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WEEKLY INVESTOR RESEARCH

Ashmore

The Dollar Bubble

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The ECB appears to be waking up to the urgent need to get inflation going, but its measures so far are inadequate, in our view. By contrast, the US has gone much further towards creating the inflation required to convert its 644% of GDP debt problem into an inflation problem. This means of course that the market's assumption that what is good for the US economy is also good for the USD is wrong. Even so, investors will focus on flows rather than fundamentals to help inflate the USD Bubble even further. In Saudi Arabia, we expect a smooth transition and no change of course on oil decisions following the death of the King. In Brazil, the bitter medicine is being dispensed, but we believe the patient will eventually recover full strength. For yet another year China defied the shrill cries of the hard-landing crowd to clock up 7.4% growth in 2014. We also discuss some interesting index news and provide updates on Argentinian politics, adjustment 'Venezuela style', an upcoming GDP revision in India, fiscal cuts in Malaysia, positioning for talks in Donbass, the Russian current account surplus in Q4 and Turkey's rate cut. Plus, the usual snippets.

Emerging Markets	Index level/ yield	Spread over UST	1 week change
MSCI EM	988	–	3.71%
MSCI EM Small Cap	1,015	–	1.88%
MSCI FM	594	–	-0.45%
GBI EM GD	5.96%	–	1.35%
EM FX spot	–	–	0.25%
ELMI+	4.25%	–	0.11%
EMBI GD	5.58%	375 bps	0.83%
EMBI GD IG	4.28%	242 bps	0.92%
EMBI GD HY	8.43%	671 bps	0.65%
CEMBI BD	5.47%	380 bps	0.55%
CEMBI BD HG	4.28%	260 bps	0.40%
CEMBI BD HY	8.25%	660 bps	0.88%

Global backdrop	Index level/yield/ FX rate/price	5 business day change
S&P 500	2052	1.62%
VIX Index	16.66	-20.48%
5 year UST	1.31%	1 bps
7 year UST	1.60%	-1 bps
10 year UST	1.79%	-5 bps
US HY	7.04%	0.28%
European HY	5.02%	0.78%
EURUSD	1.1256	-3.14%
USDJPY	118.17	0.55%
Brent	45.26	-3.94%
Copper	143.00	0.00%
Gold	1282.36	0.42%

Additional benchmark performance data is provided at the end of this document.

The USD Bubble

Despite the euphoria surrounding the arrival of QE in Europe it is unlikely that Europe has done enough to generate inflation ahead of the US. The EUR 60bn of open-ended state dependent monthly purchases are mainly intended to protect the Eurozone countries against a blow-up in their bond markets in the event of Fed hikes, not a serious effort at generating inflation.

The simple fact that no corporate bonds will be purchased underlines the lack of ambition on the part of the ECB.

Still, it is a start. We believe the unarticulated objective of macroeconomic policy in developed economies since 2008/2009 is to convert their debt problems into inflation problems. This is desirable both from an economic and from a political perspective. Economically, debt levels are too high and trend growth rates too low to escape the debt trap without inflation and currency depreciation. Politically, the conversion of debt to inflation shifts the burden of adjustment to future generations and foreigners neither of which votes in elections. The potential for foreigner burden-sharing is particularly large in the US on account of the USD's reserve currency status.

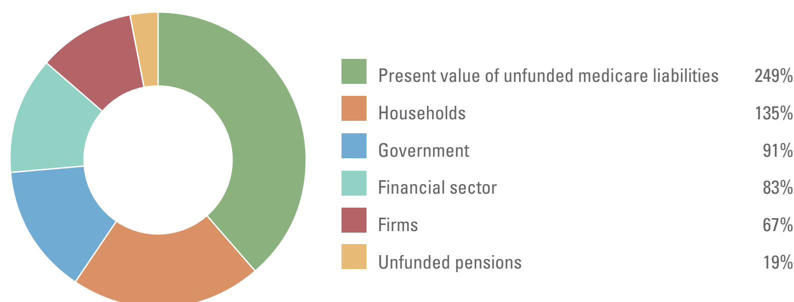
Developed economies are trying hard to generate inflation. This is abundantly obvious from their choice of policies. None are implementing deep reforms to raise their trend growth rates or severely deleveraging via austerity to bring down their debt levels. All have pushed interest rates as low as they can go and printed money ad nauseum. The ECB's embarkation on QE is merely the latest manifestation of these trends.

