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WP/95/132

INTERNATIONAL MONETARY FUND

Policy Development and Review Department

The Mexican Financial Crisis: A Test of the
Resilience of the Markets for Developing Country Securities

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December 1995

Abstract

This paper reviews developments in private capital flows to developing countries since the Mexican financial crisis in December 1994. The paper points out that a strong recovery in these flows masks some significant changes in their characteristics, particularly in the type of borrowers back toward sovereigns and the currency denomination of new issues shifted away from U.S. dollars. Terms of new bond issues became significantly less favorable than before the Mexican crisis. One of the most striking developments was the sharp increase in bond placements by developing countries in deutsche mark and yen. It is shown that relatively favorable credit ratings assigned by Japanese rating agencies facilitated some developing countries to tap the yen bond market.

JEL Classification Number

G11, G12, G15

¹/ The authors are grateful to Steven Dunaway for helpful comments and suggestions and to Anne Jansen for research assistance. The views expressed in the paper and any remaining errors are the authors'.

	<u>Contents</u>	<u>Page</u>
Summary		iii
I.	Introduction	1
II.	Private Market Capital Flows	3
	1. Bonds	3
	2. Equities	6
	3. Emerging markets mutual funds	6
	4. Medium- and long-term bank loans	6
III.	Developing Country Security Prices and Yields	9
	1. Equity prices	9
	2. Bond yields and spreads	12
IV.	Developments in the Markets for Yen-Denominated Bonds	19
V.	Conclusions	21
 Text Tables		
	1. International Bond Issues by Developing Countries and Regions	22
	2. International Bonds Issues by Developing Countries by Type of Borrower	23
	3. International Bond Issues by Developing Countries by Currency of Denomination	24
	4. International Bond Issues by Developing Countries by Sector of Borrower	25
	5. International Equity Issues by Developing Countries and Regions	26
	6. Emerging Markets Open-End Mutual Funds	27
	7. Emerging Markets Closed-End Mutual Funds	28
	8. Net Bond and Equity Purchases by Emerging Markets Mutual Funds	29
	9. Medium- and Long-Term Syndicated Loan Commitments	30
	10. Dollar Equivalent Spreads on Selected Sovereign Bond Issues	32
	11. Comparison of Credit Ratings	33

Charts

1.	International Bond Issues by Developing Countries and U.S. Long-Term Interest Rate	2
2.	International Bond Issues by Developing Countries: Value of Issuance by Sector and by Region	4
3.	International Bond Issues by Developing Countries: Shares by Currency and by Region	5
4.	International Bond Issues by Developing Countries: Shares of Issuance by Currency and by Sector	7
5.	Weekly Selected Total Return Indices in U.S. dollars	8
6.	Share Price Indices for Selected Markets in Latin America	10
7.	Share Price Indices for Selected Markets in Asia	11
8.	Stripped Yield Spreads for Selected Brady Bonds	13
9.	Secondary Market Yield Spreads on U.S. Dollar-Denominated Eurobonds by Selected Developing Countries	14
10.	Secondary Market Yield Spreads on U.S. Dollar-Denominated Eurobonds by Selected Developing Countries	15
11.	Terms at Launch for Unenhanced U.S. Dollar-Denominated Bond Issues by Developing Countries	17
12.	International Bond Issues by Developing Countries by Maturity	18

Summary

Disruptions arising from the Mexican financial crisis in December 1994 caused major setbacks in many developing country securities markets. From late December 1994 into early January 1995, there was a broad sell-off of these securities, with the heaviest selling pressures being experienced in Latin American countries. These setbacks were short-lived in Asian countries, where strong economic performance continued. The situation in Latin American countries began to turn around sharply in April 1995. Developing countries also stepped up their placements of securities in international capital markets, with sovereign issuers leading the way, following a virtual halt in activity in the first part of 1995.

This paper observes that, on the surface, the recovery in the markets for developing country securities during the course of 1995 points to the general resilience of these markets. The Mexican crisis appears to have produced only a temporary disruption in the general trend toward globalization of financial markets and diversification of investors' portfolios. However, a closer examination reveals some significant changes in the characteristics of private capital flows to developing countries. As illustrated in the paper, there have been significant shifts by type of borrowers and by currency denomination of these flows, with an increasing share of bonds being issued by sovereign borrowers and in currencies other than the U.S. dollar (especially the Japanese yen and the deutsche mark). In addition, developing country borrowers generally face higher yield spreads and shorter maturities than before the Mexican crisis.

The paper concludes by noting that the future of private market financing for developing countries is difficult to predict. Certainly, continuing globalization of international capital markets and portfolio diversification by investors will lead to an underlying steady increase in the demand for developing country securities. Cyclical developments, in conjunction with this secular trend, probably help to explain the investor demand that has driven the sharp increase in bond placements by developing countries in the Japanese yen and the deutsche mark. With respect to the yen market, a tendency for Japanese credit-rating agencies to assign borrowers higher credit ratings than the major U.S. rating agencies also encouraged developing countries to tap the Japanese bond market at relatively favorable terms. These new investors have played a key role in the recovery of capital flows, but the depth of these pools of funds is unknown. The larger presence in the markets of sovereign issuers might be interpreted as a leading indicator for the return of private borrowers. In the period immediately ahead, however, the paper notes that the prospects for private capital flows to developing countries are clouded by the emergence of renewed economic uncertainties in some major countries and concerns regarding the future path of world interest rates.

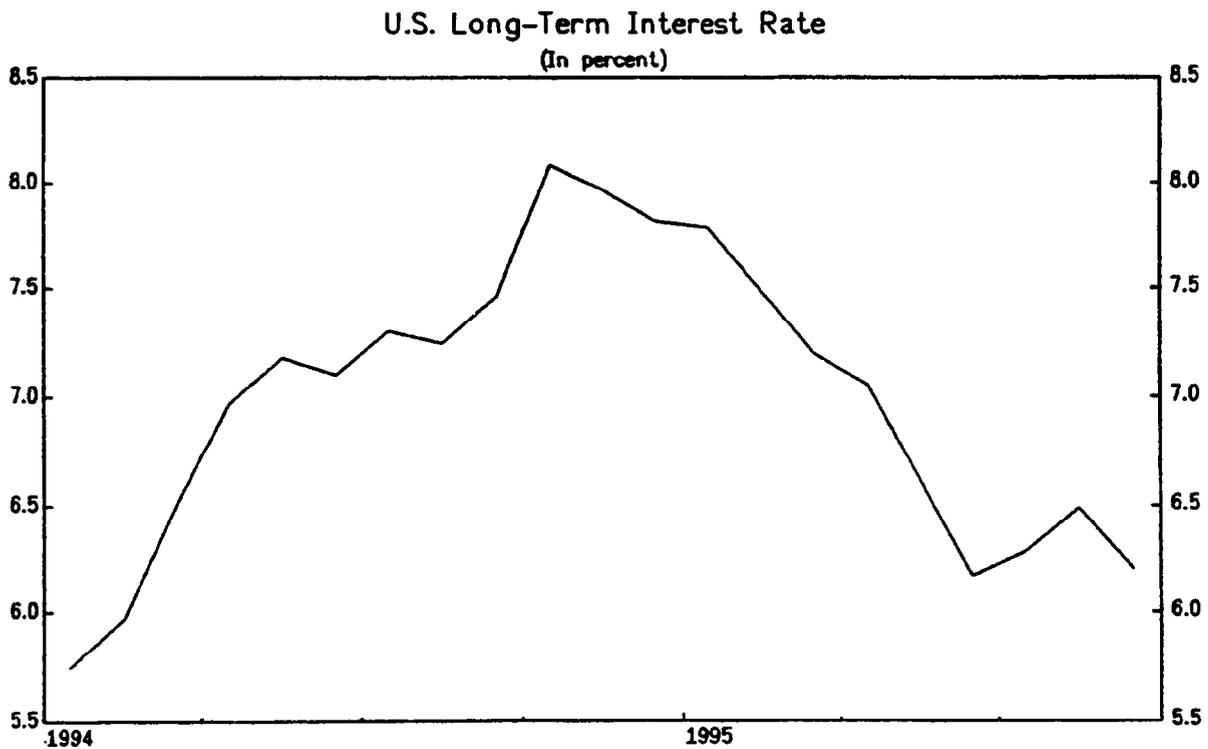
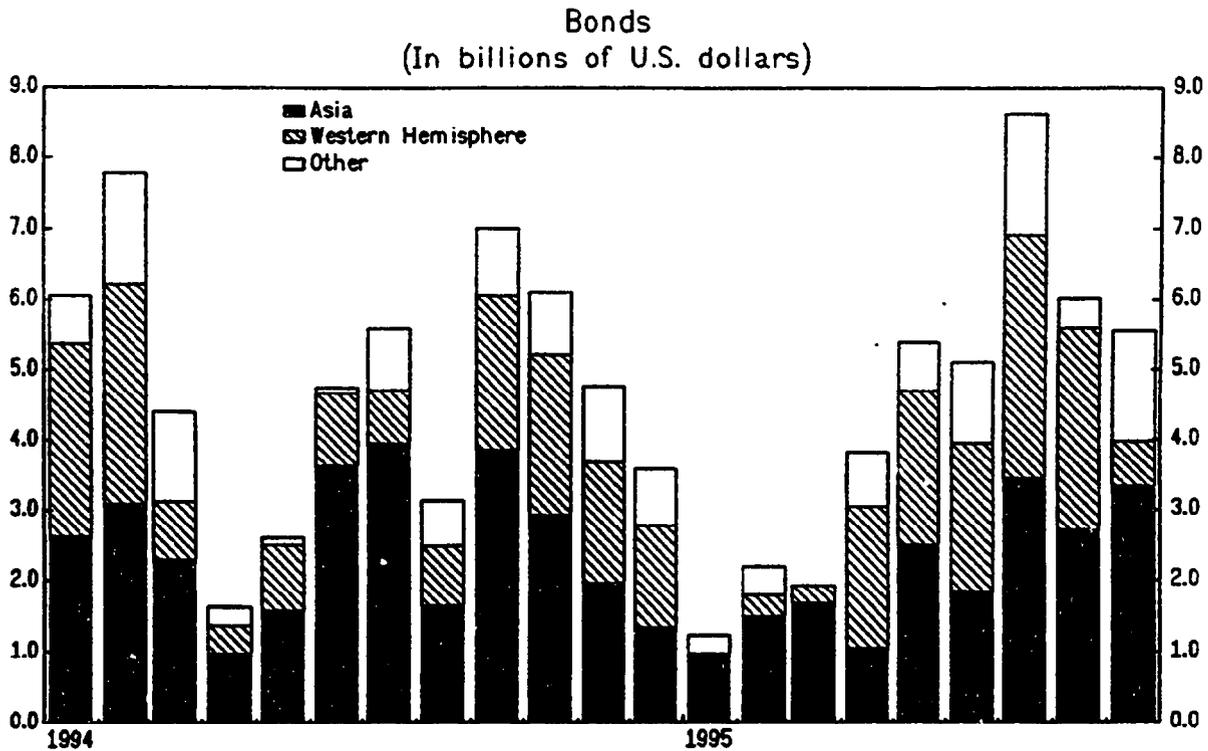
I. Introduction

The Mexican financial crisis in December 1994 set off a firestorm in the markets for developing country securities. From late December into early 1995, there was a broad sell-off of these securities, with the heaviest selling pressures being experienced in Latin American markets. In the early months of the year, the new issue markets for bonds and equities were virtually dead in the water. The only bright spot in an otherwise gloomy picture was continuing strong new loan commitments by commercial banks, but such funding was directed only to a limited set of high quality developing country borrowers. Thus, during the period, numerous dire predictions regarding the fate of private market financing for developing countries emerged. The "go-go" days for these capital flows were said to have ended, and it was predicted that developing countries as a group--and Latin American countries in particular--would experience sharply reduced access to international capital.

Nonetheless, selling pressures in Asian security markets dissipated rather quickly and were followed by renewed inflows of portfolio capital. By May 1995, Latin American markets posted strong gains, with the recovery reflecting market perceptions of improved prospects for Mexico and for other major countries in the region and the reported return to these markets of some investors who had exited earlier in the year. Beginning in April and continuing through September, international placements of bonds picked up sharply, owing in part to an improved international environment with an easing in U.S. interest rates (Chart 1). Although Asian issuers played a dominate role, non-Asian entities began to return to the international markets led by major sovereign borrowers. Within roughly six months after the crisis, Mexico itself made a dramatic return to the international bond market in July 1995 with two issues that met very strong demand. Brazil had already returned to the market in May with a new bond issue, and Argentina also placed two new issues in the international bond markets in July.

On the surface, the recovery in the markets for developing country securities during the course of 1995 points to the general resilience of these markets, reflecting the continued strong performance of many leading countries and the concerted adjustment efforts of those countries experiencing difficulties. Moreover, the Mexican financial crisis appears to have produced only a temporary disruption in the general trend toward globalization of financial markets and diversification of investors' portfolios. However, a closer examination reveals some significant changes in the characteristics of private market financing for developing countries. There have been significant shifts by type of borrower and by currency denomination of these flows, with an increasing share of bonds being issued by sovereign borrowers and in currencies other than the U.S. dollar (especially the Japanese yen). Terms on new issues of securities have not improved since early in 1995 (except for only the most creditworthy borrowers); developing country borrowers generally face higher yields (and yield spreads) and shorter maturities than before the Mexican crisis.

Chart 1
International Bond Issues by Developing Countries and
U.S. Long Term Interest Rate



Sources: DCBEL database; Financial Times; and International Monetary Fund, International Financial Statistics.

II. Private Market Capital Flows

1. Bonds

After coming to a virtual standstill at the beginning of 1995, international bond placements by developing countries increase significantly in the second and third quarters of the year (Table 1); during the first nine months of 1995, bond placements by developing countries amounted to \$39.3 billion. Asian entities were the dominant issuers, accounting for about half of the total value of bond issues during the period. Korean firms were by far the major issuers. Firms in Indonesia, Malaysia, and Thailand were also significant borrowers. Indian firms remained active, but the scale of their placements declined sharply from the level in the comparable period of 1994. Bond placements by Western Hemisphere countries amounted to \$13.5 billion, led by large issues by Brazilian entities followed by Mexico and Argentina. Colombia and Uruguay were the only other two countries in the region to issue bonds thus far in 1995. Hungary and Turkey accounted for most of the bond placements by European developing countries, with both countries issuing more bonds in the second and third quarters of 1995 than they did in all of 1994.

