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WEEKLY INVESTOR RESEARCH

Ashmore

# The bull market in EM fixed income resumed last week

By Jan Dehn

The Weekly contains the following articles:

- The EM fixed income bull market resumed last week.
- EM external debt was a better 'safe haven' this year than US Treasuries.
- The latest PMIs show global growth fortunes bi-furcating in favour of EM.
- The end of quotas and China's unrelenting reform drive.
- Next up in Brazilian reforms: tax reform and a proposal for central bank independence.
- Mexico's PEMEX wows markets with liability management.
- Turkey's economic adjusts.
- The End of Monetary Policy (in Europe).
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- Brexit and the final logical consequence of English nationalism.
- Humpty Dumpty.

| Emerging Markets | Next year forward PE/Yield | Spread over UST | P&L (5 business days) |
|---|---|---|---|
| MSCI EM | 11.7 | – | 1.91% |
| MSCI EM Small Cap | 10.9 | – | 1.64% |
| MSCI Frontier | 9.2 | – | -1.24% |
| MSCI Asia | 12.5 | – | 2.06% |
| Shanghai Composite | 10.8 | – | 1.52% |
| Hong Kong Hang Seng | 7.9 | – | 2.64% |
| MSCI EMEA | 9.2 | – | 2.04% |
| MSCI Latam | 12.1 | – | 1.10% |
| GBI-EM-GD | 5.28% | – | 0.74% |
| ELMI+ | 4.73% | – | 0.82% |
| EM FX spot | – | – | 0.81% |
| EMBI GD | 5.28% | 335 bps | -1.45% |
| EMBI GD IG | 3.55% | 160 bps | -1.62% |
| EMBI GD HY | 7.55% | 565 bps | -1.25% |
| CEMBI BD | 5.19% | 334 bps | -0.20% |
| CEMBI BD IG | 3.72% | 187 bps | -0.66% |
| CEMBI BD Non-IG | 7.30% | 545 bps | 0.45% |

| Global Backdrop | Next year forward PE/Yield/Price | Spread over UST | P&L (5 business days) |
|---|---|---|---|
| S&P 500 | 16.5 | – | 1.02% |
| 1-3yr UST | 1.75% | – | -0.48% |
| 3-5yr UST | 1.69% | – | -1.22% |
| 7-10yr UST | 1.82% | – | -2.56% |
| 10yr+ UST | 2.29% | – | -6.08% |
| 10yr+ Germany | -0.49% | – | -3.42% |
| 10yr+ Japan | -0.15% | – | -1.99% |
| US HY | 5.69% | 361 bps | 0.19% |
| European HY | 3.70% | 399 bps | 0.27% |
| Barclays Ag | 1.43% | -39 bps | -1.36% |
| VIX Index* | 15.20 | – | -0.07% |
| DXY Index* | 98.26 | – | -0.02% |
| EURUSD | 1.1064 | – | 0.14% |
| USDJPY | 107.70 | – | -0.43% |
| CRY Index* | 174.79 | – | 2.17% |
| Brent | 65.4 | – | 4.51% |
| Gold spot | 1503 | – | 0.28% |

Note: Additional benchmark performance data is provided at the end of this document. *See last page for index definitions.

## Emerging Markets

- **The EM fixed income bull market resumed last week:** It may not feel quite like a normal EM fixed income bull market, but the facts speak for themselves. Over more than three and a half years, EM local bonds have delivered 7.3% annualised return (in Dollar terms) compared to 2.3% for US 5-year Treasuries (same duration). EM external debt has delivered 8.0% annualised return compared to 3.6% for similar-duration 10-year Treasuries and EM high yield corporate bonds have edged ahead of US high corporate bonds with 9.4% versus 9.1% return, respectively. The bull market has defied the entire Fed hiking cycle, Trump's trade wars, China's slowdown, low commodity prices, a strong Dollar, Brexit and perennial bearishness about Europe. EM fixed income is rallying for technical, valuation and fundamental reasons.

