Emerging Markets Monthly Highlights

Navigating Risks Amid Fed Easing

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This report does not constitute a rating action

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Emerging Markets (EMs) consist of:

Latin America: Argentina, Brazil, Chile, Colombia, Mexico, Peru.
Emerging Asia: India, Indonesia, Malaysia, Thailand, Philippines, Vietnam.
EMEA: Hungary, Poland, Saudi Arabia, South Africa, Türkiye.
Greater China: China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere).

Key Takeaways

Escalation in the Middle East conflict could drive oil prices higher, impacting EMs more severely than advanced economies due to energy's larger share in their consumption basket. If oil prices take another leg higher, this could likely delay interest rate normalization in some EMs.

China's stimulus measures, including monetary easing and property market support, aim to boost sentiment and growth. However, weak credit demand limits their impact, with growth prospects hinging on the extent of additional fiscal stimulus.

Uncertainty surrounding U.S. elections heightens key risks for EMs that could tighten financing conditions and increase borrowing costs and inflationary pressures.

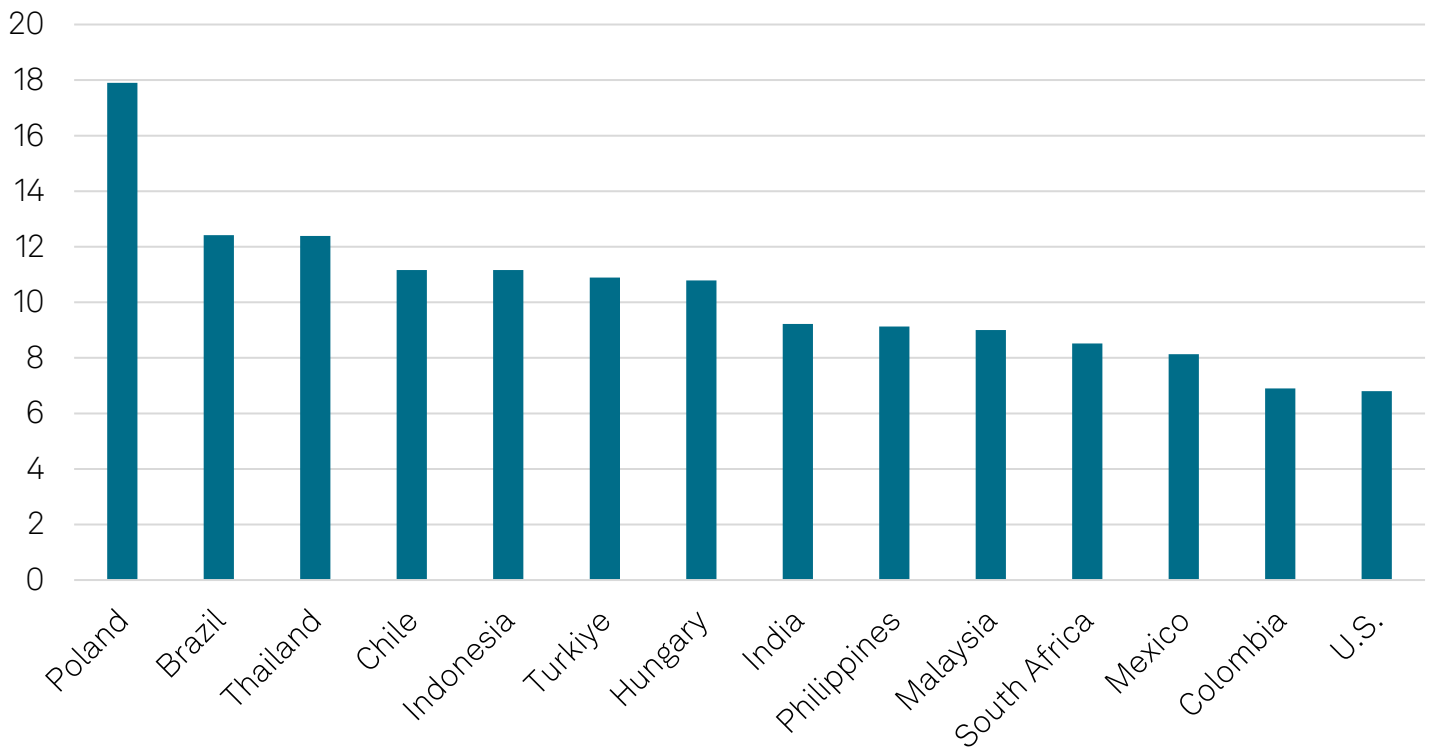
We expect faster growth in most EMs by 2025, especially in Southeast Asia, as U.S. rate cuts boost economies with strong fundamentals. Policy-related risks in LatAm may limit capital inflows despite lower U.S. rates.

Credit conditions for EMs issuers remain favorable if the U.S. soft landing holds. However, rising protectionism, China's slower growth, and tensions in the Middle East could disrupt trade, energy prices, and monetary easing efforts.

Financing conditions welcomed Fed easing as government yields fell, corporate spreads compressed, especially among speculative-grade entities, which issued a record of $4.8 billion in the month. Cumulative corporate issuance in 2024 is now even higher than record levels in 2019-2021. However, mounting regional political and macroeconomic uncertainty, coupled with significant geopolitical risk, could translate into further bouts of market volatility, as was the case in August.

The Middle East Conflict | Energy Prices Have A Higher CPI Weight In EMs

Energy weight in consumer price indices (%)

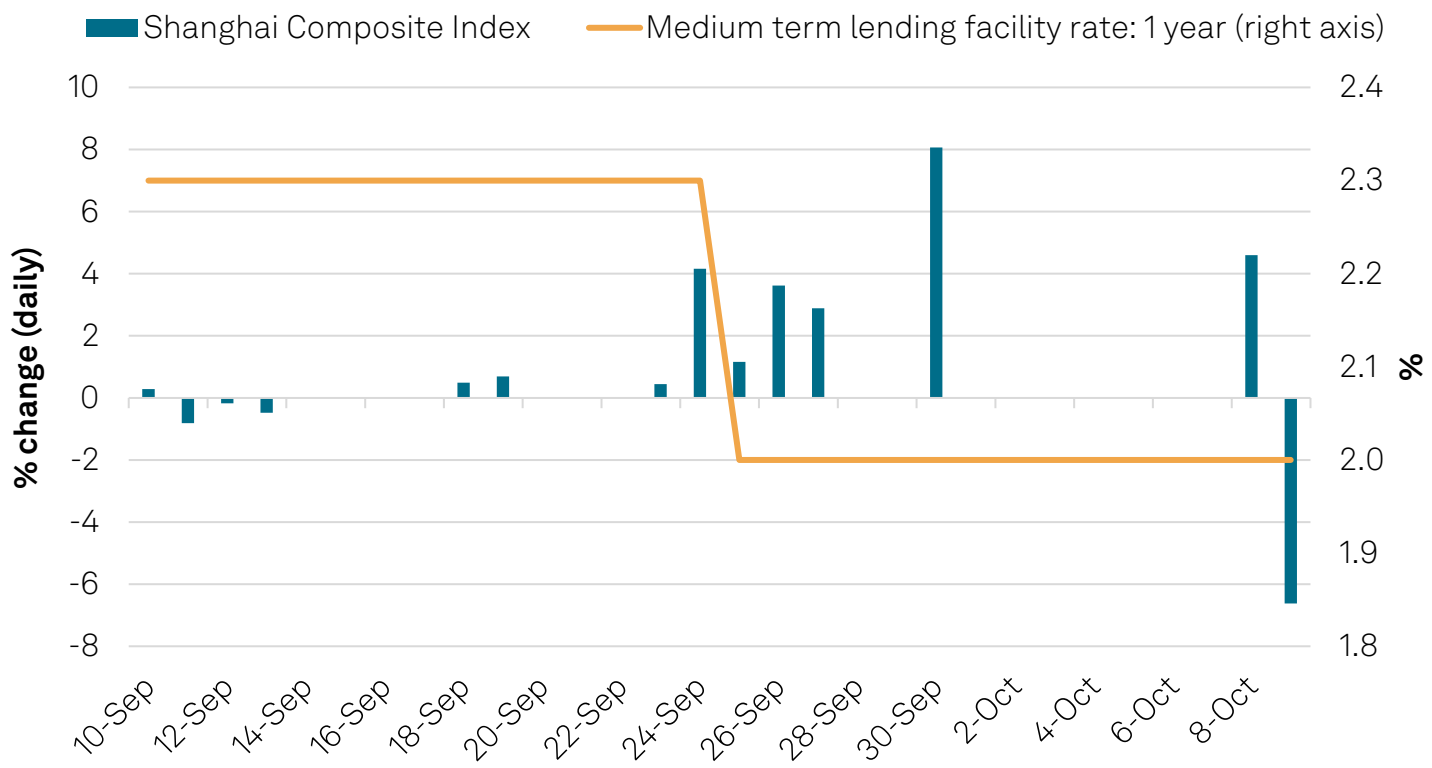


Sources: Haver Analytics and S&P Global Ratings.

- **The potential for energy prices to increase further threatens to disrupt the disinflation process in EMs.** Brent crude prices have been highly volatile this month, at one point reaching $80 per barrel. However, it's still below last year's average of $82 per barrel. If the Middle East conflict continues to escalate, risks of a further increase in oil prices will remain high.
- **Higher energy prices have a larger impact on inflation in EMs than in advanced economies.** This is because energy makes up a larger share of the consumer basket in EMs than in advanced economies (see chart).
- **If energy prices head higher, EM central banks may have to recalibrate monetary policy.** This could mean a slower interest-rate normalization in most EMs.

China | Fiscal Stimulus Is Key For Growth Outlook

Policymakers introduced monetary policy easing measures



Sources: Shanghai Stock Exchange, People's Bank of China, and S&P Global Ratings.

- **Policymakers in China introduced a wide range of stimulus measures since September 24 to lift sentiment and support growth.** Measures include monetary policy easing, and support for the property market and equity markets.
- **These measures supports consumer and business sentiment.**
- **However, weak credit demand means that monetary policy easing won't significantly boost growth.** The change in the growth outlook will depend on the scale and nature of additional fiscal stimulus measures.

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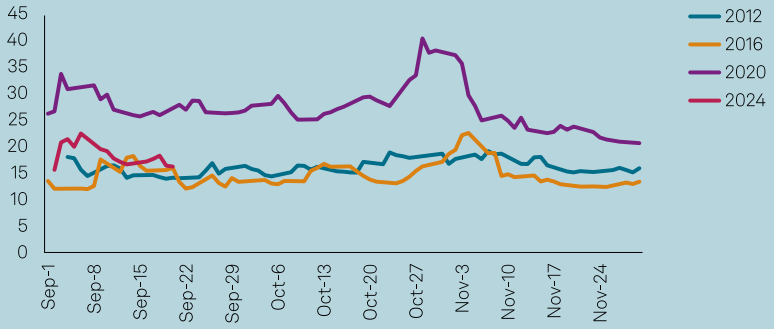
U.S. Elections | Uncertainty Heightens Key Risks For EMs

U.S. elections 2024: What's at stake for credit

Risks to credit

- Financial-market volatility, especially if result of presidential election is unclear or in dispute
- Political polarization and policy uncertainty
- Could generate a wait-and-see investment climate, hurt business and consumer sentiment, and reduce economic activity

VIX measure of equity market volatility tends to increase during U.S. presidential elections



Policy areas to watch

Fiscal policy

We don't expect meaningful federal deficit reduction regardless of outcome, given pledges not to reform mandatory spending

We view the CHIPS Act, IRA and infrastructure spending as less likely to change given some areas of bipartisan support

Expiry of the TCJA at end-2025 opens the possibility for changes in tax regime

Trade policy

More trade restrictions—specifically, higher tariffs—could result in inflationary pressures, especially for sectors exposed to cross-border supply chains

We expect U.S.-China tensions to remain irrespective of the outcome of the election

Regulation

M&A may become more active if regulatory hurdles lessen for large business combinations

Uncertainties around energy and climate regulations could affect relevant sectors.

