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## LATEST POST

### The changing nature of market liquidity - understanding banks' corporate bond inventory

(<https://www.bondvigilantes.com/blog/2019/04/04/changing-nature-market-liquidity-understanding-banks-corporate-bond-inventory/>)

Richard Woolnough (<https://www.bondvigilantes.com/profile/richardwoolnough/>)

04/04/2019 (<https://www.bondvigilantes.com/blog/2019/04/04/changing-nature-market-liquidity-understanding-banks-corporate-bond-inventory/>)

When looking at the risk premium embedded in the extra return you receive in owning corporate debt versus "risk free" governments, one of the factors that we have to take into account is the less liquid nature of corporate bonds. This adds to the potential risk premium from a liquidity and transaction cost perspective. A constant theme since the financial crisis has been the belief that the cra...

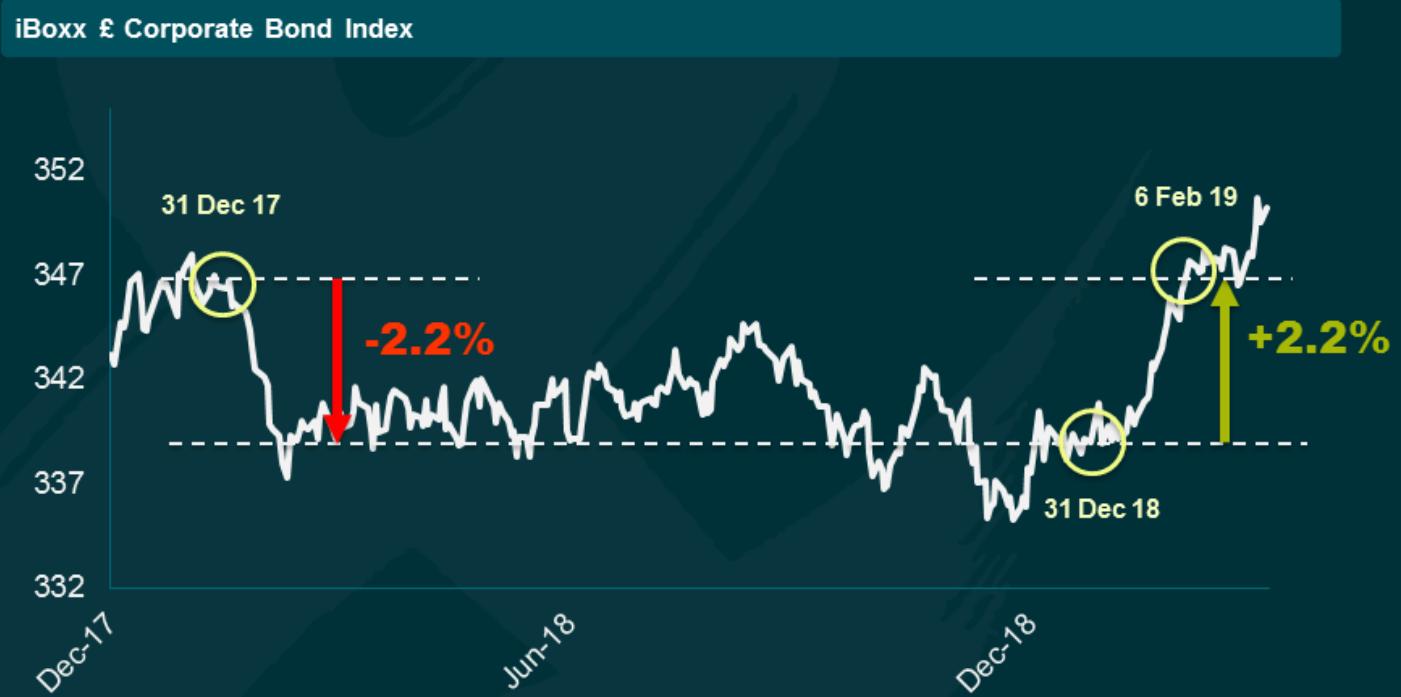
Read the article (<https://www.bondvigilantes.com/blog/2019/04/04/changing-nature-market-liquidity-understanding-banks-corporate-bond-inventory/>)

## Pemex and Eskom: key debt statistics

Both could pose significant problems for their respective countries

	PEMEX	ESKOM
Total Debt (USD bn equivalent)	106	29
Debt to EBITDA	10.2x	7.0x

By 6<sup>th</sup> Feb, Sterling Corporates had regained their 2018 loss



of emerging market debt investing, due to the hybrid nature of their credit risk: partly corporate credit, partly sovereign. Bond investors are therefore currently spending more time on D&I than on ratings, as it is in default. Bond investors are therefore currently spending more time on D&I than on ratings, as it is in default.

