# Capital Markets and Corporate Governance Service Line

## Capital Markets Practice, FPD

### Emerging Capital Markets Update for August 2011

All data are as of **Wednesday, August 31, 2011**. The regional indices are based on an average of major EM countries in each region where the data are available.

## Summary for August 2011

*The most significant event for the markets in August was the downgrade of the United States' triple-A credit rating by S&P. Europe's continuing sovereign debt crisis and an increased possibility of recession in the US also hurt the markets' performance during the month. Emerging economies were heavily affected by those events. A flight to safety caused a large drop in the yield of US government bonds and strengthened the US dollar. This led to a large widening in sovereign spreads, jumps in CDS rates, and losses in equity markets and currency values in many emerging economies. EM government bond yields also fell, though they dropped less than their US counterpart. The EM government bond market index (GEMX) only managed to register a positive return in hedged terms – its unhedged sibling, meanwhile, posted a negative return due to weakness in many currencies. The increased possibility of recession caused EM central banks to reevaluate their monetary policies. For this reason, in August fewer countries increased their interest rates than in previous months. Some, like Brazil, even reversed course by lowering its rate. This may be a signal that recent tightening cycle for many EM central banks may be reaching an end.*

## Money Markets and Exchange Rates

**EM Central Banks Started to Reverse Courses:**

Three central banks in monitored emerging markets changed their policy rates in August 2011. Two of them lowered their rates by 50 basis points (Turkey and Brazil), while Thailand raised its policy rate by 25 bps. This was the first month in 2011 in which more EM central banks lowered policy rates than raised them. The Central Bank of Brazil's decision to lower its SELIC rate, which had been raised by 175 basis points during the previous seven months, seems to indicate that the slowdown in global economic growth, especially in advanced economies, has started to have impact on EM central banks' monetary policies. More central banks might start to lower rates to mitigate the negative impact on growth instead of keeping them low to fight the threat of inflation in the near future.

**Policy rates and money market rates (August 2011):**

| | Policy Rate | | | | | | Money Market Rate | | |
|---|---|---|---|---|---|---|---|---|---|
| | Country | Current Rate (%) | Latest Change (%) | Total Changes in 2011 (bps) | Date of Latest Changes | Key Rate | Period End Rate (%) | Total Changes in BPS (YTD) | Selected Money Market Rate |
| **G7 and Euro region** | U.K. | 0.5 | -0.5 | | 3/5/2009 | Base Rate | 0.525 | 0.025 | Deposit Overnight Rate |
| | Euro Region | 1.5 | +0.25 | +50 | 7/7/2011 | Refinance Rate | 0.800 | 0.45 | Deposit 1 Week Rate |
| | Japan | 0 - 0.1 | - | | 10/5/2010 | Overnight Rate | 0.075 | -0.004 | BOJ Unsecured Claim |
| | U.S. | 0.25 | -0.75 | | 12/16/2008 | Fed Funds | 0.120 | 0.02 | Federal Funds Rate |
| | Canada | 1.0 | +0.25 | | 9/8/2010 | Overnight Rate | 1.000 | 0.3 | Deposit Overnight Rate |