Financial regulation could be affected over time

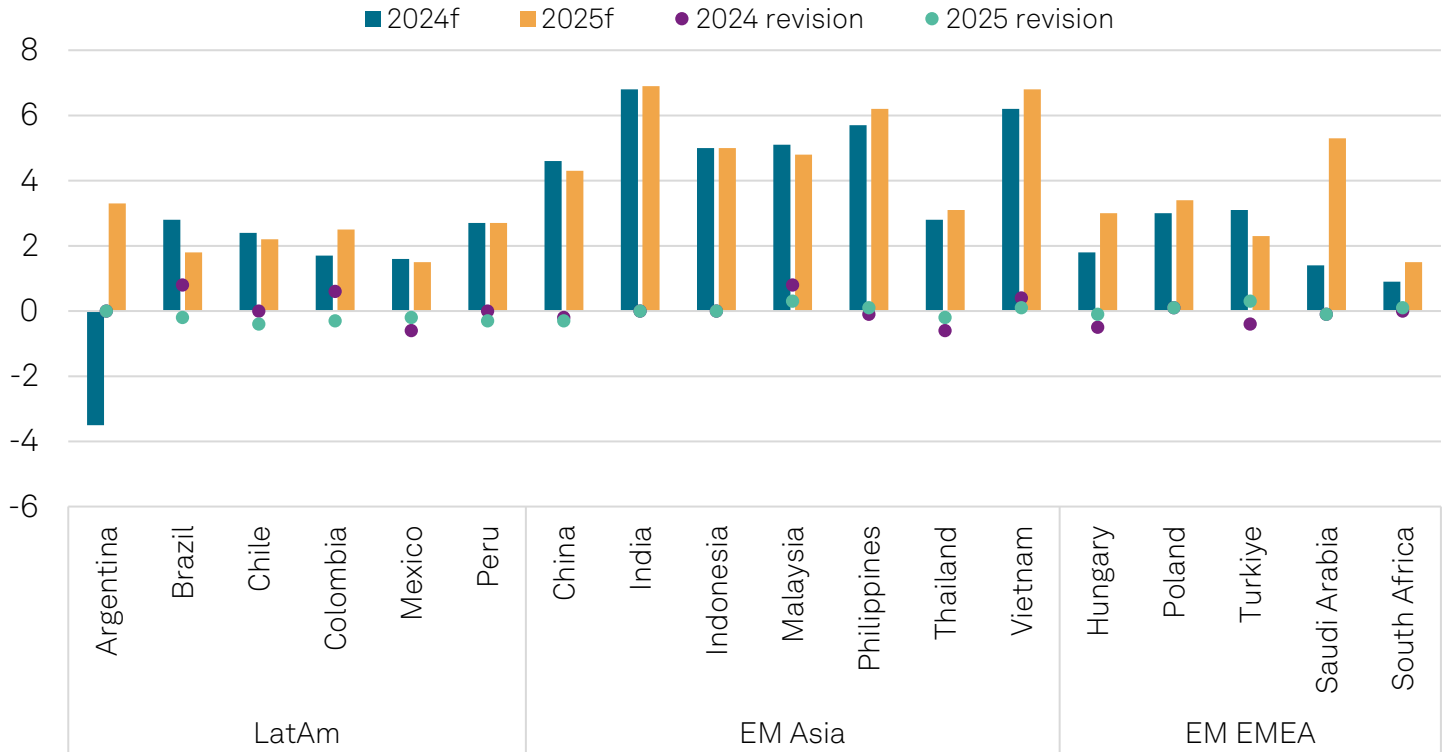
VIX is through Sept. 20, 2024, and sourced from S&P Capital IQ Pro. Source: S&P Global Ratings.

Key factors to watch for EMs:

- **Higher financial market volatility often strengthens the U.S. dollar.** This could tighten financing conditions and increase inflationary pressures on EMs through foreign-exchange pass-through effects.
- **Sustained fiscal stimulus in the U.S. could result in economic overheating that could prevent further monetary easing.** It could also cause long-term U.S. treasury yields to rise, which usually also increases borrowing costs in EMs.
- **More protectionist trade policies and any international responses will likely result in inflationary pressures and dent China's economic growth**, with negative spillovers to other EMs.

Economic Outlook | Lower Interest Rates Help As Pockets Of Risk Rise

GDP growth rates (%)



Source: S&P Global Ratings.

- **We expect most EMs in our sample to post faster growth in 2025 than in 2024,** but we anticipate significant divergence across EMs in the coming quarters.
- **The Fed's rate cuts will benefit EMs with strong growth fundamentals, such as those in Southeast Asia, as they will attract greater capital flows.** However, in some LatAm economies where policy-related risks have risen, the associated increase in risk premiums due to lower policy visibility could reduce capital inflows, despite lower U.S. interest rates.
- **Key downside risks** include the implications of the U.S. election outcome on trade and fiscal policy, a more rapid-than-expected slowdown in the U.S., ongoing economic weakness in China, a further escalation of the Middle East conflict, and persistent uncertainty over domestic policies. (see Economic Outlook Emerging Markets Q4 2024: Lower Interest Rates Help As Pockets Of Risk Rise published Sept. 24, 2024)

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EM Credit Conditions | Risks Loom Amid A Fragile Stability

	Top Emerging Markets Risks	Risk Level*	Risk Trend**
	A deepening property crisis, weak confidence, high debt levels, and trade tensions slow economic growth for China.	High	Worsening
	Geopolitical tensions and difficult socio-political conditions erode credit fundamentals.	High	Worsening
	Increasing Protectionism disrupts global trade.	Elevated	Worsening
	Higher interest rates linger upon a sudden stop of monetary easing in the U.S.	Elevated	Unchanged
	A sharper-than-expected downturn in advanced economies weighs on global trade.	Elevated	Unchanged
	Weaponization of supply-chain choke points drive up corporate costs and inflation.	Elevated	Unchanged
	Structural Risks		
	Climate change and more frequent natura disasters.	Elevated	Worsening

Sources: S&P Global Ratings. * **Risk levels** may be classified as moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless the risk level is very high. ** **Risk trend** reflects our current view about whether the risk level could increase or decrease over the next 12 months.

- **Credit conditions will likely remain supportive for EM issuers as long as a soft landing continues in the U.S.**
- **Nevertheless, several trends could derail the favorable conditions:**
  - Increasing protectionism could disrupt global trade and interrupt monetary easing as inflationary pressures resume.
  - China's economic growth could slow further upon continued real estate weakness and growing trade tensions.
  - If the Middle East conflict escalates to a dangerous phase, it could further disrupt supply chains and weigh on energy prices.
- Read more at Credit Conditions Emerging Markets Q4 2024: Risks Loom Amid A Fragile Stability published Sept. 25, 2024.

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Regional Economic Highlights

EM Asia Economics | Slowing Manufacturing Activity

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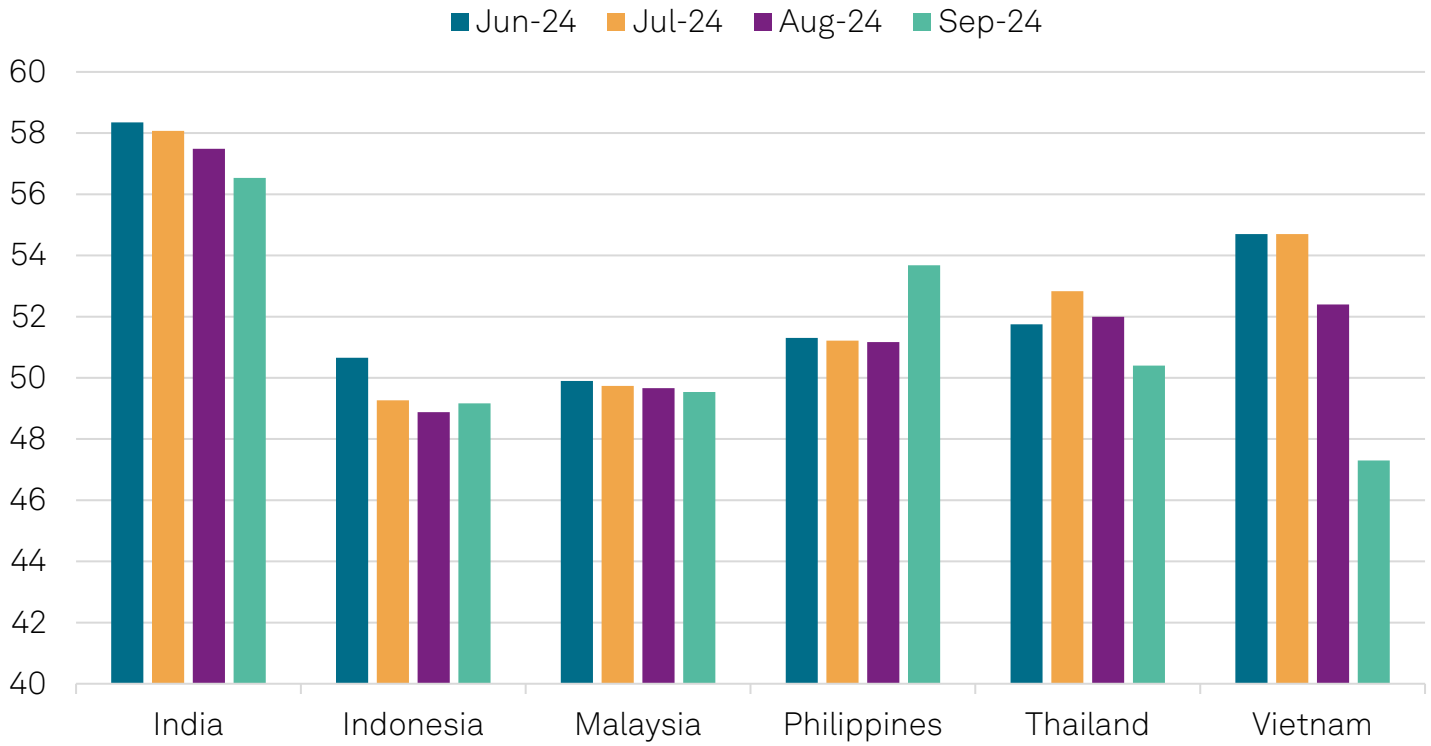
- **The Purchasing Managers' Index (PMI) readings in EM Asia have moderated in August and September.** The change is more pronounced among the electronics producers in the region, with high-income East Asian economies also showing the same pattern.
- This is in line with national account trends this year, given that service sectors have broadly stronger growth than manufacturing.
- **The electronics sector has been relatively strong among manufacturing subsectors.** Despite the cyclical slowdown, the medium-term trend is still favorable, given resilient electronics demand.

Purchasing Managers' Index Readings Eased in September



Source: S&P Global Ratings.

EM EMEA Economics | Exchange Rates Support Disinflation

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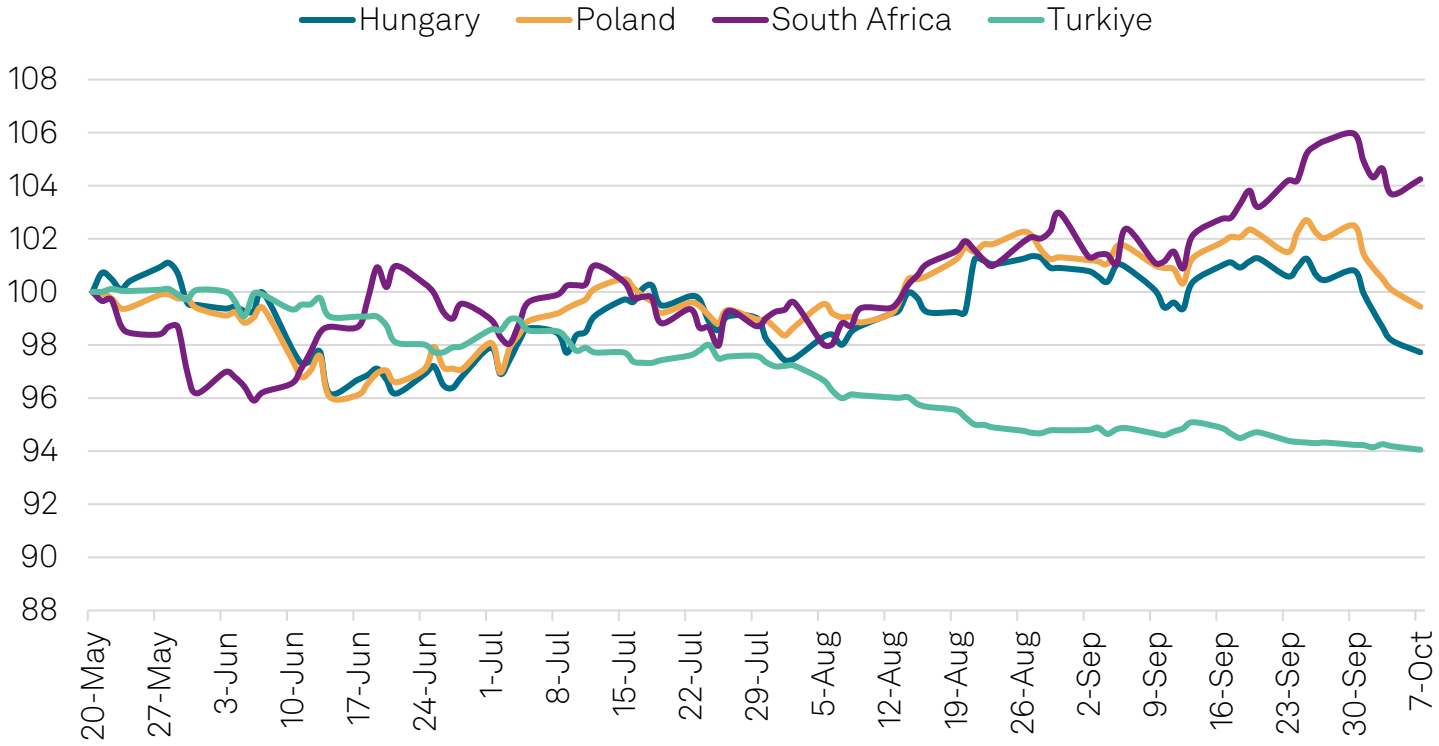
- **Exchange rates have strengthened in EM EMEA.** The Fed and the European Central Bank's easing as well as the improvement in current account dynamics, have supported exchange rates in several EM EMEA economies. However, the recent U.S. employment report seems to have tempered market expectations with regards to upcoming interest-rate cuts, which caused some correction in exchange rates.
- **South Africa's rand rallied in the past two months,** hitting its 21-month high against USD. Historically, the rand has been strongly correlated with Fed developments, and we expect that this will remain a key factor in short-term exchange rate fluctuations.
- **The Turkish lira has stabilized.** High interest rates, as well as current account improvements have supported the lira in the last few months. However, we currently expect the exchange rate to weaken, as soon as the central bank resumes cutting rates.

Exchange rates against the dollar, index (May 2024 = 100)



Note: Higher index imply strengthening against USD. Sources: Haver and S&P Global Ratings.