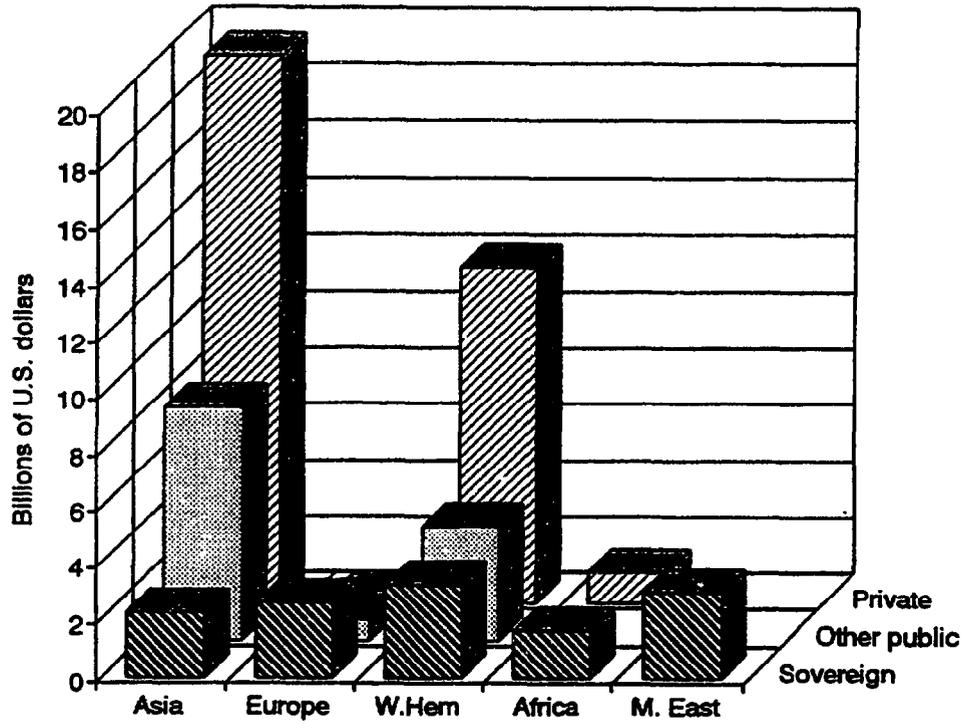
Among Asian entities, private companies continued to be the primary bond issuers in the first three quarters of 1995, although their share in total bond placements declined somewhat (Chart 2 and Table 2). The relative share of bonds issued by public sector corporation rose during the period, as Korean public financial institutions and public utilities in Southeast Asia substantially increased their placements. The share of funds raised by sovereign issuers declined, largely reflecting the absence in the market of the Chinese Government. Owing to the Mexican financial crisis and its fallout in the region, the share of bonds issued by private sector firms in the Western Hemisphere declined, while sovereign issues rose sharply as the Governments of Argentina, Brazil, and Mexico all reentered the international bond markets. In Europe, sovereign borrowers continued to dominate, reflecting large issues by the Governments of Hungary and Turkey.

The share of international bonds issued by developing countries in currencies other than the U.S. dollar has risen substantially during 1995. The placements of bonds in yen and deutsche marks were 28 and 8 percent, respectively, of total issues in the first nine months of 1995, compared with 13 and 3 percent, respectively, in 1994 (Table 3). The currency denomination of issues differed significantly by geographic region. Asian entities continued to borrow predominantly in U.S. dollars, although there was some increase in yen placements (Chart 3). The bulk of bonds issued by entities in the Western Hemisphere were denominated in U.S. dollars, but the share of yen and deutsche mark issues rose significantly. In contrast, the bulk of borrowing by European entities was denominated in yen. These regional differences in the relative shares of bonds issued in U.S. dollars and other currencies principally reflected the type of entity issuing the bond. Private companies, which tended to be the better credit risks, continued to issue bonds after the Mexican crisis largely in U.S. dollars

CHART 2

International Bond Issues by Developing Countries: Value of Issuance by Sector and by Region

Total 1994



January - September 1995

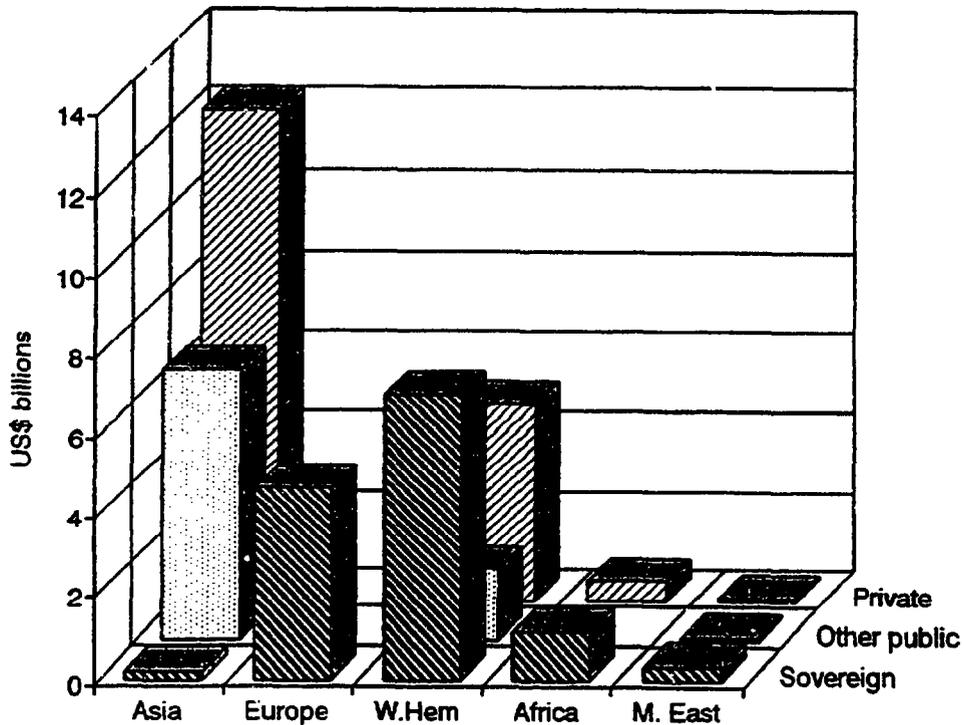
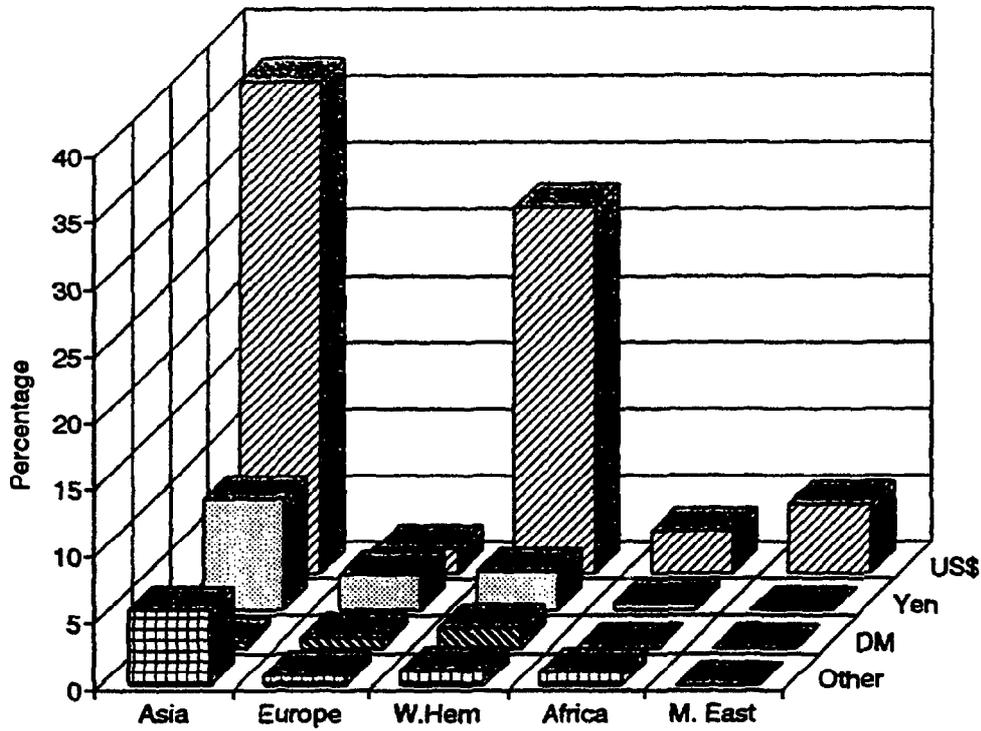


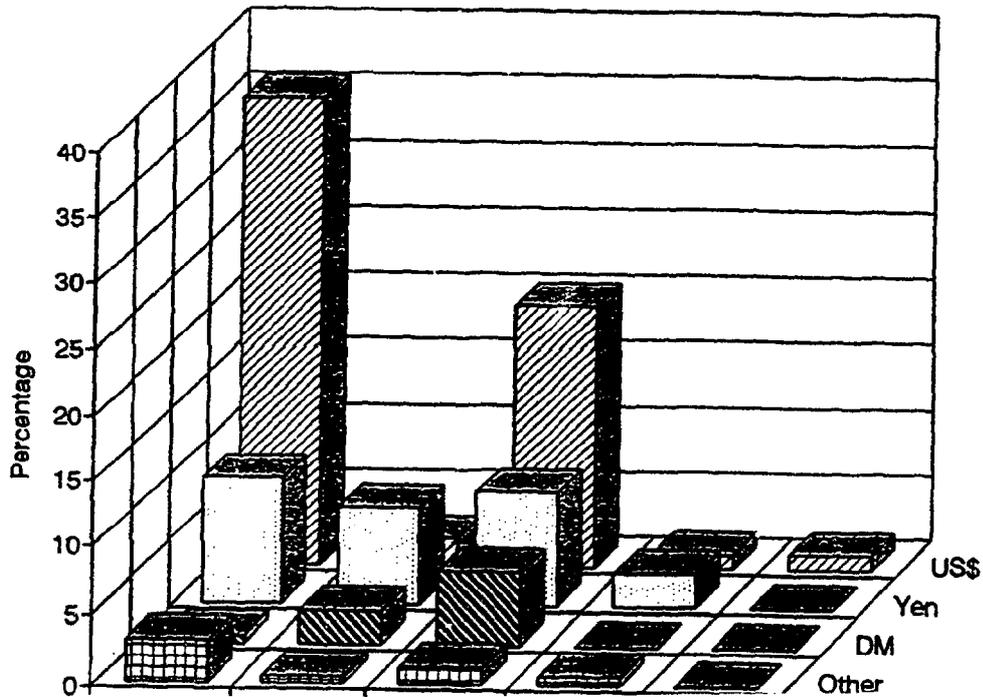
CHART 3

**International Bond Issues by Developing Countries:
Shares by Currency and by Region**

Total 1994



January - September 1995



(Chart 4). In contrast, sovereign borrowers stepped up sharply their placement of bonds in yen after the crisis; the increase reflected mainly large placements by the governments of Argentina, Brazil, and Mexico.

2. Equities

Limited access to international bond markets by private issuers outside Asia has been mirrored in international equity markets. After activity dried up in early 1995, equity placements by developing countries in international capital markets began to recover in March 1995 as stock prices bottomed out (Table 5). Total equity issuance by developing countries amounted to less than \$7 billion in the first nine months of 1995, about 60 percent of the level recorded in the same period a year earlier. Asian companies were dominant issuers, accounting for nearly 80 percent of total placements by developing countries. In contrast, issuance from companies in the Western Hemisphere was very low, with Argentina and Mexican issuers--who were leading issuers in the region in the recent past remaining on the sidelines. The share of developing countries in total international equity placements declined to less than 28 percent during the first nine months of 1995, compared with 37 percent in 1994, reflecting weaker performance in developing country stock markets (Chart 5).

3. Emerging markets mutual funds

Investment in developing country securities by emerging markets mutual funds fell sharply in the first half of 1995, although it began to recover in the second quarter. ^{1/} The number of funds increased from 904 at end-1994 to 956 at end-March 1995 and to 1,035 at end-June 1995. Total assets of these funds fell from \$111 billion at end-December 1994 to \$99 billion at end-March 1995, before recovering to \$110 billion at end-June (Tables 6 and 7). Net purchases of developing country securities are estimated to have amounted to \$5 billion for equities and \$0.5 billion for bonds in the first half of 1995, both less than a quarter of the level in the same period of 1994 (Table 8).

4. Medium- and long-term bank loans

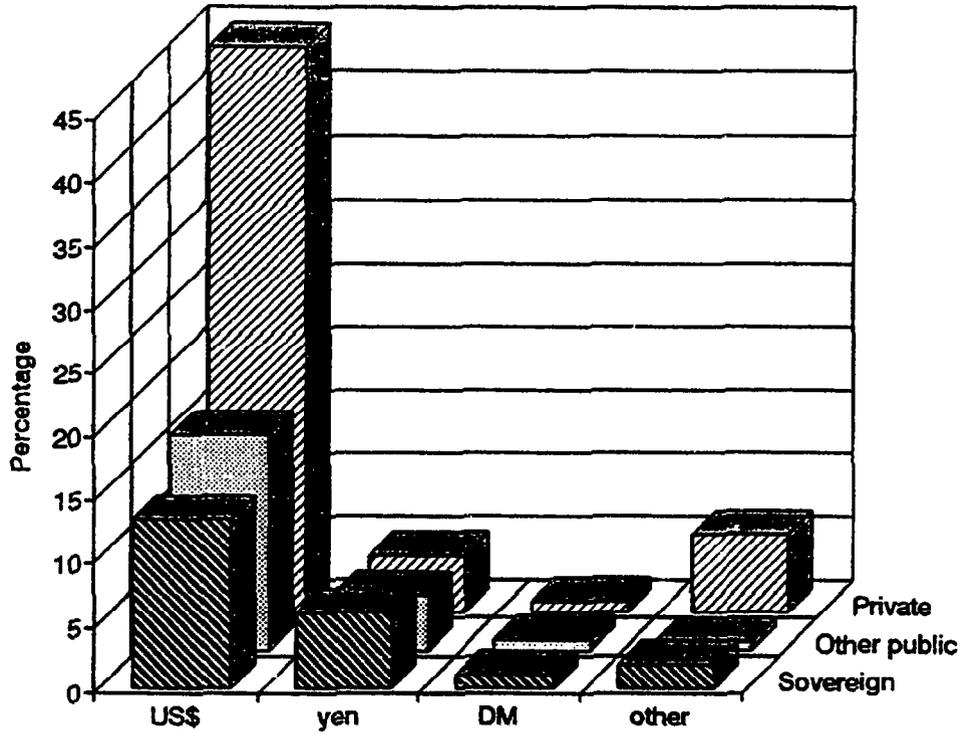
In contrast to the behavior of portfolio flows to developing countries, the Mexican financial crisis does not appear to have exert a significant influence on new commitments of syndicated bank loans to developing countries. Loan commitments continued to increase, rising to \$55.1 billion in the first three quarters of 1995, compared to \$44.4 billion in the same period in 1994 and \$55.3 billion for the full year 1994 (Table 9). More than half of all new commitments continued to be made to Asian entities, predominantly private firms. Loan commitments to Western Hemisphere countries picked up in 1995 relative to 1994, primarily reflecting a major syndicated credit for Mexico arranged in the third quarter of 1995. A sharp

^{1/} Data are available only through the second quarter of the year.