Technically, investors are still lightly exposed in EM bonds. A third of outside money left during the Taper Tantrum and so far only about one third has returned, so positioning is light. In terms of valuations, real yields in EM local markets are practically the same as ten years ago, which one cannot say for developed market bonds. Nominal yields are marginally lower, but inflation is down by the same amount. EM currencies declined 50% versus the Dollar between 2010 and 2015, but have since largely stabilised (-1.2% annualised from Q1 2016 to today). We think EM currencies are likely to recover about 20% from here. This means that investors can

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**Emerging Markets**

realistically expect to be paid somewhere between 45% and 50% in Dollar terms in EM local markets over the next few years. EM external debt trades with a spread of 343bps over Treasuries, which is nearly twice as wide as historical tights. This asset class is now far more diversified and the existence of local funding options for sovereigns means that the risk in Dollar bonds markets is now materially lower than in the past.[1] The yield on EM bonds is still too high, in our view. It is consistent with a Fed funds rate in excess of 4% based on the historical relationship between Fed funds rates and EM bond yields. In the EM corporate bond space, valuations also look entirely reasonable. For example, EM high yield bonds trade about 200bps wider than US high yield bonds despite lower default rates and lower leverage. Finally, we see EM growth outperforming developed market growth strongly in the next five years. Remember that EM economies already weathered financial tightening, lower commodity prices, a strong Dollar, trade wars and the Taper Tantrum-related outflows without the benefits of massive fiscal and monetary stimulus. Many EM countries have undertaken reforms. By contrast, developed economies have been pampered with a massive monetary stimulus binge, which sucked in financing from the rest of the world. Developed economies are sitting on large accumulated debts, have neglected to reform and, in some cases, abandoned all sense in terms of economic policies. The better growth outlook in EM is obviously supportive for the investment case for bonds.

- **EM external debt was a better 'safe haven' this year than US Treasuries:** Bouts of risk aversion are par for the course in EM and generally do not last for very long, because superior fundamentals and valuations soon re-assert themselves over emotions. The months of July and August in 2019 were perfect examples. Due to the sudden escalation in trade tensions, as Trump announced further tax increases on Americans who consume stuff from China markets, started to worry about recession. The US yield curve inverted and there was stock market volatility, a sell-off in EM FX, outperformance of investment grade over high yield and general weakness in usual markets perceived to risky. As one would expect, the long end of the Treasury staged an impressive rally. Take the 2028 Treasury bond, for example. By 31 August, this bond had returned 11% for the year, or 18% annualised. With volatility of just 5%, given a three-month LIBOR rate of 1.7%, this bond served up a very impressive Sharpe Ratio of 3.03 for 2019. However, it is far more interesting that EM external debt outperformed US Treasuries as a 'safe haven' asset this year. Figure 1 illustrates this point by showing a direct comparison of the performance of the 2028 Treasury bond with returns, volatility and Sharpe Ratios for EM Dollar-denominated bonds of similar duration, namely the broad and investment-grade only sovereign Dollar-denominated bonds (EMBI GD and EMBI GD IG).

Fig 1: **Performance 1 January through to 31 August 2019**

| | EMBI GD | EMBI GD IG | 5.25 2028 UST |
|---|---|---|---|
| Return | 14% | 17% | 11% |
| Ann. Return | 21% | 26% | 18% |
| Volatility | 4% | 3% | 5% |
| Sharpe Ratio | 4.97 | 8.65 | 3.03 |

Source: Ashmore, Bloomberg.

The EMBI GD, which comprises more than seventy countries including some juicy high-yielders, such as Ukraine, Argentina, Ecuador and Venezuela outperformed Treasuries this year with return of 13%, or 21% annualised, and lower volatility of 4%. This resulted in an extremely impressive Sharpe Ratio of 4.97. But, wait, EM investment-grade Dollar-denominated bonds did even better. The EMBI GD IG delivered a return of 17% from January through August, or 26% annualised for a volatility of just 3% to produce an almost unheard-of Sharpe Ratio 8.65.

The EM external debt universe is now sufficiently deep and broad to harbour within it feasible safe haven destinations for investors during powerful short-lived risk off events. It was sub-optimal to hide in US Treasuries this year. It was both safer and more lucrative to hide in EM external debt. But why? First, the asset class delivers more stable returns due to its massive diversification. Second, it benefits from Treasury rallies because bonds trade as a spread over Treasuries. Third, spreads did not blow out despite the rise in risk aversion.