LatAm Economics | A Long Road To Normalizing Monetary Policy

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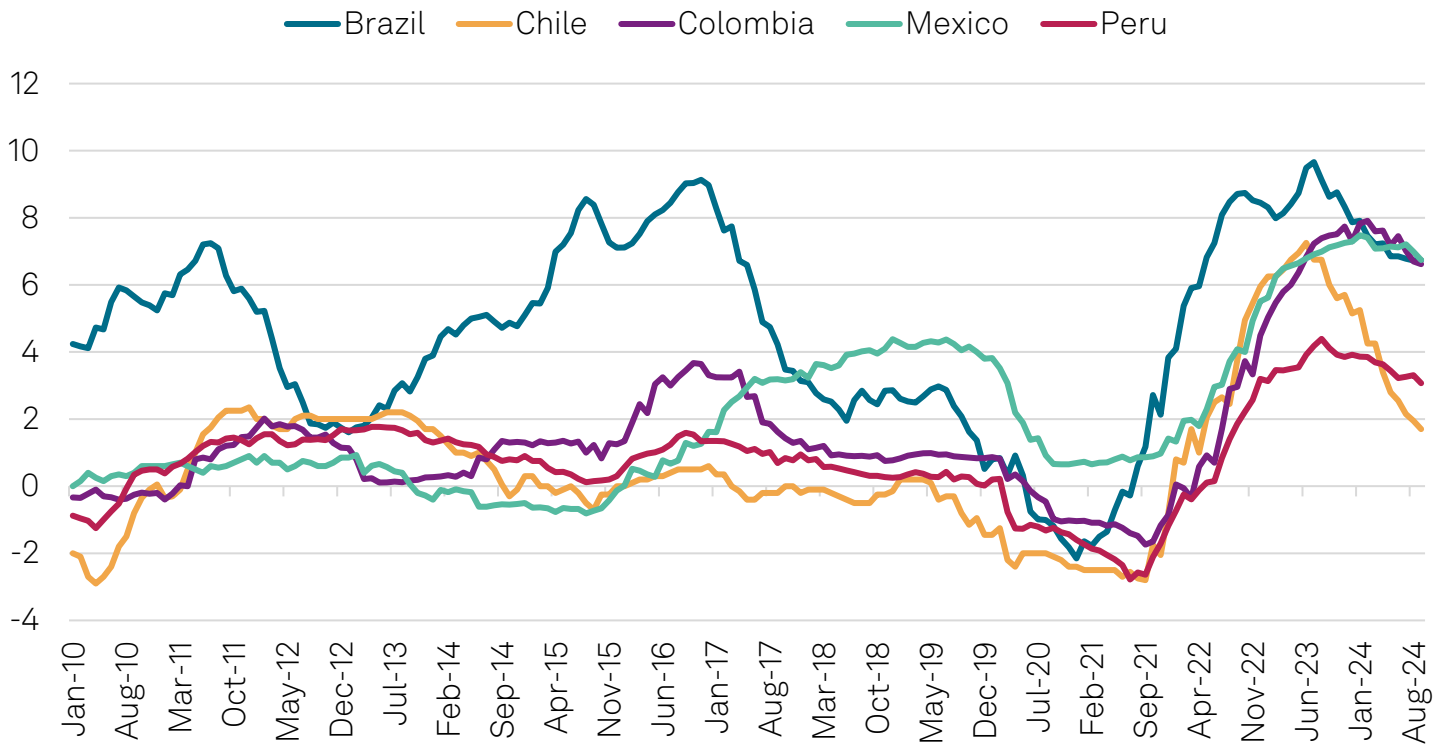
- **Most central banks in LatAm will continue lowering interest rates in the coming months.** Inflation continues to moderate, and the Fed's easing cycle will open space for lower interest rates in the region.
- **Brazil is the main exception, where we now expect more interest hikes at least in the next couple of meetings.** The Brazilian central bank pivoted to rate hikes last month due to an uptick in observed and expected inflation. The central bank has two more meetings this year, and we expect rate hikes following both meetings.
- **The shift from a restrictive to a neutral monetary policy stance will be a long process in LatAm.** In most cases, by the end of 2025, even as central banks continue easing policy, real interest rates will remain above long-term averages. It may not be until 2026 when interest rates are back to neutral.

One-year real ex ante policy rate (%)



Note: the one-year real ex ante policy rate is the current policy rate minus 12-months ahead CPI expectations. Sources: Haver Analytics and S&P Global Ratings.

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Macro-Credit Dashboards

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GDP Summary | Most EMs Will Grow Faster In 2024 Than In 2023

GDP growth below five-year average (2015-2019)

GDP growth above five-year average (2015-2019)

Country	Latest reading (y/y)	Period	Five-year average	2020	2021	2022	2023	2024f	2025f	2026f	2027f
Argentina	-1.7	Q2	-0.2	-9.9	10.4	5.3	-1.6	-3.5	3.3	2.2	2.5
Brazil	3.3	Q2	-0.5	-3.6	5.1	3.1	2.9	2.8	1.8	2.1	2.2
Chile	1.6	Q2	2.0	-6.4	11.6	2.1	0.3	2.4	2.2	2.5	2.5
Colombia	2.1	Q2	2.4	-7.2	10.8	7.3	0.6	1.7	2.5	2.8	2.9
Mexico	2.1	Q2	1.6	-8.8	6.3	3.7	3.2	1.6	1.5	2.2	2.2
Peru	3.6	Q2	3.2	-11.1	13.6	2.7	-0.5	2.7	2.7	2.9	3.0
China	4.7	Q2	6.7	2.2	8.5	3.0	5.2	4.6	4.3	4.5	4.5
India	6.7	Q2	6.9	-5.8	9.1	7.0	8.2	6.8	6.9	7.0	7.0
Indonesia	5.0	Q2	5.0	-2.1	3.7	5.3	5.0	5.0	5.0	4.9	4.9
Malaysia	5.9	Q2	4.9	-5.5	3.3	8.9	3.5	5.1	4.8	4.5	4.4
Philippines	6.3	Q2	6.6	-9.5	5.7	7.6	5.5	5.7	6.2	6.4	6.5
Thailand	2.3	Q2	3.4	-6.1	1.5	2.6	1.9	2.8	3.1	3.0	3.1
Vietnam	7.4	Q3	7.1	2.9	2.6	8.0	5.0	6.2	6.8	6.7	6.6
Hungary	1.5	Q2	4.2	-4.7	7.2	4.6	-0.7	1.8	3.0	2.7	2.5
Poland	4.3	Q2	4.4	-2.0	6.8	5.5	0.2	3.0	3.4	2.9	2.8
Saudi Arabia	-0.3	Q2	2.3	-4.3	3.9	8.7	-0.9	1.4	5.3	4.0	3.6
South Africa	0.3	Q2	1.0	-6.0	4.7	1.9	0.6	0.9	1.5	1.3	1.3
Türkiye	2.5	Q2	4.2	1.7	11.8	5.3	4.5	3.1	2.3	2.9	3.0

f--Forecast. y/y--Year on year. Sources: Haver Analytics and S&P Global Ratings.

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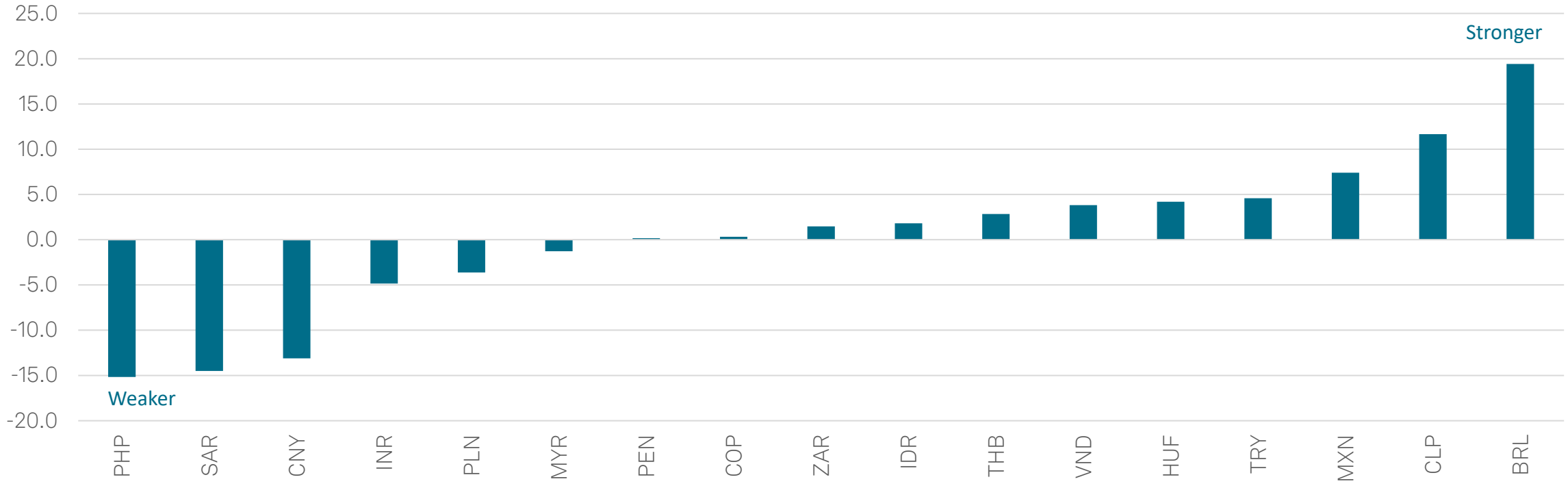
Monetary Policy/FX | Several EMs Followed The Fed With Rate Cuts

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Sept. exchange rate chg.	YTD exchange rate chg.
Argentina	40.00%	No target	209.0%	Hold	N/A	-1.9%	-16.7%
Brazil	10.75%	3.0% +/- 1.5%	4.4%	25 bps hike	Nov. 6	3.8%	-11.1%
Chile	5.50%	3.0% +/- 1.0%	4.1%	25 bps cut	Oct. 26	2.4%	-1.3%
Colombia	10.75%	3.0% +/- 1.0%	5.8%	50 bps cut	Oct. 31	-0.8%	-8.2%
Mexico	10.50%	3.0% +/- 1.0%	4.6%	25 bps cut	Nov. 14	0.0%	-13.9%
Peru	5.25%	1.0% - 3.0%	1.8%	Hold	Nov. 7	1.2%	0.0%
China	1.50%	3.0%	0.6%	20 bps cut	N/A	1.1%	1.3%
India	6.50%	4.0 +/- 2.0%	3.7%	Hold	Dec. 8	0.1%	-0.8%
Indonesia	6.00%	2.5% +/- 1.0%	1.8%	25 bps cut	Oct. 16	2.2%	1.9%
Malaysia	3.00%	No target	1.9%	Hold	Nov. 6	5.1%	11.8%
Philippines	6.25%	3.0% +/- 1.0%	1.9%	Hold	Oct. 17	0.7%	-0.6%
Thailand	2.50%	2.0% +/- 1.0%	0.6%	Hold	Oct. 16	5.2%	6.0%
Vietnam	4.50%	4.0%	2.6%	Hold	N/A	0.5%	-0.9%
Hungary	6.50%	3.0% +/- 1.0%	3.0%	25 bps cut	Oct. 22	-0.1%	-2.4%
Poland	5.75%	2.5% +/- 1.0%	4.3%	Hold	Nov. 6	1.2%	3.0%
Saudi Arabia	5.50%	No target	1.6%	50 bps cut	N/A	0.0%	0.0%
South Africa	8.00%	3.0% - 6.0%	4.4%	25 bps cut	Oct. 17	2.9%	8.6%
Türkiye	50.00%	5.0% +/- 2.0%	49.4%	Hold	Nov.21	-0.6%	-13.7%

Note: Red means inflation is above the target range/policy is tightening/exchange rate is weakening. Green means inflation is below the target range/policy is easing/exchange rate is strengthening. A positive number for the exchange-rate change means appreciation. Argentina's central bank no longer targets inflation, nor does it set the policy rate directly (it is set based on monetary aggregates targeting). For China, we use the PBOC's seven-day reverse repo. bps--Basis points. YTD--year to date. N/A--Not applicable. Sources: Haver Analytics and S&P Global Ratings.

Real Effective Exchange Rates | LatAm Currencies Still Strong

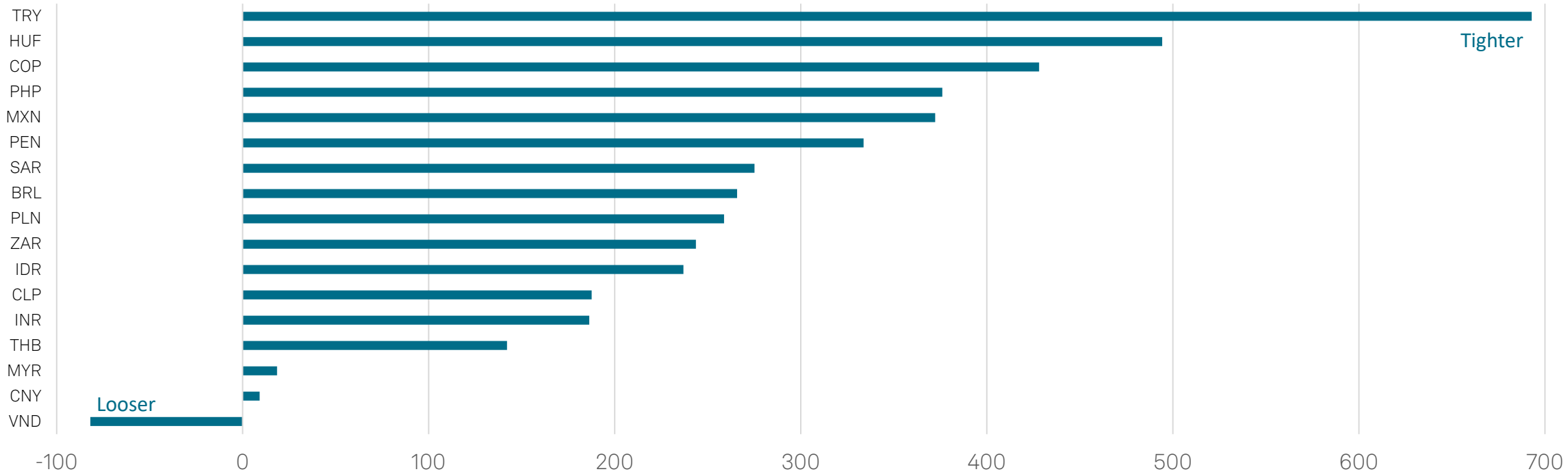
Broad real effective exchange rates (% change from 10-year average)



Data as of Sept. 30, 2024. Note: Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Sources: Haver Analytics, J.P. Morgan, and S&P Global Ratings.