CHART 4

**International Bond Issues by Developing Countries:
Shares of Issuance by Currency and by Sector**

Total 1994



January - September 1995

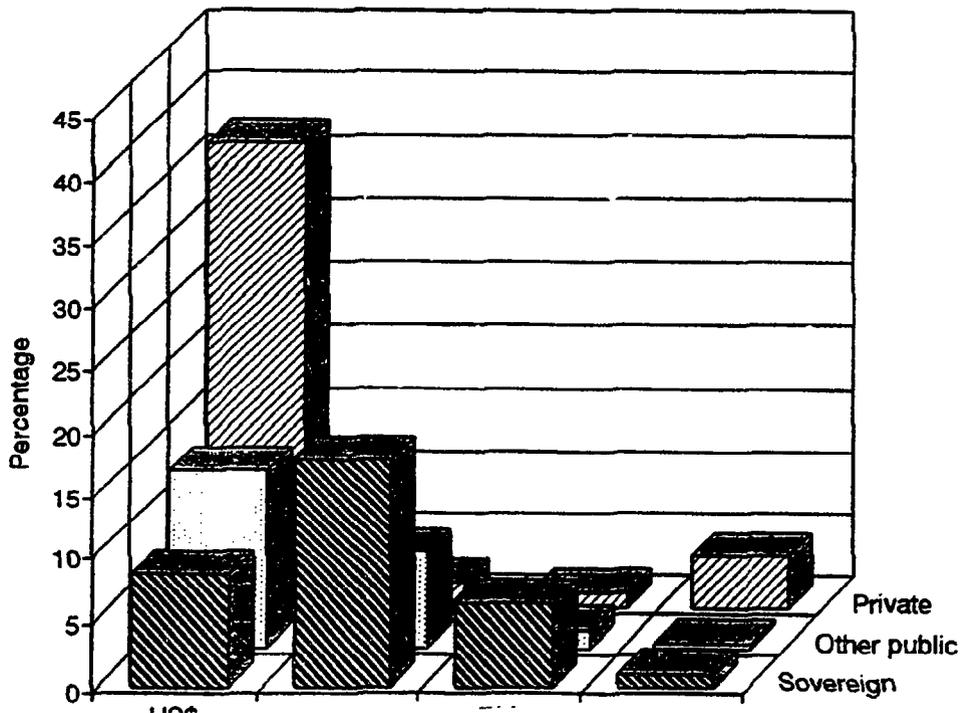
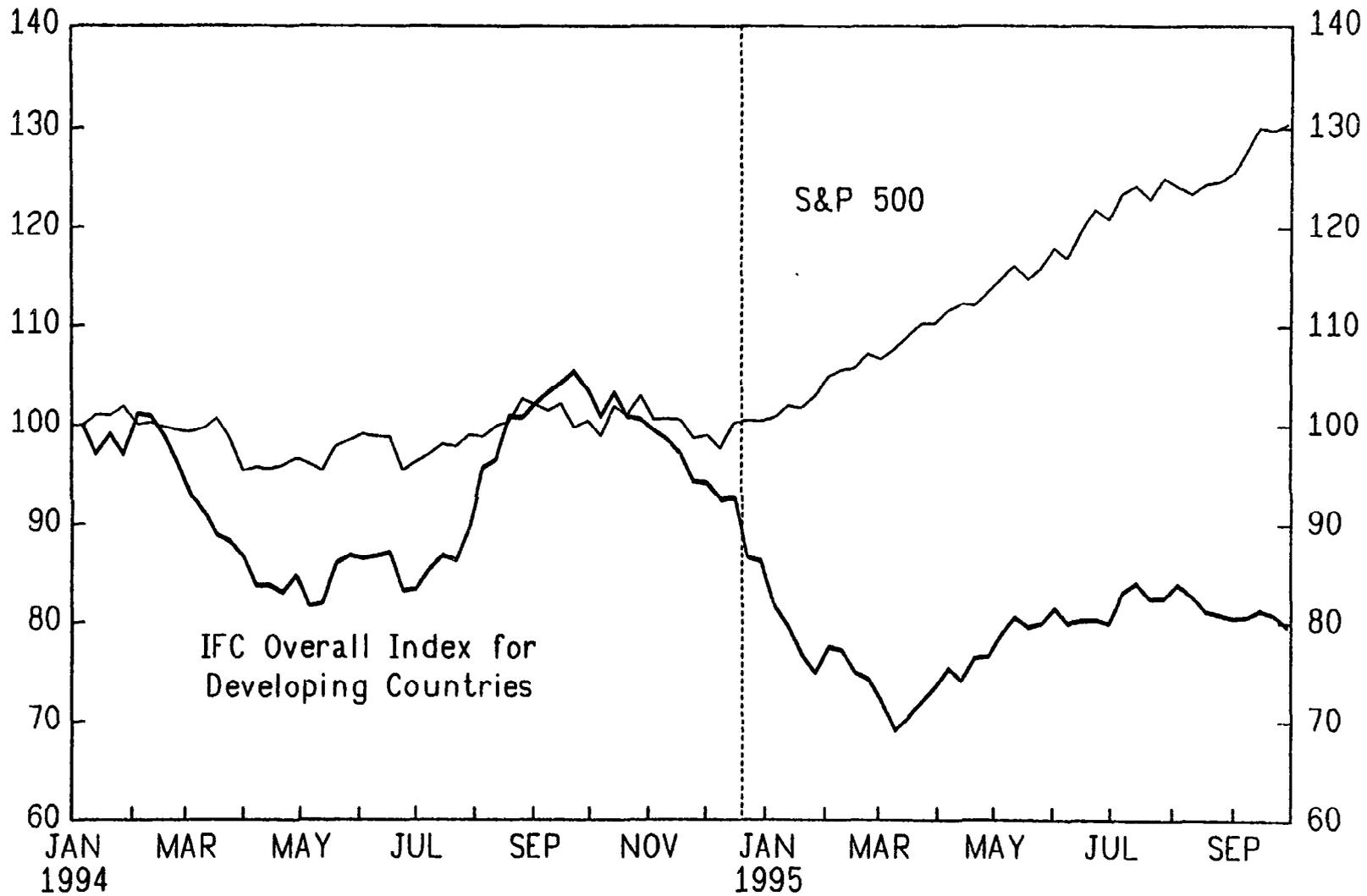


Chart 5
Weekly Selected Total Return Indices in U.S. dollars
(January 7, 1994=100)



Sources: International Finance Corporation (IFC), Emerging Markets DataBase; and Reuters.

increase in loan commitments to Africa was accounted for by a sizable loan to Algeria in the second quarter and substantial new loan commitments to South Africa in the third quarter of 1995. These are the first significant bank loans to African countries since 1992.

The terms of new loan commitments to developing countries have not shown the same sharp deterioration as seen for international placements of bonds in the wake of the Mexican crisis. The weighted average spread for all new commitments to developing countries in the third quarter this year was some 20 basis points above its level at the end of 1994. Spreads charged on new commitments to private sector borrowers increased in all regions, while spreads on loans to public sector borrowers declined to below the levels seen in 1994. This later development accords with recent market commentaries that intense competition among syndicated lenders has driven down margins. As a result, some sovereign borrowers have recently been able to tap the syndicated loan market at lower spreads than on their recent international bond issues.

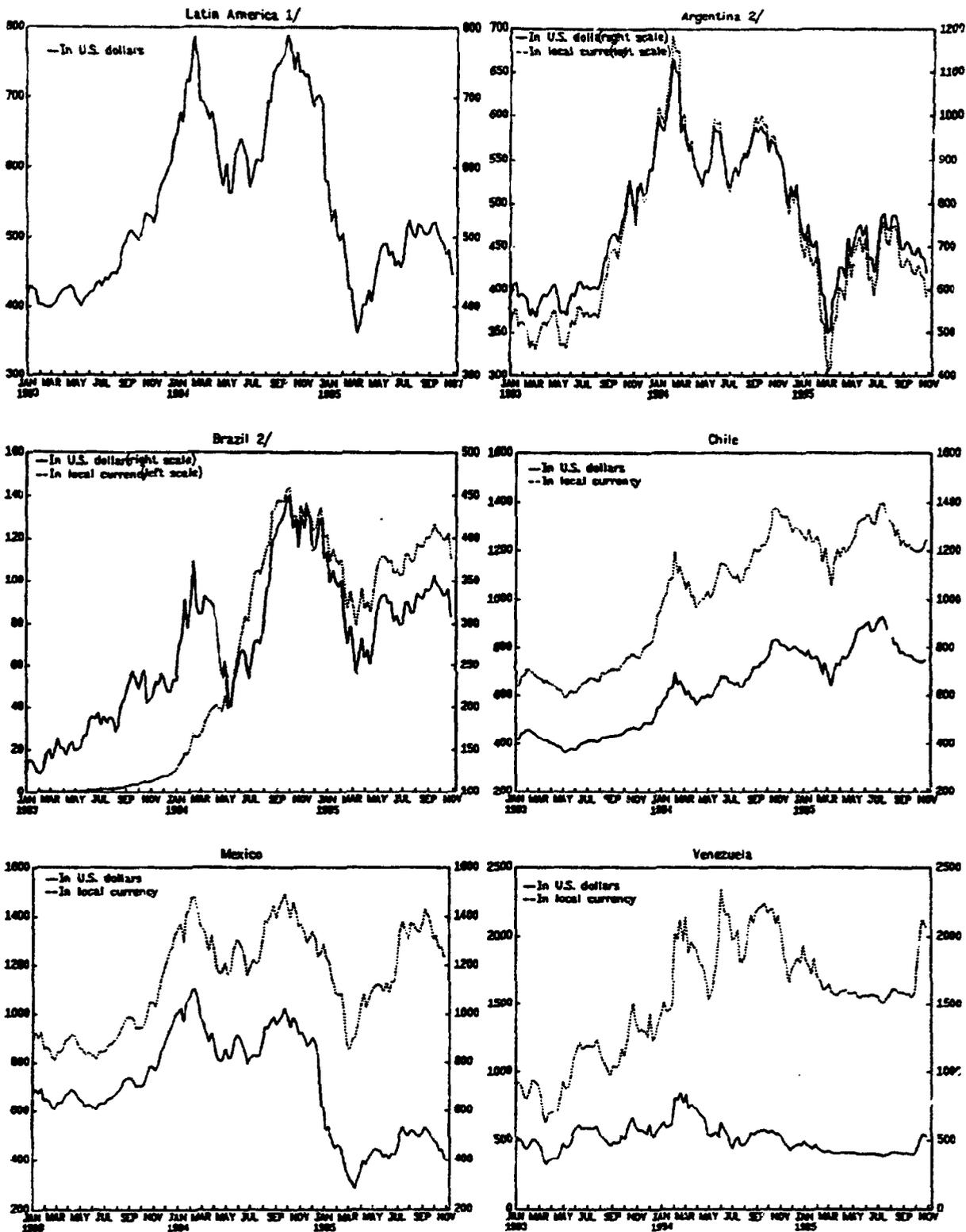
III. Developing Country Security Prices and Yields

1. Equity prices

The Mexican financial crisis prompted a widespread sell-off in developing country equity markets. Across Latin America, the majority of stock markets declined sharply in early 1995, reaching lows in U.S. dollar terms in early March ranging from one-third in Mexico to 80 percent in Chile of the levels recorded in mid-December 1994 (Charts 6 and 7). The IFC's U.S. dollar index for Latin American stock markets fell by almost half in the same period. Within Asia, stock markets also declined, but the setback was less severe and shorter-lived, with the IFC's U.S. dollar index for the region reaching a low in late January 1995, just 10 percent down from its level in mid-December.

After these initial declines, stock markets in Latin America--with the notable exception of Venezuela's--generally recovered during the second and third quarters of 1995 as investor confidence returned. In some instances--including Mexico--this recovery offset the earlier decline in equity prices. However, in U.S. dollar terms, the IFC's index for Latin America was still about one-third below its pre-crisis level in late October 1995; in Mexico, the stock market index in U.S. dollar terms was 50 percent lower. Within Asia, markets appear to have been driven more by country-specific factors. A sharp rebound in prices across the region in the first half of 1995 has been offset by more recent declines in equity markets in Malaysia, the Philippines, and Thailand. As a result, the IFC's Asian regional index in dollar terms in October 1995 was back close to its level before the onset of the crisis in Mexico.

Chart 6 Share Price Indices for Selected Markets in Latin America (IFC weekly investable price indices, December 1988=100)

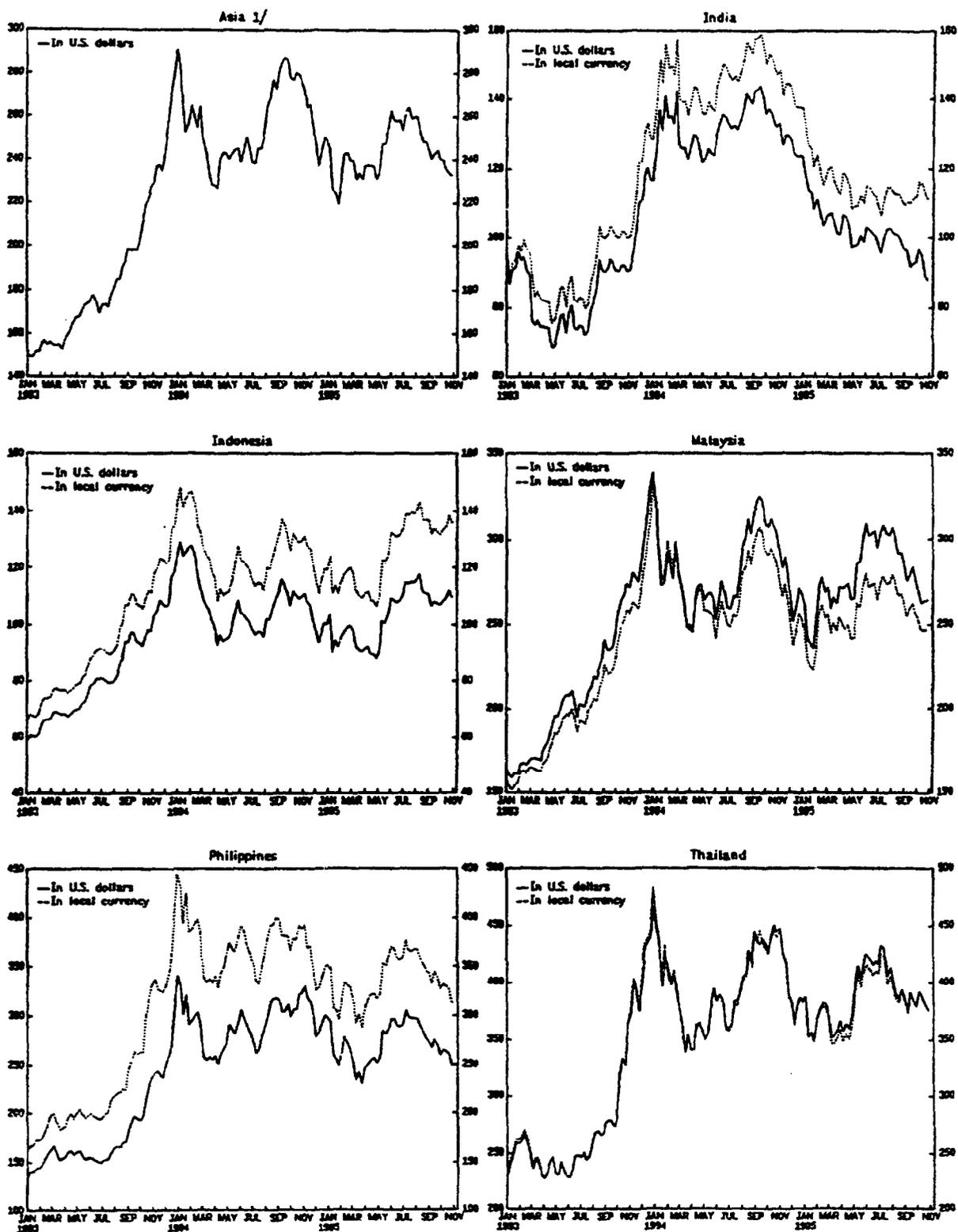


Source: International Finance Corporation (IFC), Emerging Markets Data Base.

1/ Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela.

2/ The Argentine and Brazilian local currency indices have been divided by 10 million, and a thousand, respectively.

Chart 7
Share Price Indices for Selected Markets in Asia
(IFC weekly investable price indices, December 1988=100)



Source: International Finance Corporation (IFC), Emerging Markets Data Base.
1/ India, Korea, Malaysia, Pakistan, Philippines, Taiwan Province of China, and Thailand.

In contrast to these movements in developing country equity markets-- which left the IFC's overall total return index for developing country markets in October 1995 some 18 percent below its end-1994 level--equity prices in the United States have risen to new highs. The S&P 500 total return index recorded a gain of more than 31 percent over the same period. This sharp disparity in the implied returns on U.S. and developing country equities--and especially Latin American equity markets--since the Mexican crisis, underscores indications from the behavior of U.S. based mutual funds that there is a reduce flow of portfolio equity investment going to developing countries so far in 1995.

