

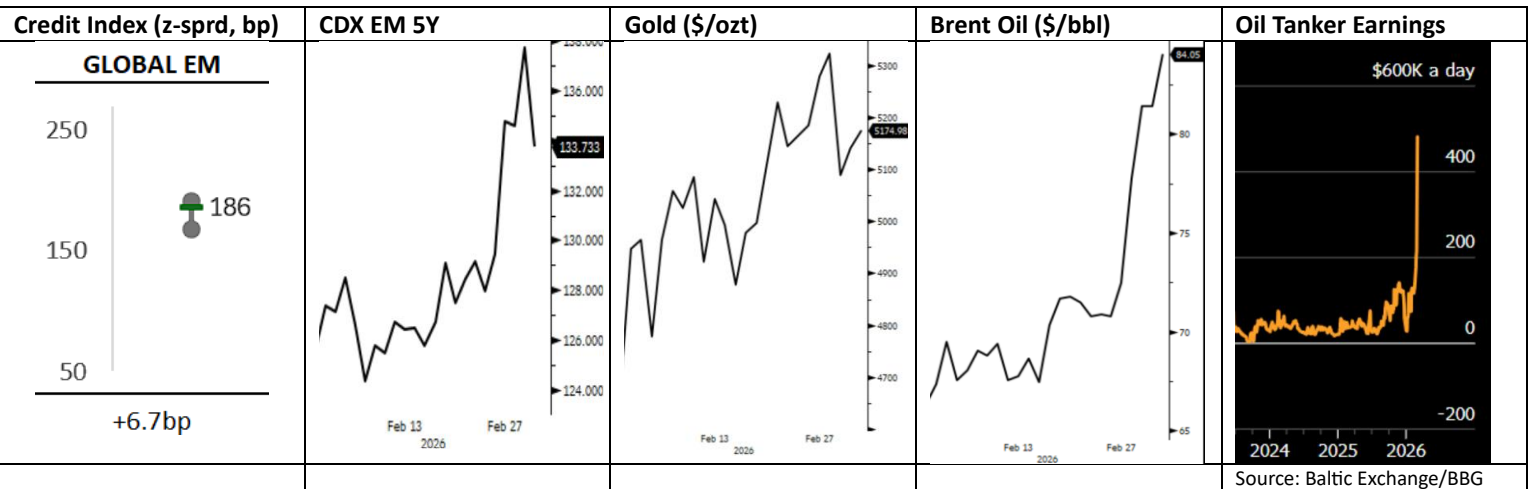
MNI EM Update: Clearing the Fog

5 March 2026

Riccardo Galletto, Makeem Asif, Eric Sharper & Robert Kessler

The Iran conflict has negatively impacted EM, striking at the centre of GCC, and upending some of our long held beliefs regarding relative stability in the region. Higher oil prices due to a blockage at the Strait of Hormuz, potential supply-chain issues further down the line, have driven spreads wider, notably in GCC where sustained pressure could impact fiscal buffers. In Asia, more vulnerable sovereign, including Indonesia, are also at risk of breaching deficit targets. In LatAm oil exporters are major beneficiaries, though medium term airlines will be at risk of higher aviation fuel. Primary market issuance has taken a pause, and we note that GCC has to date been a major issuer, this pause may be pronounced, while other regions may well go back to normal primary season soon. In the background we are mindful, that the US may dedicate more of its resources to the Middle East, perhaps creating heightened risk for Ukraine.

Chart since the crisis---which ones?



Key developments

Comment

**ASIA**  
 Asia EM indices widened around 5bp on the week amid Iran risks, hitting year wides, as ~80% of Asia's oil and LNG flows through the Strait of Hormuz placing energy security front and centre. Indonesia (\$36s +5bp) stands out among sovereigns. Oil/gas shortages plus rising freight costs could force more costly US barrel imports, fuelling inflation, crimping GDP growth, and pressuring the 3% fiscal deficit cap. Spending cuts look unrealistic amid popular food/fuel subs. Corps face the same headwinds. In energy, upstream beneficiaries like ONGC (\$29s +2bp) and Pertamina Hulu (\$30s -2bp) contrast downstream price takers like IOC (\$29s +7bp) and Pertamina Persero (\$31s unch). Integrated refiner, Reliance Industries (\$32s +6bp) has some feedstock flexibility, which could become an opportunity. If the crisis is prolonged, investors will likely pivot to local port handlers, like Adani Ports (\$32s -6bp), which picks up traffic, utilities such as Korea Electric (\$28s +1bp), telcos such as Korea Telecom (\$29s - 1bp), and cons. food biz such as Jollibee (\$30s -7bp) as the preferred defensive positioning.