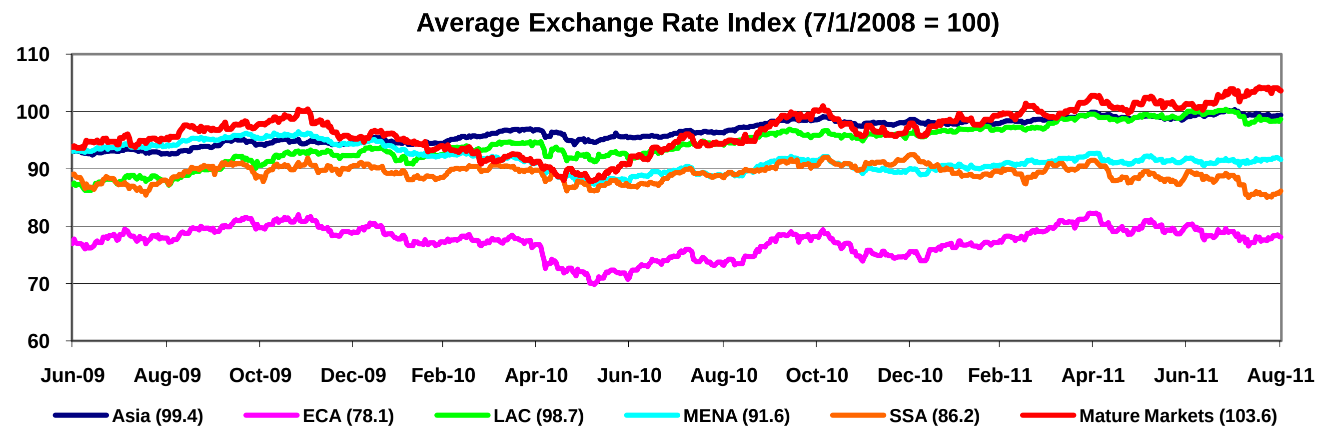
| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Europe** | Hungary | 6.0 | +0.25 | +25 | 1/24/2011 | Base Rate | 7.000 | 0.25 | Overnight Repo Rate |
| | Poland | 4.5 | +0.25 | +100 | 6/8/2011 | Repo Rate | 4.410 | 0.93 | Interbank Offered Rate |
| | Russia | 8.25 | +0.25 | +50 | 4/29/2011 | Refinancing Rate | 4.320 | 2.57 | Prime Overnight Rate |
| | Slovakia | 2.5 | -0.75 | | 12/9/2008 | Repo Rate | 1.740 | 0.0 | Overnight Interbank Rate |
| | **Turkey** | **5.75** | **-0.5** | **-75** | **8/4/2011** | **Benchmark Rate** | 5.750 | -0.75 | One Week Repo |
| | Croatia | 9.0 | 4.50 | | 12/31/2007 | Discount Rate | 0.710 | -0.11 | Overnight Interbank Offered Rate |
| | Kazakhstan | 7.5 | +0.5 | +50 | 3/9/2011 | Refinancing Rate | 0.640 | -0.01 | Seven Days KIBOR Rate |
| | Romania | 6.25 | -0.25 | | 5/4/2010 | Key Policy Rate | 6.030 | 3.54 | ROBOR Overnight Rate |
| | Ukraine | 7.75 | -0.75 | | 8/10/2010 | Discount Rate | 12.000 | 2.9 | Overnight Rate on Credit |
| **Asia** | China | 6.56 | +0.25 | +75 | 7/6/2011 | Lending Rate | 3.354 | -1.168 | SH Interbank Offered Rate |
| | India | 7.0 | +0.5 | +175 | 7/26/2011 | Reverse Repo | 8.050 | 2.55 | INR Overnight Deposit Rate |
| | Indonesia | 6.75 | +0.25 | +25 | 2/7/2011 | Reference Rate | 5.884 | 0.224 | Interbank Offered Rate |
| | Malaysia | 3.0 | +0.25 | +25 | 5/5/2011 | Overnight Rate | 2.990 | 0.27 | BNM Interbank Rate |
| | Philippines | 4.5 | +0.25 | +50 | 5/5/2011 | Overnight Rate | 6.500 | 0.5 | Overnight Repo |
| | **Thailand** | **3. 5** | **+0.25** | **+150** | **8/24/2011** | **Repo Rate** | 3.500 | 1.55 | Overnight Bibor Rate |
| | Pakistan | 13.5 | -0.5 | -50 | 7/30/2011 | Discount Rate | 13.060 | 0.26 | KIBOR One Week Rate |
| | Sri Lanka | 7.0 | -0.25 | -25 | 1/11/2011 | Repo Rate | 8.130 | -0.32 | Overnight Deposit Rate |
| | Vietnam | 9.0 | +1.0 | | 11/8/2010 | Base Rate | 11.856 | 1.254 | VNIBOR Overnight Interbank Rate |
| **Middle East and Africa** | Egypt | 8.25 | -0.25 | | 9/17/2009 | Deposit Rate | 9.086 | 0.823 | Interbank Rates |
| | Nigeria | 8.75 | +0.75 | +250 | 7/26/2011 | Policy rate | 8.750 | 0.0 | Interbank Offered Rate (7 days) |
| | South Africa | 5.5 | -0.5 | | 11/19/2010 | Repo Rate | 5.260 | -0.08 | Benchmark Overnight Rate |
| | Kenya | 6.25 | +0.25 | +25 | 5/31/2011 | CB rate | | | |
| | Lebanon | 10.0 | -2.00 | | 12/1/2009 | Repo Rate | 3.500 | 0.0 | Overnight Deposit Rate |
| | Morocco | 3.25 | -0.25 | | 3/25/2009 | Repo Rate | 3.265 | -0.03 | Weighted Average Rate |
| **Latin America** | **Brazil** | **12.0** | **-0.5** | **+125** | **8/31/2011** | **SELIC Rate** | 12.410 | 1.74 | Selic Average Overnight |
| | Chile | 5.25 | +0.25 | +200 | 6/14/2011 | Overnight Rate | 5.110 | 1.41 | 6 Month Rate |
| | Colombia | 4.5 | +0.25 | +150 | 7/29/2011 | Overnight Rate | 4.590 | 1.62 | Money Market Rates |
| | Mexico | 4.5 | -0.25 | | 7/17/2009 | Overnight Rate | 4.380 | -0.22 | Official Overnight |
| | Peru | 4.25 | +0.25 | +125 | 5/12/2011 | Reference Rate | 4.493 | 1.645 | Deposit One Day |
| | Argentina | 11.5 | (***) | | (***) | Repo Rate | 9.438 | 0.0 | Interbank Rate |
| | Uruguay | 8.0 | +0.5 | +150 | 6/23/2011 | Overnight Rate | | | |
| | Venezuela | 9.2 | (***) | | (***) | Overnight Rate | 15.240 | -1.44 | Avg Interest Rates |

*Sources: Bloomberg News: Central Bank Watch, Countries, Rates, Changes.*

**Most Currencies Depreciated for the Month:**

**In August:** Most regional average exchange rate indexes were lower for the month, including Sub-Saharan Africa (-3.1%), Latin America (-1.4%), Europe/Central Asia (-1.3%), Asia (-0.7%). The Middle East/North Africa (+0.1%) was nearly flat. Other major currencies (GBP, Euro, JPY) also lost ground to the US dollar by 0.3 percent on average. Among 33 emerging economies, only five currencies appreciated; a near one percent appreciation by the Chinese RMB was the largest. Among the depreciating currencies, Mexico (-4.9%), Russian Federation (-4.4%), South Africa (-4.3%), India (-4.1%), Poland (-3.6%) and Kenya (-3.0%) depreciated the most. The wide currency depreciation spreads in August probably stemmed both from investors withdrawing from EMs and from expectations of lower interest in EM countries going forward.

**Year to date:** Despite the August losses, most currencies still gained against the US dollar to date. The average exchange index in Europe/Central Asia gained 3.3%, followed by Latin America (+2.6%), Middle East/North Africa (+1.7%) and Asia (+0.8%). Only Sub-Saharan Africa (-6.8%) lost. The average currency in developed markets gained 5.8% for the year against the US dollar. Currencies in 22 out of 33 monitored countries gained. Hungary (+10.2%), Romania (+8.8%), Colombia (+8.0%), Slovakia (+7.4%) and Uruguay (+7.0%) were the top gainers. Meanwhile, Kenya (-13.9%), Turkey (-10.0%) and Vietnam (-6.4%) had the largest losses for the year to date.