Granted, there have been episodes in the past, when Treasury rallies coincided with spread widening in EM, even for EM investment grade bonds. However, such episodes are extremely rare, nearly impossible to predict, and typically very short-lived.

Investors should therefore ask themselves whether it is realistic to position for such risk off events? There is a large opportunity costs in terms of forgone yield and diversification by trying to exit during tail events. The events have unknown timing and duration. When accidents happen, EM may underperform for a time, but risk off events tend to be so short-lived that there is often not enough time to react, let alone get in and out.

[1] The EMBI GD spread was 180bps in 2007, while IG traded at 96bps over Treasuries in 2006.

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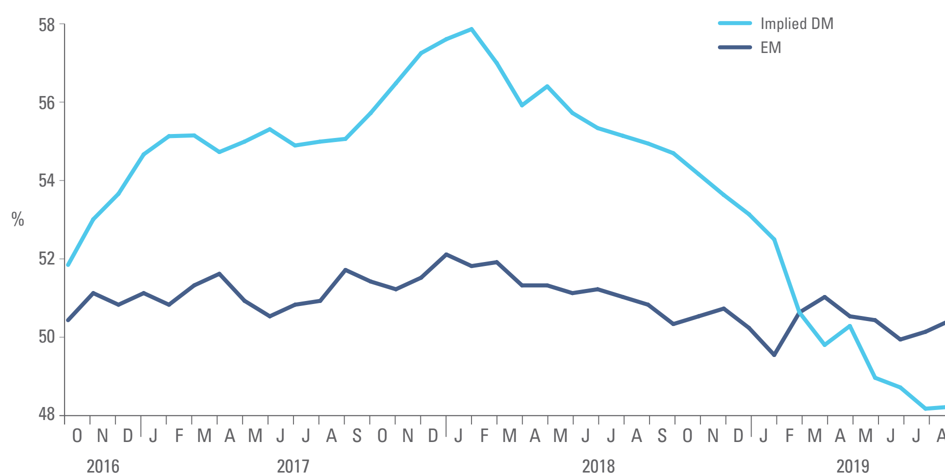
## Emerging Markets

Generally, we think investors should only position for extreme tail events if they have extremely precise information about: (a) when a crisis happens; (b) how it will impact markets; (c) and how deep and long the price action will be. If these factors are not known with a high degree of accuracy, it makes more sense to accept the odd bout of volatility and take a strategic view of the asset class. Ride through the volatility, keep the assets in liquid securities so trading is feasible even during the volatility, perhaps carry a few percentage points of cash for unforeseen circumstances and make sure, above all, to buy into the market when it drops.

- **The latest purchasing manager indices (PMIs) show global growth fortunes bi-furcating in favour of EM:** It is easy to fall into the trap believing that EM economies must slow just because developed economies are slowing. Policy makers have a strange inclination to label slowdown 'global' if they involve rich countries, but 'EM slowdowns' if they only involve EM countries. This terminological inconsistency is rooted in an outdated view that the fortunes of EM countries are beholden to events in rich countries. This preconception has no basis in present reality. EM growth has not been a derivative of developed market growth for a long time. The latest PMI numbers illustrate this point. Using EM and Global PMI indices from Markit and PPP-adjusted GDP weights for EM and developed countries, we have derived an aggregate PMI index for developed countries as a group ('implied DM'). In Figure 2, we compare the EM and implied DM PMI indices for the period from 2016 through August 2019.[2] Developed market PMIs have been declining sharply since the start of Trump's trade war, while EM PMIs have been a haven of stability. In a research publication from February 2019, we highlighted the likelihood of a growing discrepancy between growth rates in EM and developed economies.[3] This is clearly happening.

Fig 2: **EM and developed market PMIs (2016 thru August 2019)**




Source: Ashmore, Markit, JP Morgan, Bloomberg.