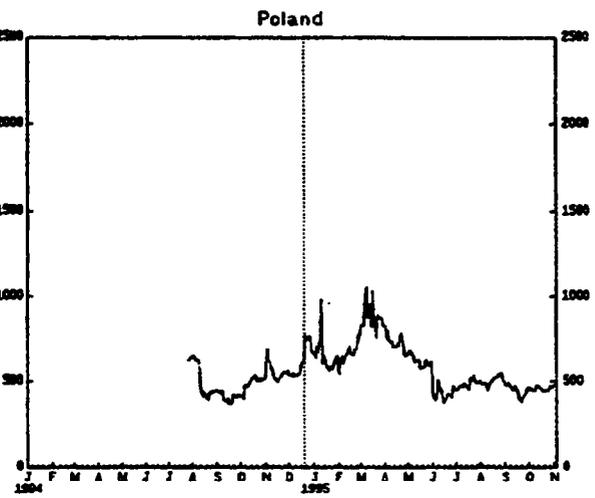
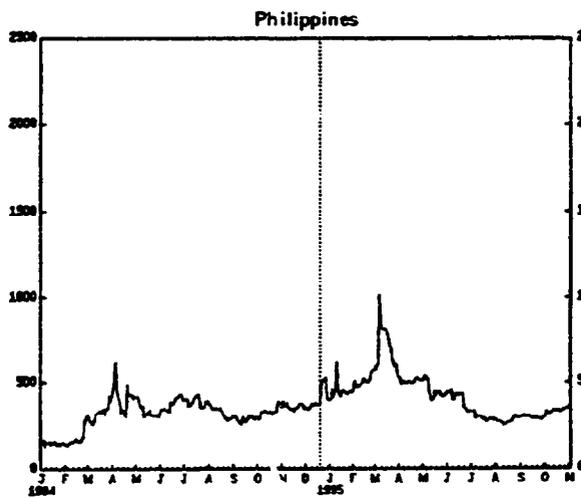
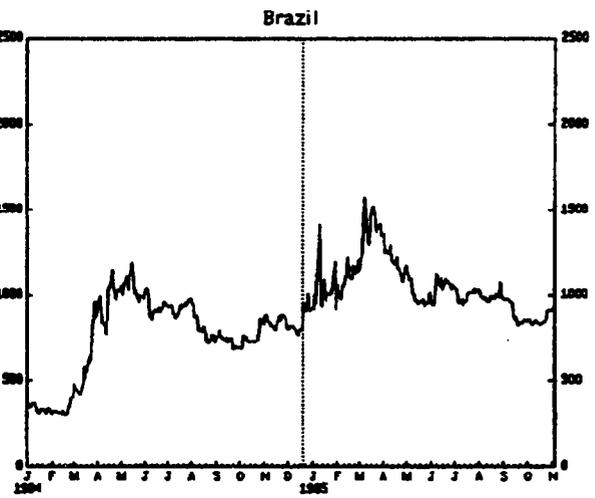
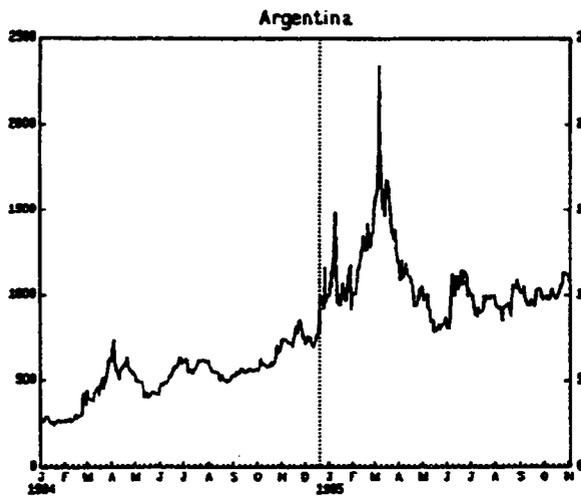
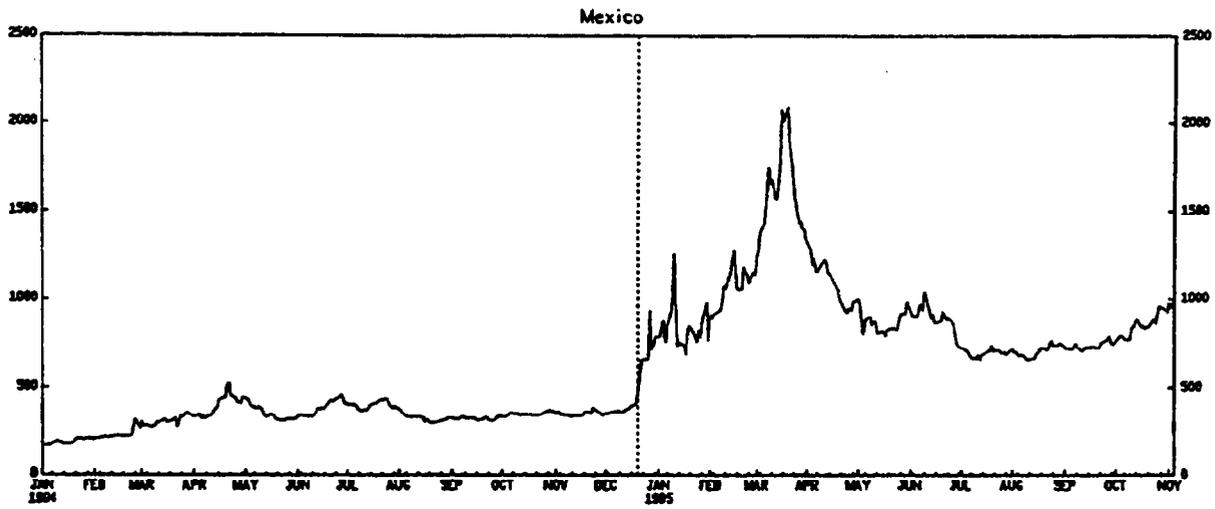
2. Bond yields and spreads

In the immediate aftermath of Mexican crisis, prices of a wide range of developing country debt securities dropped precipitously and yields rose. At the same time, there were even sharper increases in yield spreads reflecting declines in U.S. interest rates. ^{1/} Secondary market spreads on developing country issues of Euro- and Brady bonds widened abruptly. For Mexico and Argentina, stripped yield spreads on Brady bonds rose from 350 basis points and 750 basis points, respectively, toward the end of 1994 to around 2,100 basis points in early March 1995 (Chart 8). Yield spreads on representative Eurobonds issued by these two countries rose from around 200 basis points at end-1994 to a peak of about 1,000 basis points in early March (Chart 9). The spread on Brazilian Brady bonds rose somewhat less, increasing from an end-1994 level of about 1,000 basis points to a March 1995 peak of more than 1,500 basis points. Similarly, the spread on Brazilian Eurobonds rose less sharply, increasing from 300 basis points to around 600 basis points. The peak spreads on both Bradies and Eurobonds for all three of these countries roughly coincided with the trough in prices of equities on local stock exchanges.

Outside Latin America, secondary market yield spreads also widened in the wake of the Mexican crisis. However, the surge in spreads for both Euro and Brady bonds was less pronounced, suggesting that market participants were--as was seen in the relative movements of equity prices--discriminating between country risks. For example, stripped yield spreads for Poland's and the Philippine's Brady bonds rose by less than a third of the increase recorded on Mexico's Bradies (Chart 10). Secondary market yield spreads for Hungary's and Turkey's Eurobonds rose by about 100 basis points at the start of 1995, while for the Czech Republic and China, there was little change in yield spreads. Mirroring the earlier recovery in equity markets outside

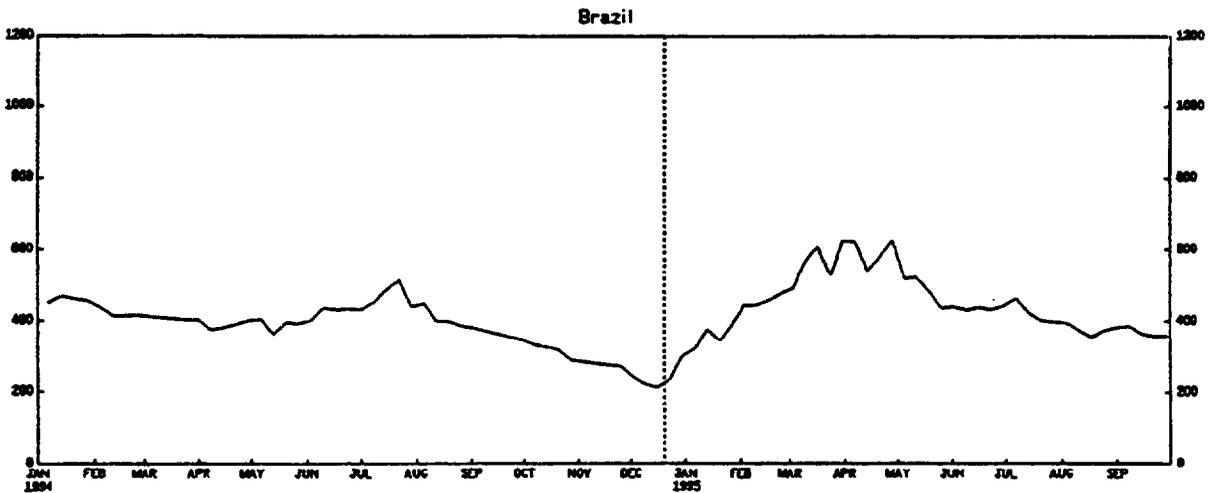
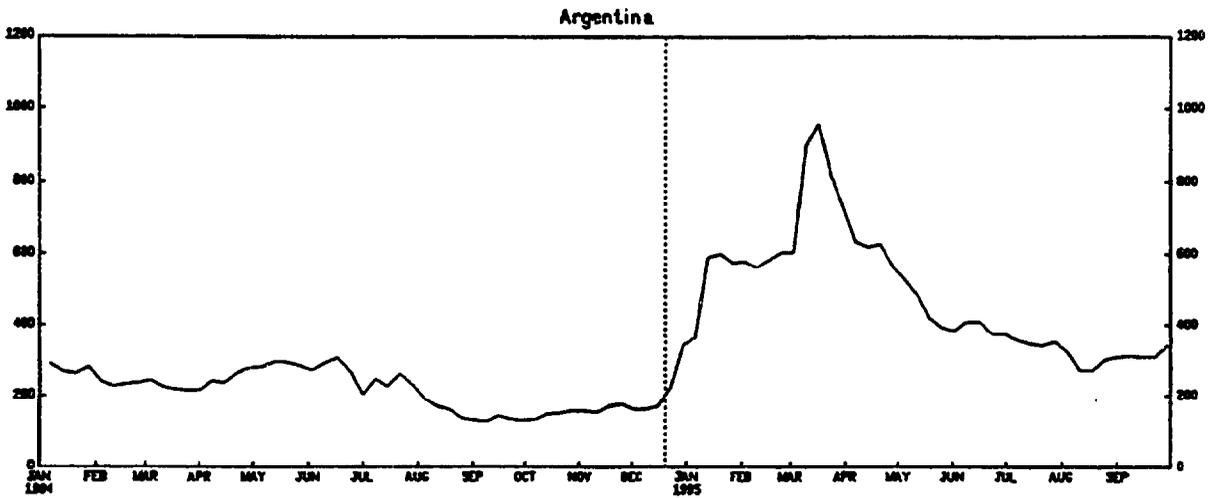
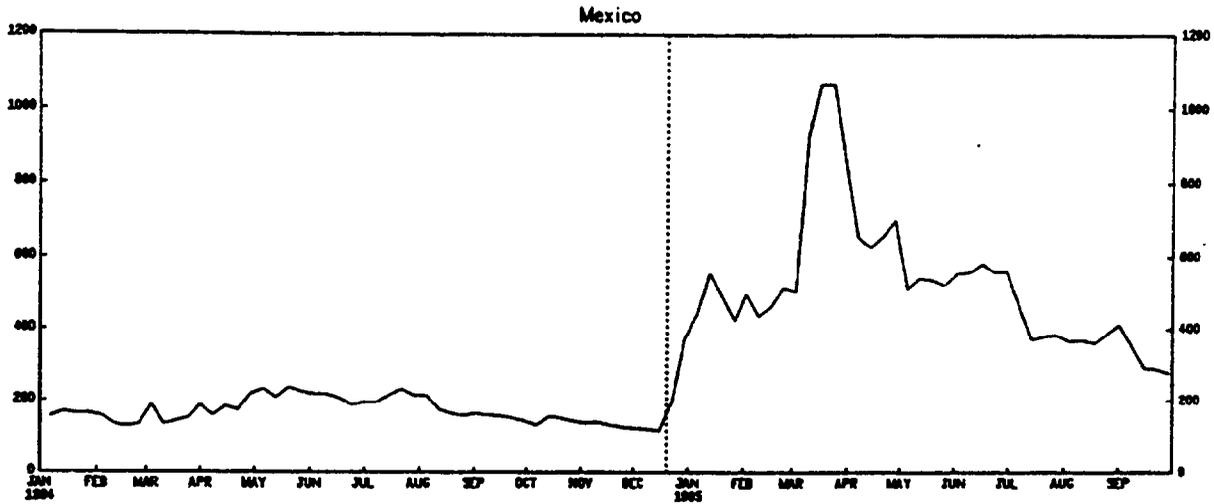
^{1/} To ensure comparability, all secondary market yield spreads are calculated using U.S. dollar-denominated bonds. The yield spread is the difference in the effective yield on a developing country bond and the yield on a U.S. Treasury security of the same maturity, which is used as a proxy for a risk-free interest rate. The yield spread provides some indication of the riskiness.