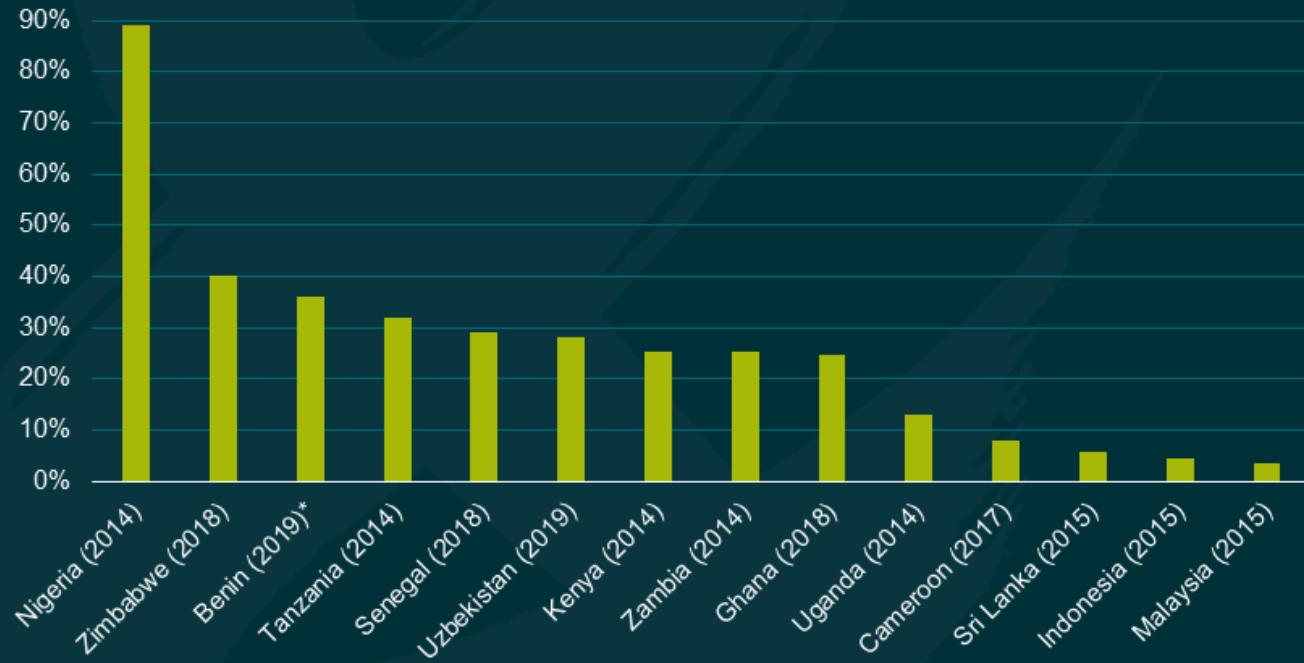
**Despite Brexit, Sterling credit holds up with a surprise front-runner**  
[\(https://www.bondvigilantes.com/blog/2019/03/20/despite-brexit-sterling-credit-holds-surprise-front-runner/\)](https://www.bondvigilantes.com/blog/2019/03/20/despite-brexit-sterling-credit-holds-surprise-front-runner/)

Read the article (<https://www.bondvigilantes.com/blog/2019/03/27/eskom-pemex-two-distinct-stories-similar-root-problem/>)

**Guest contributor, Oliver Carter** (<https://www.bondvigilantes.com/profile/questcontributorolivercarter/>)  
20/03/2019 (<https://www.bondvigilantes.com/blog/2019/03/20/despite-brexit-sterling-credit-holds-surprise-front-runner/>)

## We have seen GDP revisions as high as 90%

Recent GDP revisions by size (% of GDP)



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Source: M&G 18<sup>th</sup> March 2019

\*Note: revision size is for the latest year of available data. For Benin the revision applies to 2015 and could be larger for the following years.