Real Interest Rates | Restrictive Stance Will Remain In Place For Some Time

Deviation in current real benchmark interest rates from 10-year average (bps)



Data as of Sept. 30, 2024. Note: Real interest rates are deflated by CPI. In the cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina. For China, we use the seven-day reverse repo rate.
Sources: Haver Analytics and S&P Global Ratings.

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EM Heat Map

		Saudi Arabia	Poland	Mexico	Peru	Chile	Malaysia	Philippines	Indonesia	China	South Africa	Thailand	India	Colombia	Brazil	Vietnam	Argentina	Türkiye
Sovereigns	FC Sovereign Rating	A	A-	BBB	BBB-	A	A-	BBB+	BBB	A+	BB-	BBB+	BBB-	BB+	BB	BB+	CCC	B+
	Sovereign Outlook	Positive	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Negative	Stable	Stable	Stable	Positive
	Institutional	4	4	3	4	2	3	4	3	3	4	4	3	3	4	4	6	4
	Economic	3	3	5	4	4	3	4	4	3	5	4	4	4	5	4	5	4
	External	1	2	2	3	4	2	1	3	1	2	1	1	5	2	3	6	5
	Fiscal (BDGT)	2	4	4	2	3	4	3	3	5	6	3	6	4	6	4	6	5
	Fiscal (DBT)	1	3	4	3	2	5	4	4	4	6	3	6	4	6	3	5	5
	Monetary	4	2	3	3	2	2	3	3	2	2	2	3	3	3	4	6	5
Financial institutions BICRA	Economic Risk	5	4	6	6	4	5	6	6	7	7	7	6	7	7	9	10	9
	Industry Risk	4	5	3	3	3	3	5	6	5	5	6	5	5	5	8	7	9
	Institutional Framework	I	H	I	L	I	I	H	H	H	I	VH	H	I	I	EH	H	VH
	Derived Anchor	Bbb	bbb	bbb-	bbb-	bbb+	bbb	bbb-	bb+	bb+	bb+	bb	bbb-	bb+	bb+	b+	b+	b+
	Eco. Risk Trend	Stable	Stable	Stable	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive
	Eco. Imbalances	I	L	I	L	L	L	L	L	H	I	H	L	H	I	H	VH	VH
	Credit Risk	I	I	I	VH	I	H	H	VH	VH	H	VH	VH	H	H	EH	EH	VH
	Competitive Dynamics	I	H	I	I	L	I	I	H	H	I	H	H	I	H	VH	H	VH
	Funding	I	L	L	I	L	L	I	I	VL	H	L	L	H	I	I	VH	VH
Nonfinancial corporates	Median Rating(Sep.30,2024)	A-	BB	BBB	BBB-	BBB	A-	BBB	BB	BBB+	BB-	BBB	BBB-	BB+	BB	BB-	CCC	BB-
	Net Debt / EBITDA	2.86	1.66	2.76	2.25	3.49	2.22	3.31	2.51	3.30	2.04	2.90	2.18	2.05	1.85	3.18	1.99	1.82
	ROC Adj.§	1	1	1	3	0	1	0	0	2	0	3	0	0	1	-1	-73	-38
	EBITDA INT. COV.	7.13	8.27	4.21	6.52	5.32	9.24	5.96	5.42	6.47	4.94	8.76	5.94	3.80	3.45	5.13	2.98	2.75
	FFO / Debt	31.6	42	40.6	38.1	26.6	25.9	25.3	33.1	15.4	44.3	28.4	37.2	51.2	55.4	27.1	29.1	38.5
	NFC FC Debt % GDP*	8.6	12.7	11.8	20.2	33.6	18.0	6.6t	7.8	4.1	14.7	12.4	7.1	9.9	13.2		8.5	21.9
	NFC Debt % of GDP*	42.1	36.8	19.8	42.9	94.4	90.5	43.6t	24.2	166.3	32.1	86.3	56.9	31.1	52.2		22.1	48.0

Sovereign--Each of the factors is assessed on a continuum spanning from '1' (strongest) to '6' (weakest). Based on "Sovereign Rating Methodology." Dec. 18, 2017.

Financial Institutions BICRA--The overall assessment of economic risk and industry risk, which ultimately leads to the classification of banking systems into BICRA groups, is determined by the number of "points" assigned to each risk score on the six-grade scale. The points range from '1' to '10', with one point corresponding to "very low risk" and '10' points corresponding "extremely high risk," based on "Banking Industry Country Risk Assessment Methodology and Assumptions," Dec. 9, 2021, and "Financial Institutions Rating Methodology," Dec. 9, 2021. VL--Very low. L--Low. I--Intermediate. H--High. VH--Very high. EH--Extremely high.

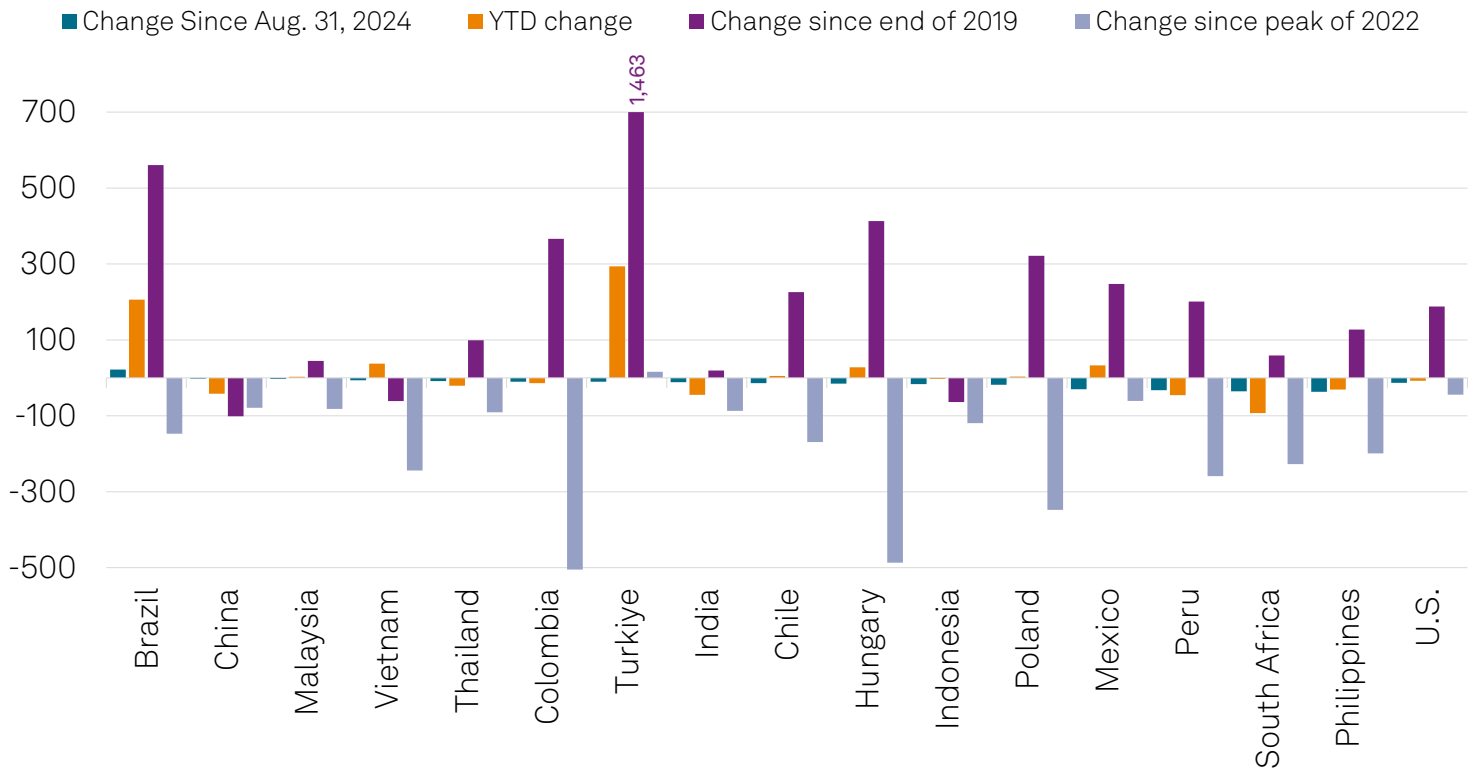
Nonfinancial Corporates--Ratios are derived from the median of rated corporates in their respective countries. We then rank them according to our "Corporate Methodology," Nov. 19, 2013, by using table 17, with levels that go from minimal to highly leveraged. §We assess return on capital by using the median of our rated corporates in their respective countries, then we adjust for inflation, we then rank it based on our "Corporate Methodology," Nov. 19, 2013. *Nonfinancial corporates' debt and foreign currency denominated debt is based on IIF global debt monitor with data as of February 2023.

*IIF 4Q 2023. Sources: t-Bangko Sental NG Pilipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 1Q 2024. S&P Global Ratings. Data for sovereigns and financial institutions as of October 10, 2024.

Financing Conditions Highlights

EM Yields | Down After The Fed's Move

Change in local currency 10-year government bond yield versus U.S. 10-year T-note yield (bps)

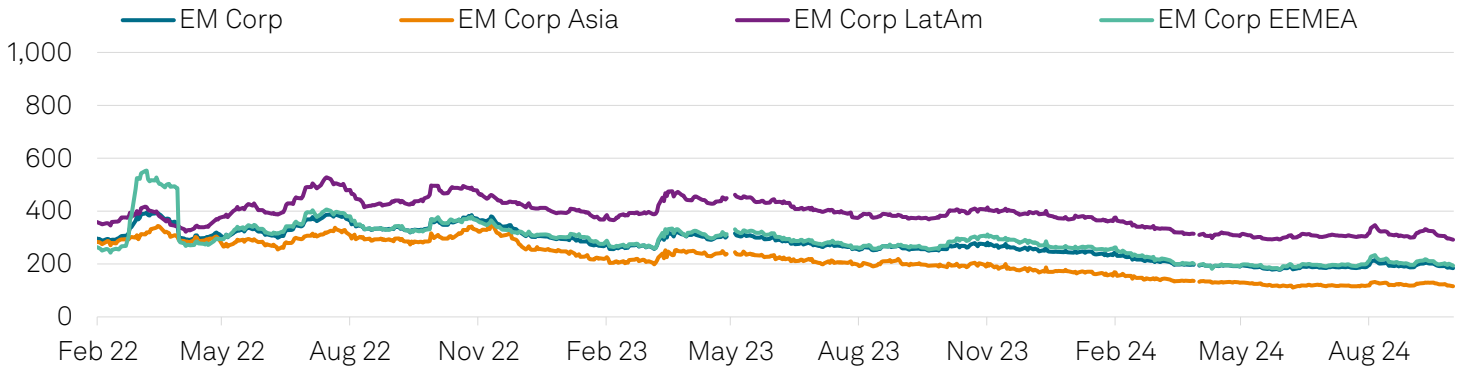


Data as of Sept. 30, 2024. Note: The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes.
Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro, and Datastream.

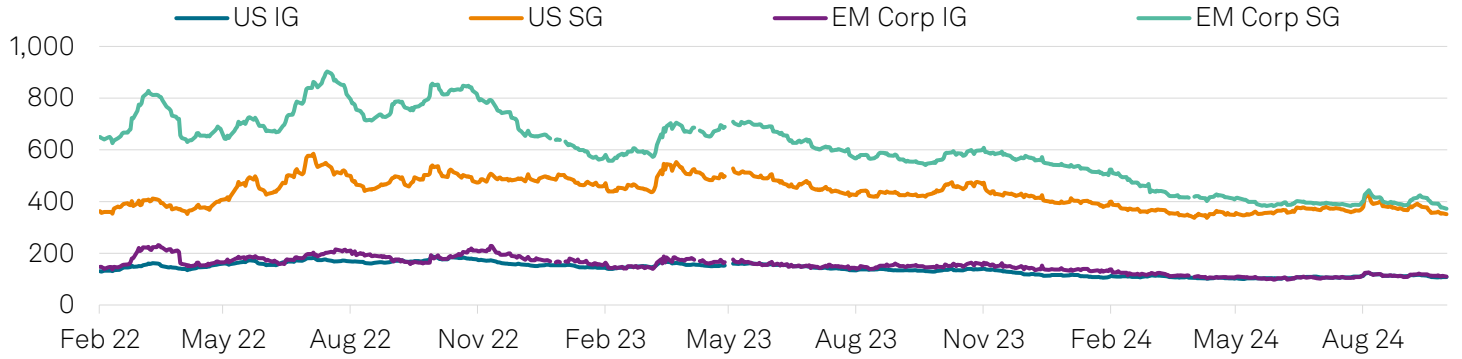
- **EM 10-year benchmark yields decreased across the board,** except for Brazil (+22 bps) following the central bank's 25-bps hike of its Selic rate to 10.75% to curtail accelerating inflation, following stronger-than-expected economic activity. Major downside movements were in the Philippines (37 bps), as inflation retreated on the slowing increase in rice prices, and South Africa (35 bps) given the central bank's first interest rate cut in more than four years, as strong domestic growth overshadows global vulnerabilities.
- **The Fed's easing signals potential monetary easing across EMs, likely aiding capital inflows and further compression in yields.** However, mounting regional political and macroeconomic uncertainty, coupled with significant geopolitical risk, could translate into further bouts of market volatility, as was the case in August.