- **The end of investment quotas and China's unrelenting reform drive:** Following recent announcement by JP Morgan that Chinese government bonds will be included in the GBI EM GD benchmark, China's State Administration of Foreign Exchange (SAFE) announced on Tuesday last week that quotas on foreign investor flows into Chinese bond and equity markets will be eliminated. Foreign institutional investors will now only need to register with the authorities in order to participate in onshore markets. Many cross-border flows already bypass the quota system via the China Interbank Bond Market (CIBM). Besides, FX repatriation rules are still restrictive. Still, we regard the elimination of the quota system as a milestone, which illustrates that China's reform program is entirely intact. The core element of the program is a rotation from an export-led to a domestic demand-led growth. This shift requires that interest rates and prices are liberalised and that productivity growth is enhanced. It also requires the opening of China's capital account of which the lifting of quotas is clearly a part. President Xi Jinping has maintained his focus on the economic reform program despite extreme provocation by the Trump Administration. China's reform discipline stands in sharp contrast with the descent into economic populism in the United States. We believe these strongly diverging paths will strongly favour China into the medium term and ultimately accelerate China's inevitable rise to replace the United States as the world's undisputed global financial and economic hegemon.

What is the optimal allocation to Chinese bonds in the GBI EM GD index right now? Figure 3 has the answer. Using current yields as an indication of future returns and taking into account the volatility in each market and

[2] We do not have access to the weights EM and developed countries in the global Markit PMI index. We therefore use PPP-adjusted GDP weights for EM and developed economies from IMF's World Economic Outlook (April 2019) as weights. We then derive the developed economy PMI as follows: (1) Global PMI = [DM PMI * 'DM weight'] + [EM PMI * 'EM weight'], where 'DM weight' + 'EM weight' = 1. We then solve for DM PMI = (Global PMI - [EM PMI * EM weight]) / DM weight.

[3] See *'EM versus DM growth (2019-2023): How global is 'global' growth really?'*, The Emerging View, 26 February 2019.

## Emerging Markets

the correlation between the two markets over the past twelve months, we estimate that investors should allocate 66% to China and 34% to the rest of the countries in the GBI EM GD index. This analysis assumes that investors have already decided to allocate to EM, regardless of the opportunity cost, i.e. we maintain a risk free rate of zero. If the US 3m LIBOR rate is incorporated in the opportunity cost of investing in a China-augmented GBI EM GD portfolio, then the optimal allocation to China drops to a still very meaningful 26%. We therefore expect flows to continue to increase into Chinese bonds from EM investors, though, in practice, investors are more likely to end up with about 10% exposure, since the GBI EM GD imposes a 10% cap on Chinese bonds in the index.

Fig 3: **Optimal allocation to China in EM local currency bond portfolios**

| | Forward looking | | | |
|---|---|---|---|---|
| Sharpe Ratio | 0.9 | | | |
| Portfolio return | 3.8% | | | |
| Portfolio volatility | 4.3% | | | |
| | Optimal allocation | USD annualised return | Annualised volatility | Correlation |
| GBI EM GD | 34% | 5% | 7% | 41% |
| China | 66% | 3% | 4% | |

Source: Ashmore, Bloomberg, JP Morgan.

In other Chinese news, Euroclear announced that it will link up with the Chinese bond market. The link will be complete within about a year and should simplify access to the Chinese interbank market and bring cross-border settlement in line with global standards. Finally, we note that Chinese core CPI inflation in yoy terms dropped to 1.5% in August, which is the lowest rate in more than three years. Headline inflation at 2.8% yoy reflected high pork prices due to an African Swine Flu epidemic. The Chinese ten-year bond yield is just over 3%. Credit expanded by more than expected in August, which is consistent with a broadly stable macro economy.

- Next up in Brazilian reforms: tax reform and a proposal for central bank independence: As early as this week, the Bolsonaro Administration is expected to submit a proposal for reform of Brazil's complicated and inefficient tax system. The central element in the reform is the introduction of a VAT style tax regime in order to bring down employee social security and unemployment security contributions as well as other production taxes. The government was also planning to introduce a controversial financial transactions tax on credit card payments, but this part of the reform was dropped last week. Senior officials, speaking in London, also indicated that the government may put forward a proposal for central bank independence, which would be consistent with one of Bolsonaro's election promises. In other news, the services sector staged a decent recovery in July when activity levels increased by 0.8% mom (sa).

