



# **Africa eurobond market update**

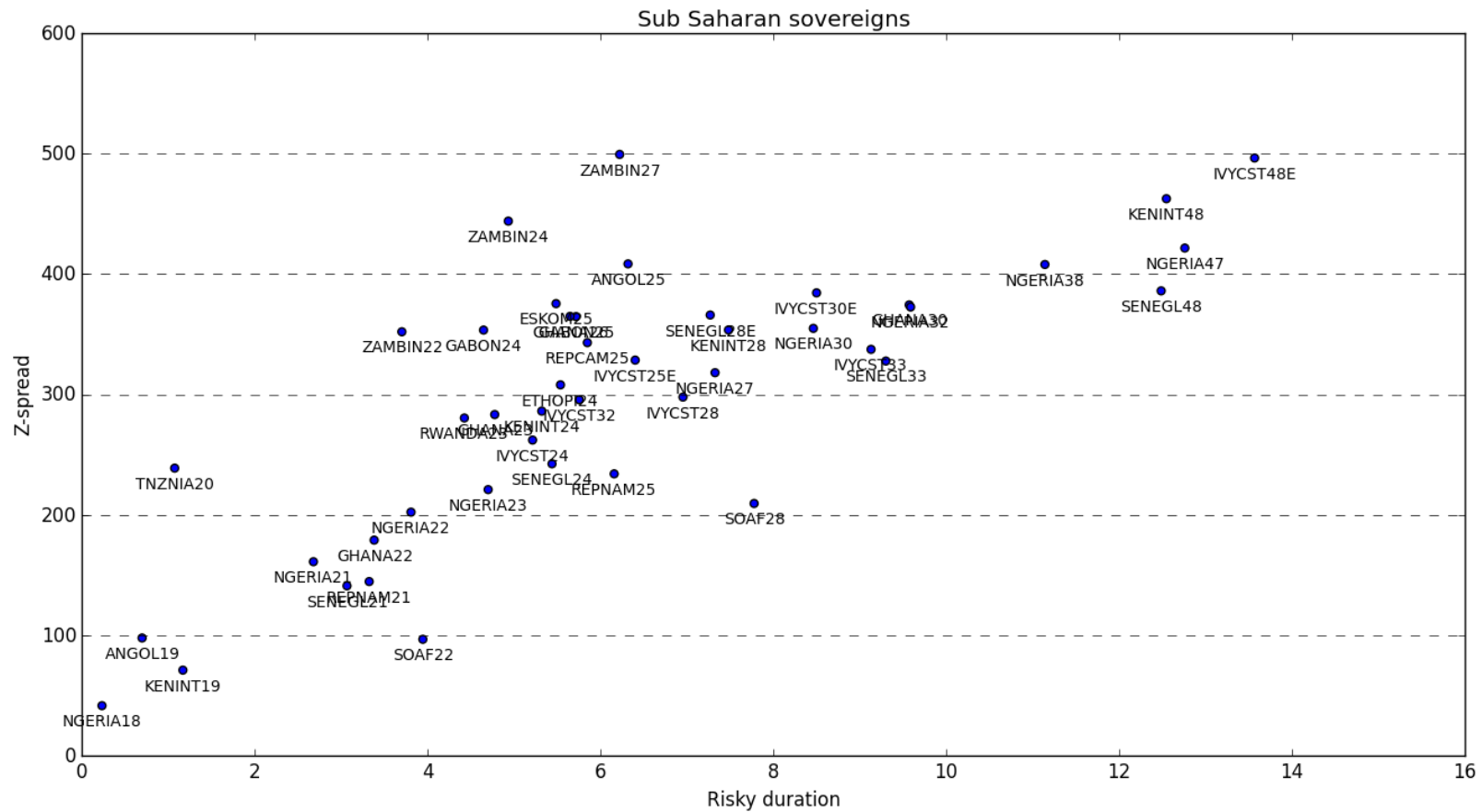
**High returns with low market correlation?**

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# Where were we 10y ago?

- Only 4 issuers ex. South Africa, one bond each
- Africa largely deemed “uninvestable”, “extreme frontier”
- Most debt was club debt, many defaults
- Even until 2017, not a single SSA bond ex SOAF had repaid in full



16Apr2018 Credit Trading desk - all data is indicative.