EM Credit Spreads | Compression Is Not Over

EM spreads by region (bps)



U.S. and EM spreads (bps)



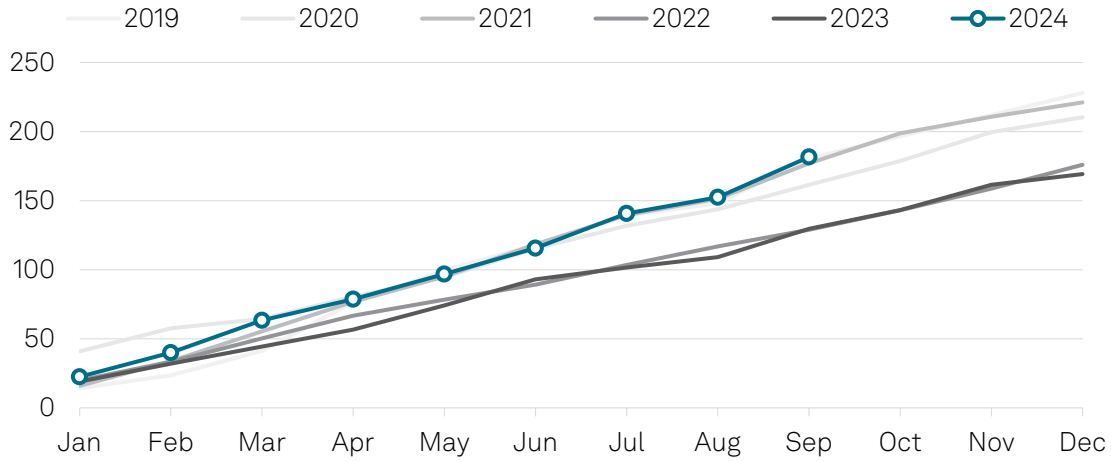
Data as of Sept. 30, 2024. bps--Basis points. IG--Investment-grade. SG--Speculative-grade. Sources: Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis, S&P Global Ratings Credit Research & Insights.

- **EM corporate average spreads recorded 184 bps** in September, a tad lower than in August. Corporate spreads are 60 bps lower than in the beginning of the year, with LatAm narrowing the most, by 80 bps.
- **Speculative-grade spreads fell again more than investment-grade ones.** The distance between U.S. and EM spreads remained minimal: only 2 bps differentiating investment-grade spreads (versus four-year average of 18 bps) and the U.S. speculative-grade spreads only 21 bps lower than those of EM ones (versus the four-year average of 161 bps), confirming market appetite for EM corporate debt.
- **Tight spreads buoyed speculative-grade issuance,** which posted its strongest monthly activity since January 2021, evenly split between financial and nonfinancial corporates, mainly located in LatAm. The market was notably open to 'CCC' rated corporates, which issued at average 8.4% with seven-year average tenor for refinancing purposes.

EM | Financial And Nonfinancial Corporate Issuance

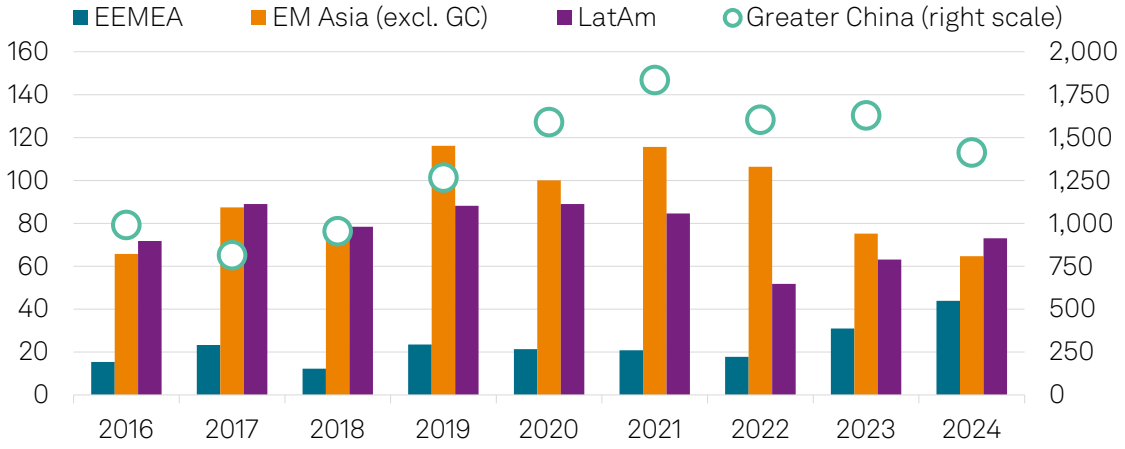
- **EM issuance in September decreased 19% from the August level to $180 billion** because entities in Greater China issued $150 billion, 26% lower than the last month's significant market activity. Banks, brokerages, and metals, mining, and steel entities were mostly active while volume among insurers and utilities held up.
- **Issuance excluding Greater China posted the strongest volume month in the year,** rising to $29 billion from $12 billion in August. Such a monthly volume was last seen in January 2020. If Brazil is still lagging, Mexican, Polish, and Argentine corporates were very active. It was mostly financial and utility-related issuance.
- **Cumulative corporate bond issuance is now higher than strong volumes in 2019-2021**, as issuers tapped the market to refinance their near-term maturities at a cheaper, yet still elevated, cost. Region-wise, after nine months in the year, EEMEA's year-to-date issuance was 212% of its 2016-2023 average, followed by Greater China (106%), LatAm (95%), and EM Asia (69%).

EM cumulative corporate bond issuance (bil. $)*



Includes not rated. *Excluding Greater China. Data as of Sept. 30, 2024. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

EM regional bond issuance (bil. $)



Data as of Sept. 30, 2024. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

Top 20 EM Rated Issuance | By Debt Amount In The Past 90 Days

Rating date	Issuer	Economy	Sector	YTM (%)	Issuer credit rating	Debt amount (mil. $)	Maturity year
10-Sep-24	Fiemex	Mexico	Utility	7.3	BBB*	1,490	2041
1-Oct-24	LATAM Airlines Group S.A.	Chile	Transportation	7.9	BB-	1,400	2030
26-Sep-24	Niagara Energy SAC	Peru	Utility	5.7	BBB-	1,200	2034
17-Sep-24	Comision Federal De Electricidad	Mexico	Utility	6.5	BBB	996	2034
5-Sep-24	Sociedad Química y Minera de Chile S.A.	Chile	CP&ES	5.6	BBB+	844	2034
2-Oct-24	Biocon Biologics Global	India	Healthcare	NA	BB*	792	2029
10-Sep-24	Inter-American Investment Corp.	Latin America	NBFI	3.7	AA+	749	2027
5-Sep-24	Centrais Eletricas Brasileiras	Brazil	Utility	6.7	BB	736	2035
3-Sep-24	BBVA Mexico S.A.	Mexico	Banks	5.3	BBB	599	2029
3-Sep-24	Banco de Credito del Peru	Peru	Banks	5.8	BBB-	598	2035
24-Sep-24	mBank S.A.	Poland	Banks	4.0	BBB	559	2030
17-Sep-24	Bank Polska Kasa Opieki S.A.	Poland	Banks	Reset	A-	553	2030
24-Sep-24	Shriram Finance Ltd.	India	NBFI	6.2	BB	500	2028
28-Aug-24	Khazanah Global Sukuk Bhd.	Malaysia	NBFI	4.5	A-*	500	2029
5-Sep-24	Banco de Credito e Inversiones	Chile	Banks	Reset	A-	500	Perpetual
4-Sep-24	YPF S.A.	Argentina	Oil and gas	8.8	CCC	500	2031
4-Sep-24	Pegasus Hava Tasimaciligi A.S.	Turkyie	Transportation	8.0	B+	500	2031
28-Aug-24	Khazanah Capital Ltd.	Malaysia	NBFI	4.8	A-	500	2034
17-Sep-24	Comision Federal De Electricidad	Mexico	Utility	5.7	BBB	499	2030
9-Sep-24	Termocandelaria Power S.A.	Colombia	Utility	8.0	BB	419	2031

As of Oct. 9, 2024. *Refers to issue rating. Excludes sovereigns and Greater China entities. Foreign currency ratings. CP&ES--Chemicals, packaging, and environmental services. NBFI—Nonbank financial institutions. YTM--Yield-to-maturity. Sources: Refinitiv and S&P Global Ratings Credit Research & Insights.

Ratings Summary

Ratings Summary | Sovereign Ratings In EM 18

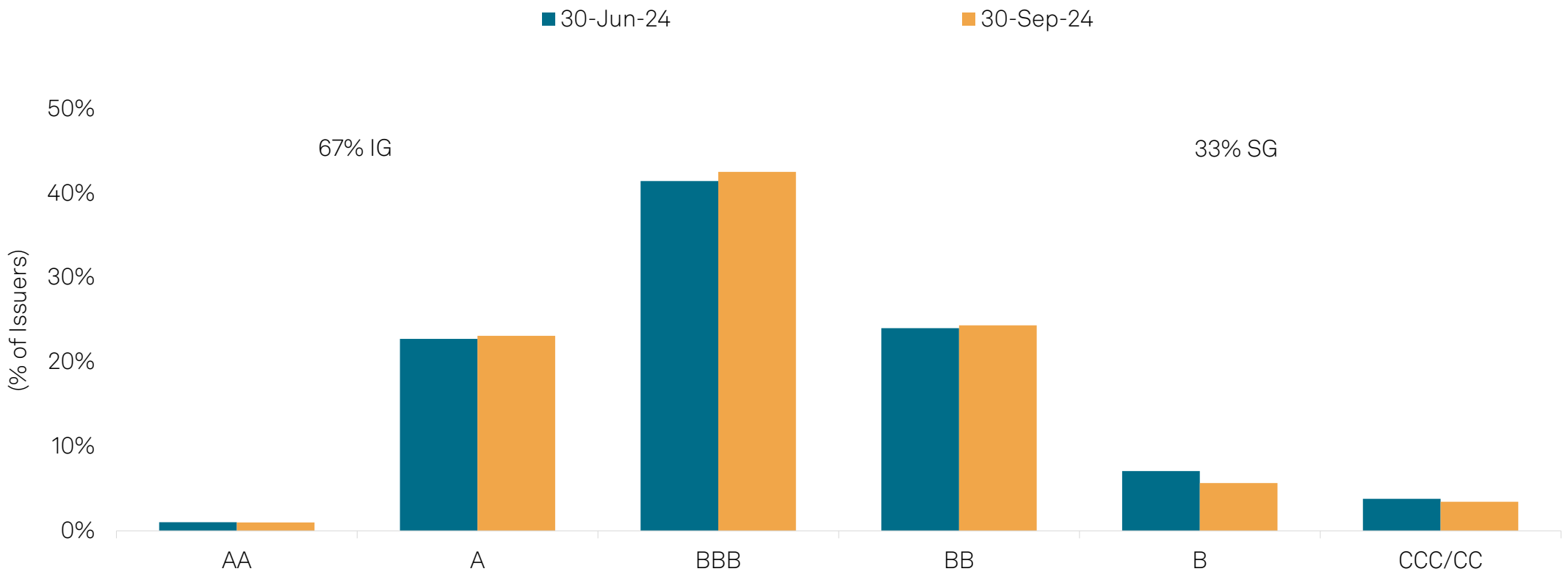
On Sept. 13, 2024, we revised the outlook on Saudi Arabia to positive from stable, reflecting that its wide-ranging reforms and investments will underpin the development of the non-oil economy while upholding sustainable public finances.

Investment grade | Speculative grade

Economy	Rating	Outlook	Five-year CDS spread (Sept. 30)	Five-year CDS spread (Aug .31)
China	A+	Stable	60	57
Chile	A	Negative	55	51
Saudi Arabia	A	Positive	62	55
Malaysia	A-	Stable	38	38
Poland	A-	Stable	70	63
Philippines	BBB+	Stable	58	58
Thailand	BBB+	Stable	36	36
Indonesia	BBB	Stable	69	67
Mexico	BBB	Stable	120	114
Peru	BBB-	Stable	77	73
Hungary	BBB-	Stable	118	115
India	BBB-	Positive	50	46
Colombia	BB+	Negative	199	180
Vietnam	BB+	Stable	97	99
Brazil	BB	Stable	152	151
South Africa	BB-	Stable	176	182
Turkiye	B+	Positive	266	273
Argentina	CCC	Stable	2,187	2,484

Data as of Sept. 30, 2024, and sovereign ratings as of Oct. 5, 2024. Foreign currency ratings. Red means speculative-grade rating and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan.
Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

Ratings Summary | Credit Rating Distribution In EM 18



Parent Only. Includes Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) excluding the sovereign. Data as of Sept. 30, 2024. Source: S&P Global Ratings Credit Research & Insights.