## Should investors care about GDP data revisions in emerging markets? A Benin case study

[\(https://www.bondvigilantes.com/blog/2019/03/19/investors-care-gdp-data-revisions-emerging-markets-benin-case-study/\)](https://www.bondvigilantes.com/blog/2019/03/19/investors-care-gdp-data-revisions-emerging-markets-benin-case-study/)

**Eldar Vakhitov** (<https://www.bondvigilantes.com/profile/eldarvakhitov/>)

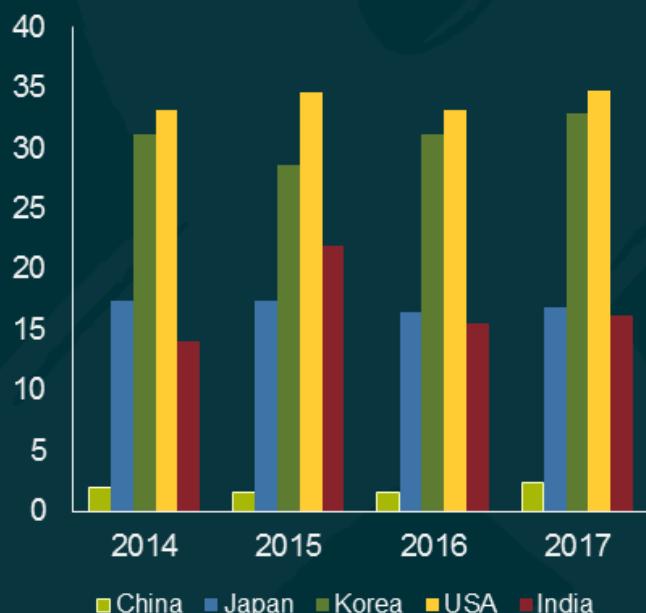
19/03/2019 (<https://www.bondvigilantes.com/blog/2019/03/19/investors-care-gdp-data-revisions-emerging-markets-benin-case-study/>)

Statistical data represents only an approximation of reality, and sometimes not a very good one. Generally, the less economically developed a country is, the worse the quality of the data provided by the government authorities. This increases the likelihood of later revisions, as new facts are uncovered or the methodology adjusted to better reflect the changing reality. Investors in emerging ma...

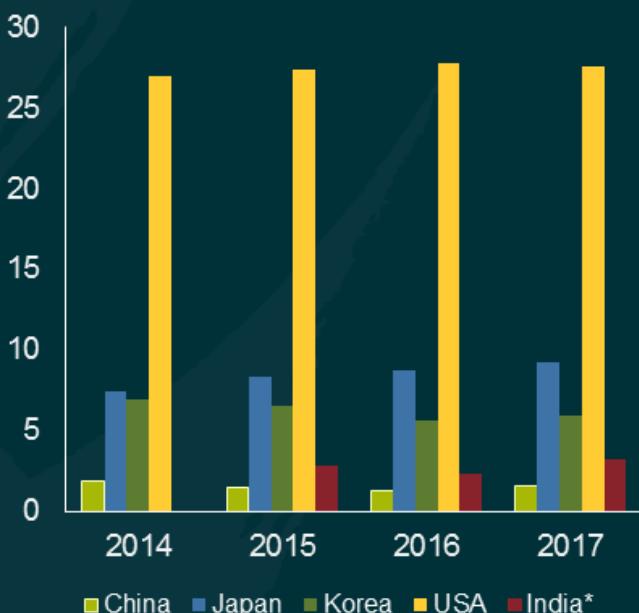
Read the article (<https://www.bondvigilantes.com/blog/2019/03/19/investors-care-gdp-data-revisions-emerging-markets-benin-case-study/>)

## Foreign participation in China's stock and bond markets remains very low

Stock market (holdings as % of total market capitalization)



Bond market (holdings as % of total value outstanding)



\*Data for India only includes government securities



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Source: IMF Working paper "China's Bond Market and Global Financial Markets" by Eugenio Cerutti and Maurice Obstfeld December 2018