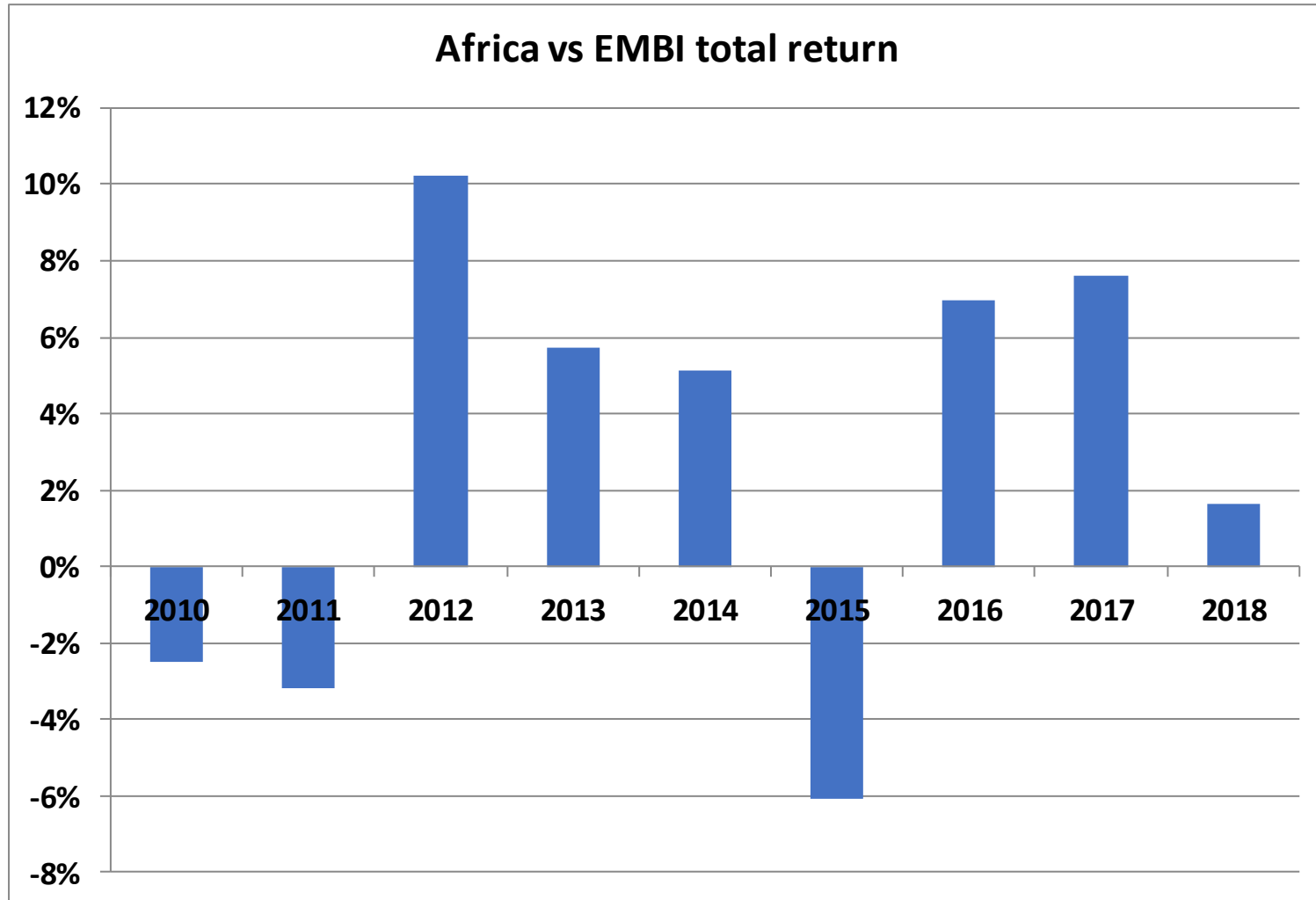
# What changed? Endogenous factors

- Africa really emerged: GDP/head, infrastructure, education, mortality
- Corruption is getting managed
- Debt is getting managed
- The Nigeria success story: breaking conventional wisdom

# What changed? Exogenous factors

- QE and the hunt for yield
- QE and the hunt for diversification
- IMF involvement
- Russia sanctions