Still, it is no trivial task to generate sufficient inflation to make a genuine dent in developed market debt stocks. Take the example of the US. According to the latest available full-year data from the Federal Reserve and other agencies the total stock of debt in the US economy stands at 644% of GDP (including unfunded Medicare and Medicaid liabilities). That amount of debt can only be addressed with a healthy dose of inflation and currency depreciation sustained over a long period (assuming that the option of conventional default is not going to be pursued).

Accumulating this much debt is akin to putting a big elephant into a very small room. As long as the elephant is sleeping – i.e. interest rates are zero – it is possible to ignore it. But when the elephant wakes up – i.e. interest rates go up – it will be difficult to ignore the beast.

The USD Bubble

Fig 1: **Total US debt – by component (% of GDP)**



Source: Ashmore, US Federal Reserve, Centers for Medicare and Medicaid Services.

The fact that inflation has not yet resurfaced anywhere in developed economies should neither surprise nor create doubt about the ultimate inflation objective. A number of impediments have kept inflation at bay and developed economies have also differed quite sharply in their focus on restoring inflation. Europe in particular has been ineffective, but is now making amends. Japan has only just begun to give the task of creating inflation the attention it deserves. It took the election of Prime Minister Shinzo Abe to finally take the radical step of sacrificing the long-term savings of Japanese pensioners in the pursuit of currency depreciation.

By contrast, the US has done a great job in putting in place the conditions required to restore inflation. By recapitalising its banks early and by shifting the debts of households via the Fed to the government balance sheet, the US can now realistically hope to generate consumer-led inflation by late 2016.

This is great news for America. The sooner inflation – and by implication USD depreciation – returns the sooner the US can get rid of its debt problem and begin to heal properly.

It is difficult not to be bullish on the US economy when its policy makers are so singularly focussed on inflating. Even so, US bulls need to be careful. In a supreme twist of irony, currency markets have focussed far more on the journey than the destination. In a still non-inflationary world, the flows arising from ECB and BOJ interventions are being traded rather than the central question whether Europe and Japan stand a better chance of generating inflation than the US.

In the short-term, this may actually push the USD higher rather than lower. That would be cruel to US policy makers, who after all have done such a good job trying to achieve exactly the opposite. Still, they need not get too depressed. Even if the ECB prints money until it is blue in the face it will ultimately only succeed in the currency depreciation stakes if the money translates into inflation. And on that account, we remain far more bullish on the US than on Europe or Japan.

The US has a far greater chance of inflating successfully than Europe and Japan because to their credit US policy makers have stubbornly worked to ensure that the economy as a whole has barely deleveraged. This should severely constrain the Fed in its ability to raise real rates when consumer spending finally begins to push up inflation in late 2016.

At that point, US policy makers can finally breathe a sign of relief; the arrival of inflation in the US will almost certainly happen at a time when investors are 'limit-long' the USD. It is precisely this build-up of technical imbalances in favour of long-USD positions that should give US policy makers peace of mind; they can be confident that the cost of deleveraging will be passed on to others.

Clearly, the prospect for a disorderly collapse of the USD in a very technically imbalanced global currency market does set those markets up for an interesting U-turn over the next few years. The view that what is good for the American economy is also good for the USD needs revision; a more intellectually satisfying version says that what is good for the (indebted) US economy is bad for the USD.

This should be fairly obvious to everyone. Still, let us review why inflation is good for heavily indebted economies. There are three reasons: It reduces the debt stock, it erodes real debt service costs and it weakens the currency to allow the country in question to export at the expense of other countries. Moreover, since there is little long-term investment to begin with the opportunity cost of inflating – in terms of forgone investment – is lower than normal. For the same reasons that inflation is good for the economy it is bad for the USD. It reduces the purchasing power of any assets denominated in the USD, including most of Emerging Markets (EMs) foreign exchange reserves.

