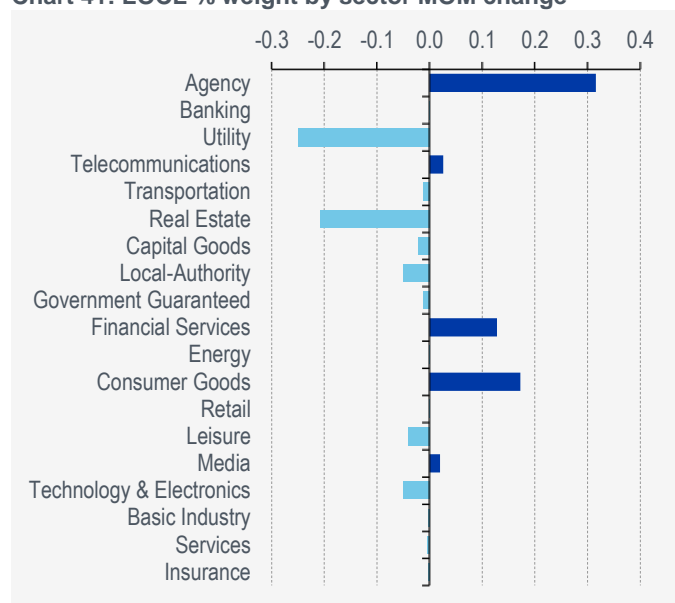


Chart 42: LOCL % currency distribution

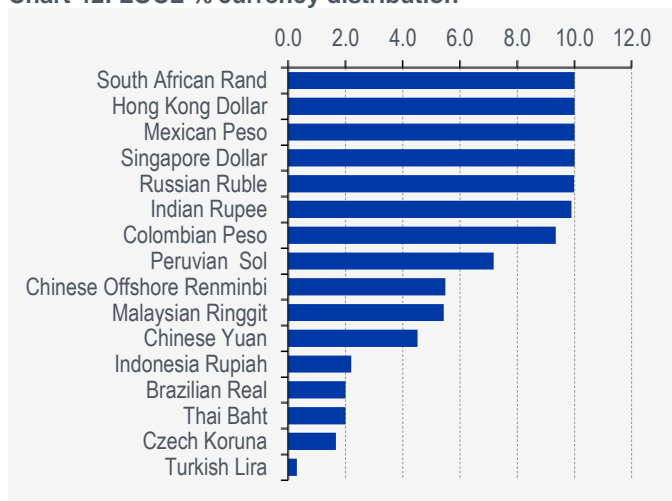
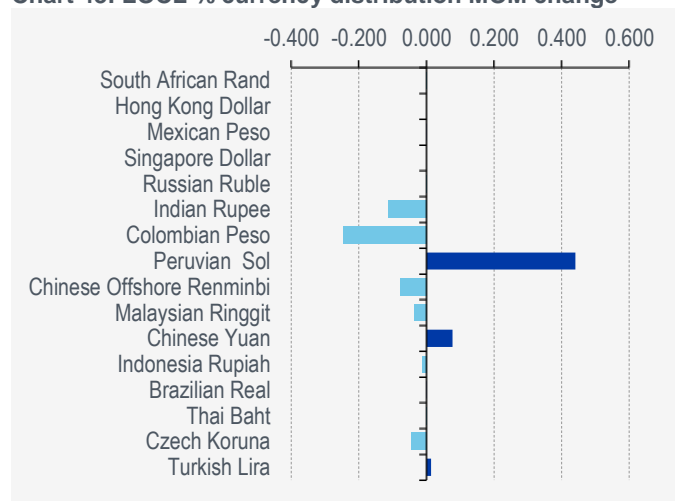


Chart 43: LOCL % currency distribution MOM change



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