*Note: Countries included in the regional index: Asia: China, India. Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam; ECA: Croatia, Hungary, Kazakhstan, Poland, Romania, Russian Federation, Slovak Republic, Turkey and Ukraine; MENA: Egypt, Lebanon, Morocco and Tunisia; SSA: Kenya, Nigeria and South Africa; LAC: Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Uruguay; Mature Markets: US, Euro and Japan.*

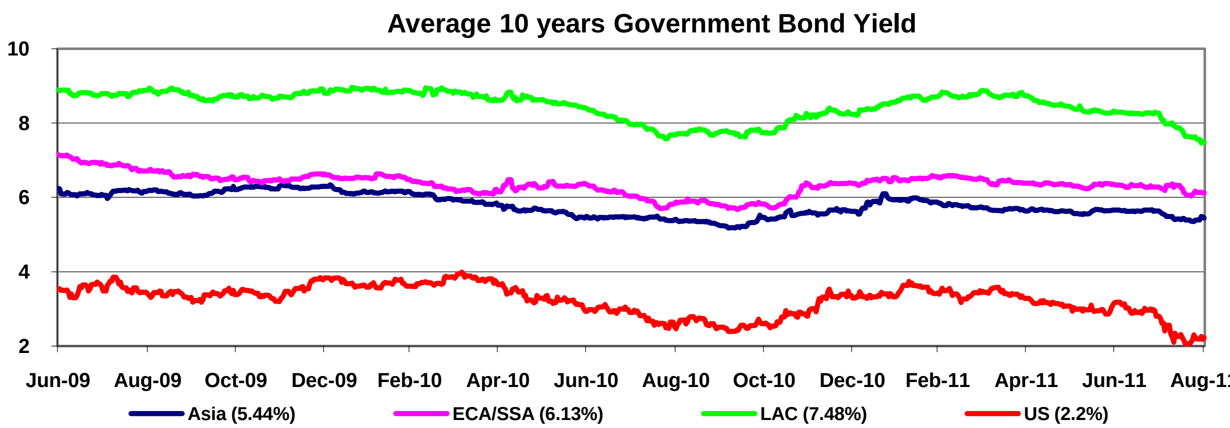
*Sources: Bloomberg and staff calculation.*

## Sovereign Debt and Credit Markets

**Decline in Bond Yields:**

**In August:** Government bond yields declined across all regions in the secondary market; in fact, yields declined in every country except China. Yields in Latin America fell by 79 bps, in Asia by 19 bps and in Europe/Central Asia by 15 bps. Brazil (-118 bps), Chile (-113 bps), Peru (-69 bps) and Mexico (-60 bps) posted the largest drops while China (+3 bps) was almost flat. As a benchmark, the yield of the US government bond index dropped 57 bps for the month, even in spite of the country's downgrade by a notch to AA+ by S&P. The drop in yield indicated investors still consider US Treasuries and the US dollar as a safe haven relative to instruments from other markets.

**Year to date**: The average bond yield also declined in Latin America (-75 bps), Europe/Central Asia/Africa (-24 bps) and Asia (-18 bps). The yield of the US government bond index fell by 107 bps, pushing the 10-year yield index down to 2.2%. In emerging markets, YTD yields increased in three countries and decreased in 13. Chile (-119 bps), Mexico (-98 bps) and Indonesia (-93 bps) had the largest decreases. Meanwhile India (+36 bps), China (+21 bps) and Russian Federation (+9 bps) were the countries with higher yields relative to the beginning of the year.



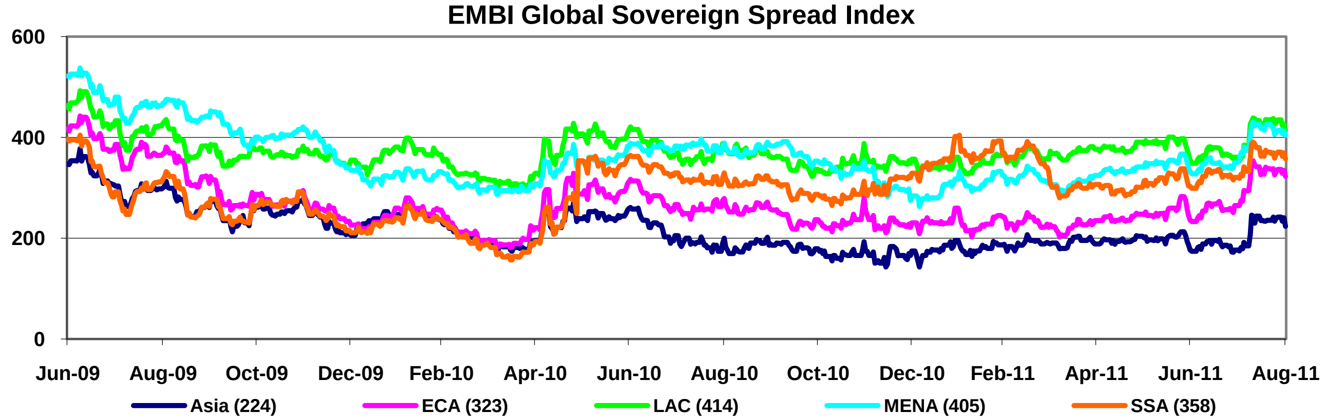

*Note: Countries included in the regional index: Asia: China, India, Indonesia, Malaysia and Thailand; ECA/SSA: Hungary, Poland, Russian Federation, Slovak Republic, Turkey and South Africa; LAC: Brazil, Chile, Colombia, Mexico and Peru.*

*Source: Bloomberg.*

**Sizeable Increases in Global Sovereign Spreads:**

**In August:** EMBI global sovereign spreads made sizeable jumps across all regions and all 24 countries monitored: Europe/Central Asia (+58 bps), Middle East/North Africa (+54 bps), Latin America (+53 bps), Asia (+47 bps) and Sub-Saharan Africa (+37 bps). These jumps were driven partially by a large decline in the US bond yield, driven primarily by a flight to safety. Venezuela (+150 bps), Argentina (+146 bps), Ukraine (+96 bps), Kazakhstan (+88 bps), Sri Lanka and Pakistan (+75 bps, each) had the largest increases among all countries. Besides the large drop in the US government bond yield, signs of a slowdown in global economic growth around the world and fear of possible slowing growth in emerging market economies probably also contributed to the increases in spreads.