Chart 8
Stripped Yield Spreads for Selected Brady Bonds
(In basis points)



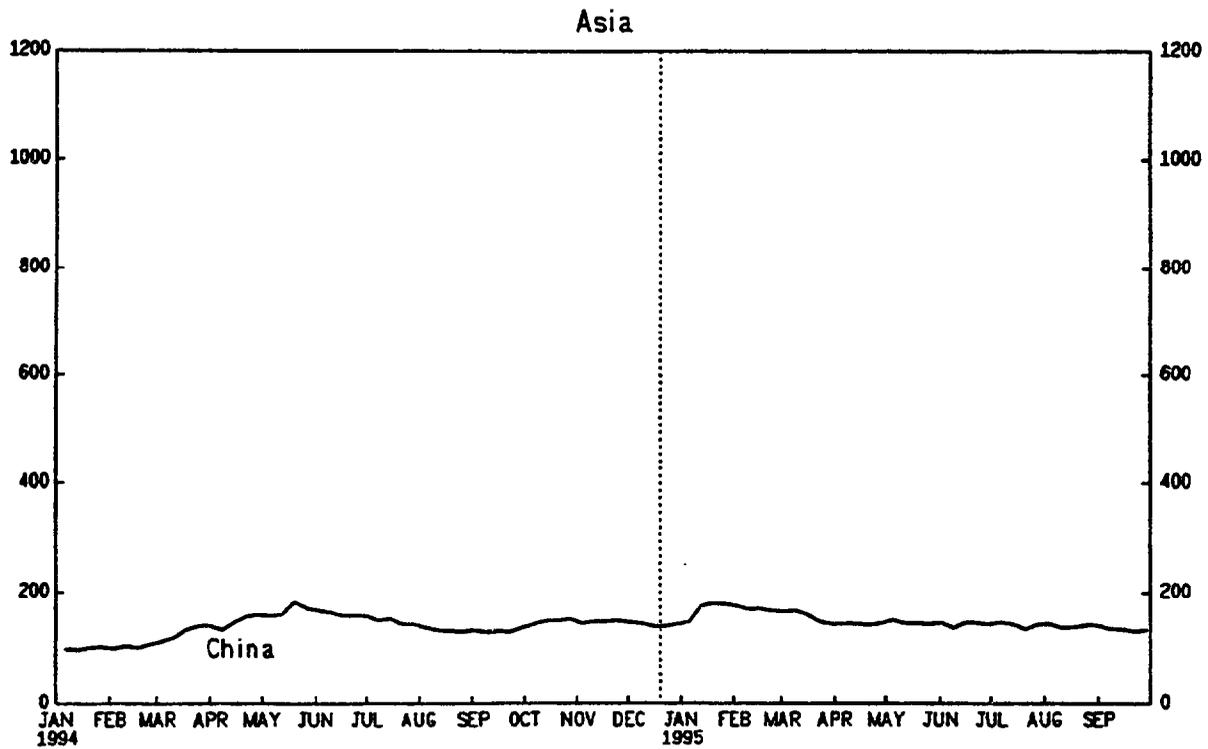
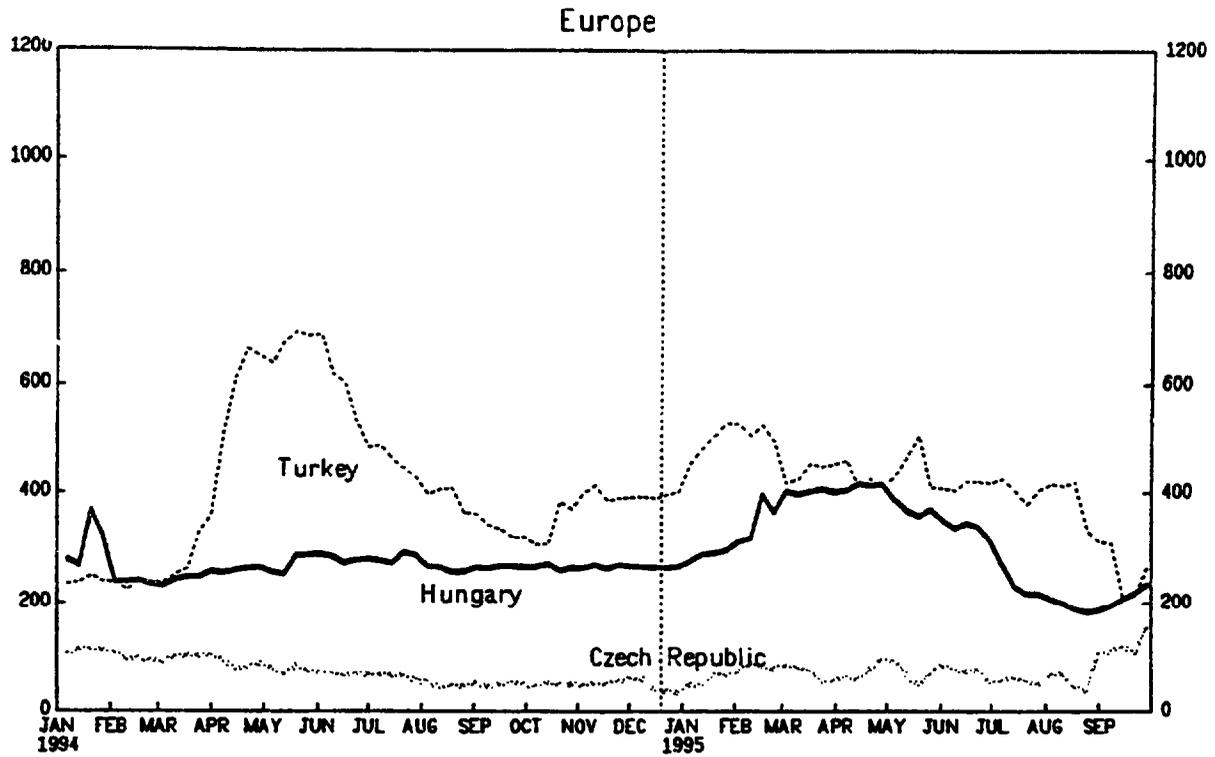
Sources: Reuters; and Salomon Brothers.

Chart 9
Secondary Market Yield Spreads on U.S. Dollar-Denominated
Eurobonds by Selected Developing Countries
(In basis points)



Source: Reuters.

Secondary Market Yield Spreads on U.S. Dollar-Denominated Eurobonds by Selected Developing Countries
(In basis points)



Source: Reuters.

Latin America, yield spreads for bond issues from outside Latin America also began to decline before spreads for issues from Latin America had peaked in early March.

Yield spreads for Latin American bonds declined sharply beginning in the second quarter of 1995; by July spreads on Brady bonds issued by Mexico had fallen to around 700 basis points and to around 900 basis points for Argentine and Brazilian issues; spreads on Eurobonds for all three countries had fallen below 400 basis points by July. However, despite some further narrowing in the third quarter, yield spreads for Latin America Bradies and Eurobonds--with the exception of Brazil--have not returned to the levels prevailing before December 1994. In contrast, Poland's and the Philippines' Brady bonds have traded at narrower spreads than before the Mexican crisis, and Hungary and Turkey have both seen spreads on their existing Eurobonds fall to new lows.

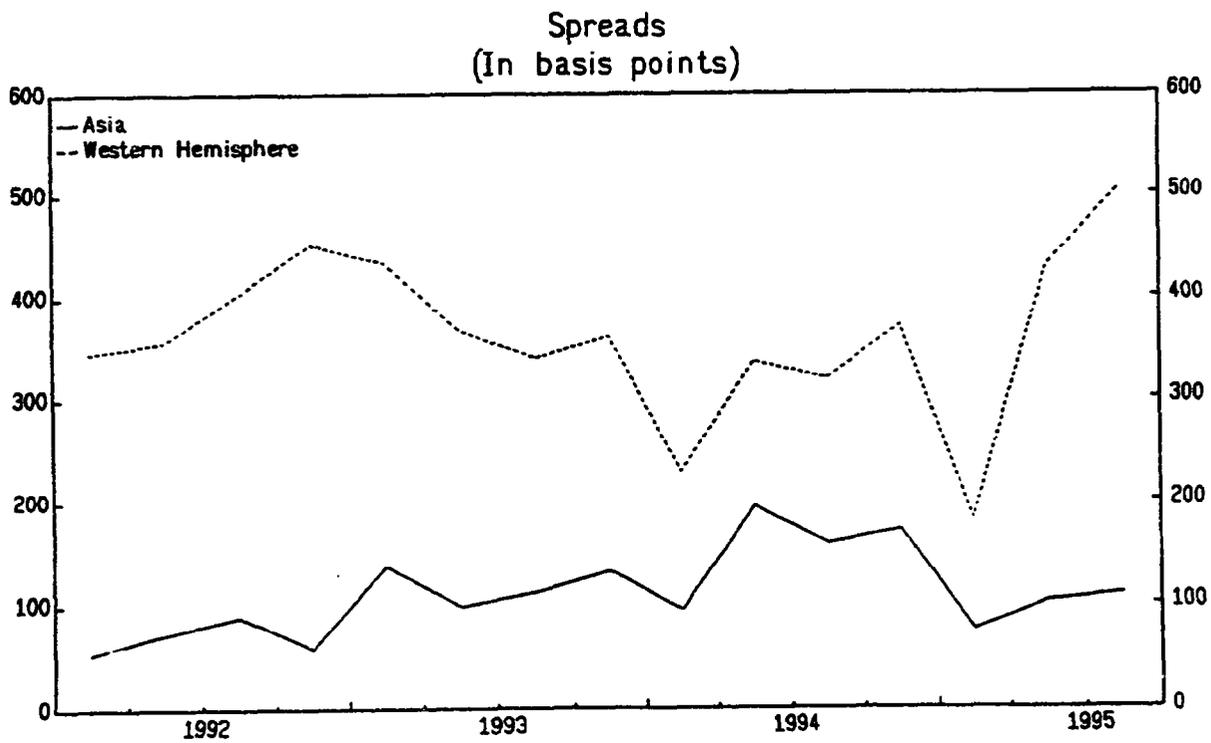
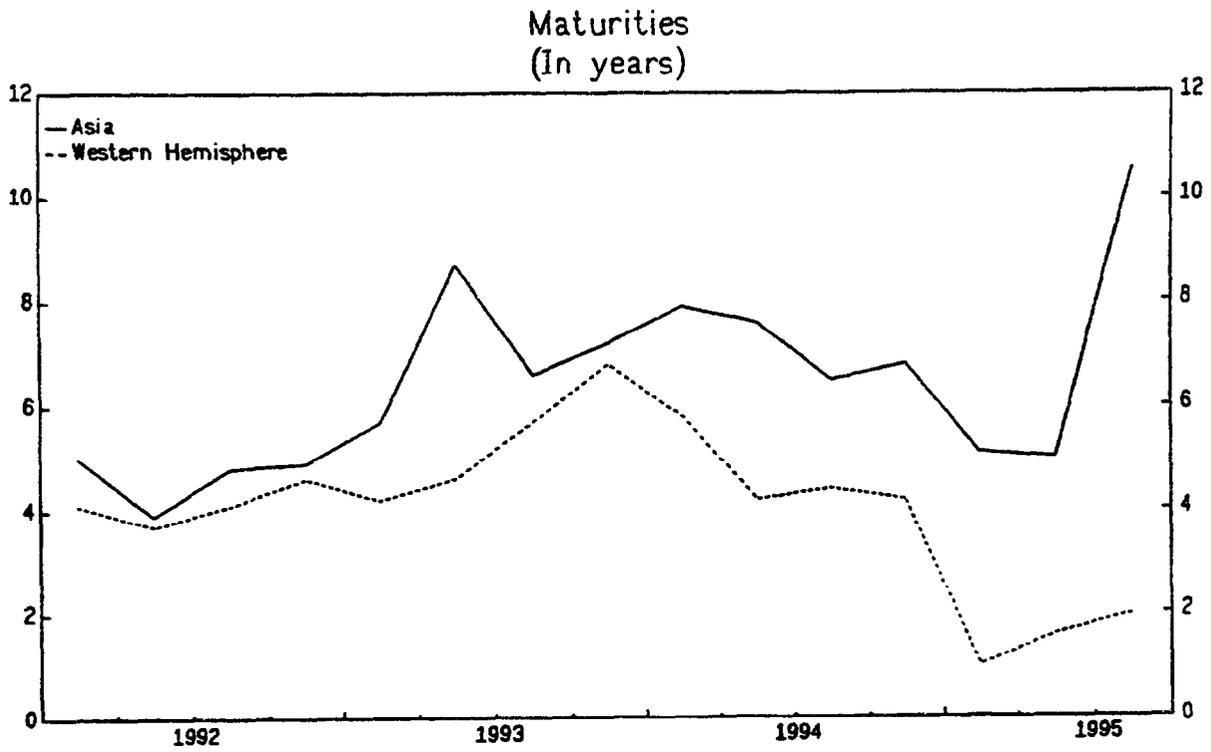
Terms on new bond U.S. dollar-denominated issues by entities in Western Hemisphere countries have deteriorated considerably during 1995 (Chart 11). Yield spreads at launch on these bonds have steadily widened despite the fact that only the best credit risks have had access to the market. At the same time, maturities on these bonds have declined sharply falling from an average of more than 4 years in 1994 to around 2 years in 1995. Average launch spread on new bonds issued by Asian entities, after declining to below 100 basis points in late 1995, rose to slightly more than 100 basis points in 1995. A "flight to quality effect" was evident, however, as some major borrowers in this group (such as the Korean public financial institutions) actually experience a narrowing of yield spread on their new bond issues. Average maturities for Asian borrowers increased substantially during the first nine months of 1995, principally owing to significant longer-term bond placements by some public utilities in Southeast Asia. Abstracting from these issues, maturities declined somewhat. Chart 12 illustrates the overall narrowing in the maturities of new bond placements thus far in 1995 compared with 1994.

Despite some easing in terms during the course of this year, borrowers outside Asia are typically still facing higher spreads than before the Mexican crisis and the maturities of bond issues have been substantially shorter. For example, Mexico's \$1 billion two-year sovereign issue in July 1995 attracted a spread of over 550 basis points, an increase of almost 350 basis points from the spread on the country's last U.S. dollar-denominated sovereign issue in early 1993 which was placed at a maturity of five years. The spreads for sovereign issues denominated in currencies other than the U.S. dollar--the bulk of these issues--have been closer to those prevailing before the Mexican crisis with spreads on some yen-denominated sovereign issues falling below these levels.

The recent prevalence of sovereign issues denominated in currencies other than the U.S. dollar reflects strong demand for high-yield securities in these markets and possibly narrower spreads available to borrowers. In order to make comparisons of terms across currency sectors, yield spreads

Chart 11

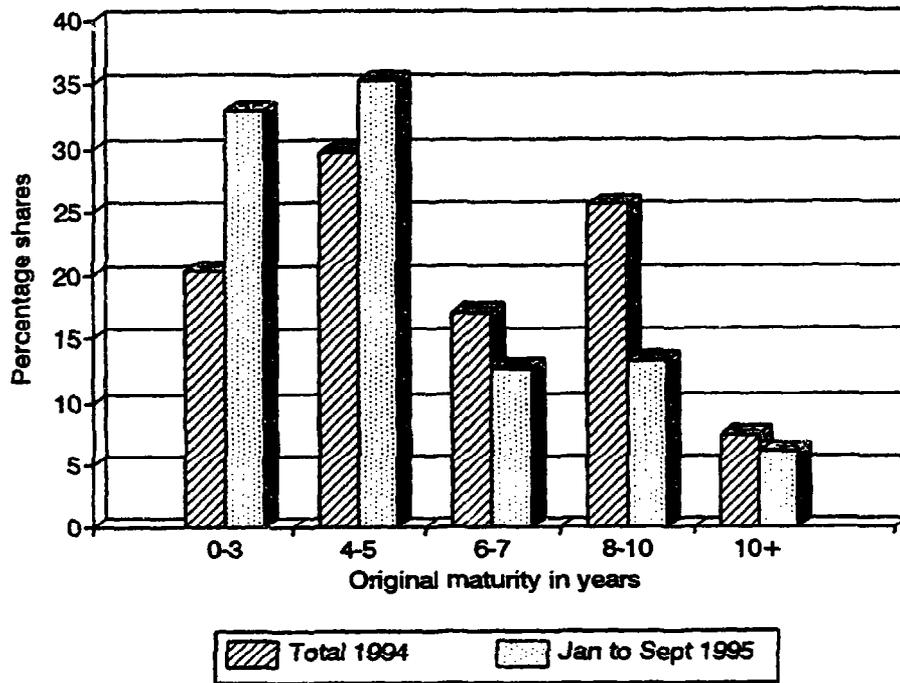
Terms at Launch for Unenhanced U.S. Dollar-Denominated Bond Issues by Developing Countries



Source: DCBEL database.

CHART 12

**International Bond Issues by Developing Countries
By Maturity**



have to be adjusted for expected exchange rate changes. Table 10 presents some dollar-equivalent yield spreads estimated for selected sovereign bond issues in deutsche marks and yen assuming that these foreign currency obligations are swapped into U.S. dollars using forward U.S. dollar exchange rates for these currencies. ^{1/} The calculated U.S. dollar-equivalent spread for each of the new issues is then compared with the yield spread on a Eurodollar issue by the same sovereign, and of comparable maturity, at the time the yen or deutsche mark issue was placed. A lower dollar-equivalent spread on the new issue than the spread on the existing Eurodollar issue suggests that the borrower has obtained better terms than the market would have offered on a dollar-denominated new issue of the same maturity.