- Mexico's PEMEX wowed markets with liability management: The government injected USD 5bn into the black hole that is PEMEX (a loss-making employment creation agency masquerading as a national oil company). The cash injection was immediately used in a liability management exercise, which saw the company buy back short-dated bonds. It also issued longer-dated bonds. The liability management exercise significantly relieves the near-term payment profile. This was positively received by the market. In other good news, the threat of immediate punitive tariffs on Mexico by the Trump Administration over immigration receded after successful diplomatic manoeuvers by Mexican Foreign Minister Marcelo Ebrand.

- Turkey's economy adjusts: As Turkey moves through its economic downturn due to past overheating, the cyclical data is finally beginning to improve. The current account moved into surplus of USD 1.2bn in July and inflation has now fallen to 'just' 15.01% yoy (as of August). The Turkish central bank wasted no time cutting the policy rate by 325bps to 16.5%. Apart from the economic slowdown, a big part of the fall in inflation is due to significant base effects rooted in the spike in USDTRY – and inflation – in mid-2018. We do not believe that President Erdogan will change his boom-bust approach to macroeconomic management, which will result in a gradual and continuing erosion of trend growth rates, greater interference in the economy and eventual crisis.

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## Emerging Markets

Snippets:

- **Argentina:** Economy Minister Hernan Lacunza is meeting with the IMF later this month in Washington. CPI inflation was 4.0% mom in August, which was lower than expected (4.4% yoy). The government tightened capital controls further in a bid to hold on to its shrinking stock of Dollars.
- **Armenia:** The government invited all holders of outstanding 2020 bonds to submit their bonds in an exchange for a new bond.
- **Czech Republic:** CPI inflation (yoy) was unchanged in August at 2.9%.
- **India:** The rumours of the death of the Indian economy may prove somewhat exaggerated. Certainly, the data last week was more reminiscent of merriness than mourning as the yoy rate of inflation was lower than expected (3.21% versus 3.32% consensus) and industrial production bounced at a yoy rate of 4.3% versus 2.3% yoy expected.
- **Malaysia:** Bank Negara left the policy rate unchanged at 3.0% in line with the market consensus expectation.
- **Nigeria:** The current account deficit widened by USD 0.1bn to USD 2.9bn in Q2 2019, or about 2.5% of GDP.
- **Peru:** The central bank left the policy rate unchanged at 2.5% in line with market consensus expectations.
- **Philippines:** The trade deficit widened to USD 3.4bn in July from USD 2.4bn in June. This was in line with expectations.
- **Russia:** CPI inflation year to date declined to 2.3% in the week starting 9th September from 2.4% in the prior week. Finance Minister Anton Sulianov announced that Russia will run a fiscal surplus of 0.8% of GDP in 2020 and may issue debt in CNY.
- **Serbia:** The central bank left the policy rate unchanged at 2.5% as yoy inflation declined to 1.3% in August from 1.6% yoy in July.
- **Taiwan:** Exports beat expectations in August, rising at yoy rate of 2.6% versus a consensus expectation of 0.9% yoy.
- **Ukraine:** The government has met a condition under the IMF program to obtain parliamentary approval for splitting regulatory functions between the central bank and the stock market commission.
- **Zimbabwe:** The central bank raised interest rates from 50% to 70%. The yoy inflation rate was 230% in July 2019.

## Global backdrop

- **The End of Monetary Policy (in Europe):** The message from European Central Bank President Mario Draghi's farewell address was hardly subtle: the ECB cannot do any more. In his last press conference, Draghi literally threw the kitchen sink at the European economic problem, including open-ended QE, deposit rate tiering, easier terms for long-term swaps, dovish forward guidance as well as a 10bps rate cut to -0.5%. EURUSD declined at first, but then stopped and then rallied, even during Draghi's extremely dovish commentary. Many are focused on technical factors behind the rise in EURUSD, but there is a far bigger and more important message here: The ECB is running out of monetary policy room. This means that the only tools left for Christine Lagarde are helicopter money and direct currency intervention. Of course, fiscal policy is also possible. Unfortunately, European governments are not great at acting in unison. Besides, many countries with the notable exception of Germany, are very heavily indebted already. Of the four major QE trades – long Dollar, long US stocks, long European bonds and short everything in EM – it is increasingly clear that the trade with the greatest longevity is the European bond trade. When the next major recession strikes in developed economies the downturn will last a long time, because stimulus is becoming so ineffective.