**Year to date**: Spreads widened in all regions after August increases, and increased the most in the Middle East/North Africa (+121 bps). Europe/Central Asia (+92 bps), Latin America (+57 bps), Asia (+49 bps) and Sub-Saharan Africa (+29 bps) also widened. Country-specific: all except Colombia (-7 bps) widened: Pakistan (+310 bps), Argentina (+231 bps), Venezuela (+159 bps), Egypt (+158 bps), Ukraine and Lebanon (+114 bps) and Vietnam (103 bps) widened by triple digits.



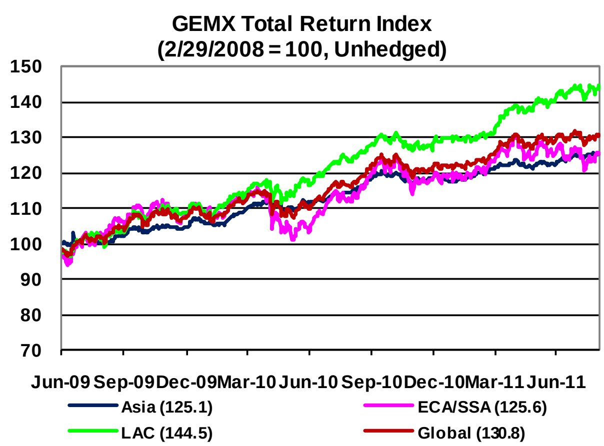

*Note: Excluding Tunisia temporarily due to data issue (since April 2011).*
*Sources: Bloomberg: JP Morgan index (JPMX).*

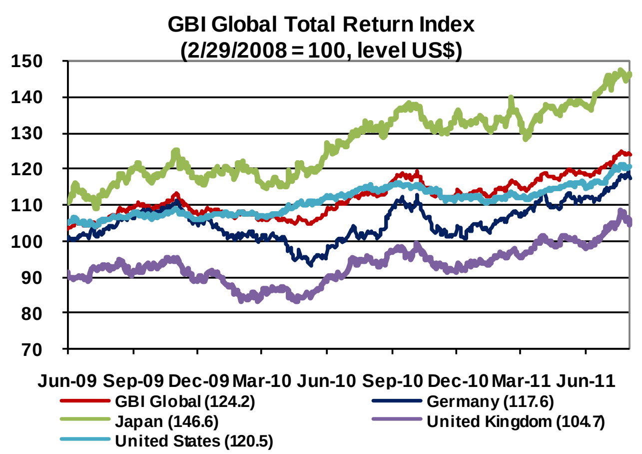
**GEMX Had a Small Loss in August:**

**In August:** The GEMX Global Total Return Index, which measures local currency government bond performance in 24 investible emerging markets, had a positive return of 1.6% in the hedged index, while the unhedged index closed the month with a negative return of 0.32 percent. Two of the three regional indices (unhedged) managed to register positive returns. Latin America (+0.47%) and Asia (+0.11%) both notched gains, though Europe/Central Asia/Africa lost 1.13 percent. Among 24 GEMX countries, 14 posted gains. Peru (+5.9%), Indonesia and Chile (+3.4%, each), and the Philippines (+2.8%) gained the most. However, Russian Federation (-4.4%), India (-2.5%), Kenya (-2.4%) and Poland (-2.2%) had the largest losses among ten losing countries.

**Year to date:** The GEMX Global Total Return Index (unhedged) posted a 6.7 percent gain, and all regional indices gained, including Latin America (+11.9%), Asia (+4.8%) and Europe/Central Asia/Africa (+4.6%). At the country level, 22 countries posted positive returns. Indonesia (+21.6%), Hungary (+19.6%), Brazil (+13.9%), Romania (+13.5%), Uruguay (+12.1%), Colombia (+10.9%), the Russian Federation (+10.8%) and the Philippines (+10.4%) were the top performers, gaining by double digits. On the negative side, Kenya (-27.5%) incurred a substantial loss. A nearly 14 percent currency depreciation in Kenya for the year certainly accounted for a large portion of the loss.

**YTD Comparison to other indices:** As a result of the August US government bond rally, the EM government bond index was trailing developed countries' bond performance as tracked by JP Morgan GBI Global index by about 2%. The latter index gained by 2.2% in August alone.




*Note:* *1. Countries included in the GEMX regional index: Asia: China, India, Indonesia, Malaysia, Philippines, Sri Lanka and Thailand; ECA/SSA: Hungary, Poland, Romania, Russian Federation, Turkey, Egypt, Kenya, Morocco, Nigeria and South Africa; LAC: Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Uruguay.*

*2. Countries included in the GBI-Global index: Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, the United Kingdom and United States.*

*3. Since November 30, 2009, Markit has added five new countries (Sri Lanka, Romania, Kenya, Costa Rica and Uruguay) and inflation-linked bond indices for Brazil, Chile, Colombia, Mexico, Uruguay and South Africa to the GEMX indices. The graph is based on a re-based GEMX aggregated total return index (unhedged).*