For all of the deutsche mark sovereign issues covered in Table 10, yield spreads and U.S. dollar equivalent yield spreads rose after the Mexican crisis. However, sovereign issues from Argentina, Hungary, and Turkey suggest that these borrowers have been able to obtain somewhat better terms on new issues in deutsche marks than they would have obtained on new U.S. dollar issues. In the yen sector, the same calculations suggest that Argentina and Turkey and, to a lesser extent Mexico, have all obtained lower spreads on yen issues than would have been available on dollar-denominated issues of the same maturity. However, in contrast to the developments in the deutsche mark sector, it appears that the gains from borrowing in yen have been reduced somewhat since the Mexican crisis.

IV. Developments in the Markets for Yen-Denominated Bonds

The sharp increase in the relative share of new bond issues by developing countries in the Japanese yen is one of the most striking developments during 1995. To an extent, this development appears to have been driven by investor demand. The large exchange losses generated on their foreign investments in recent years have sparked Japanese investors' interest in avoiding exchange rate risk by purchasing yen-denominated securities. Adding to this influence has been the steep drop to rather low levels in domestic Japanese interest rates over the past year. As a result, interest has grown in high-yielding foreign debt instruments. In some cases, the minimum denomination of bonds has been reduced to attract more retail investor interest.

Favorable demand conditions in the markets for yen-denominated bonds may have significantly influenced the placement decisions of developing country borrowers, particularly sovereign borrowers seeking to re-enter the

^{1/} The calculated U.S. dollar equivalent spreads shown in Table 10 should be regarded as indicative since they do not include an estimate for the commission charge on such swaps. The commission charge will vary depending on the perceived credit risks of the parties to swap.

international bond market on the most favorable terms possible. This consideration may have driven the decisions by the Governments of Argentina, Brazil, and Mexico to issue Euro-yen bonds.

The calculations of dollar-equivalent yield spreads for selected major sovereign issuers of yen-denominated bonds suggest that terms received were more favorable than those on dollar-denominated issues for some borrowers. More favorable spreads on Samurai issues (yen-denominated bonds issues in Japan) may reflect a tendency for Japanese credit rating agencies to assign borrowers higher credit ratings than the major U.S. ratings agencies (in particular, Moody's and Standard and Poor's (S&P)) (Table 12). To issue bonds in the Samurai market, the borrower is required to have an investment grade credit rating. The Japanese rating agencies have given such ratings to some issuers who have received sub-investment grade ratings from the U.S. agencies. Statistical evidence for 1994 and the first nine months of 1995 suggests that yield spreads on Samurai issues appear to have been significantly influenced by the issuers' credit ratings and the maturities of bonds; spreads generally tend to increase for issuers with lower credit ratings and for issues with longer maturities (see tabulation below).

Yield Spreads on Samurai Bonds

Period	Dependent Variable		Explanatory Variables		R ²
	Yield spread	Credit rating	Maturity	Constant term	
1994-95 <u>1/</u>		22.90 (7.50)**	6.26 (2.86)**	-71.07 (3.18)**	0.67
1994		16.62 (3.43)**	4.73 (0.86)	-24.77 (0.58)	0.38
1995 <u>1/</u>		30.29 (11.51)**	4.82 (2.98)**	-102.96 (5.64)**	0.93

Sources: Euromoney database; and Bloomberg.

** Indicates that coefficients are statistically significant from zero at 1 percent level.

1/ For 1995, the first nine months.

This relationship between spreads and credit ratings appears to have strengthened following the Mexican crisis. In light of the scheduled elimination in January 1996 of the investment grade requirement for public placements in the Samurai market and continuing demand for high-yielding securities yen-denominated bond issues are expected to continue to represent a significant portion of total issues by developing countries.

V. Conclusions

Disruptions arising from the Mexican financial crisis in December 1994 caused major setbacks in many of the markets for developing country securities. These setbacks, however, were particularly short-lived in the Asian countries reflecting their continued strong economic performance. The situation in Latin American countries began to turn around sharply beginning in April 1995, as prices on local stock markets began to recover and major sovereign borrowers re-entered the international bond markets. Thus, in a rather short space of time, market predictions shifted dramatically in essence from "doom and gloom" scenarios to "business as usual" assessments.

However, as illustrated in this paper, significant changes have taken place in the characteristics of private capital flows to developing countries. There has been a distinct shift in the type of borrowers back toward sovereigns, especially in the case of the Latin American countries, and the currency denomination of new bond issues has significantly shifted away from U.S. dollar-denominated issues. In addition, yield spreads on new bond issues have remained higher and maturities shorter than before the Mexican crisis.

What all of this portends for the future of private market financing for developing countries is difficult to fathom. Certainly, continuing globalization of international capital markets and portfolio diversification by investors will provide some in underlying growth in the demand for developing country securities. Cyclical developments, in conjunction with this secular trend, probably help to explain the investor demand that has driven the sharp increase in placements of developing country bonds in yen and deutsche marks. These new investors brought in to the markets have played a key role in the recovery of capital flows, but the depth of these pools of funds is unknown and the resilience of these flows to changes in domestic monetary conditions remains to be tested. The larger presence in the markets of sovereign issuers--particularly Mexico and the other countries experiencing the greatest difficulties in the wake of the crisis--to some extent is not surprising and could be interpreted as an leading indicator for the return of private borrowers; the general pattern of market re-entry in the late 1980s and early 1990s was for sovereign issuers to establish baseline terms for issues by private sector entities. In the period immediately ahead, however, prospects for private capital flows to developing countries are clouded by the emergence of renewed economic uncertainties in some major countries and concerns regarding the future path of world interest rates (with resumed growth in the U.S. economy).

Table 1. International Bond Issues by Developing Countries and Regions 1/

(In millions of U.S. dollars)

	1992	1993	1994	1994				1995		
				I	II	III	IV	I	II	III
Developing countries	24,394	62,671	57,390	18,234	8,976	15,727	14,453	5,333	14,311	20,193
Africa	724	170	2,716	1,471	--	320	925	408	589	554
Congo	--	--	600	600	--	--	--	--	--	--
Liberia	--	170	--	--	--	--	--	--	--	--
Mauritius	--	--	--	--	--	--	--	--	--	150
South Africa	724	--	1,838	593	--	320	925	158	415	250
Tunisia	--	--	278	278	--	--	--	251	174	154
Asia	5,903	21,998	29,897	8,029	6,189	9,446	6,234	4,133	5,442	9,505
China	1,355	2,852	3,652	1,500	596	888	668	154	--	729
Hong Kong	462	7,472	6,796	1,913	1,211	1,807	1,866	629	803	499
India	--	556	891	439	202	250	--	--	--	650
Indonesia	364	510	2,246	679	750	717	100	20	222	1,294
Korea	3,088	5,962	6,483	1,236	1,301	2,251	1,695	2,994	3,084	2,578
Macao	--	--	155	--	155	--	--	--	--	--
Malaysia	--	958	2,345	330	735	580	700	--	175	1,940
Pakistan	--	--	195	--	45	--	150	--	--	--
Philippines	20	1,274	1,307	154	335	345	473	--	250	350
Singapore	--	--	336	--	65	272	--	--	48	60
Sri Lanka	--	--	--	--	--	--	--	--	--	12
Taiwan Province of China	60	78	1,964	316	561	896	191	71	180	250
Thailand	559	2,335	3,527	1,462	232	1,442	391	265	680	1,164
Europe	4,829	9,658	3,543	1,057	439	921	1,127	254	2,029	2,752
Czech Republic	...	694	400	--	250	--	150	--	--	--
Former Czechoslovakia	129	...	...	...	...	...	...	...	...	...
Hungary	1,485	4,801	1,729	71	189	668	802	254	1,524	892
Latvia	--	--	--	--	--	--	--	--	--	45
Malta	--	--	205	205	--	--	--	--	--	--
Poland	--	--	--	--	--	--	--	--	250	--
Russia	--	--	75	--	--	--	75	--	--	347
Slovak Republic	--	240	275	21	--	254	--	--	--	--
Turkey	3,215	3,922	860	760	--	--	99	--	255	1,467
Middle East	--	2,052	2,993	1,000	--	1,243	750	--	--	410
Bahrain	--	--	--	--	--	--	--	--	--	60
Israel	--	2,052	2,313	1,000	--	563	750	--	--	--
Jordan	--	--	--	--	--	--	--	--	--	50
Lebanon	--	--	400	--	--	400	--	--	--	300
Saudi Arabia	--	--	280	--	--	280	--	--	--	--
Western Hemisphere	12,933	28,794	18,240	6,677	2,349	3,796	5,418	538	6,291	6,971
Argentina	1,619	6,308	5,319	1,460	900	879	2,080	--	1,594	1,950
Barbados	--	--	50	--	20	--	30	--	--	--
Bolivia	--	--	10	10	--	--	--	--	--	--
Brazil	3,695	6,465	3,998	1,145	60	595	2,198	117	3,354	1,474
Chile	120	322	155	--	--	155	--	--	--	--
Colombia	--	567	955	250	83	300	322	100	310	137
Costa Rica	--	--	50	50	--	--	--	--	--	--
Guatemala	--	60	--	--	--	--	--	--	--	--
Jamaica	--	--	55	--	--	55	--	--	--	--
Mexico	6,333	11,338	6,949	3,622	1,246	1,393	688	321	808	3,128
Panama	--	--	250	--	--	250	250	--	225	--
Peru	--	30	100	40	40	20	--	--	--	--
Trinidad & Tobago	100	125	150	--	--	150	--	--	--	--
Uruguay	100	140	200	100	--	--	100	--	--	211
Venezuela	966	3,438	--	--	--	--	--	--	--	--
Total bond issues in international bond markets	350,537	500,135	462,447	136,043	100,700	114,310	111,394	114,059	123,373	136,345
Shares of developing countries in global issuance	7.0	12.5	12.4	13.4	8.9	13.8	13.0	4.7	11.6	14.8

Source: DCBEL database.

1/ Including note issues under Euro medium-term notes (EMTN) programs. Data prior to 1994 have been revised.

Table 2. International Bond Issues by Developing Countries by Type of Borrower

(In millions of U.S. dollars)

	1992	1993	1994	1994				1995		
				I	II	III	IV	I	II	III
Sovereign borrowers	5,658	16,441	12,676	4,733	509	5,834	3,601	605	5,184	7,442
Argentina	350	2,186	2,200	350	300	435	1,115	--	1,000	1,850
Barbados	--	--	50	--	20	--	30	--	--	--
Brazil	--	--	200	200	--	--	--	--	1,635	--
Chile	120	--	--	--	--	--	--	--	--	--
China	--	588	1,608	1,000	--	608	--	--	--	--
Colombia	--	217	425	250	--	175	--	100	--	137
Congo	--	--	600	600	--	--	--	--	--	--
Czech Republic	--	694	--	--	--	--	--	--	--	--
Czechoslovakia, former	--	--	--	--	--	--	--	--	--	--
Hungary	1,485	4,738	1,633	71	189	668	706	254	1,524	892
Israel	--	2,002	2,313	1,000	--	563	750	--	--	--
Latvia	--	--	--	--	--	--	--	--	--	45
Lebanon	--	--	400	--	--	400	--	--	--	300
Malaysia	--	--	--	--	--	--	--	--	--	--
Mauritius	--	--	--	--	--	--	--	--	--	150
Mexico	377	350	--	--	--	--	--	--	--	2,128
Pakistan	--	--	150	--	--	--	150	--	--	--
Poland	--	--	--	--	--	--	--	--	250	--
Philippines	--	150	--	--	--	--	--	--	--	--
Saudi Arabia	--	--	280	--	--	280	--	--	--	--
Slovak Republic	--	240	254	--	--	254	--	--	--	--
South Africa	315	--	750	--	--	--	750	--	346	--
Thailand	300	362	491	190	--	302	--	--	--	174
Trinidad and Tobago	100	125	150	--	--	150	--	--	--	--
Tunisia	--	--	278	278	--	--	--	251	174	154
Turkey	2,511	3,665	695	695	--	--	--	--	255	1,467
Uruguay	100	100	200	100	--	--	100	--	--	144
Venezuela	--	1,023	--	--	--	--	--	--	--	--
Public sector	7,256	16,906	13,078	4,477	2,773	3,272	2,556	1,998	2,189	4,767
Argentina	39	220	540	350	100	--	90	--	400	--
Brazil	870	1,619	--	--	--	--	--	--	124	--
Chile	--	--	100	--	--	100	--	--	--	--
China	1,335	2,264	2,044	500	596	280	668	154	--	346
Colombia	--	350	322	--	--	--	322	--	--	--
Costa Rica	--	--	50	50	--	--	--	--	--	--
Czech Republic	--	--	400	--	250	--	150	--	--	--
Czechoslovakia, former	114	--	--	--	--	--	--	--	--	--
Hong Kong	152	375	522	97	295	100	30	--	--	--
Hungary	--	63	97	--	--	--	97	--	--	--
India	--	--	300	200	100	--	--	--	--	250
Indonesia	120	25	606	159	--	372	75	--	125	380
Jordan	--	--	--	--	--	--	--	--	--	50
Korea	1,665	4,044	3,206	541	530	1,450	685	1,523	920	1,066
Macao	--	--	155	--	155	--	--	--	--	--
Malaysia	--	958	460	100	--	360	--	--	--	1,750
Malta	--	--	205	205	--	--	--	--	--	--
Mexico	1,275	3,741	3,041	2,100	746	--	195	321	470	496
Philippines	--	615	349	54	--	100	195	--	150	--
Russia	--	--	--	--	--	--	--	--	--	347
Slovak Republic	--	--	21	21	--	--	--	--	--	--
South Africa	336	--	--	--	--	--	--	--	--	--
Sri Lanka	--	--	--	--	--	--	--	--	--	12
Taiwan Province of China	--	--	160	--	--	140	--	--	--	--
Thailand	--	250	500	100	--	350	50	--	--	71
Turkey	573	207	--	--	--	--	--	--	--	--
Venezuela	757	2,175	--	--	--	--	--	--	--	--
Private sector	11,480	29,323	31,637	9,025	5,695	8,621	8,297	2,730	6,938	7,984
Argentina	1,230	3,902	2,580	760	500	445	875	--	194	100
Bahrain	--	--	--	--	--	--	--	--	--	60
Bolivia	--	--	10	10	--	--	--	--	--	--
Brazil	2,825	4,846	3,798	945	60	595	2,198	117	1,595	1,474
Chile	--	322	55	--	--	55	--	--	--	--
China	--	--	--	--	--	--	--	--	--	383
Colombia	--	--	208	--	83	125	--	--	310	--
Czechoslovakia, former	15	--	--	--	--	--	--	--	--	--
Guatemala	--	60	--	--	--	--	--	--	--	--
Hong Kong	310	7,097	6,274	1,816	916	1,707	1,836	629	803	499
India	--	556	591	239	102	250	--	--	--	400
Indonesia	244	485	1,640	520	750	345	25	20	97	1,038
Jamaica	--	--	55	--	--	55	--	--	--	--
Korea	1,423	1,918	3,277	695	771	801	1,010	1,471	2,164	1,363
Liberia	--	170	--	--	--	--	--	--	--	--
Malaysia	--	--	1,885	230	735	220	700	--	175	190
Mexico	4,681	7,247	3,908	1,522	500	1,393	494	--	338	505
Pakistan	--	--	45	--	45	--	--	--	--	--
Panama	--	--	250	--	--	250	250	--	225	--
Peru	--	30	100	40	40	20	--	--	--	--
Philippines	20	509	958	100	335	245	278	--	100	350
Russia	--	--	75	--	--	--	75	--	--	--
Singapore	--	--	336	--	65	272	--	--	48	60
South Africa	73	--	1,088	593	--	320	175	158	69	250
Taiwan Province of China	60	78	1,804	316	561	736	191	71	180	230
Thailand	259	1,723	2,536	1,173	232	790	341	265	640	990
Turkey	131	50	164	65	--	--	99	--	--	--
Uruguay	--	40	--	--	--	--	--	--	--	68
Venezuela	209	240	--	--	--	--	--	--	--	--
Total	24,394	62,671	57,390	18,234	8,976	15,727	14,453	5,333	14,311	20,193
Memorandum										
Share in total issues by developing countries (in percent)										
Sovereign issues	23.2	26.2	22.1	26.0	5.7	24.4	24.9	11.3	36.2	36.9
Public issues	29.7	27.0	22.8	24.6	30.9	20.8	17.7	37.5	15.3	23.6
Private sector issues	47.1	46.8	55.1	49.5	63.4	54.8	57.4	51.2	48.5	39.5