- **German fiscal prudence:** German Chancellor Angela Merkel has pushed back at a recent call by officials at the IMF for greater German fiscal stimulus. Indeed, there is almost unanimous agreement among investors and policy-makers that Germany needs to spend more. They cite slowing growth in the Western world and declining German government debt levels (Figure 3 shows the evolution of German debt to GDP compared to that of the US). However, Merkel has a point. Germany has a more sophisticated view of the role of fiscal stimulus than other countries. Germany believes that governments should provide a basic social safety net and any additional fiscal stimulus should be used with a specific investment objective in mind, particularly objectives which cannot be met by the private sector, such as public goods, market failures, protecting the environment, countering climate change, etc.). Germany does not view fiscal stimulus as a panacea for all problems. Other

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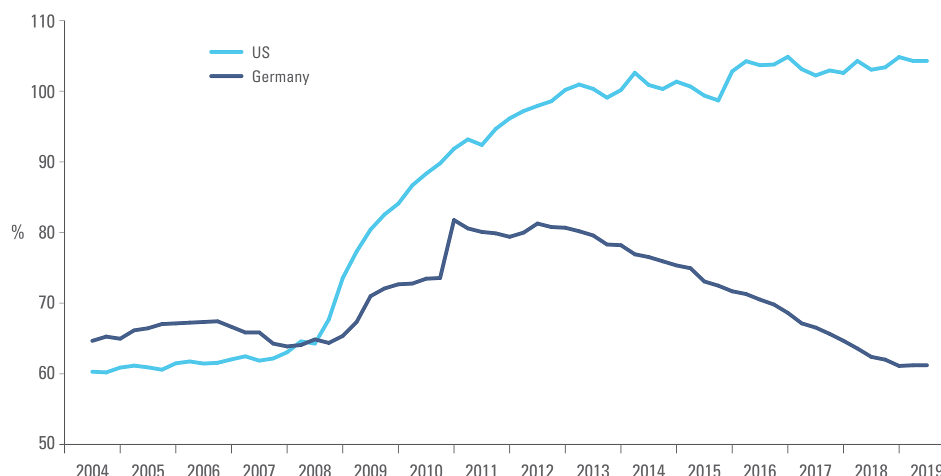
## Global backdrop

countries dispense tax cuts and fiscal handouts frequently, rapidly and with very little preparation or thought given to effectiveness of any long-term consequences. The Trump tax cut of December 2017 is a classic case in point. Sure, throwing public money at a problem can provide short-term relief, but soon it undermines long-term dynamism. Merkel should stick to her guns.

Fig 4: **Debt to GDP: Germany versus US**




Source: Ashmore, Bloomberg.

- **Brexit and the logical final consequence of English nationalism:** There is mounting speculation that Prime Minister Boris Johnson may give up on Northern Ireland in order to achieve a deal to enable Brexit by 31 October. In practice, solving the Brexit impasse by putting a border between Great Britain (UK minus Northern Ireland) and EU in the middle of the Irish Sea makes total sense. It would be a huge step towards unification of Ireland and Northern Ireland. The main challenge is political. The idea that the Conservative Party gives up on Northern Ireland would have seemed inconceivable only a few months ago, but needs must, as they say.[4] In today's political environment of rising English nationalism, the idea of relinquishing Northern Ireland would be entirely consistent. The same logic would also dictate that Scottish Independence is next. And herein lies a profound irony: if the UK is really going to split into its constituent parts then the UK will soon be a group of very small countries. What we know about the national interest of small European countries? They benefit enormously from joining together in larger economic entities.