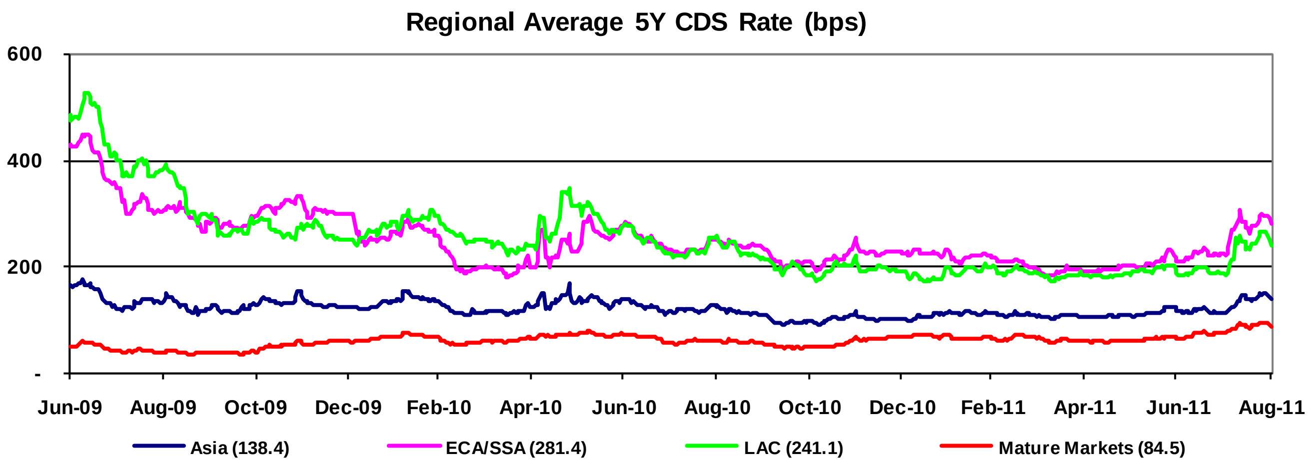
*4. For comparison purposes, the GBI global index level has been re-based, as have all country indices.*

*Source:* *Markit and JP Morgan (Morgan Markets).*

**Large Increases in CDS Rates:**

**In August:** CDS rates increased in all regions and EM countries monitored: Europe/Central Asia/Africa (+58 bps), Latin America (+54 bps) and Asia (+25 bps). By comparison, the average CDS rates in mature markets (UK, Japan and Germany) increased by 8 bps. Argentina (+178 bps), Venezuela (+132 bps), Hungary (+100 bps), Croatia (+92 bps), Ukraine (+86 bps), Romania (+68 bps) and Poland (+50 bps) had the largest increases among all countries. The jumps by CDS rates in so many emerging markets were directly linked to the increased possibility of double-dip recession among several advanced economies and the impact that the recession could have on emerging economies.

**Year to date:** CDS rates increased in Europe/Central Asia/Africa (+55 bps), Latin America (+52 bps) and Asia (+39 bps). The large increases in CDS rates in August were the reason that both Europe/Central Asia/Africa and Latin America shifted from shrinking YTD CDS rates in the last month to widening YTD CDS rates this month. The average CDS rates in mature markets also increased by 17bps. CDS rates increased in every country: Argentina (+171 bps), Croatia (+148 bps), Turkey (+86 bps), Vietnam (+80 bps), Slovak Republic and Venezuela (+77 bps, each) and Poland (+75 bps) had the largest increases.




*Note: Countries included in regional index: Asia: China, Indonesia, Malaysia, Philippines and Thailand; ECA/SSA: Croatia, Hungary, Kazakhstan, Poland, Romania, Russian Federation, Slovak Republic, Turkey, Ukraine and South Africa; LAC: Argentina, Brazil, Chile, Colombia, Mexico and Peru; Mature Markets: UK, Japan and Germany.*