**M&G**  
INVESTMENTS

**Bond indices are shifting their attention to China - so should you**  
(<https://www.bondvigilantes.com/blog/2019/03/18/bond-indices-shifting-attention-china/>)

Pierre Chartres (<https://www.bondvigilantes.com/author/pierre-chartres/>)

18/03/2019 (<https://www.bondvigilantes.com/blog/2019/03/18/bond-indices-shifting-attention-china/>)

It is widely recognized that China is globally well-integrated from a trade perspective (it accounted for 13% of total world exports in 2017 according to the WTO). Yet in comparison, its financial markets remain in

relative isolation. Indeed, despite having the 2nd largest equity and 3rd largest bond markets in the world (currently around \$13 trillion), foreign participation in these markets re...

Read the article (<https://www.bondvigilantes.com/blog/2019/03/18/bond-indices-shifting-attention-china/>)

## Is there a market for 'Green Bunds'?

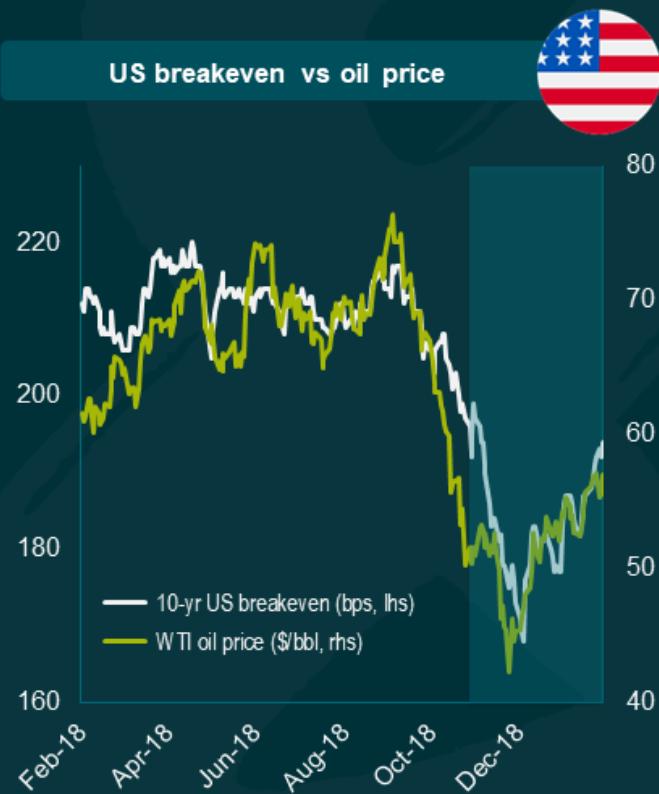
Several European countries have issued green bonds in recent years

Sovereign green bond issue volumes



US inflation breakevens have adjusted to rising oil price  
but euro area breakevens continue to trend downward

US breakeven vs oil price



Euro area breakeven vs oil price



levels in late 2017, Euro area real GDP growth has slowed to 1.2%, while Eurozone manufacturing PMI has dropped by more than ten points. Even the notoriously optimistic ECB eventually had to co-

## Diverging fortunes of inflation expectations in the US and Europe

(<https://www.bondvigilantes.com/blog/2019/02/28/diverging-fortunes-inflation-expectations-us-europe/>)

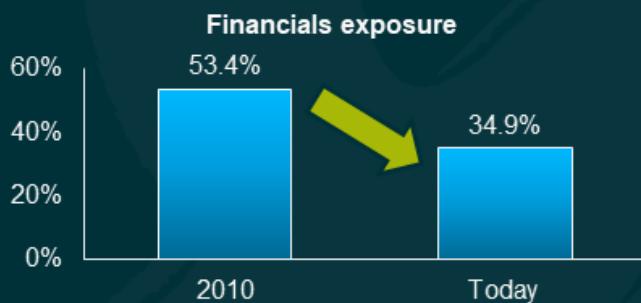
Wolfgang Bauer (<https://www.bondvigilantes.com/author/quest-contributor-wolfgang-bauer-analyst/>)

28/02/2019 (<https://www.bondvigilantes.com/blog/2019/02/28/diverging-fortunes-inflation-expectations-us-europe/>)

