International

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Your story matters

Macroeconomic Backdrop

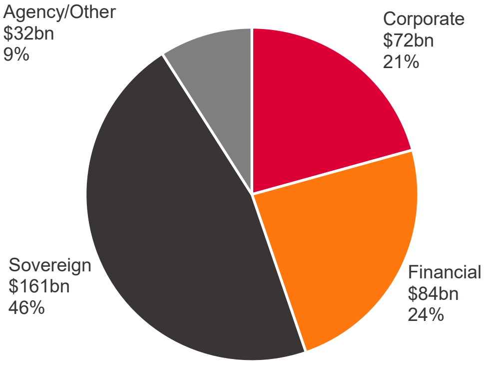
1 A constructive environment, a record-breaking issuance year

Last year was record-breaking year in terms of supply, with $809bn issued out of Emerging Markets. A record $349bn of issuance was from the CEEMEA region, eclipsing the previous high of $289bn issued in 2024.

Issuance was dominated by regional Sovereigns, with notable issuances from Angola, Benin, Ivory Coast, Kenya, Nigeria, the Republic of Congo and South Africa. African corporate issuers across commodities, TMT and diversified corporates also tapped the markets.

While Financials were the second most active issuers in the broader region, many African Financial issuers instead elected to repay maturing instruments, utilising alternative funding source. The only African issuances by ETI ($125m tap) and Absa Group ($150m Tier 2), both of which included Absa as bookrunner. Activity in this sector is expected to increase in 2026.

2025 CEEMEA Issuance by Type

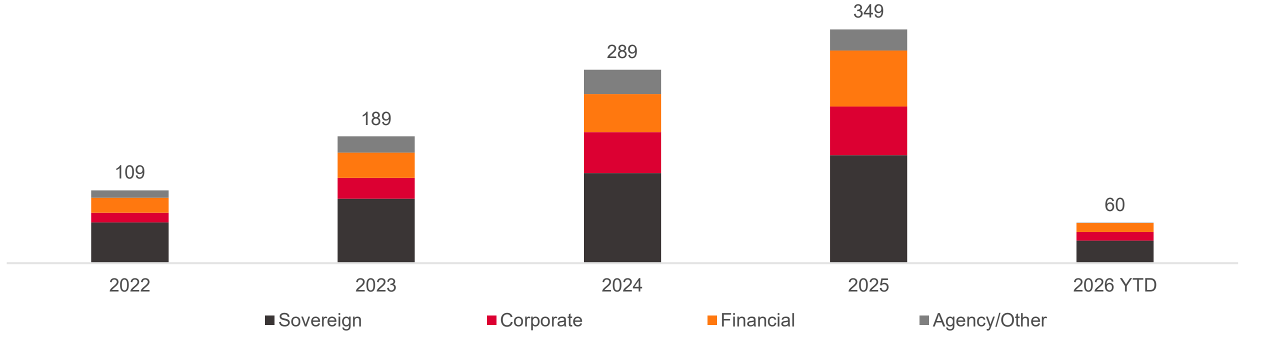


This strength and risk-on sentiment has been primarily due to benign interest rates, a positive global growth story, improved inflation dynamics (despite US tariffs), and a move by investors to diversify holdings in the pursuit of yield and reducing US concentration.

Outlook for 2026: In 2026 primary bond issuance markets have reopened on the front foot, with $101bn issued out of EM, including $49bn from the CEEMEA region, largely sovereign driven but with some notable corporate deals. We expect the constructive environment to persist in the short-to-medium term and for 2026 to see higher issuance levels from African credits than 2026.

The recent escalation in events raising geopolitical tensions along with signs of softness in the US labour market have been absorbed by the market, discounting the possibility of them resulting in true threats to global growth, inflation and overall sovereign and corporate credit-worthiness. However, any material escalations or deviations pose a risk to this outlook.