Table 3. International Bond Issues by Developing Countries by Currency of Denomination

	1992	1993	1994	1994				1995		
				I	II	VII	IV	I	II	III
(In millions of U.S. dollars)										
S. dollar	17,120	46,603	43,522	14,615	6,187	12,001	10,719	3,175	8,790	11,421
African borrowers	--	170	1,845	600	--	320	925	--	--	400
Asian borrowers	4,136	17,777	21,542	6,162	3,949	6,851	4,581	2,637	3,776	7,540
European borrowers	1,064	1,155	1,115	291	250	250	324	--	505	300
Middle Eastern borrowers	--	2,052	2,993	1,000	--	1,243	750	--	--	410
Western Hemisphere borrowers	11,921	25,450	16,026	6,562	1,989	3,337	4,139	538	4,509	2,771
Deutsche mark	2,247	4,566	1,559	141	540	129	749	203	1,250	1,653
African borrowers	409	--	--	--	--	--	--	--	--	--
Asian borrowers	122	13	270	26	180	64	--	203	--	--
European borrowers	1,033	3,301	425	--	--	--	425	--	536	361
Western Hemisphere borrowers	683	1,252	864	115	360	65	324	--	714	1,293
Yen	3,800	8,115	7,409	1,615	1,534	2,391	1,869	1,633	3,324	6,048
African borrowers	--	--	278	278	--	--	--	251	520	154
Asian borrowers	1,304	3,006	4,855	642	1,534	1,774	905	1,128	870	1,724
European borrowers	2,496	4,314	1,562	695	--	558	309	254	989	1,577
Western Hemisphere borrowers	--	795	715	--	--	60	655	--	945	2,592
European currency unit (ECU)	626	--	--	--	--	--	--	--	107	--
African borrowers	315	--	--	--	--	--	--	--	--	--
European borrowers	186	--	--	--	--	--	--	--	107	--
Western Hemisphere borrowers	126	--	--	--	--	--	--	--	--	--
Other currencies	600	3,387	4,900	1,863	715	1,206	1,116	322	841	1,070
African borrowers	--	--	593	593	--	--	--	158	69	--
Asian borrowers	346	1,202	3,230	1,199	526	758	748	164	649	241
European borrowers	51	887	441	71	189	114	67	--	--	514
Western Hemisphere borrowers	203	1,297	635	--	--	335	301	--	123	316
Total	24,394	62,671	57,390	18,234	8,976	15,727	14,453	5,333	14,311	20,193
(In percent)										
are in total issues by developing countries										
U.S. dollars	70	74	76	80	69	76	74	60	61	57
Deutsche mark	9	7	3	1	6	1	5	4	9	8
Yen	16	13	13	9	17	15	13	31	23	30
ECU	3	--	--	--	--	--	--	--	1	--
Other	2	5	9	10	8	8	8	6	6	4
are in total issues in global bond market										
U.S. dollars	37	39	41	43	37	38	43	37	38	42
Deutsche mark	10	11	7	7	6	7	9	13	16	12
Yen	13	12	18	8	21	24	21	14	22	18
ECU	6	1	2	2	2	2	1	3	--	3
Other	33	37	33	40	34	30	26	35	24	26

Table 4. International Bond Issues by Developing Countries
by Sector of Borrower

(In millions of U.S. dollars)

	1991	1992	1993	1994	<u>Jan-Sept.</u> 1995
Financial sector	5,243	12,618	28,777	25,506	19,571
Banks	4,574	9,153	20,080	18,299	16,311
Other	669	3,465	8,697	7,207	3,260
Coal, gas, and oil	1,493	1,362	6,690	2,154	2,409
Construction	1,176	316	2,030	2,620	367
Electrical	398	180	739	1,191	1,195
Government	3,037	4,523	10,815	11,162	9,981
Iron and steel	179	606	1,130	1,234	520
Manufacturing	70	150	861	234	60
Real estate	63	60	1,189	2,956	125
Telecommunications	945	948	1,152	2,038	1,123
Transportation	136	289	1,178	1,042	332
Utilities	--	580	2,607	2,376	755
Other	1,291	2,762	5,502	4,877	4,421
Total	<u>14,031</u>	<u>24,394</u>	<u>62,671</u>	<u>57,390</u>	<u>39,837</u>

(In percent of total)

Financial sector	37.4	51.7	45.9	44.4	49.1
Banks	32.6	37.5	32.0	31.9	40.9
Other	4.8	14.2	13.9	12.6	8.2
Coal, gas, and oil	10.6	5.6	10.7	3.8	6.0
Construction	8.4	1.3	3.2	4.6	0.9
Electrical	2.8	0.7	1.2	2.1	3.0
Government	21.6	18.5	17.3	19.4	25.1
Iron and steel	1.3	2.5	1.8	2.1	1.3
Manufacturing	0.5	0.6	1.4	0.4	0.2
Real estate	0.4	0.2	1.9	5.2	0.3
Telecommunications	6.7	3.9	1.8	3.6	2.8
Transportation	1.0	1.2	1.9	1.8	0.8
Utilities	--	2.4	4.2	4.1	1.9
Other	9.2	11.4	8.8	8.5	11.1
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.1</u>

Source: DCBEL database.

Table 5. International Equity Issues by Developing Countries and Regions ^{1/}

(In millions of U.S. dollars unless otherwise indicated)

	1991	1992	1993	1994	1994				1995		
					I	II	III	IV	I	II	III
Developing countries	5,574	7,335	11,915	18,136	3,826	3,677	4,703	5,930	622	2,804	3,361
Africa	143	154	215	574	--	539	--	35	--	125	362
Ghana	--	--	--	398	--	398	--	--	--	--	62
Liberia	--	--	207	--	--	--	--	--	--	--	148
Morocco	--	--	8	--	--	--	--	--	--	--	--
South Africa	143	154	--	176	--	141	--	35	--	125	151
Asia	952	2,914	5,156	12,130	2,120	1,887	3,350	4,773	609	1,967	2,699
Bangladesh	--	--	--	--	--	--	--	--	--	7	--
China	12	689	1,901	2,594	437	250	491	1,416	--	519	88
Hong Kong	271	230	837	320	--	133	145	41	169	--	172
India	--	240	340	3,029	1,180	424	696	728	138	86	50
Indonesia	117	119	299	1,359	124	15	201	1,019	--	150	127
Korea	200	150	328	1,168	150	208	210	600	150	270	140
Malaysia	--	385	--	--	--	--	--	--	--	53	1,210
Pakistan	--	5	--	1,183	20	--	918	245	--	--	--
Philippines	77	333	126	947	142	139	258	409	42	438	213
Singapore	184	283	564	301	35	--	190	75	--	311	--
Sri Lanka	--	--	--	33	33	--	--	--	--	--	--
Taiwan Province of China	--	476	35	437	--	220	218	--	110	--	388
Thailand	91	4	725	759	--	498	23	238	--	133	311
Europe	81	21	186	640	330	145	63	102	14	189	80
Czech Republic	--	--	--	10	--	--	--	10	--	32	--
Estonia	--	--	--	7	--	7	--	--	--	--	--
Hungary	81	21	8	200	--	138	63	--	--	6	67
Poland	--	--	--	--	--	--	--	--	14	--	--
Russia	--	--	--	48	--	--	--	48	--	--	--
Slovak Republic	--	--	--	--	--	--	--	--	--	113	--
Turkey	--	--	178	375	330	--	--	45	--	38	13
Middle East	506	281	336	89	32	8	--	49	--	93	--
Israel	506	281	336	89	32	8	--	49	--	93	--
Western Hemisphere	3,891	3,964	6,022	4,704	1,343	1,099	1,290	971	--	430	221
Argentina	360	392	2,655	735	194	380	--	161	--	--	--
Brazil	--	133	--	1,028	300	--	616	111	--	59	75
Chile	--	129	288	799	96	97	279	327	--	--	75
Colombia	--	--	98	207	--	85	68	53	--	--	71
Mexico	3,531	3,077	2,913	1,679	753	454	276	196	--	--	--
Panama	--	88	--	100	--	--	--	100	--	371	--
Peru	--	--	26	133	--	82	51	--	--	--	--
Uruguay	--	--	--	23	--	--	--	23	--	--	--
Venezuela	--	146	42	--	--	--	--	--	--	--	--
Memorandum items:											
Total equity issues in international equity market	18,315	19,379	34,036	49,203	12,310	17,303	8,121	11,468	4,201	12,556	7427
Share of developing countries in global issuance (in percent)	30.4	37.9	35.0	36.9	31.1	21.3	57.9	51.7	14.88	22.3	45.3
ADR/GDR issues by developing countries (In percent of developing countries' total equity issuance)	4,190	5,084	7,389	14,144	3,036	2,590	4,033	4,484	397	1,304	1043
	75.2	69.3	62.0	78.0	79.4	70.4	85.8	75.6	63.8	46.3	31.0

Source: DCBEL database.

^{1/} Data prior to 1994 were significantly revised.

Table 6. Emerging Markets Open-End Mutual Funds

	December 1993		June 1994		September 1994		December 1994		March 1995		June 1995	
	Number of funds	Net assets ^{1/}	Number of funds	Net assets ^{1/}	Number of funds	Net assets ^{1/}	Number of funds	Net assets ^{1/}	Number of funds	Net assets ^{1/}	Number of funds	Net assets ^{1/}
Overseas open-end funds	357	36,408	423	37,183	497	48,829	511	43,632	543	38,704	590	43,451
Equities	325	34,352	379	34,653	450	46,043	459	39,635	482	34,711	519	39,692
Global	20	3,161	32	4,232	43	7,211	47	7,097	51	5,176	59	5,874
Pacific Basin	80	8,791	87	8,845	91	9,567	94	8,892	97	8,439	75	5,484
Africa	--	--	--	--	--	--	--	--	--	--	--	--
Asia	195	20,619	219	19,000	257	25,666	251	20,671	263	18,564	304	25,574
Regional	95	14,680	104	12,807	116	15,092	120	14,060	125	12,898	148	17,088
China	10	413	12	247	13	296	15	257	18	313	20	331
Hong Kong	19	728	21	526	24	597	27	636	25	458	25	548
India	2	627	8	938	13	2,136	16	948	21	835	26	860
Indonesia	7	75	6	57	9	259	7	160	8	103	11	160
Korea	23	1,426	27	2,141	37	3,601	25	2,055	26	1,957	29	2,027
Malaysia/Singapore	9	262	10	227	9	247	9	214	9	205	9	213
Malaysia	7	349	7	223	8	386	7	283	7	211	8	321
Philippines	3	49	4	42	4	110	3	57	3	34	3	53
Singapore	4	62	4	55	5	135	4	70	4	55	5	85
Taiwan Province												
of China	8	1,367	8	1,390	10	2,050	10	1,469	9	1,101	11	3,367
Thailand	8	581	8	347	9	757	8	462	8	394	9	521
Europe	--	--	--	--	10	207	11	142	9	116	8	119
Latin America	30	1,781	41	2,576	49	3,392	56	2,833	62	2,416	73	2,641
Regional	26	1,592	31	2,033	40	2,600	39	2,103	42	1,796	45	1,975
Brazil	--	--	6	384	6	658	14	647	17	543	24	608
Mexico	4	189	4	159	3	134	3	83	3	77	4	58
Bonds	32	2,056	44	2,530	47	2,786	52	3,997	61	3,993	71	3,759
Global	5	266	7	366	8	397	13	399	15	412	16	411
Pacific Basin	2	14	2	14	2	14	2	13	2	13	2	30
Africa	--	--	1	9	1	7	1	7	1	7	3	7
Asia	2	12	4	89	4	96	3	101	3	97	3	98
Regional	1	1	3	79	3	88	2	93	2	89	2	90
Philippines	1	11	1	10	1	8	1	8	1	8	1	8
Europe	--	--	--	--	--	--	1	112	2	26	2	29
Latin America	23	1,764	30	2,052	32	2,272	32	3,365	38	3,438	45	3,184
Regional	12	650	11	1,039	13	1,280	13	2,477	13	2,379	15	2,229
Brazil	--	--	3	190	3	230	4	274	9	588	12	593
Mexico	11	1,114	16	823	16	762	15	614	16	471	18	362
U.S. open-end funds	47	14,137	95	22,235	114	28,124	133	25,492	155	23,267	186	26,401
Equities	43	13,655	83	21,284	102	26,841	118	24,273	137	22,070	159	24,234
Global	1	101	23	6,925	32	9,349	41	8,850	47	8,046	59	9,561
Pacific Basin	34	11,312	49	11,378	58	13,142	63	12,137	72	11,698	77	11,889
Latin America	8	2,242	11	2,981	12	4,350	14	3,286	18	2,326	23	2,784
Bonds	4	482	12	951	12	1,283	15	1,219	18	1,197	27	2,167

Source: Lipper Analytical Services, Inc.

^{1/} In millions of U.S. dollars.

Table 7. Emerging Markets Closed-End Mutual Funds

	December 1993		June 1994		September 1994		December 1994		March 1995		June 1995	
	Number of Funds	Net Assets $\frac{1}{}$	Number of Funds	Net Assets $\frac{1}{}$	Number of Funds	Net Assets $\frac{1}{}$	Number of Funds	Net Assets $\frac{1}{}$	Number of Funds	Net Assets $\frac{1}{}$	Number of Funds	Net Assets $\frac{1}{}$
Closed-end funds	178	33,450	227	36,806	234	44,847	260	41,784	258	36,960	259	40,254
Equities	167	30,034	204	33,837	213	41,678	239	38,851	235	34,436	237	37,377
Global	19	8,710	24	10,288	26	12,810	29	11,770	29	10,461	30	12,048
Africa	--	--	7	413	7	592	7	611	8	1,005	8	1,031
Asia	109	14,750	126	16,008	129	19,410	144	18,906	139	16,640	136	16,994
Regional	19	3,726	27	4,115	26	5,079	29	4,761	28	4,064	26	3,965
China	20	1,947	22	1,651	23	2,643	23	2,474	22	2,381	21	2,414
India	5	1,190	11	2,836	12	3,101	14	2,901	15	2,463	17	2,427
Indonesia	12	733	13	588	13	619	13	548	11	443	11	490
Korea	17	1,561	17	1,865	17	2,145	18	2,213	16	2,091	16	2,207
Malaysia/Singapore	7	886	7	688	7	823	7	671	7	674	6	690
Sub-continent $\frac{2}{}$	3	220	--	--	--	--	--	--	5	291	5	276
Philippines	5	612	6	535	6	602	6	597	6	525	6	566
Taiwan Province of China	5	906	7	1,415	7	1,621	9	1,793	10	1,644	9	1,311
Thailand	14	2,877	14	2,197	14	2,535	14	2,299	14	1,756	14	2,335
Vietnam	2	92	2	118	4	242	5	272	5	308	5	313
Europe	10	757	12	998	16	1,255	21	1,288	22	1,403	25	1,609
Regional	6	433	10	743	8	814	10	775	9	846	11	886
Hungary	2	180	2	185	2	180	3	199	3	195	3	204
Russia	--	--	--	--	3	131	5	197	7	216	8	350
Turkey	2	144	2	70	3	130	3	117	3	146	3	169
Middle East	2	99	3	193	3	202	4	236	4	240	5	334
Latin America	27	5,718	32	5,937	32	7,409	34	6,040	33	4,687	33	5,361
Regional	14	2,117	19	2,470	20	3,142	21	2,635	21	1,919	20	1,957
Brazil	4	506	5	604	4	885	5	707	4	497	5	513
Chile	6	1,397	5	1,435	5	1,669	5	1,739	5	1,673	5	2,125
Mexico	3	1,698	3	1,428	3	1,713	3	959	3	598	3	766
Bonds	11	3,416	21	2,969	21	3,169	21	2,933	23	2,524	22	2,877
Global	7	2,806	11	2,921	11	2,502	11	2,319	13	2,092	13	2,387
Africa/Middle East	2	28	2	26	2	25	2	25	2	25	1	23
Europe	--	--	1	19	1	18	1	19	1	16	1	16
Latin America	2	582	7	603	7	624	7	570	7	391	7	451

Source: Lipper Analytical Services, Inc.