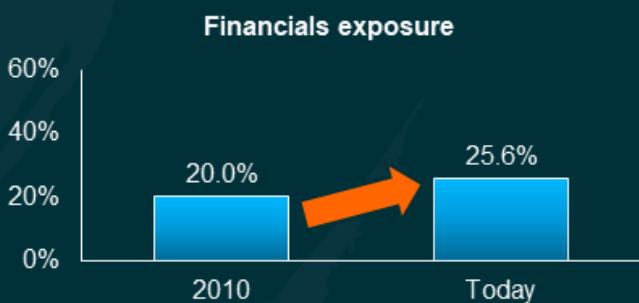
## Euro Investment Grade Corp market

### Physical vs derivative markets

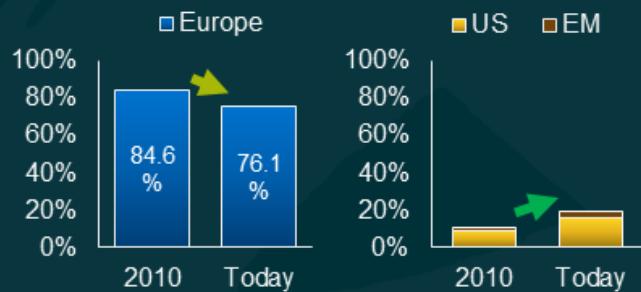
#### Physical market: ICE BofA ML Euro IG Corp



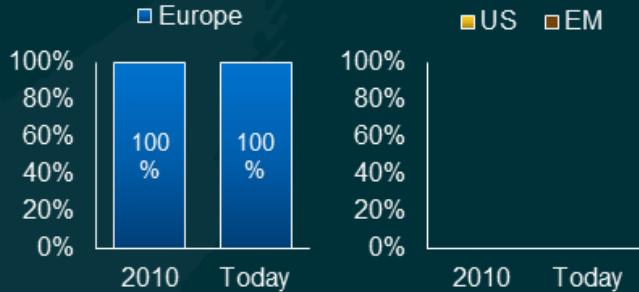
#### Derivatives market: Markit iTraxx Europe



#### Regional exposure



#### Regional exposure



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Source: M&G, ICE BofA ML indeces, Markit, February 2019

M&G  
INVESTMENTS

European credit: divergence between the bond and credit derivatives markets (<https://www.bondvigilantes.com/blog/2019/02/15/european-credit-divergence-bond-credit-derivatives-markets/>)

Carlo Putti (<https://www.bondvigilantes.com/profile/carlopitti/>)

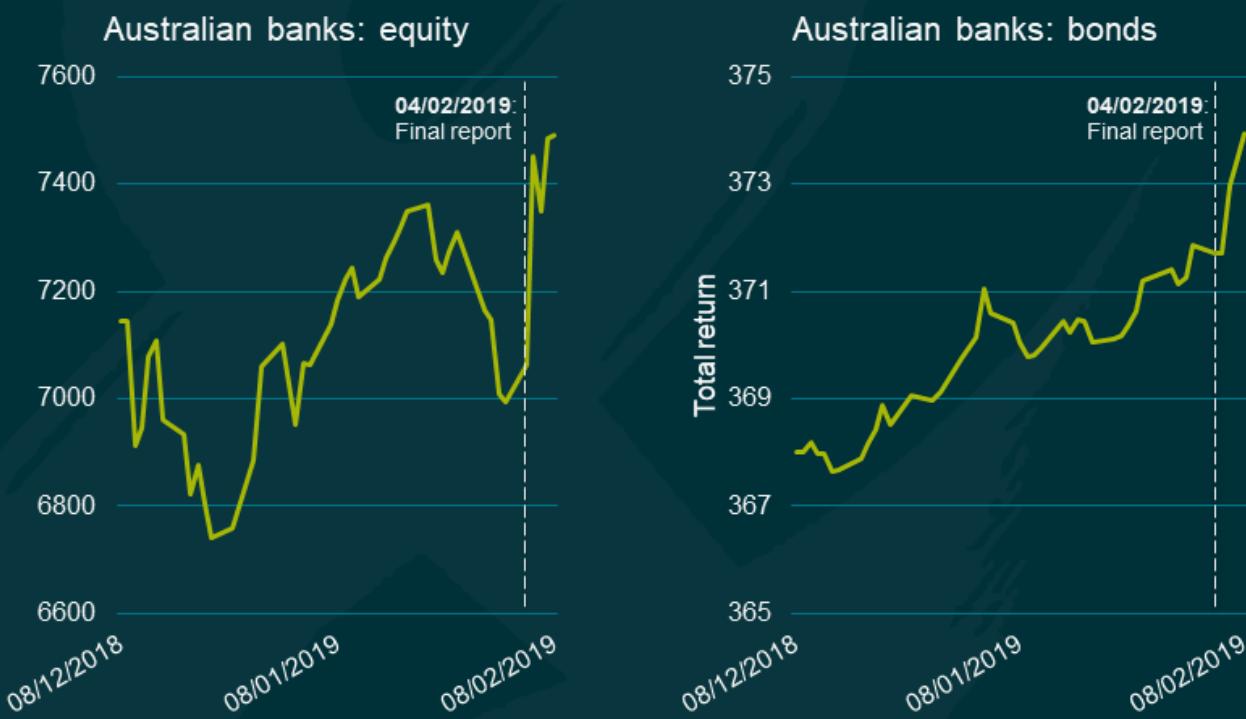
15/02/2019 (<https://www.bondvigilantes.com/blog/2019/02/15/european-credit-divergence-bond-credit-derivatives-markets/>)