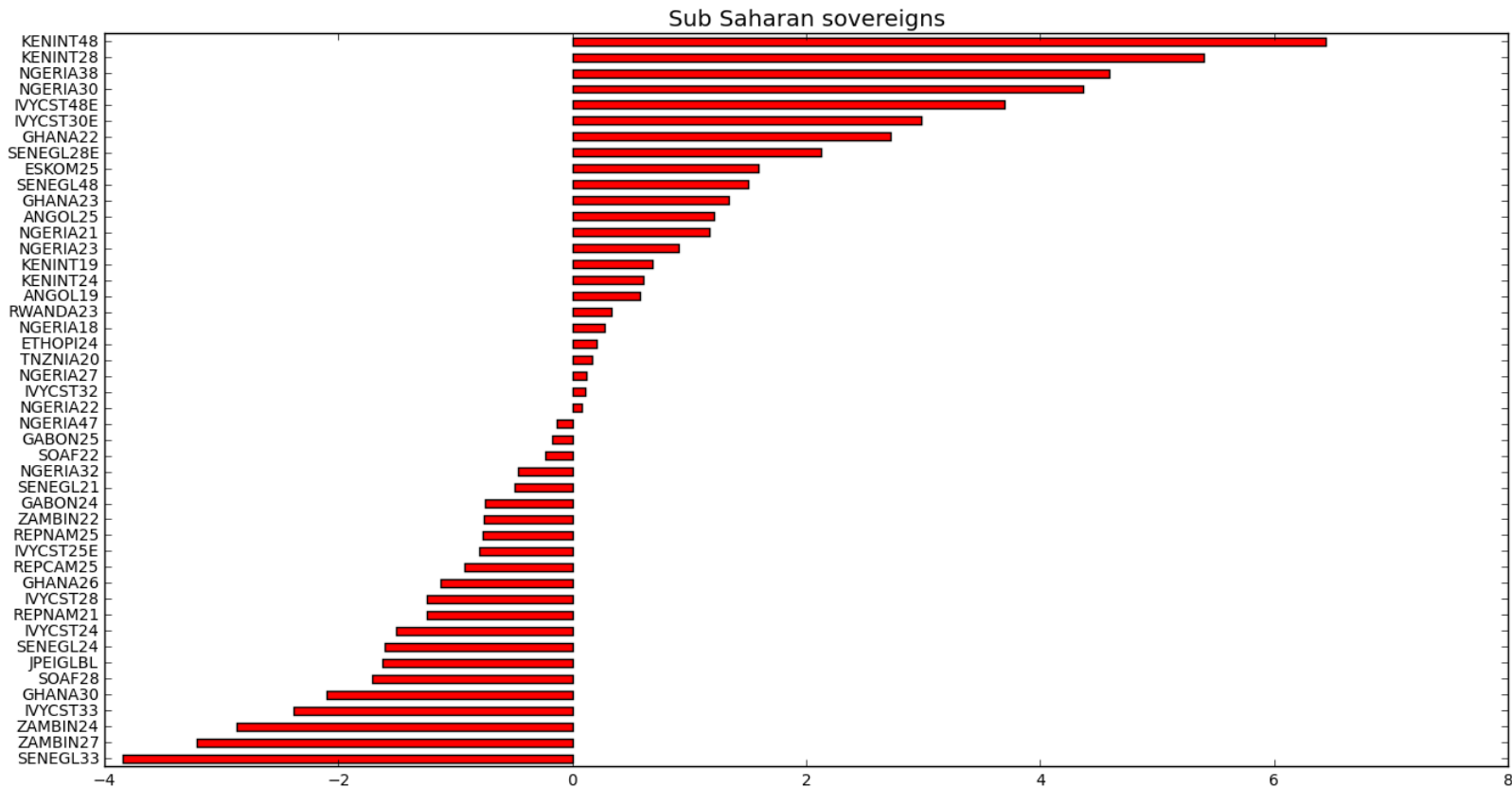
# A return success story



# Is the market still attractive?

- The yield story is still there
- It's still “oil without the sanctions”
- Liquidity in sovereign space is generally good
- BUT - the diversification story is disappearing
- There is alpha as stories are decorrelating

# Dispersion is high this year



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# The next next frontier: Africa corporates

- Companies with assets in Africa vs. indigenous companies
- Very idiosyncratic risk - accidents happen (Sea Trucks, Afren)
- Poor liquidity, especially when you need it



# End