Asia Spread Moves

Source: MNI/Bloomberg Finance L.P., mid z-sprd		Current	04/03	27/02	25/02	30/01	02/01
Asia Oil Companies		Level	DoD	WTD	WoW	MTD	MoM
<b>E&amp;P</b>							
CNPCCH 2 06/23/30	53bp	-1	2	-1	3	6	
SINOPE 2.3 01/08/31	42bp	-1	-1	1	0	1	
CNOOC 2 7/8 09/30/29	65bp	-1	-2	0	11	12	
KOROIL 4 1/8 09/29/30	74bp	0	2	3	0	-3	
OINLIN 5 1/8 02/04/29	111bp	-3	-1	6	13	3	
PERHUL 5 1/4 05/21/30	137bp	-3	-9	0	7	9	
PTTEPT 2.993 01/15/30	92bp	-2	-1	-1	1	-2	
<b>Integrated</b>							
ONGCIN 3 3/8 12/05/29	108bp	0	3	2	12	5	
PERTIJ 2.3 02/09/31	130bp	-2	-4	3	1	4	
PETMK 5.34 04/03/35	114bp	-2	1	4	6	5	
RILIN 2 7/8 01/12/32	104bp	-1	4	6	8	6	
<b>Downstream</b>							
TOPTB 2 1/2 06/18/30	131bp	0	4	4	3	-2	

**CEEMEA** Regional spreads show +13bp over the week, the widening of sovereign spreads reflects the severe geopolitical risk and elevated uncertainty now engulfing the broader Middle East. This could derail or at least delay efforts of sustained economic growth, especially in the Gulf, which we look at first.

- Bahrain's valuations (\$36 +10bp) have been the most affected among GCC sovereigns reflecting both geographical exposure and weaker fundamentals. Moves have been contained in a 15-20bp widening YtD across the other sovereigns.
- In the energy space, vulnerable exporters include those in Qatar, Kuwait and Bahrain. Less so for Saudi Arabia (\$35 +2bp) and UAE (\$35 unch) who have room for alternative routes. Focus on Saudi Aramco (\$36 +2bp) – possibility to redirect through East-West Pipeline mitigates negative developments in the Strait of Hormuz and gives scope for revenues upside – and Sabic (\$30 -10bp) – rising FCF generation in FY25, solid financial position – which has reported no impact on safety of plants but has downstream exposure to rising oil prices. For LNG, focus on Qatar Energy (\$31 +3bp) – resilient credit metrics on ample liquidity and negative net leverage – and Nakilat – resilient revenue stream with captive, take or pay model and supportive ownership structure.
- Among non-oil sectors, we focus on real estate in the UAE, with valuations across developers impacted by contagion fears. IG names chart 30bp wider YtD, whilst select HY new issues dropped several points in cash over the week (eg BINHLD \$31 +126bp). Credit fundamentals remain solid – with self-funded resources from high levels of revenue backlogs giving ample liquidity – but projections of future growth may require adjustments should uncertainty persist.
- Logistics and Infrastructure names have been in the headlines throughout the week, valuations remain resilient, with spreads 20-30bp wider YtD, but exposure risk should not be overlooked.
- The banking industry in the GCC remains resilient with national champions benefitting from strong capitalization and sovereign support of systemically important domestic financial system. Watch for developments in asset quality.

Across the broader Middle East region, we see differing levels of ramifications.

- Iraq exported an avg. of 3.57mb/d of oil in February. Iraq has begun shutting down some production reported to be 1.5mb/d, due to overflowing storage from disruption in the Strait of Hormuz.
- In Israel, asset prices are remarkably resilient, with spreads showing little movement over the week and the Tel Aviv 35 broadly unchanged. The damage to Israel's infrastructure is not known at this stage, particularly the port of Haifa.
- Impact on Pakistan spreads has been very limited as expected, however, Pakistan has a defence pact with Saudi Arabia, which could come into force depending on what course Saudi Arabia takes.
- Türkiye is a significant net importer of oil, with domestic production only 6%. Imports mainly come from Africa, CIS and Russia. We expect industrials (CIMKOC, LIMAK, Arcelik) could be impacted in the short term with higher energy prices and expect CBRT will cautiously be looking at the impact on inflation.

CEEMEA spread moves	Source: MNI/Bloomberg Finance L.P., mid z-sprd						
	Current	04/03	27/02	25/02	30/01	02/01	
<b>GCC Sovereigns</b>	<b>Level</b>	<b>DoD</b>	<b>WTD</b>	<b>WoW</b>	<b>End Jan</b>	<b>YtD</b>	
<b>QATAR 4 7/8 02/27/35</b>	<b>68bp</b>	-2	1	8	12	23	
<b>ADGB 4 1/4 10/02/35</b>	<b>75bp</b>	-2	0	11	14	19	
<b>KUWIB 4.652 10/09/35</b>	<b>107bp</b>	-2	0	9	8	18	
<b>KSA 5 5/8 01/13/35</b>	<b>124bp</b>	0	2	12	9	20	
<b>OMAN 7 3/8 10/28/32</b>	<b>137bp</b>	-1	-2	7	10	17	
<b>BHRAIN 7 1/2 02/12/36</b>	<b>330bp</b>	-7	10	24	28	71	
<b>GCC Oil&amp;Gas</b>	<b>Level</b>	<b>DoD</b>	<b>WTD</b>	<b>WoW</b>	<b>End Jan</b>	<b>YtD</b>	
<b>ARAMCO 5 02/02/36</b>	<b>149bp</b>	-3	2	7	17	na	
<b>SABIC 2.15 09/14/30</b>	<b>86bp</b>	-11	-10	-24	3	-12	
<b>ADNOCM 4 1/2 09/11/34</b>	<b>121bp</b>	0	3	15	23	26	
<b>MASDAR 5 1/4 07/25/34</b>	<b>133bp</b>	0	5	15	16	26	
<b>TAQAUH 4 3/8 10/09/31</b>	<b>110bp</b>	2	9	17	23	24	
<b>QPETRO 2 1/4 07/12/31</b>	<b>91bp</b>	1	3	11	13	12	
<b>ENEDEV 5.14 01/22/36</b>	<b>147bp</b>	-1	-8	0	14	na	
<b>BEXBAH 6 1/4 01/29/35</b>	<b>234bp</b>	-1	1	15	32	34	