CEEMEA Region Supply (by sector, USD'bn)



1. *Source: Bloomberg, BondRadar, Absa analysis*

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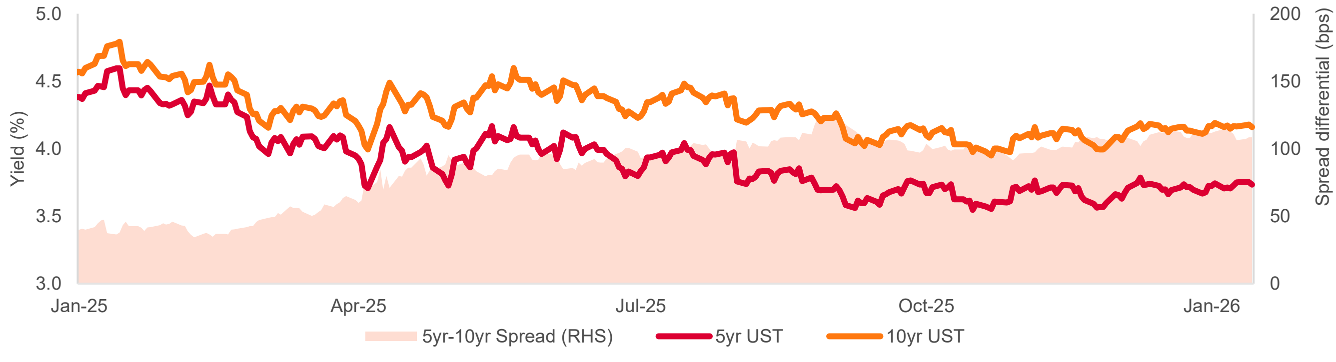
2 Stable US rates providing an underpin to issuance activity

2025 saw three US rate cuts, all consecutive over the final three meetings of the year as US inflation ended the year at 2.7% after fluctuating between 2.3% and 3%, still above the Fed's 2% target level. Increased rhetoric from the White House did concern markets that prudent inflation targeting may be abandoned in favour of a growth-focused approach that could risk an inflation uptick. USTs trended down before trading relatively rangebound in the final quarter of the year. The curve also showed increased steepness as concerns of the US deficit and debt sustainability levels given tax cuts.

US rates remaining stable have provided a solid underpin for issuance, with the 5yr and 7yr USTs around the 3.7% and 3.9% respectively. Rate cut expectations have moderated materially, with markets expecting the next cut around at either April or June FOMC meetings, an only one further cut beyond. The Trump vs the Fed wrestling continues and is likely to shape market expectations as any appointment will be gauged on likelihood of prioritising inflation over the wishes of the US president.

US Treasuries and curve differential

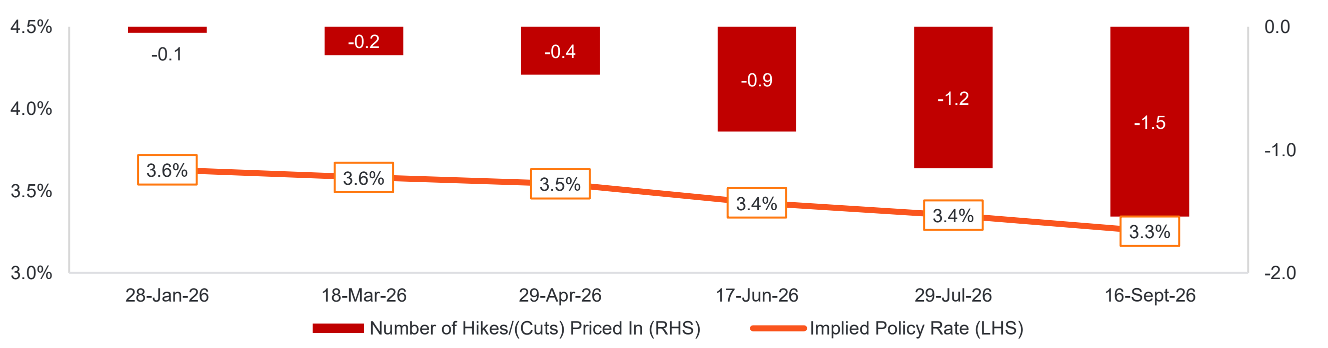


3 Notable risks

The most notable risks to issuance environment outlook are as follows:

- Surprise moves by the Trump Administration materially outside of accepted international conventions
- An acceleration of the so-called Debasement trade resulting from the perception that the Fed and US economic data are no longer reliable bell weathers and custodians of the 'risk-free' benchmark
- Material deterioration in US macro measures (inflation, employment, growth)
- Geopolitical escalations resulting in measurable negative impacts on global growth

Implied US Interest Rate Change Probability (25bp)



Source: Bloomberg, Absa analysis