*Sources: Bloomberg and staff calculation.*

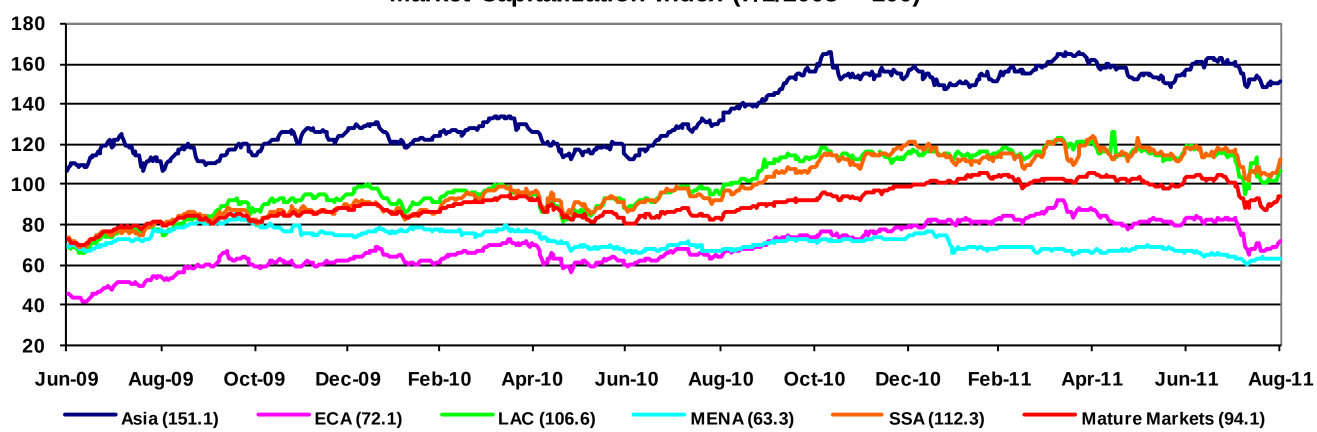
## Equity and Corporate Debt Markets

**Emerging Equity Markets Suffered Broad Losses:**

**In August**: All regional equity indices suffered losses this month: Europe/Central Asia (-13.0%), Latin America (-6.7%), Asia (-5.7%), Sub-Saharan Africa (-3.5%) and Middle East/North Africa (-0.8%). Mature markets (US, UK and Japan) also fell (-7.2% on average) for the month. Among individual countries, 27 posted losses while 5 gained. Kazakhstan (-16.6%), Hungary (-15.3%), Turkey (-14.0%), Poland (-13.3%), Russian Federation (-13.1%), India (-12.4%), Nigeria (-11.6%) and Kenya (-11.5%) suffered double-digit losses in August while Vietnam (+2.8%) and Morocco (+2.6%) gained the most. During the month, the downgrade of the US triple-A credit rating had a large impact on equity markets around the world. Within a few days of the downgrade, the regional indices of Europe/Central Asia, Latin America and Sub-Saharan Africa all fell by more than ten percent. The continued sovereign debt crisis in the Euro area probably also contributed to the unusually large and broad losses that were incurred in many countries in the Europe/Central Asia region.

**Year to date**: Most emerging equity markets had negative returns for the year: Middle East/North Africa (-15.0%), Europe/Central Asia (-8.9%), Latin America (-8.1%), Sub-Saharan Africa (-7.7%) and Asia (-4.08%). By comparison, the mature markets lost 5.0 percent on average. By country, there were 10 gainers and 22 losers. Romania (+20.6%) led the gainers, followed by Slovakia (+20.1%), Sri Lanka (+16.1%), Indonesia (+13.6%) and Croatia (+12.7%) with double-digit gains. Meanwhile, Ukraine (-33.1%), Kenya (-29.8%), Egypt (-26.2%), Turkey (-25.4%), Kazakhstan (-22.0%), India (-19.4%), Vietnam (-16.5%), Argentina (-16.3%), Peru (-16.2%), Nigeria (-14.6%), Lebanon (-12.5%), Pakistan (-12.0%) and Mexico (-11.2%) had double-digit losses.

**Market Capitalization Index (7/1/2008 = 100)**




*Note: 1. Regional Index value is calculated based on the sum of market capitalization of counties in the region.*
*2. Countries included in the regional index: Asia: China, India, Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam; ECA: Croatia, Hungary, Kazakhstan, Poland, Romania, Russian Federation, Slovak Republic, Turkey and Ukraine; MENA: Egypt, Lebanon, Morocco and Tunisia; SSA: Kenya, Nigeria and South Africa; LAC: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela; Mature Markets: US, UK and Japan.*
*Sources: Bloomberg and staff calculation.*

**Year to Date Corporate Debt Issuance:**

According to Bloomberg, corporations in 33 monitored markets raised US$ 424 billion through long term debt offerings, 99% of all EM corporate debt offerings. The BRICs accounted for 75% of total offerings and Mexico and Malaysia accounted for another 9.5%. Corporations in fourteen countries raised more debt in international markets than in domestic markets, and seven of them issued debt only in foreign markets. If BRICs, Mexico and Malaysia are excluded, corporations in other EM countries issued more international debt than domestic debt (US$ 38.8 billion vs. US$ 27.3 billion). Highly concentrated debt offerings by a few countries and low domestic debt issuance activity by a large number of countries probably indicates the need for some smaller, non-BRIC countries to develop domestic markets for corporate debt in order to raise needed capital through debt offerings and avoid exchange rate risk (see table 1).