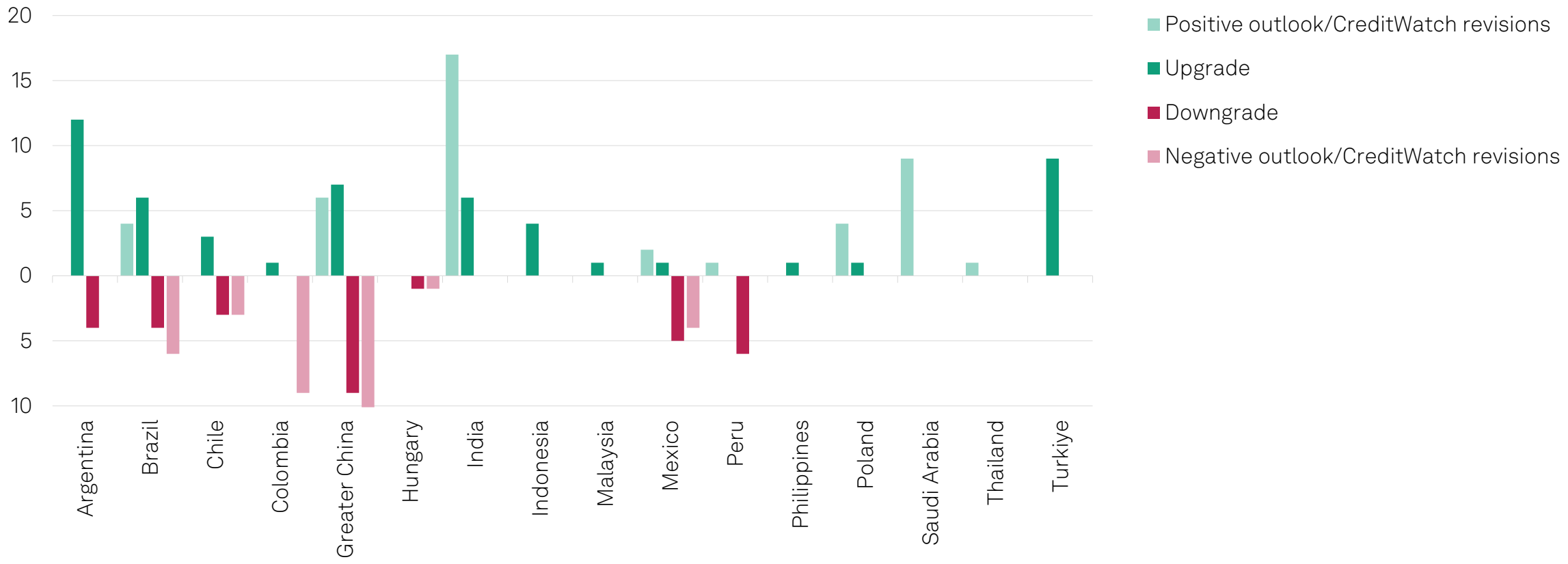
Top 20 EM Rating Actions | By Debt Amount In The Past 90 Days

Investment grade | Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
20-Aug-24	Tata Motors Ltd. (Tata Sons Pte. Ltd.)	India	Automotive	BBB	BB+	Upgrade	5,023
22-Aug-24	Latam Airlines Group S.A.	Chile	Transportation	BB-	B+	Upgrade	2,250
8-Aug-24	Oi S.A.	Brazil	Telecommunications	CCC	CCC-	Upgrade	1,385
4-Sep-24	Rede D'Or Sao Luiz S.A.	Brazil	Health care	BB+	BB	Upgrade	1,350
13-Sep-24	Bank Polska Kasa Opieki S.A.	Poland	Bank	A-	BBB+	Upgrade	1,025
20-Aug-24	Tata Steel Ltd. (Tata Sons Pte. Ltd.)	India	Metals, mining, and steel	BBB	BBB-	Upgrade	1,000

As of Sept. 30, 2024. Excludes sovereigns. Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the parent. Excludes Greater China and the red chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Sources: S&P Global Ratings Credit Research & Insights, S&P Global Market Intelligence's CreditPro®.

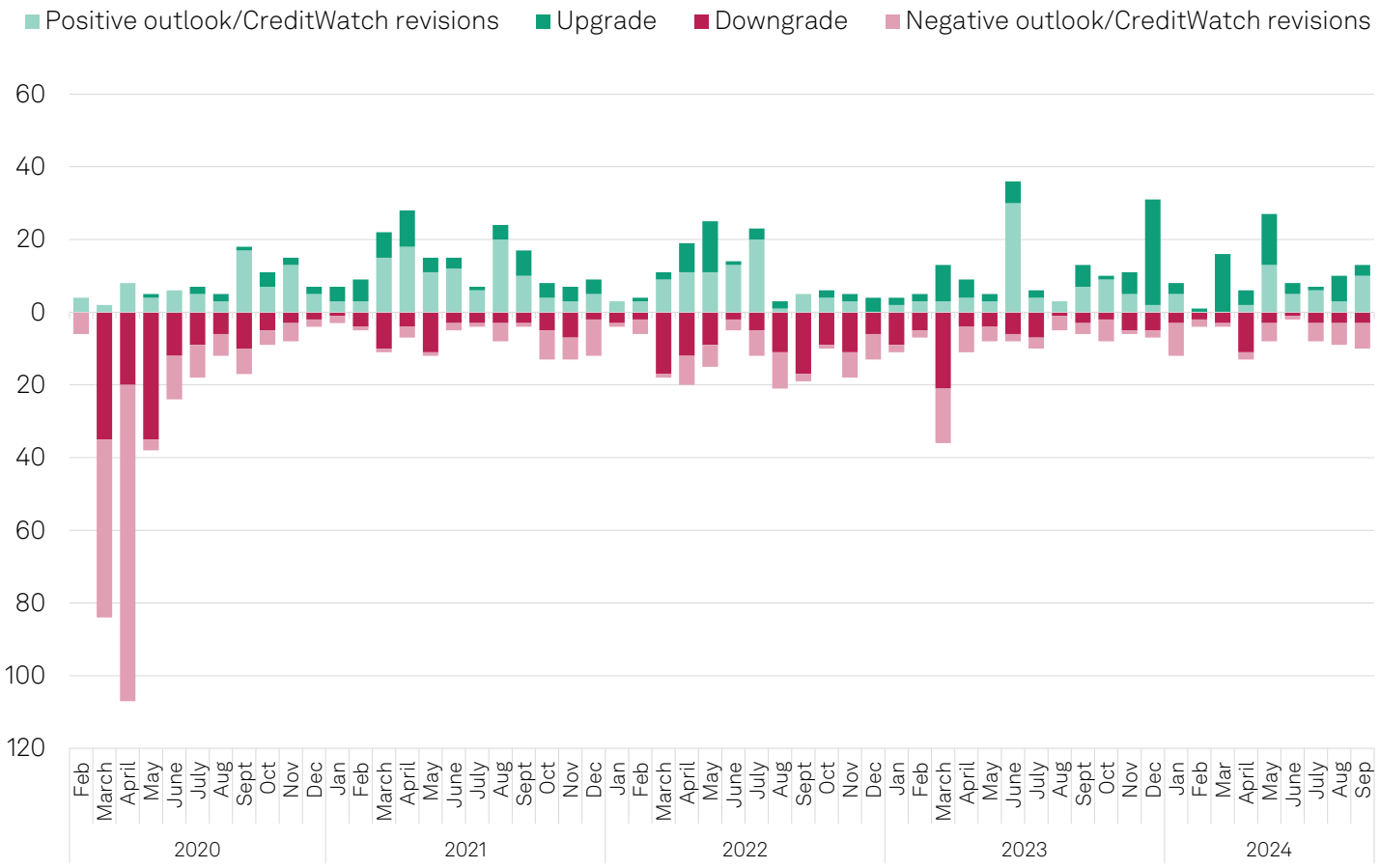
EM | Total Rating Actions By Economy In 2024



Data as of Sept. 30, 2024. Includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies. Source: S&P Global Ratings Credit Research & Insights.

EM | Total Rating Actions By Month

- **There were three upgrades in September, down from seven in August.** Notably, Rede D'Or Sao Luiz S.A. (Brazil; healthcare) was upgraded to 'BB+' from 'BB' as it continues to increase the scale, scope, and diversification of its hospital operations, with stronger liquidity and credit metrics. Moreover, seven of the nine monthly positive outlook revisions occurred among corporates in Saudi Arabia, which followed the sovereign outlook revision. Many of these revisions concerned financial institutions.
- **Three downgrades in September, in line with the August level.** Operadora de Servicios Mega, S.A. (Mexico; NBFI) defaulted from 'CC' on missed interest payment on its unsecured notes due 2025. Azul S.A. (Brazil; transportation) was downgraded to 'CCC+' from 'B-' as the depreciation of the Brazilian real and a reduction in capacity and yields hampered its second-quarter results; liquidity has tightened, and refinancing options are narrow. China Vanke Co. Ltd. (China; real estate) was downgraded to 'BB-' from 'BB+' because of declining contracted sales in 2024-2025 and deteriorating liquidity amid the weak property market, as homebuyer sentiment remains tepid.

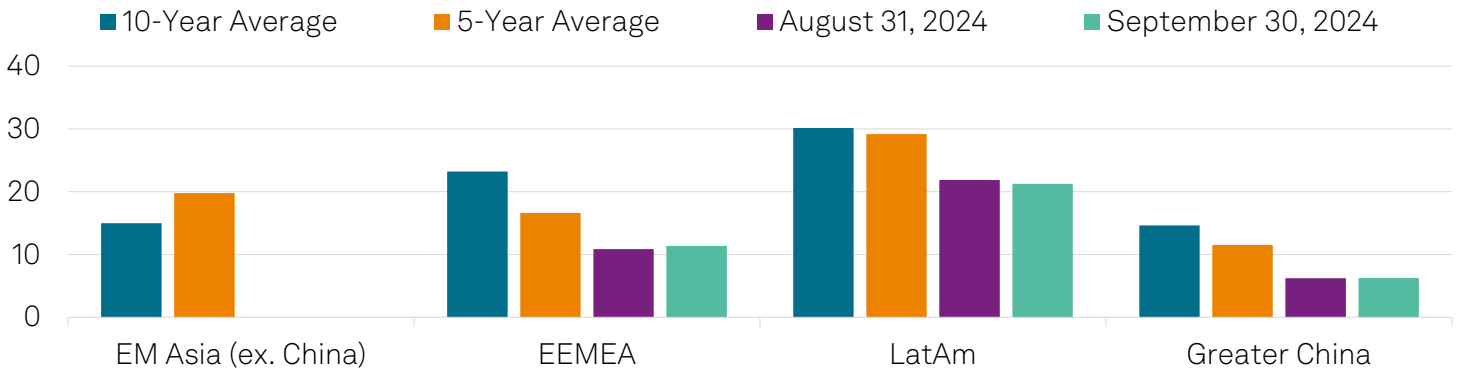


Data from Feb. 3, 2020, to Sept. 30, 2024. Includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent.
Source: S&P Global Ratings Credit Research & Insights.

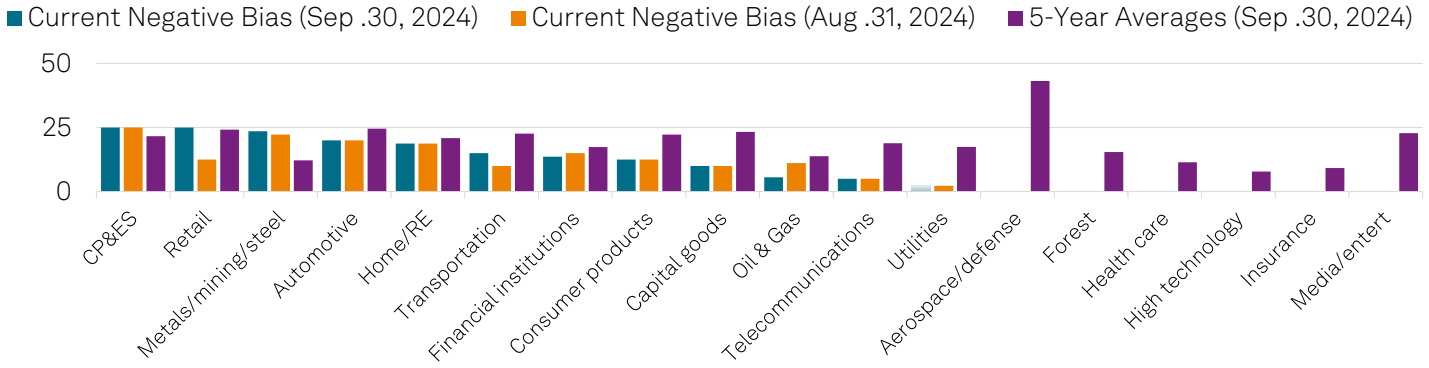
EM Downgrade Potential | Regional Negative Bias

- **LatAm remains the region with the highest negative bias among EMs,** with 21%, similar to the previous month. All regions' downgrade potentials remained, however, comfortably below their five- and 10-year averages.
- **Chemicals, packaging; metals, mining, and steel; and retail** are the only three sectors (out of 18) **displaying a negative bias higher than the historical average.** During the month, the retail sector's negative bias increased following the outlook revision on China Tourism Group Corp. Ltd. to negative, as its duty-free business suffers from weak discretionary spending; transportation downward potential increased as Azul S.A., besides being downgraded, was assigned a negative outlook on weakening cash flow and long-term financing access; the oil and gas sector's negative bias decreased after Petroperu S.A. was removed from negative CreditWatch on a new supportive government decree.