 $\frac{1}{}$ In millions of U.S. dollars. $\frac{2}{}$ Mainly Pakistan.

Table 8. Net Bond and Equity Purchases by Emerging Markets Mutual Funds 1/

(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	1994				1995	
						I	II	III	IV	I	II
Equities	6,464	2,511	8,448	17,559	33,379	19,625	2,390	6,016	5,349	347	4,734
Global	1,076	457	3,908	5,243	13,685	6,436	814	2,343	4,091	134	1,792
Asia	4,632	1,798	3,385	11,355	13,453	9,530	397	3,504	23	-1,645	2,993
Regional	1,976	876	1,577	9,177	7,938	6,473	--	-107	1,572	-793	-1,232
China	26	40	1,016	790	2,165	532	284	492	857	74	202
Hong Kong	--	--	271	290	168	50	-41	15	143	-199	53
India	412	2	-77	377	1,851	1,342	209	1,305	-1,005	176	-282
Indonesia	285	146	30	-74	66	66	-42	162	-120	-112	59
Korea	407	352	342	791	544	294	398	956	-1,104	-2	935
Malaysia and Singapore	331	54	-64	-62	-11	74	-77	166	-174	-104	93
Pakistan	--	25	34	82	190	-9	-226	--	423	-13	-12
Philippines	302	-69	3	-80	67	32	1	91	-57	21	-33
Taiwan Province of China	368	427	388	461	350	773	-159	149	-413	-232	2,857
Thailand	525	-64	-150	-445	-73	-125	32	182	-163	-514	368
Vietnam	--	9	16	47	198	27	18	91	61	52	-16
Latin America	652	36	678	1,362	4,167	2,166	1,031	-260	1,230	1,641	-268
Regional	185	267	446	1,625	3,154	2,217	152	103	683	675	-317
Brazil	244	-60	108	-120	475	20	542	-129	43	186	-69
Chile	124	-13	7	-219	686	-126	326	-180	666	670	138
Mexico	99	-158	117	76	-148	55	12	-53	-162	110	-21
Europe	103	199	393	-448	1,085	741	69	317	-42	-57	144
Regional	102	141	313	-336	803	696	44	173	-110	-47	5
Hungary	--	--	--	-125	104	97	12	-22	18	-23	1
Russia	--	--	--	--	183	--	--	118	65	-2	121
Turkey	1	58	80	13	-5	-52	13	48	-14	15	17
Africa/Middle East	--	--	24	47	989	752	79	112	47	275	73
Bonds	400	323	827	3,619	4,418	1,861	459	209	1,889	832	-380
Total funds	<u>6,864</u>	<u>2,834</u>	<u>9,275</u>	<u>21,178</u>	<u>37,798</u>	<u>21,486</u>	<u>2,849</u>	<u>6,225</u>	<u>7,238</u>	<u>1,179</u>	<u>4,354</u>
Memorandum items:											
Number of total funds	...	...	...	594	904	694	745	846	904	956	1,035
Bond funds	...	...	...	47	88	67	77	80	88	102	120
Equity funds	225	290	448	547	816	627	668	764	816	854	915
Of which:											
Open-end funds	(...)	(...)	(...)	(380)	(577)	(431)	(462)	(551)	(577)	(619)	(678)
Total net asset value	14,220	20,880	33,281	90,056	110,908	93,324	96,225	121,800	110,908	98,931	110,106
Bond funds	900	1,700	3,750	5,954	8,149	5,234	6,450	9,238	8,149	7,714	8,803
Equity funds	13,320	19,180	29,531	84,102	102,759	87,090	89,775	114,562	102,759	91,217	101,303
Of which:											
Open-end funds	(...)	(...)	(...)	(54,068)	(63,908)	(53,568)	(55,938)	(72,884)	(63,908)	(56,781)	(63,926)

Sources: Emerging Markets Fund Research, Inc.; Lipper Analytical Services, Inc.; and staff estimates.

1/ Estimated by deflating changes in the stock of fund net assets by International Finance Corporation (IFC) investable share price indices for equities and by the J.P. Morgan Eurobond price index for bonds. Data for 1993-94 are based on Lipper Analytical Services, Inc., and are not comparable to data for 1990-92 which are estimated on the basis of data provided by Emerging Market Funds Research, Inc.

Table 9. Medium- and Long-Term Syndicated Loan Commitments 1/

(In millions of U.S. dollars)

	1992	1993	1994	1994				1995		
				I	II	III	IV	I	II	III 2/
Developing countries	42,488	42,998	55,331	12,289	15,715	16,413	10,914	12,745	19,221	20,447
Loans without guarantee	29,281	30,564	41,487	9,594	11,833	10,512	9,549	10,784	15,667	16,011
Loans with guarantee	13,207	12,433	13,844	2,695	3,883	5,902	1,364	1,960	3,555	3,055
Africa	6,214	2,327	569	193	24	45	308	748	3,780	1,914
Algeria	4,409	962	--	--	--	--	--	--	3,200	--
Angola	325	12	--	--	--	--	--	--	--	854
Cameroon	90	--	--	--	--	--	--	--	--	--
Cote d'Ivoire	154	--	--	--	--	--	--	--	--	--
Ethiopia	37	--	--	--	--	--	--	--	--	--
Ghana	127	55	7	--	--	7	--	10	--	--
Kenya	8	--	--	--	--	--	--	--	--	--
Liberia	--	142	109	78	--	--	32	5	--	--
Mali	--	--	--	--	--	--	--	125	--	--
Mauritius	--	--	108	--	--	--	108	--	--	--
Morocco	389	290	123	115	--	8	--	20	--	--
Mozambique	--	68	--	--	--	--	--	--	--	--
Seychelles	3	2	--	--	--	--	--	--	--	--
South Africa	187	477	178	--	23	30	125	348	282	1,1060
Sudan	65	--	--	--	--	--	--	--	--	--
Tunisia	360	245	43	--	--	--	43	240	266	--
Zambia	11	--	--	--	--	--	--	--	--	--
Zimbabwe	50	72	1	--	1	--	--	--	30	--
Asia	20,049	24,130	35,502	7,481	8,488	11,470	7,844	9,152	9,680	11,122
Brunei Darussalam	--	--	43	--	--	43	--	--	--	--
China	4,335	5,366	7,067	1,778	1,355	2,618	1,316	1,714	2,388	2,119
Hong Kong	1,120	9,206	9,714	525	1,770	730	482	918	748	265
India	887	813	1,225	377	170	395	282	509	743	1,104
Indonesia	3,057	2,358	3,247	664	554	795	1,234	1,160	1,797	2,639
Korea	2,229	2,642	5,836	887	864	3,185	900	1,080	1,413	772
Malaysia	--	--	278	103	278	--	--	78	--	--
Malaysia	2,177	1,903	2,693	471	1,446	456	320	500	--	672
Nauru	--	80	--	--	--	--	--	--	--	--
Pakistan	500	599	1,445	15	40	1,009	381	430	490	132
Papua New Guinea	--	--	90	--	90	--	--	--	--	--
Philippines	1,239	827	493	--	162	299	32	--	120	1,209
Singapore	252	509	877	218	53	606	--	388	295	263
Sri Lanka	81	68	188	--	--	188	--	94	--	--
Taiwan Province of China	1,808	582	1,447	116	179	250	903	288	40	123
Thailand	2,364	7,150	6,638	2,328	1,540	991	1,779	2,045	985	1,737
Vietnam	20	27	238	--	100	104	34	17	22	86
Europe	5,753	4,484	8,361	1,483	2,147	3,336	1,396	882	1,488	3,294
Bulgaria	--	--	150	--	--	150	--	--	--	--
Cyprus	35	50	72	--	--	--	72	--	2	--
Czech Republic	--	170	566	9	214	105	240	240	15	95
Czechoslovakia, former	172	--	--	--	--	--	--	--	--	--
Estonia	--	8	14	14	--	--	--	--	--	--
Georgia	--	70	--	--	--	--	--	--	--	--
Hungary	358	376	938	175	100	273	390	56	235	388
Kazakhstan	200	--	26	--	--	--	16	163	--	300
Kyrgyz Republic	--	73	--	--	--	--	--	--	155	--
Latvia	--	--	--	--	--	--	--	--	--	7
Malta	100	92	218	--	--	--	218	--	--	40
Poland	105	236	381	--	131	199	51	25	242	134
Romania	168	--	164	--	60	104	--	--	150	34
Russia	1,020	291	2,828	76	1,430	1,158	163	204	105	965
Slovak Republic	--	--	21	--	--	--	21	--	--	68
Slovenia	--	129	116	--	2	--	114	16	--	67
Tajikistan	--	50	--	--	--	--	--	--	--	--
Turkey	3,270	2,835	2,840	1,209	210	1,348	73	20	585	1,093
Turkmenistan	75	--	--	--	--	--	--	--	--	--
Ukraine	--	--	--	--	--	--	--	8	--	23
Uzbekistan	250	105	38	--	--	--	38	90	--	81

Table 9 (concluded)

(In millions of U.S. dollars)

	1992	1993	1994	1994				1995		
				I	II	III	IV	I	II	III 2/
Middle East	3,602	2,439	6,995	1,875	4,491	123	506	1,209	3,597	315
Bahrain	570	920	1,107	75	1,032	--	--	168	200	280
Egypt	105	19	17	--	--	17	--	--	--	--
Iran, Islamic Republic of	462	--	--	--	--	--	--	779	--	--
Israel	100	116	627	200	349	--	79	--	--	--
Jordan	--	--	--	--	--	--	--	--	--	35
Kuwait	2,242	1,046	86	--	--	86	--	--	440	--
Lebanon	--	7	--	--	--	--	--	206	30	--
Oman	37	72	310	--	293	--	17	57	--	--
Qatar	--	--	4,848	1,600	2,818	20	410	--	2,677	--
United Arab Emirates	85	160	--	--	--	--	--	--	250	--
Yemen, Republic of	--	100	--	--	--	--	--	--	--	--
Western Hemisphere	6,851	7,618	3,904	1,258	566	1,239	841	814	1,275	3,802
Argentina	522	1,521	965	451	128	90	297	250	30	470
Barbados	--	12	--	--	--	--	--	--	--	--
Belize	--	20	--	--	--	--	--	--	--	--
Bolivia	16	--	--	--	--	--	--	--	--	--
Brazil	939	777	243	48	100	57	38	--	216	189
Chile	726	451	227	75	--	152	--	170	525	266
Colombia	115	115	312	--	79	73	160	140	--	172
Costa Rica	4	--	--	--	--	--	--	--	--	--
Dominican Republic	--	--	--	--	--	--	--	--	--	--
Ecuador	18	--	5	--	--	--	5	--	--	130
El Salvador	42	8	69	6	--	--	63	--	--	--
Guatemala	--	--	51	--	--	--	51	--	--	--
Jamaica	--	3	--	--	--	--	--	--	--	--
Mexico	2,918	2,513	1,485	409	158	817	102	52	147	1,845
Panama	--	80	183	--	8	50	125	152	267	150
Paraguay	--	--	--	--	--	--	--	--	--	25
Peru	5	65	143	89	54	--	--	--	--	30
Trinidad and Tobago	4	--	--	--	--	--	--	50	--	--
Uruguay	29	--	--	--	--	--	--	--	10	--
Venezuela	1,513	2,053	221	181	40	--	--	--	80	525

Source: DCBEL database.

1/ Excludes cofinancing facilities.

2/ Preliminary data.

TABLE 10. Yield spreads on selected sovereign bond issues

Country	Settlement Date	Issue Amount (In US\$)	Maturity (In years)	Original Currency Spread	U.S. Dollar Equivalent Spread (1)	Comparable Spread <u>1/</u> (2)	Spread Margin (1)-(2)
DM sector							
Argentina	7/11/94	300	3	221	164	226	-62
Argentina	8/29/95	725	5	320	334	526	-192
Brazil	7/20/95	714	3	327	352	396	-44
Hungary	11/22/94	329	7	196	237	268	-31
Hungary	6/27/95	356	6	208	228	333	-105
Turkey	10/29/93	624	5	150	163	265	-102
Turkey	8/21/95	361	3	261	283	419	-136
Yen sector							
Argentina	12/15/94	152	5	315	372	369	3
Argentina	9/06/95	1,032	5	325	370	479	-109
Brazil	6/19/95	922	2	476	519	... <u>2/</u>	...
Hungary	11/22/94	309	7.3	208	241	268	-27
Hungary	9/12/95	320	10	199	250	207	43
Mexico	8/17/95	1,128	3	308	333	380	-47
Turkey	11/30/93	277	5	166	132	272	-140
Turkey	7/27/95	809	3	320	341	409	-68

Sources: Bloomberg, DCBEL database, and Reuters.

1/ Spread on an existing Eurodollar bond issue by the same sovereign of comparable maturity to the new issue in question.

2/ No comparable sovereign spreads are available.

Table 11. Comparison of Credit Ratings

Borrowers	Rating Agencies			Japanese Rating Agencies
	Moody's	Standard and Poor's	Japan	
China				
Agricultural Bank of China	Baa1	...	AA-	(JBRI)
Bank of China	...	BBB	AA	(JBRI)
People's Republic of China	A3	BBB+	...	...
Republic of Colombia	Baa3	BBB-	...	...
Czech Republic	Baa1	BBB+	A-	(JBRI)
National Bank of Hungary	Ba1	BB+	BBB	(JCR)
Korea				
Export-Import Bank of Korea	A1	...	AA	(JBRI)
Korea Development Bank	A1	AA-	AA	(JBRI)
Korea Electric Power Corporation	...	...	AA	(JBRI)
National Bank of Slovakia	Baa3	BB+	BBB	(JBRI)
Republic of South Africa	Baa3	BB+	BBB	(NIS)
Kingdom of Thailand	A2	A	AA-	(JBRI)
Central Bank of Tunisia	Baa3	...	BBB+	(JBRI)
Republic of Turkey	Ba3	B+	BB+	(JCR)
Republica Oriental del Uruguay	Ba1	BB+	BBB-	(NIS)

Sources: Moodys; Standard and Poor's (S&P); Japan Bond Research Institute (JBRI); Japan Credit Rating Institute (JCR); and Nippon Investor Services (NIS). Japanese ratings are comparable with those of S&P.