**Table 1: Corporate debt issuance by country, markets and currency (Jan. 2011 – Aug. 2011):**

| Nation | Debt Issuance | | | Local Markets | | International Markets | | Local Currency | |
|---|---|---|---|---|---|---|---|---|---|
| Nation | Number | Amount (US$, bn) | Country (%) | Amount (US$, bn) | As % of country's amount | Amount (US$, bn) | As % of country's amount | Amount (US$, bn) | As % of country's amount |
| ARGENTINA | 25 | 2.86 | 0.67 | 0.23 | 8.14 | 2.63 | 91.86 | 0.22 | 7.82 |
| BRAZIL | 236 | 46.51 | 10.86 | 27.35 | 58.80 | 19.17 | 41.20 | 28.72 | 61.74 |
| CHILE | 69 | 4.23 | 0.99 | 0.86 | 20.42 | 3.37 | 79.58 | 0.74 | 17.43 |
| CHINA | 765 | 198.69 | 46.39 | 193.33 | 97.30 | 5.36 | 2.70 | 193.61 | 97.44 |
| COLOMBIA | 40 | 5.43 | 1.27 | 2.84 | 52.34 | 2.59 | 47.66 | 3.91 | 71.99 |
| COSTA RICA | 19 | 0.09 | 0.02 | 0.09 | 100.00 | | | 0.06 | 67.41 |
| CROATIA | 5 | 0.52 | 0.12 | 0.32 | 61.47 | 0.20 | 38.53 | 0.04 | 7.13 |
| EGYPT | 2 | 0.55 | 0.13 | | | 0.55 | 100.00 | | |
| HUNGARY | 43 | 2.30 | 0.54 | 0.91 | 39.61 | 1.39 | 60.39 | 0.82 | 35.67 |
| INDIA | 641 | 51.44 | 12.01 | 44.15 | 85.82 | 7.29 | 14.18 | 44.15 | 85.82 |
| INDONESIA | 96 | 5.13 | 1.20 | 3.51 | 68.39 | 1.62 | 31.61 | 3.45 | 67.13 |
| KAZAKHSTAN | 18 | 2.17 | 0.51 | 1.09 | 50.35 | 1.08 | 49.65 | 0.93 | 42.97 |
| KENYA | 1 | 0.04 | 0.01 | | | 0.04 | 100.00 | | |
| LEBANON | 1 | 0.30 | 0.07 | | | 0.30 | 100.00 | | |
| MALAYSIA | 237 | 17.24 | 4.03 | 15.27 | 88.58 | 1.97 | 11.42 | 15.29 | 88.67 |
| MEXICO | 99 | 23.63 | 5.52 | 9.22 | 39.02 | 14.41 | 60.98 | 9.20 | 38.92 |
| MOROCCO | 4 | 0.27 | 0.06 | 0.27 | 100.00 | | | 0.27 | 100.00 |
| NIGERIA | 1 | 0.20 | 0.05 | | | 0.20 | 100.00 | | |
| PERU | 12 | 1.15 | 0.27 | 0.36 | 31.62 | 0.79 | 68.38 | 0.10 | 8.76 |
| PHILIPPINES | 28 | 3.27 | 0.76 | 1.37 | 41.86 | 1.90 | 58.14 | 1.37 | 41.86 |
| POLAND | 103 | 1.54 | 0.36 | 1.54 | 100.00 | | | 1.54 | 100.00 |
| ROMANIA | 3 | 0.07 | 0.02 | | | 0.07 | 100.00 | 0.06 | 93.36 |
| RUSSIA | 153 | 24.77 | 5.78 | 24.27 | 97.98 | 0.50 | 2.02 | 24.27 | 97.98 |
| SLOVAKIA | 40 | 5.76 | 1.34 | | | 5.76 | 100.00 | 0.03 | 0.50 |
| SOUTH AFRICA | 146 | 8.21 | 1.92 | 5.80 | 70.68 | 2.41 | 29.32 | 5.50 | 66.95 |
| THAILAND | 92 | 5.58 | 1.30 | 4.86 | 87.06 | 0.72 | 12.94 | 5.13 | 91.94 |
| TURKEY | 15 | 3.34 | 0.78 | 1.04 | 31.23 | 2.30 | 68.77 | 1.04 | 31.23 |
| UKRAINE | 21 | 0.55 | 0.13 | 0.55 | 100.00 | | | 0.55 | 100.00 |
| VENEZUELA | 3 | 7.93 | 1.85 | | | 7.93 | 100.00 | | |
| VIETNAM | 7 | 0.17 | 0.04 | 0.17 | 100.00 | | | 0.06 | 37.70 |
| **Total of above** | 2925 | 423.97 | 98.99 | 339.42 | 80.06 | 84.54 | 19.94 | 341.06 | 80.45 |
| **Total of all EM** | **3087** | **428.30** | | **340.84** | **79.58** | **87.46** | **20.42** | **341.37** | **79.70** |

Note: Pakistan, Sri Lanka and Uruguay are excluded from the table due to no activity recorded in Bloomberg.

Source: Bloomberg bond search and staff calculation.

## Credit Ratings, Market Indicators

**Long Term Sovereign Foreign Currency Debt Ratings:**

Besides the main event of US credit rating downgrade, a few other rating actions occurred in August. S&P upgraded Peru's credit rating to BBB from BBB- and it downgraded the Venezuela's to B+ from BB-. Japan was downgraded by Moody's to Aa3 from Aa2.

**Credit ratings and rating changes in 2011:**

| Region | Country | Long term sovereign credit ratings | | | Rating changes from | | |
|---|---|---|---|---|---|---|---|
| | | Moody's | S&P | Fitch | Moody's | S&P | Fitch |
| **G7 and Euro region** | U.K. | Aaa | AAA | AAA | | | |
| | **Japan** | **Aa3** | AA- | AA | **Aa2** | AA | |
| | **U.S.** | Aaa | **AA+** | AAA | | **AAA** | |
| | Canada | Aaa | AAA | AAA | | | |
| **Europe** | Hungary | Baa3 | BBB- | BBB- | | | |
| | Poland | A2 | A- | A- | | | |
| | Russia | Baa1 | BBB | BBB | | | |
| | Slovakia | A1 | A+ | A+ | | | |
| | Turkey | Ba2 | BB | BB+ | | | |
| | Croatia | Baa3 | BBB- | BBB- | | | |
| | Kazakhstan | Baa1 | BBB | BBB- | | | |
| | Romania | Baa3 | BB+ | BBB- | | | BB+ |
| | Ukraine | B2 | B+ | B | | | |
| **Asia** | China | Aa3 | AA- | A+ | | | |
| | India | Baa3 | BBB- | BBB- | | | |
| | Indonesia | Ba1 | BB+ | BB+ | Ba2 | BB | |
| | Malaysia | A3 | A- | A- | | | |
| | Philippines | Ba2 | BB | BB+ | Ba3 | | BB |
| | Thailand | Baa1 | BBB+ | BBB | | | |
| | Pakistan | B3 | B- | NR | | | |
| | Sri Lanka | B1 | B+ | BB- | | | B+ |
| | Vietnam | B1 | BB- | B+ | | | |
| **Middle East and Africa** | Egypt | Ba3 | BB | BB | Ba2 | BB+ | BB+ |
| | Morocco | Ba1 | BBB- | BBB- | | | |
| | Nigeria | NR | B+ | BB- | | | |
| | South Africa | A3 | BBB+ | BBB+ | | | |
| | Kenya | NR | B+ | B+ | | | |
| | Lebanon | B1 | B | B | | | |
| | Tunisia | Baa3 | BBB- | BBB- | Baa2 | BBB | BBB |
| **Latin America** | Argentina | B3 | B | B | | | |
| | Brazil | Baa2 | BBB- | BBB | Baa3 | | BBB- |
| | Chile | Aa3 | A+ | A+ | | | A |
| | Colombia | Baa3 | BBB- | BBB- | Ba1 | | BB+ |
| | Mexico | Baa1 | BBB | BBB | | | |
| | **Peru** | Baa3 | **BBB** | BBB- | | **BBB-** | |
| | Costa Rica | Baa3 | BB | BB | | | |
| | Uruguay | Ba1 | BBB- | BB+ | | BB+ | BB |
| | **Venezuela** | B2 | **B+** | B+ | | **BB-** | |