LatAm has the highest downgrade potential (negative bias [%])



Negative bias by sector (%)



Data as of Sept. 30, 2024. Excludes sovereigns, and subsidiaries. Media/entert--Media and entertainment. Retail--Retail / restaurants. CP&ES--Chemicals, packaging, and environmental services. Home/RE--Homebuilders/real estate companies. Forest--Forest products and building materials. Negative bias--Percentage of issuers with a negative outlook or on CreditWatch negative. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | One Downgrade To ‘CCC/CC’ From ‘B’ So Far In 2024

Speculative grade

2024

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
17-Jul-24	Grupo Idesa S.A. de C.V.	Mexico	CP&ES	CCC+	B-	311

2023

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
13-Mar-23	Auna S.A.A.	Peru	Health care	CCC+	B	300
14-Mar-23	Guacolda Energia S.A.	Chile	Utilities	CC	B-	500
6-Jun-23	Unigel Participacoes S.A.	Brazil	CP&ES	CCC+	B+	420
15-Nov-23	Operadora de Servicios Mega S.A. de C.V. SOFOM E.R.	Mexico	Financial institutions	CCC+	B	500
1-Dec-23	Nitrogenmuvek Zrt.	Hungary	CP&ES	CCC+	B	219

Data as of Sept. 30, 2024. Includes sovereigns and Greater China and Red Chip companies. Debt volume includes subsidiaries and excludes zero debt. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Four Fallen Angels And Three Rising Stars In 2024 YTD

Investment grade | Speculative grade

Fallen angels

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
26-Feb-24	Braskem S.A. (Odebrecht S.A.)	Brazil	CP&ES	BB+	BBB-	6,200
10-Apr-24	China Vanke Co. Ltd.	Greater China	Homebuilders/Real estate	BB+	BBB+	2,593
12-Apr-24	Longfor Group Holdings Ltd.	Greater China	Homebuilders/Real estate	BB+	BBB-	1,500
26-Apr-24	InterCorp Financial Services Inc.	Peru	Financial institutions	BB+	BBB-	1,600

Rising stars

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
13-Mar-24	Cemex S.A.B. de C.V.	Mexico	Forest products and building materials	BBB-	BB+	5,187
27-May-24	Empresa Nacional del Petroleo	Chile	Utilities	BBB-	BB+	2,440
20-Aug-24	Tata Motors Ltd. (Tata Sons Pte. Ltd.)	India	Automotive	BBB	BB+	5,023

Data as of Sept. 30, 2024. Includes sovereigns and Greater China and Red Chip. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | List Of Defaulters In 2024 Year-To-Date

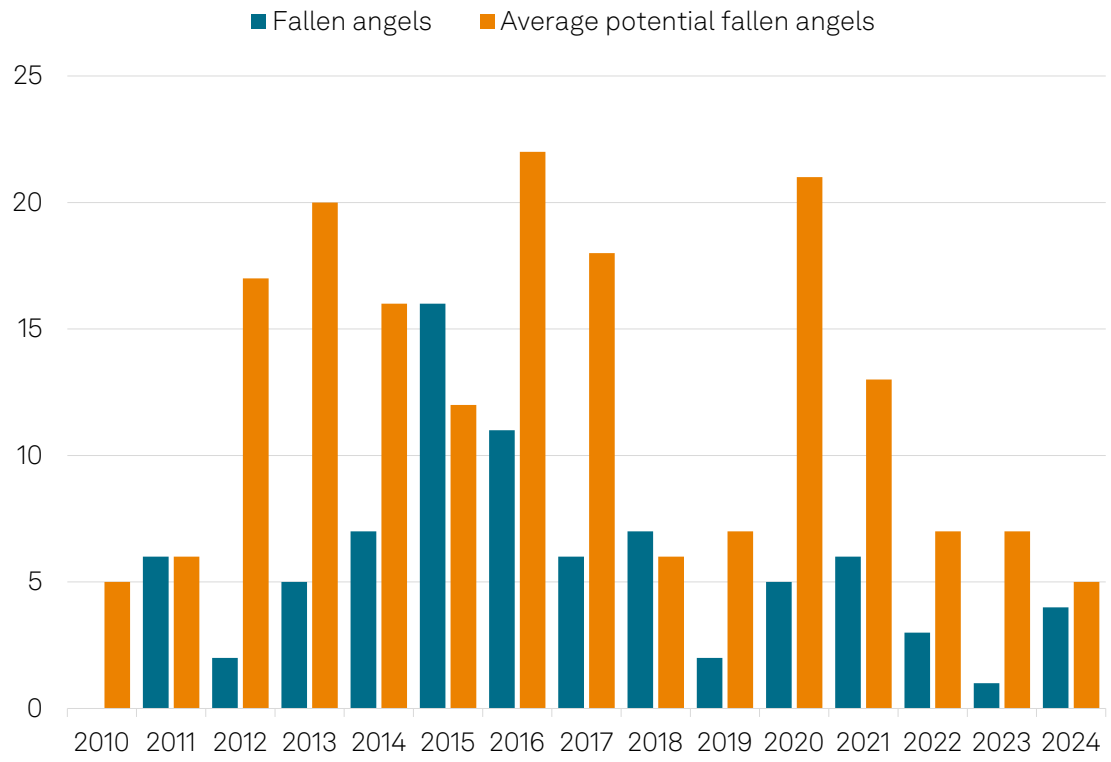
Default, selective default, not rated | Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
26-Jan-24	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	D	CCC-	--
31-Jan-24	Enjoy S.A.	Chile	Media and entertainment	D	CCC-	--
14-Feb-24	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A.	Argentina	Capital goods	SD	CC	--
13-Mar-24	Argentina*	Argentina	Sovereign	SD	CCC-	153,334
1-Apr-24	Wom S.A.	Chile	Telecommunications	D	CCC	--
16-May-24	Credivalores - Crediservicios S.A.S.	Colombia	Financial institutions	D	NR	--
6-Aug-24	Grupo Idesa S.A. de C.V.	Mexico	CP&ES	SD	CC	--
27-Aug-24	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A. (B)	Argentina	Capital goods	SD	CC	--
11-Sep-24	Operadora de Servicios Mega, S.A. de C.V. SOFOM E.R.	Mexico	Financial institutions	SD	CC	--

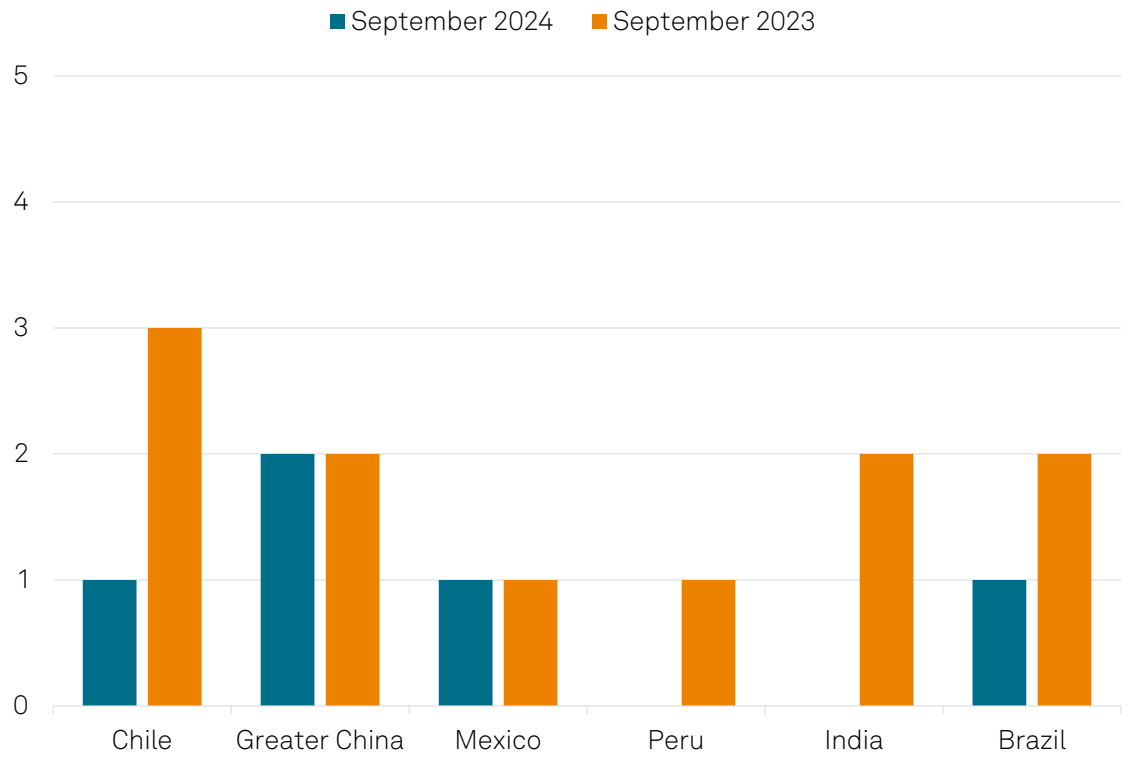
Data as of Sept. 30 2024. Includes sovereigns, Greater China, and Red Chip companies. *Argentina reflects its local currency long-term default. Includes both rated and zero debt defaults. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

Average potential fallen angels are down to five from seven in 2023



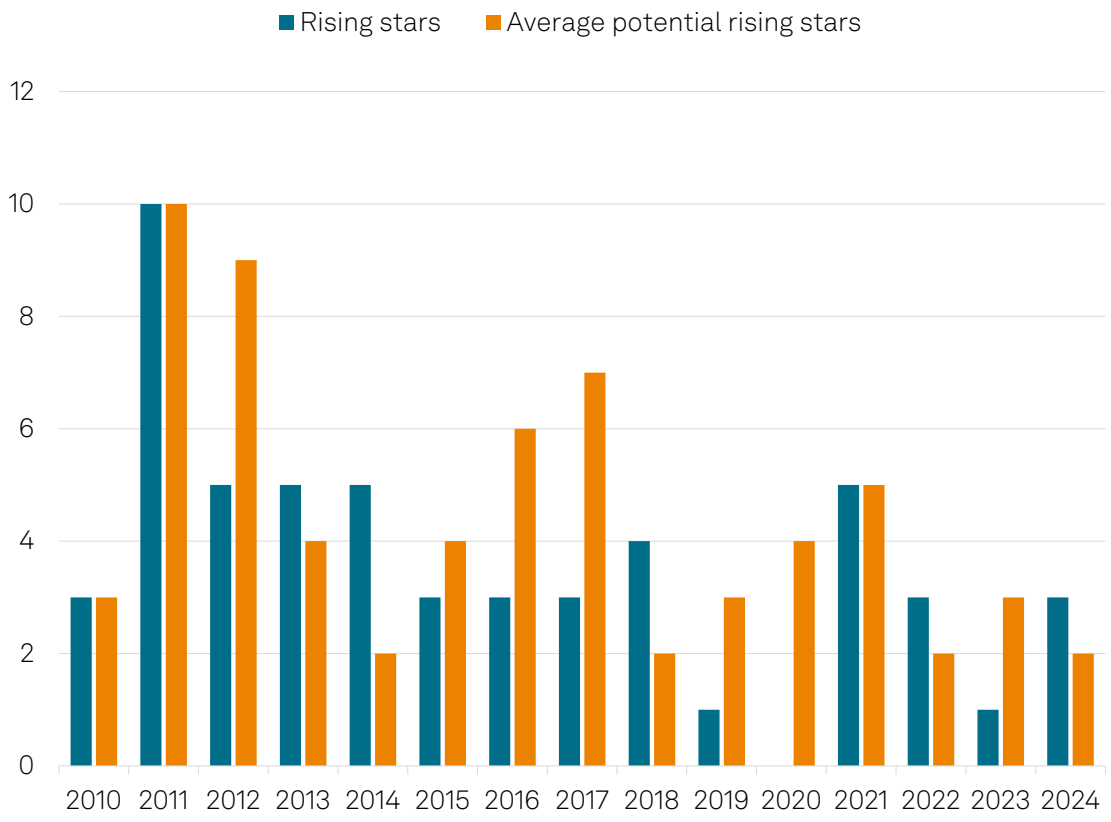
EM potential fallen angels split between LatAm and EM Asia