- **Humpty Dumpty:** The next US presidential election is just over a year away and President Donald Trump finally appears to be moving into deal-making mode. He sacked US National Security Advisor John Bolton, whose solutions to most problems was to drop nuclear bombs on other countries or invading them outright. Hardly the stuff of deal-making and conflict resolution. Trump reacted to China's offer to exempt certain US exports from tariffs by delaying his own planned tariff hikes on American consumers of Chinese goods. Stock markets liked the tariff news and the decline in oil prices shows that many in markets had been viewing Bolton as a greater risk to peace than Iran. It would be great if Trump could put together some of the many things he wanton destroyed in his first three years in office, but we are not overly optimistic. It will be almost impossible to put together in one year what it has taken three to take apart. The legacy of Trump's first term may therefore be that of Humpty Dumpty of English nursery rhyme fame, i.e. an egg on wall has great fall, proves impossible to re-assemble.

Specifically, we think Trump would find it challenging to correct the damage caused by the following:

- **December 2017 tax cut:** Optically, this is undoubtedly Trump's most important policy achievement, but the benefits in terms of growth were disappointing and the cost in terms of fiscal damage was enormous and continues to rise.[5]
- **Withdrawal from the Paris Climate Accord:** The Greenland icecap is melting, the Amazon is burning and hurricanes are wrecking islands with ever greater frequency. Without American leadership, other countries are less committed too. America as well as the rest of the world continue to suffer the consequences.
- **NAFTA:** Trump caused huge commotion and undermined investment by tearing up NAFTA only to put together a nearly identical accord, which he has so far been unable to get through Congress.

[4] The alternative of putting the border along the old border between Northern Ireland and the Republic of Ireland would break the terms of the Good Friday Agreement and risk plunging Northern Ireland back into civil war.

[5] See section titled "Blind Spot" in *'The blind spot'*, Weekly investor research, 27 August 2019.

## Global backdrop

- **China trade war:** Trump's decision to tax Americans who buy stuff from China has halved US growth rates and brought America closer to recession. The longer-term ramification will be far more serious: China will be reinforced in its view that export-led growth is no longer viable. As China turns to consumption, it will stop financing US consumption and CNY will eat into the Dollar status as global reserve currency.
- **Venezuela:** The Trump Administration's bet on Venezuelan opposition leader Juan Guaido was misplaced. Guaido's political momentum has faded, which has left President Nicholas Maduro in a stronger position than before, with no clear way forward to resolving this crisis on America's door step.
- **Border wall, Muslim travel bans, shunning refugees:** The Trump Administration turned up the xenophobic rhetoric, which has fuelled the fastest descent into American isolationism since before World War II. The long-term consequences of isolationism are well-known: stagnation and gradual loss of leadership. When America closes the door to the world, it also turns its back on the pool of global talent, which has driven so much of America's success in the past fifty years.
- **Russia:** There are questions being asked as to whether Trump's finances are linked to Russian/Ukrainian interests via Deutsche Bank. If Trump has a conflict of interest, the long-term consequences for American security could be extremely serious indeed.
- **North Korea:** Trump has failed to bring the two Koreas closer to peace. His main achievement has been to reduce the pressure on Kim, which, if anything, has strengthened the dictator's grip on power. North Korea remains a nuclear threat.
- **Iran:** Trump tore up JPCOA, aka the Iran Nuclear Deal, in spite of full demonstrable Iranian compliance. Iran responded by recommencing nuclear enrichment. The world is less safe than before America's exit from JPCOA. Sure, Bolton's departure increases the odds of a deal with Iran, but a future deal is unlikely to be ready by November 2020 and unlikely to improve on the original deal.

