# EM sovereigns: open the issuance floodgates

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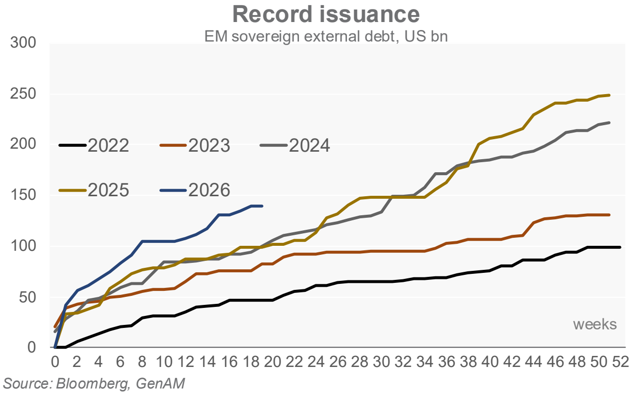
## Our Focal Point series explores topical issues on macro, markets and investment

- **EM sovereign issuance has had the strongest start to the year despite geopolitical tensions. This reflects resilience and improving macroeconomic fundamentals.**
- **Investor appetite has been resilient. Indeed, the share of EM HY countries has increased with weak HY countries able to issue and good post-issuance performance.**
- **There have been limited signs of a preference for EUR issuance and diversification away from the USD. A couple of countries have been building their EUR curves, but the appetite for EUR issuance still needs to be confirmed.**
- **Labelled bond issuance has continued to decline, representing only c. 5% of 2025 total issuance. Only a handful of countries regularly issue labelled bonds, and this remains largely a EUR market.**
- **Opportunities: we see value in the next Hungary issuance, which is experiencing a political regime shift. We still like Mexico. We are neutral on Romania and Turkey and will wait for the elections in Colombia before taking a long-term view.**

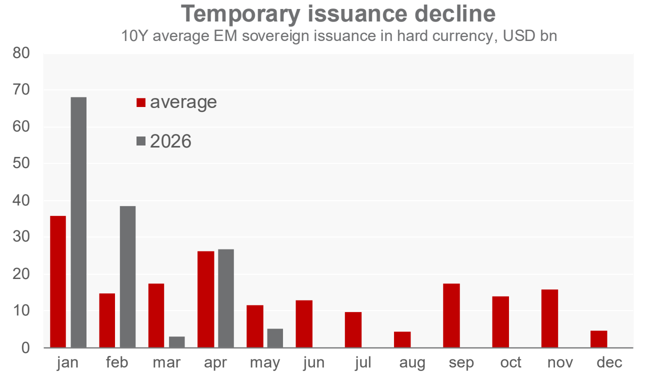
Despite geopolitical tensions, the EM fixed income market has shown resilience. Primary sovereign market has had a strong start to the year. The Iran conflict has led to a moderate slowdown, but investor appetite has remained strong, supported by positive technical factors. In the following sections, we will detail the latest dynamics of the primary market at several levels and highlight upcoming opportunities.

### A buoyant primary market despite the Iran conflict

The EM primary market has had a strong start to the year, with issuance trends well above those observed over the past ten years. Until the onset of the Iran conflict, 2026 was even the strongest year on record in terms of issuance. Since then, the trend has understandably slowed somewhat, but it remains robust. So far, issuance already represents more than half of the expected total for this year in just four months.



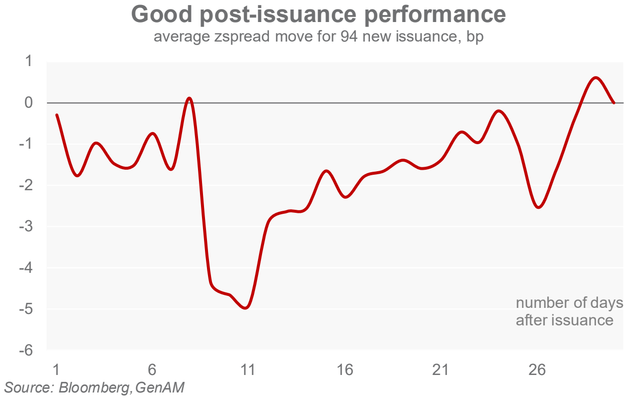
Source: Bloomberg, GenAM



Source: Bloomberg, GenAM calculations

On top of anecdotal evidence such as large primary order books, several indicators show that demand has remained strong despite the low absolute level of spreads.

- The abundant issuance has been well absorbed, as the average post-issuance performance has been positive for both IG and HY names.
- Weaker HY countries have been able to issue smoothly despite the Iran conflict. For example, as Angola, which reopened the primary market after the onset of the conflict in late March —an unusual move for a HY issuer.
- The share of HY issuance in January and February reached its highest level since the Covid period.
- Overall, total issuance in April was in line with the long-term average despite the Iran conflict.
- Finally, the weighted average maturity has slightly increased compared to last year, with a notable rise at the very long end of the curve. Issuance above 30Y has indeed represented c. 8% of total issuance, versus only 4% in 2025.