GCC Real Estate		Level	DoD	WTD	WoW	End Jan	YtD
ALDAR 5 1/4 03/25/35	163bp	-6	6	16	24	33	
EMAAR 3.7 07/06/31	118bp	-3	25	33	28	26	
MAFUAE 4 7/8 10/22/35	156bp	-1	10	21	31	37	
DAMACR 7 08/26/28	325bp	-101	66	73	67	64	
DAMACR 6 1/8 08/05/29	361bp	-71	73	84	na	na	
ITTHAD 7 3/8 11/13/30	300bp	-14	-14	-8	18	-57	
ARADAD 7.15 08/05/30	398bp	11	64	74	65	57	
OMNYAT 7 1/4 03/16/29	591bp	-85	208	241	244	136	
OMNYAT 7 1/4 03/04/31	506bp	-68	na	na	na	na	
SOBHA 7 1/8 09/11/30	506bp	-25	192	206	179	151	
BINHLD 8 1/8 08/07/30	622bp	-26	136	152	189	168	
BINHLD 8 3/8 08/12/31	635bp	-23	126	141	na	na	
GCC Logistics & Infrastructure		Level	DoD	WTD	WoW	End Jan	YtD
ABDPOC 2 1/2 05/06/31	105bp	1	-11	-5	6	10	
DPWDU 5 1/2 05/08/35	166bp	-3	15	25	35	38	
DUBAEE 4.95 01/15/33	170bp	-2	-2	10	23	na	
TABRED 5.279 03/05/30	125bp	2	0	9	14	27	

**LATAM** Latam spreads show marginally tighter over the week. Higher oil prices benefit exporters Brazil, Colombia, Mexico, Argentina and Ecuador as well as quasi sovereigns Petrobras, Ecopetrol and Pemex while hindering importers Chile and Peru. Independents Vista Energy, Brava Energia, Prio, Gran Tierra and Geopar are helped. [Gran Tierra](#) bonds rose 1 ½ pt this week despite weak earnings results. Brazil corn ethanol producer FS SA could benefit with ethanol prices correlated to oil prices. A prolonged hike in oil prices would be negative for airlines like Chile based Latam and Colombia based Avianca. [Latam](#) 31s widened 35bp WtD and 71bp YtD, despite having fuel hedges. Avianca's recently issued 31s dropped 2pt WtD.

LATAM spread moves	Source: MNI/BBG, mid z-sprd		Current	04/03	27/02	26/02	27/02	04/02
	Level	DoD	WTD	WoW	MTD	MoM		
<b>Sovereigns</b>								
CHILE 4.95 01/05/36	106bp	-2	-6	-1	-6	5		
PERU 5 3/8 02/08/35	135bp	-2	-6	-1	-6	6		
ECUA 6.9 07/31/35	517bp	-4	-25	-11	-25	16		
MEX 6.35 02/09/35	198bp	-2	-11	-4	-11	2		
COLOM 8 11/14/35	347bp	-2	-3	14	-3	40		
ARGENT 4 1/8 07/09/35	628bp	-9	-48	-21	-48	41		
BRAZIL 6 1/8 03/15/34	221bp	-2	-11	-4	-11	1		
<b>Energy</b>								
FSBIOE 8 5/8 06/25/33	536bp	-5	-3	7	-3	107		
RRRPBZ 9 3/4 02/05/31	474bp	-6	-19	-17	-19	-14		
GTE 9 3/4 04/15/31	1144bp	-11	-104	-99	-104	n/a		
PRIOBZ 6 3/4 10/15/30	364bp	-4	-26	-19	-26	22		
VISTAA 8 1/2 06/10/33	401bp	-4	-18	-1	-18	4		
<b>Airlines</b>								
LTMCI 7 5/8 01/07/31	310bp	-5	32	44	32	63		
AVIAGP 9 1/2 01/28/31	630bp	-6	31	57	31	93		
AEROMX 8 5/8 11/15/31	468bp	-7	25	62	25	77		
AZUBBZ 9 7/8 02/15/31	702bp	1	57	70	57	114		
GOLLBZ 14 3/8 06/06/30	1110bp	-6	143	150	143	167		

Source: MNI/Bloomberg Finance L.P. /Company Data/IMF