There is a general belief in markets that the economic cycle follows the US - and therefore that you can't

have a recession in a developed market without a US recession first. Yes, the US economy is the biggest out there, and with general market sentiment being that we are late cycle it is understandable that everyone's focus is on the US data and its flattening yield curve. But what has reall...

Read the article (<https://www.bondvigilantes.com/blog/2019/02/15/european-credit-divergence-bond-credit-derivatives-markets/>)

## The Royal Commission into Misconduct



 **BONDVIGILANTES.COM**  
Bankers & Bolsheviks International Finance and the Russian Revolution  
by Hassan Malik. Our interview with the author; and win a copy of his book (<https://www.bondvigilantes.com/blog/2019/02/06/bankers-bolsheviks-international-finance-russian-revolution-hassan-malik-interview-author-win-copy-book/>)

Source: M&G, Bloomberg 11<sup>th</sup> February 2019.  
Equity index: S&P/ASX 200 Banks Index  
Bonds index: ICE BAML Australian Financial Index



Jim Leaviss (<https://www.bondvigilantes.com/author/jim-leaviss/>)  
06/02/2019 (<https://www.bondvigilantes.com/blog/2019/02/06/bankers-bolsheviks-international-finance-russian-revolution-hassan-malik-interview-author-win-copy-book/>)  
Dave Covey (<https://www.bondvigilantes.com/profile/davecovey/>)  
11/02/2019 (<https://www.bondvigilantes.com/blog/2019/02/11/the-royal-commission-into-misconduct-the-deceptive-smokescreen-for-australian-bank-bond-investors/>)

[deceptive-smokescreen-for-australian-bank-bond-investors/](#)) world's largest net international debtor. It was borrowing heavily to finance industrialisation (railroads, oil, iron and cotton production) and as its population grew it saw rapid economic growth. WW1, and the earlier Last week's conclusion of the Royal Commission into misconduct in Australia's financial services sector has 1905 conflict with Japan had also resulted in rising debt. At the same t...  
rightfully made international headlines. After digesting the 1011-page report, investors breathed a sigh of

[Read the article \(<https://www.bondvigilantes.com/blog/2019/02/06/bankers-shirk-their-international-finances-as-russian-revolution-hassan-malik-interviews-nicholas-wins-copybook/>\)](#)

have been well documented in the popular press (<https://www.reuters.com/article/uk-australia-banks-inquiry-regulator/australian-banking-inquiry-recommends-new-watchdog-for-regulators-idUKKCN1PT094>)), and the debates around ...

**Read the article (<https://www.bondvigilantes.com/blog/2019/02/11/the-royal-commission-into-misconduct-a-deceptive-smokescreen-for-australian-bank-bond-investors/>)**