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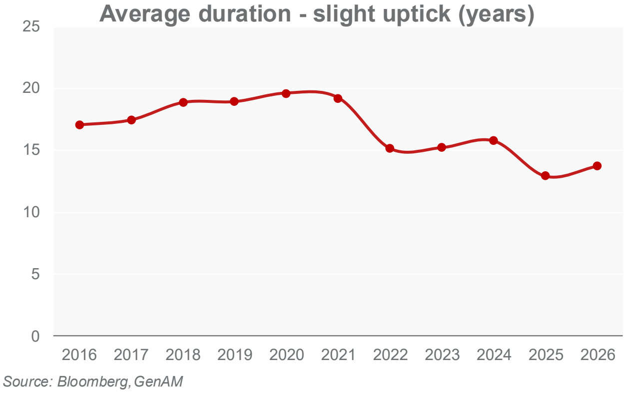


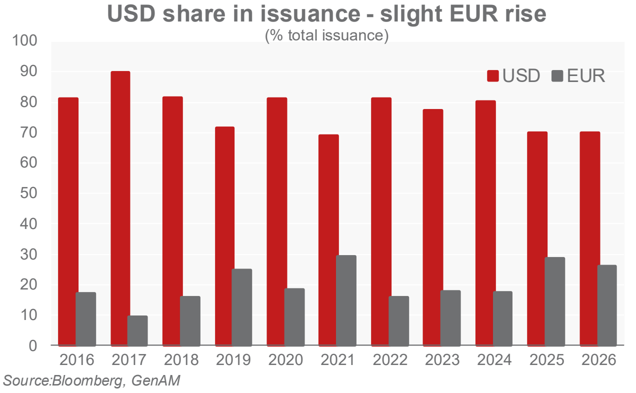
Source: Bloomberg, GenAM

## No clear evidence of diversification away from the US dollar

Discussion around investors' diversification away from the US dollar has been lively. There has also been anecdotal evidence since the Ukraine invasion and the seizure of Russian assets that several EM countries are tentatively trying to reduce their reliance on the US dollar (e.g., oil settlements in USD, alternative payment systems). In the primary market, however, the shift has been limited so far, and it is difficult to disentangle pragmatic country strategies—aimed at attracting new types of investors as EM appetite has grown—from any structural long-term shift.

Based on issuance data, the share of USD-denominated issuance has been declining over the past two years, reaching around 70% of the total, close to a 10-year low. However, the dynamics over the past decade have been volatile, with no clear trend, and the USD share has been lower at times in the past. Among other currencies, the CNY is gaining some traction, but this is essentially driven by issuance from Hong Kong and Indonesia. Only a very limited number of countries issue in renminbi.

Mirroring the decline in USD issuance, the share of EUR issuance has increased to around 26%, but it is still lower than the peak reached in 2022. The recent uptick has been driven by a growing number of countries issuing in EUR, such as Mexico, Poland, and Romania. We only see Brazil and Colombia as countries that have clearly shifted their strategy, with a significant share of EUR in their total issuance. Colombia has been building up its EUR curve, but in our view, this is primarily to attract new demand. Brazil stands out as the only clear exception, having decided to revive its EUR issuance program. In other words, so far, we see only a few examples of a genuine shift from USD to EUR. Recent developments remain tentative and will need to be confirmed in the coming months.



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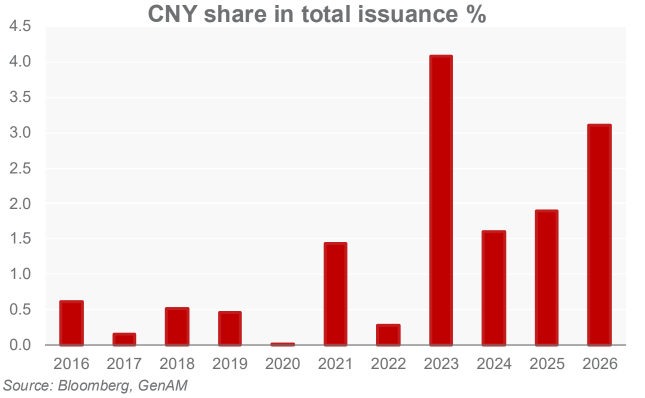


Source: Bloomberg, GenAM

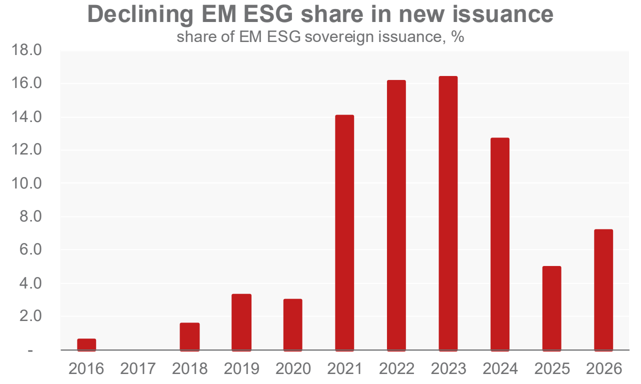
## The decline of labelled bonds issuance

Despite the dynamism of EM primary markets, labelled bond issuance has been declining, representing only 4.9% of the market in 2025, down from a peak of 16.3% in 2023. The share has recently edged up, but this has been driven by large countries that typically issue early in the year rather than by a new structural uptrend.