## Benchmark performance

| Emerging Markets | Month to date | Quarter to date | Year to date | 1 year | 3 years | 5 years |
|---|---|---|---|---|---|---|
| MSCI EM | 4.39% | -1.82% | 8.73% | 3.85% | 7.93% | 2.12% |
| MSCI EM Small Cap | 3.35% | -3.16% | 3.41% | -3.63% | 2.88% | -0.33% |
| MSCI Frontier | -1.74% | -0.85% | 10.85% | 7.61% | 7.74% | -1.32% |
| MSCI Asia | 4.52% | -1.74% | 8.88% | 2.04% | 8.26% | 4.06% |
| Shanghai Composite | 5.05% | 2.83% | 24.39% | 16.90% | 2.42% | 7.64% |
| Hong Kong Hang Seng | 6.36% | -0.54% | 9.48% | 5.57% | 7.83% | 3.24% |
| MSCI EMEA | 4.68% | -3.45% | 9.47% | 10.04% | 6.30% | -0.97% |
| MSCI Latam | 4.21% | -4.12% | 8.18% | 15.51% | 8.68% | -1.56% |
| GBI EM GD | 2.30% | 0.52% | 9.29% | 14.57% | 4.11% | 0.28% |
| ELMI+ | 2.08% | -1.17% | 2.36% | 4.62% | 2.42% | -0.38% |
| EM FX Spot | 2.16% | -2.17% | -0.49% | 0.22% | -2.69% | -6.50% |
| EMBI GD | -0.68% | 1.28% | 12.73% | 12.89% | 4.88% | 5.52% |
| EMBI GD IG | -1.62% | 3.38% | 14.73% | 14.64% | 5.23% | 5.47% |
| EMBI GD HY | 0.41% | -0.95% | 10.69% | 11.08% | 4.52% | 5.34% |
| CEMBI BD | 0.22% | 1.24% | 10.19% | 11.20% | 5.06% | 5.02% |
| CEMBI BD IG | -0.60% | 2.22% | 11.07% | 11.79% | 4.64% | 4.71% |
| CEMBI BD Non-IG | 1.39% | -0.10% | 8.94% | 10.29% | 5.81% | 5.40% |

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## Benchmark performance

| Global Backdrop | Month to date | Quarter to date | Year to date | 1 year | 3 years | 5 years |
|---|---|---|---|---|---|---|
| S&P 500 | 2.87% | 2.70% | 21.73% | 5.69% | 14.51% | 10.90% |
| 1-3yr UST | -0.50% | 0.19% | 2.67% | 4.04% | 1.43% | 1.26% |
| 3-5yr UST | -1.30% | 0.19% | 4.29% | 6.67% | 1.68% | 2.16% |
| 7-10yr UST | -2.83% | 0.92% | 7.92% | 11.31% | 2.13% | 3.53% |
| 10yr+ UST | -6.71% | 3.25% | 14.58% | 17.61% | 3.43% | 6.27% |
| 10yr+ Germany | -4.98% | 2.61% | 13.58% | 17.38% | 4.27% | 7.28% |
| 10yr+ Japan | -2.92% | 0.37% | 5.83% | 7.95% | 2.04% | 4.96% |
| US HY | 0.46% | 1.43% | 11.51% | 6.76% | 6.52% | 5.17% |
| European HY | 0.34% | 1.72% | 9.43% | 4.95% | 4.39% | 4.33% |
| Barclays Ag | -1.51% | 0.21% | 5.80% | 6.40% | 1.73% | 1.76% |
| VIX Index* | -19.92% | 0.80% | -40.20% | 25.93% | -1.11% | 19.40% |
| DXY Index* | -0.66% | 2.22% | 2.17% | 3.51% | 2.24% | 16.87% |
| CRY Index* | 2.60% | -3.45% | 2.94% | -8.24% | -3.31% | -38.54% |
| EURUSD | 0.75% | -2.72% | -3.51% | -5.30% | -0.82% | -14.63% |
| USDJPY | -1.32% | 0.14% | 1.85% | 3.85% | -5.02% | -0.53% |
| Brent | 8.24% | -1.71% | 21.58% | -16.24% | 42.91% | -33.96% |
| Gold spot | -1.12% | 6.66% | 17.23% | 25.13% | 14.73% | 21.68% |

*VIX Index = Chicago Board Options Exchange SPX Volatility Index. *DXY Index = The Dollar Index. *CRY Index = Thomson Reuters / CoreCommodity CRM Commodity Index.

Source: Bloomberg, JP Morgan, Barclays, Merrill Lynch, Chicago Board Options Exchange, Thomson Reuters, MSCI, total returns.
Figures for more than one year are annualised other than in the case of currencies, commodities and the VIX, DXY and CRY which are shown as percentage change.

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