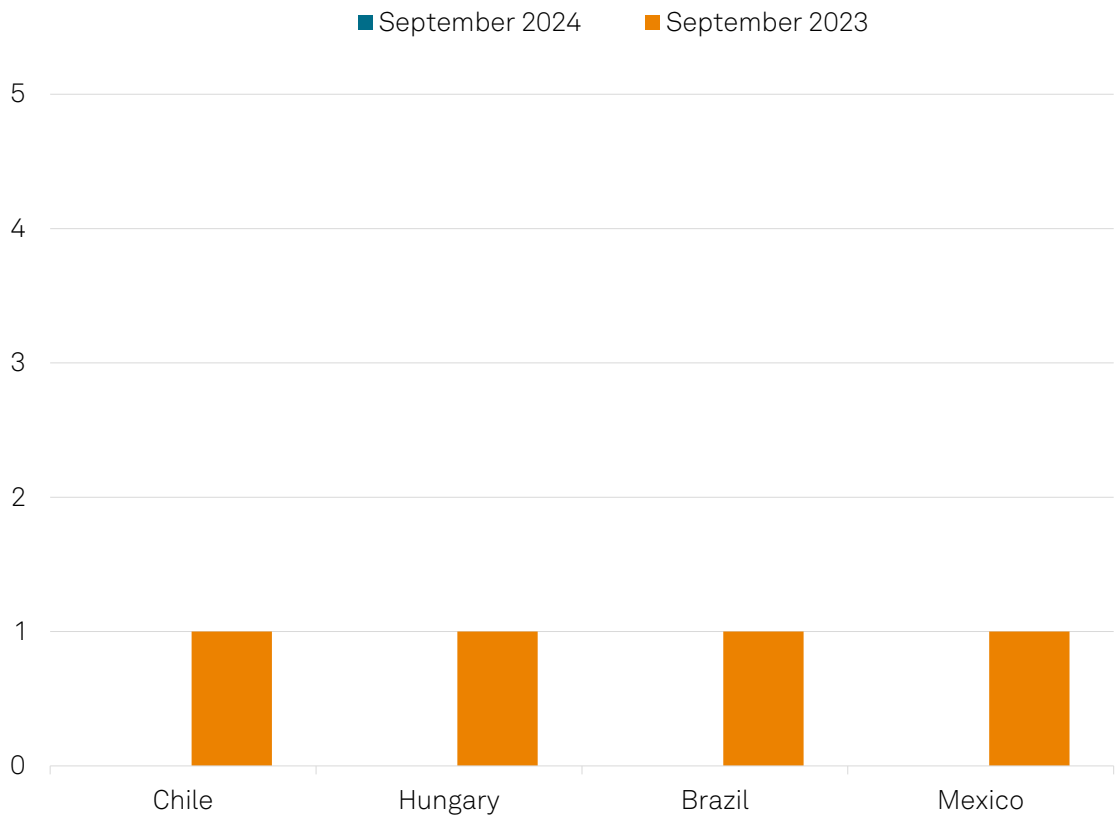
Data as of Sept. 30, 2024. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Rising Stars And Potential Rising Stars

Average potential rising stars at two, lower than in 2023



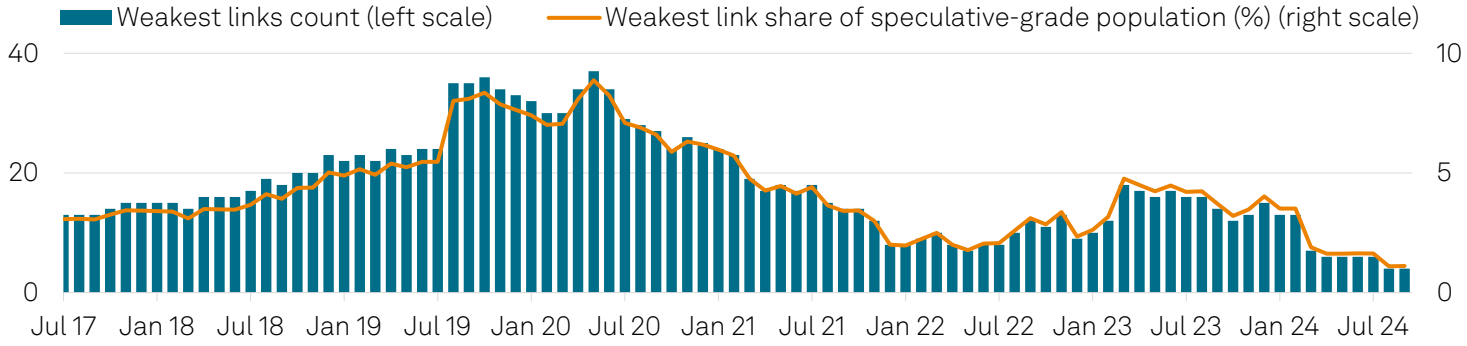
No current potential rising stars



Data as of Sept. 30, 2024. Source: S&P Global Ratings Credit Research & Insights.

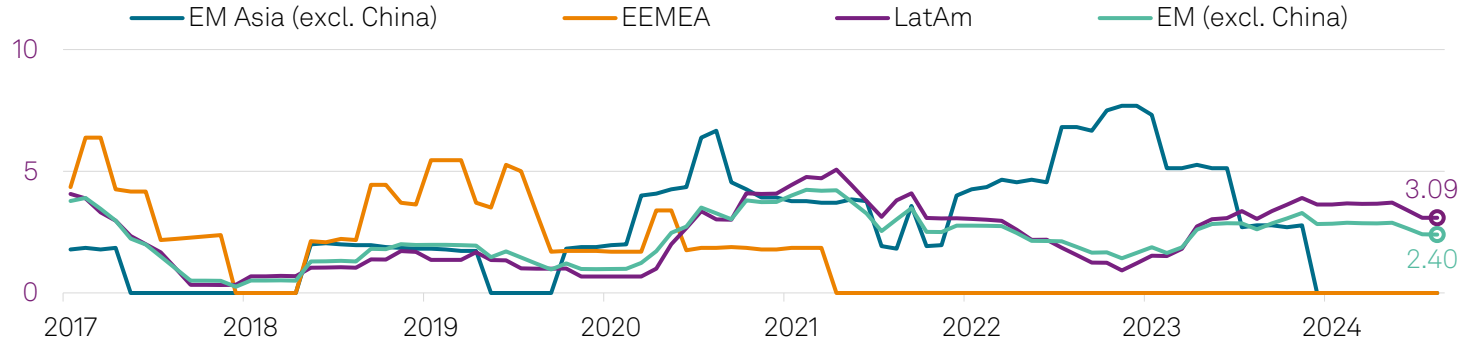
Rating Actions | Weakest Links And Defaults

EM weakest links remain constant at four in September



Data as of Sept. 30, 2024. Parent only. Weakest links are defined as issuers rated 'B–' or lower with negative outlooks or ratings on CreditWatch with negative implications. Source: S&P Global Ratings Credit Research & Insights.

Default rate this month (as of August 2024)



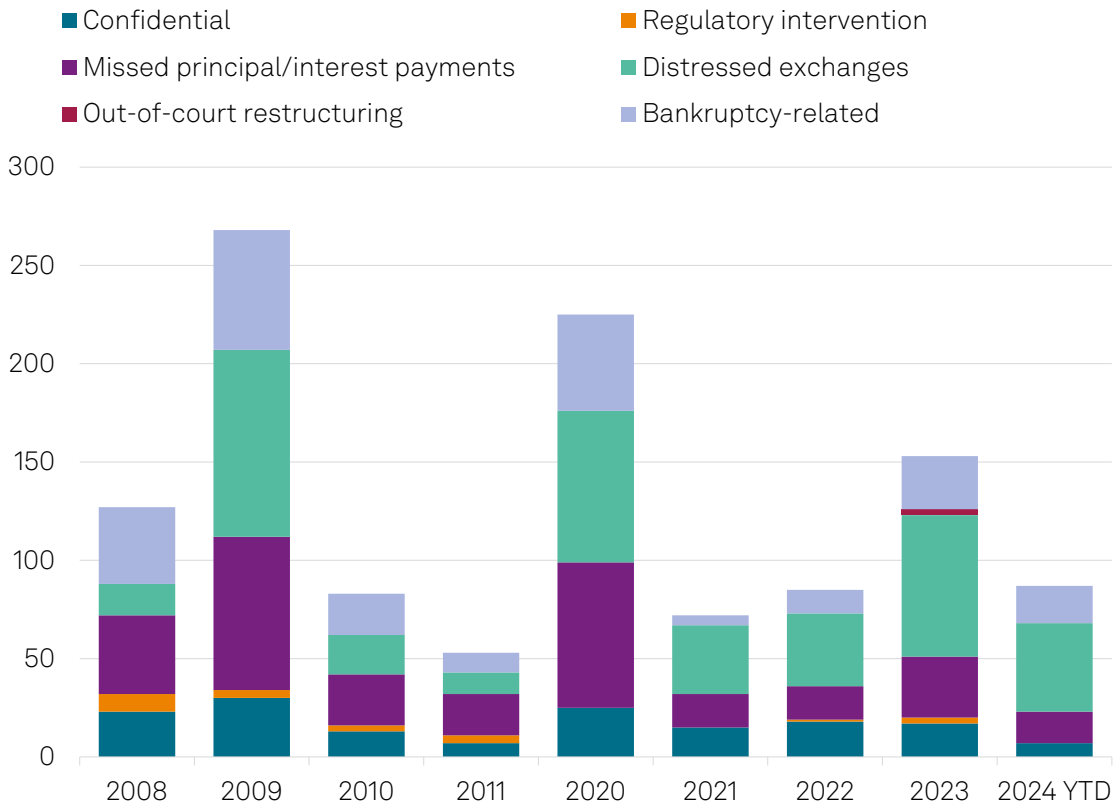
Excluding China. CreditPro data as of August 31, 2024. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

- **Weakest links remained unchanged at four issuers** in September, representing 1.1% of the speculative-grade rated spectrum. Three of the weakest links are in Brazil, two of which are transportation companies.

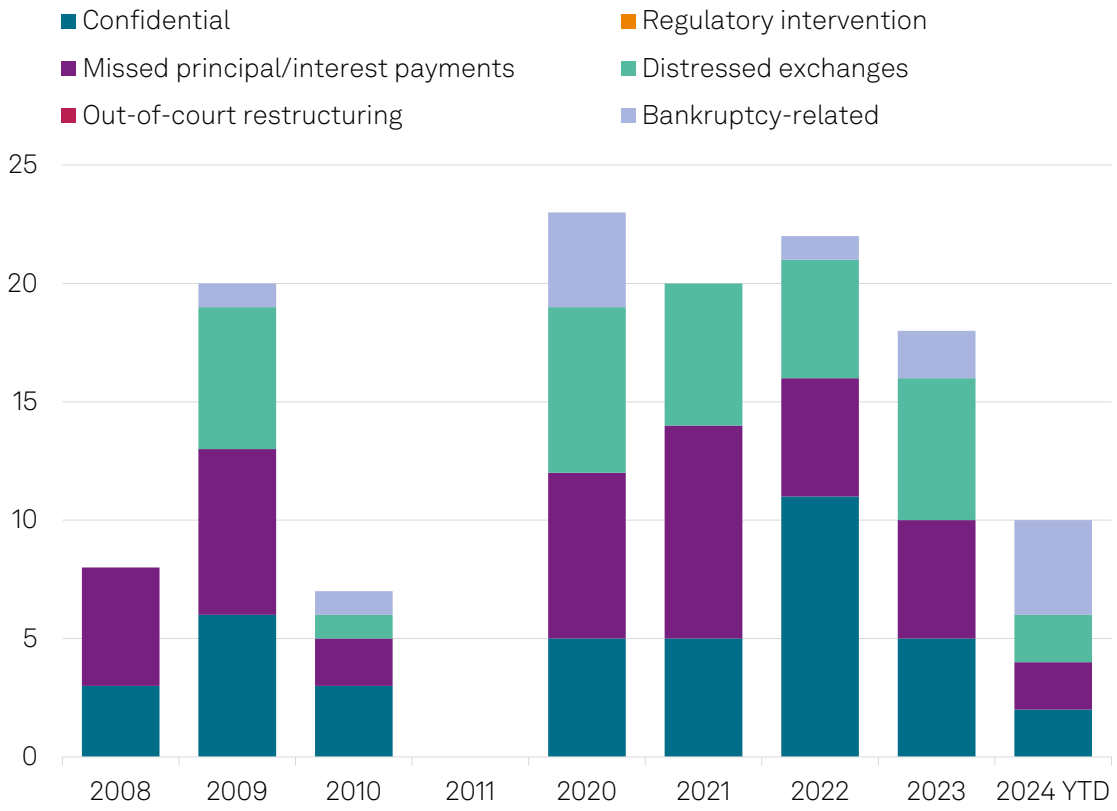
- **Default rates.** The August default rate (excluding China) was 2.4% similar to the one in the previous month. Recently, the composite index has been mainly driven by LatAm, where all 2024 defaults took place so far. The pace of defaults in this region was 3.09% in August, decreasing from its 2023 peak of 3.90% in November.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



Data as of Sept. 30, 2024. YTD--Year-to-date. Data has been updated to reflect confidential issuers. Excludes sovereigns. Includes Greater China and Red Chip companies.
Sources: S&P Global Ratings Credit Research & Insights, S&P Global Market Intelligence's CreditPro®.

Related Research And Contacts

Related Research

- Look Forward – Emerging Markets: A Decisive Decade, Oct. 16, 2024
- What Other Cases Say About The Potential Effects Of Dollarization In Argentina, Oct. 15, 2024
- Indian Conglomerates Poised For US$800 Billion Investment Push, Oct. 14, 2024
- The Early Warning Signs Of Sovereign Foreign Currency Defaults, Oct. 13, 2024
- Widening Middle East Conflict Poses Risks For Regional Sovereign Ratings, Oct. 9, 2024
- Saudi Private Healthcare: Vital Signs Are Strong, Oct. 9, 2024
- Global Credit Conditions Q4 2024: Policy Rates Easing, Conflicts Simmering, Oct. 1, 2024
- Credit Cycle Indicator Q4 2024: Credit Recovery Prospects Are Mixed Across Markets, Oct. 1, 2024
- China Natural Gas: Slip In Policy Pecking Order Will Hit Growth, Sept. 26, 2024
- Vietnamese Banking: Typhoon Debt Relief Measures Could Crimp Profitability, Sept. 26, 2024
- Credit Conditions Emerging Markets Q4 2024: Risks Loom Amid a Fragile Stability, Sept. 25, 2024
- Economic Outlook Emerging Markets Q4 2024: Lower Interest Rates Help As Pockets Of Risk Rise, Sept. 24, 2024
- Higher For Longer Interest Rates In Brazil Should Weigh On Asset Quality, Sept. 19, 2024
- Emerging Markets Monthly Highlights: Fed Easing Sets Stage For More Rate Cuts, Sept. 19, 2024

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