Indeed, the number of countries issuing in ESG format has barely increased, with only Saudi Arabia emerging as a new issuer in 2025. The primary market remains dominated by a few countries, with Chile representing almost a third of total issuance, followed by Mexico, Indonesia, and Hungary. ESG adoption has been limited and remains concentrated among the largest IG countries. While HY countries can issue in ESG format to attract a specific type of investor, this remains rare, and so far no HY country has implemented a large ESG issuance program.

The market continues to be driven by European investors, who are more ESG-oriented than their US and Asian counterparts. The EUR-centric nature of ESG investors de facto limits the number of issuing countries. In Europe, there is a relative lack of dedicated EM investors, while the natural investor base for EM remains in the United States, where appetite for ESG themes is lower. Consequently, there is limited incentive for HY issuers, and even more so for weaker HY countries, to issue labelled bonds in EUR, as they would struggle to attract meaningful demand.

In terms of bond structure, sustainable and green bonds represent the largest share of the market. Social bonds have almost disappeared, while sustainability-linked bonds are only issued by Chile and Uruguay. We expect the market to remain dominated by green and sustainable bonds.



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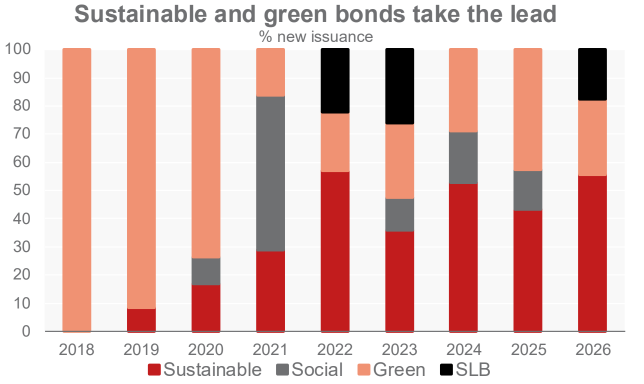

Source: Bloomberg, GenAM

## Upside issuance risk limited by constrained fiscal space

We see upside risks to sovereign issuance if the closure of Hormuz persists, but any increase would be limited and, if anything, would affect Q4 2026 and 2027. In 2022–2023, the Ukraine conflict and the subsequent rise in energy prices did not result in a surge in issuance—net issuance in 2022 and 2023 was in fact significantly negative.

The fiscal impact of the energy crisis is highly asymmetric. EM energy-importing countries face the largest costs, while energy exporters can benefit from higher prices. This time, however, large exporters in the Gulf are not fully benefiting from higher prices in the short term. That said, over the longer run, a higher risk premium should support elevated oil prices, partially offsetting initial export revenue losses for those countries, reducing the need to step up bond issuance.

We would expect additional measures, particularly in North Asia, to shield populations from higher energy prices, but to a lesser extent than in 2022–2023. The increase in energy prices is more limited, and, above all, EM countries have less fiscal space than before. Government primary balances averaged -3.9% in 2025, compared to -3.0% in 2022.

## Issuance prospects and opportunities

**Colombia**: Around USD 4bn remains to be issued. The credit has outperformed, supported by expectations of a political regime shift and ALM operations. However, the political transition is not a given, and we prefer to wait for the elections before taking a long-term position. The elections represent a key risk if the anticipated shift does not materialise. Beyond politics, macroeconomic improvement will be challenging given the twin deficits and a weak historical track record.

**Hungary**: Approximately USD 4.5bn remains to be issued by year-end. Issuance is likely in USD and expected in late Q2 or Q3. We remain positive, although it has outperformed peers following the political shift and a clear intention to move closer to the Eurozone.

**Mexico**: Around USD 10bn is still expected. Valuations have improved and are now slightly cheap relative to the rating. The USMCA discussions remain a source of risk, although President Sheinbaum has managed relations with the US effectively so far. We expect further modest fiscal tightening. On the negative side, growth dynamics and the situation at Pemex remain weak, weighing on fiscal consolidation and the debt trajectory

**Romania**: Around USD 10bn still needs to be issued, likely starting in EUR and followed by USD later in the year. Gross external financing needs are lower than last year, but the issuance program started late. The Iran conflict and current political tensions have caused further delays. We remain neutral, as political tensions could delay necessary fiscal adjustment, though they are unlikely to derail it. The pragmatism of President Dan and the Socialists' commitment to fiscal tightening should limit underperformance. Valuations remain attractive, with bonds trading two notches below the rating.

**Turkey**: Around USD 5–6bn is expected by year-end. The credit trades cheap relative to its rating. Fundamentals have improved significantly under Finance Minister Şimşek's economic program, but the country remains vulnerable to higher energy prices. Turkey has sufficient buffers to withstand the current closure of the Hormuz Strait, but spreads could widen further if disruptions persist. The key risk is higher inflation—already elevated—which could increase political pressure. The fiscal position, however, has only marginally deteriorated.

# IMPRINT


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