*Sources: Bloomberg.*

## Market Indicators:

### Selected indicators in August and changes in 2011:

| Region | Country | 10 year Government Bond Yield (%) | EMBIG Sovereign Spread | | GEMX Unhedged Index | | 5 year CDS Rate (bps) | Market Capitalization | | Exchange Rate | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Index value (bps) | Changes (YTD, bps) | Total Return Index | Changes (%, YTD) | | Value (US$ bn) | Changes (%, YTD) | Value per USD (end period) | Changes (%, YTD) |
| **Europe** | Hungary | 7.4 | 393 | 48 | 127.2 | 19.6 | 411 | 25.9 | -7.3 | 188.85 | 10.2 |
| | Poland | 5.8 | 237 | 86 | 102.1 | 8.1 | 216 | 180.9 | -4.1 | 2.88 | 2.9 |
| | Russia | 6.0 | 272 | 48 | 104.8 | 10.8 | 190 | 949.6 | -5.0 | 28.88 | 5.7 |
| | Slovakia | 4.1 | | | | | 159 | 5.4 | 20.1 | 20.95 | 7.4 |
| | Turkey | 5.2 | 274 | 97 | 125.2 | -5.8 | 227 | 224.1 | -25.4 | 1.72 | -10.0 |
| | Croatia | | | | | | 406 | 28.0 | 12.7 | 5.21 | 5.9 |
| | Kazakhstan | | 385 | 61 | | | 208 | 14.6 | -22.0 | 146.71 | 0.5 |
| | Romania | | | | 115.6 | 13.5 | 308 | 19.5 | 20.6 | 2.94 | 8.8 |
| | Ukraine | | 575 | 114 | | | 536 | 24.0 | -33.1 | 8.0 | -2.0 |
| **Asia** | China | 4.1 | 203 | 77 | 125.3 | 4.4 | 111 | 3,746.2 | -0.3 | 6.38 | 3.3 |
| | India | 8.5 | | | 108.8 | 0.2 | | 1,312.9 | -19.4 | 46.09 | -3.0 |
| | Indonesia | 7.1 | 223 | 40 | 192.0 | 21.6 | 165 | 405.1 | 13.6 | 8,527 | 5.3 |
| | Malaysia | 3.9 | 161 | 44 | 122.8 | 6.7 | 119 | 407.7 | 0.4 | 2.97 | 3.0 |
| | Philippines | 0.0 | 203 | 40 | 132.0 | 10.4 | 162 | 163.1 | 3.1 | 42.26 | 3.2 |
| | Thailand | 3.6 | | 0 | 124.7 | 3.0 | 136 | 290.9 | 5.7 | 29.95 | 0.3 |
| | Pakistan | 13.2 | 964 | 310 | | | | 34.0 | -12.0 | 87.25 | -1.8 |
| | Sri Lanka | 9.1 | 386 | 96 | 126.4 | 7.6 | | 22.8 | 16.1 | 109.66 | 1.2 |
| | Vietnam | 12.7 | 426 | 103 | | | 383 | 32.0 | -16.4 | 20,835 | -6.4 |
| **Middle East and Africa** | Egypt | 14.4 | 379 | 158 | 120.4 | 0.5 | 238 | 62.4 | -26.2 | 5.95 | -2.4 |
| | Morocco | | | 0 | 110.3 | 7.3 | | 66.0 | -3.0 | 7.89 | 5.8 |
| | Nigeria | | | 0 | 106.1 | 1.6 | . | 43.7 | -14.6 | 154.79 | -1.8 |
| | South Africa | 8.3 | 195 | 50 | 161.2 | 1.6 | 152 | 500.9 | -6.4 | 6.99 | -5.2 |
| | Kenya | | | | 84.7 | -27.5 | | 10.0 | -29.8 | 93.8 | -13.9 |
| | Lebanon | | 384 | 114 | | | | 9.6 | -12.5 | 1,505.5 | -0.3 |
| | Tunisia | | | | | | | 9.8 | -4.5 | 1.37 | 4.7 |
| **Latin America** | Brazil | 12.0 | 197 | 8 | 169.7 | 13.9 | 143 | 1,341.1 | -7.2 | 1.59 | 4.4 |
| | Chile | 5.1 | 151 | 36 | 132.4 | 9.5 | 96 | 310.1 | -8.9 | 461.3 | 1.5 |
| | Colombia | 7.6 | 165 | -7 | 165.1 | 10.9 | 142 | 201.9 | 0.8 | 1,778 | 8.0 |
| | Mexico | 6.8 | 196 | 23 | 122.8 | 9.6 | 142 | 440.8 | -11.2 | 12.33 | 0.2 |
| | Peru | 5.9 | 186 | 21 | 144.7 | 9.8 | 151 | 95.8 | -16.2 | 2.73 | 2.7 |
| | Argentina | | 738 | 231 | | | 773 | 50.5 | -16.3 | 4.2 | -5.3 |
| | Costa Rica | | | | 136.8 | 9.7 | | | | 511.34 | 0.3 |
| | Uruguay | | 207 | 19 | 141.0 | 12.1 | | | | 18.6 | 7.0 |
| | Venezuela | | 1,273 | 159 | | | 1093 | 5.1 | 8.0 | | |
| **Mature Markets** | US | 2.2 | | | | | 42 | 14,759.9 | -4.3 | | |
| | UK | 2.6 | | | | | 74 | 3,180.4 | -4.7 | 0.62 | 4.1 |
| | Japan | 1.0 | | | | | 105 | 3,692.1 | -7.6 | 76.66 | 5.9 |
| | Euro | 2.2 | | | | | | | | 0.7 | 7.4 |
| | Germany | | | | | | 75 | | | | |

*Sources: Bloomberg, Markit and staff calculation.*

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