The current strength of the USD is evidently a bubble, which obeys short-term flow dynamics, while ignoring fundamental arguments. If you doubt that the USD is a bubble ask yourself this question: when is the last time you met someone who was not bullish the USD? The USD Bubble is quite simply the single most powerful herd dynamic in global financial markets today, in our view. And financial markets are unlikely to let a good bubble go to waste. Between now and the return of inflation in 2016 we fully expect investors to continue to plough ever more money into the USD.

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The USD Bubble

What has brought us – once again – to the bubble point? What is it that once again makes investors focus only on the flows and not the fundamentals? And why is this bubble emerging in the G3 currency space?

Extremely strong preference for liquidity is certainly part of the answer. G3 currencies in general and the USD in particular are the largest and most traded currencies in the world. Regulatory changes, fear of volatility and lack of conviction about the future has only served to increase their attractiveness to institutional investors, particularly from a liquidity perspective. Here, EM currencies are of course disadvantaged. How can your currency compete in a flow game when your central bank does not print? Of course, liquidity is mercurial; once everyone is limit-long the USD and the trade must be unwound in a market composed solely of sellers or liquidity in the Greenback could fall disastrously.

Another obvious reason for the rise of currencies is that central banks now occupy such an important role in the market. Central banks can literally print limitless amounts of money – so much that no individual investor can realistically hope to fight the central banks. Witness how the EUR and CHF behaved in the past two weeks as a result of central bank actions at the ECB and the Swiss National Bank. Again, EM central banks are mere bystanders next to their brethren in developed economies. In the old days it was a virtue not to print. In today's world that only makes you less liquid and therefore less interesting.

Which brings us to the most important reason why G3 currencies have become so important, namely that yields in their bond markets have nearly been eliminated as a result of QE and zero-interest rate policies. The elimination of yield means that returns now boil down to capital gain (or loss). In a yield-less world, currencies have multiple advantages, including size, regulation and liquidity. Indeed, ask yourself this question: Where in the financial markets today can you combine regulatory largesse, huge liquidity and the prospect of capital gains? Answer: G3 currency markets.

By way of illustration, the USD gained 12% against the EUR, JPY and EM currencies in 2014. This was a greater return even than the annual yield on defaulted Argentina sovereign debt – which currently stands at 9.1%. The inflation adjusted real yield on a 10-year US Treasury is today just 20bps.

Of course, the elimination of financial yield has been the intention all along – as a way of forcing money into the real economy – but the unintended consequence has been that the money has instead gone in pursuit of capital gains in the most short-term of all markets, namely the G3 currency markets.

It seems clear that flows to G3 currencies will only grow in importance going forward as Europe now takes over the Fed's mantle of 'money printer'. Largely symbolic Fed hikes in 2015 will further lock in the USD's dominant status in G3 currencies, for the moment. As investors consider jumping onto the USD Bubble bandwagon along with everyone else they should bear in mind the coming global currency U-turn.

Emerging Markets

- **Saudi Arabia.** King Abdulah bin Abdulaziz was officially pronounced dead in the early hours of last Friday morning. He was 90 years of age and had ruled Saudi Arabia since 2005. The proclamation of a new monarch, King Salman bin Abdulaziz, the half brother of King Abdullah, was made within minutes of the passing of the previous monarch. Despite many calls by pundits that the transition would not be smooth, power was bestowed smoothly and swiftly from one monarch to the next. A new crown prince, Prince Muqrim bin Abdulaziz, was announced almost immediately thereafter. Prince Muqrim previously held the post of second deputy Prime Minister under King Abdullah. Less than a day after King Salman was enthroned, Prince Mohammed bin Naif, took the position of second Deputy Prime Minister and deputy crown prince. Prince Muqrim is the next heir to King Salman.

King Salman (79) served as deputy governor and then governor of Riyadh for 56 years prior to becoming Minister of Defence in 2011 and Crown Prince in 2012. During his tenure as governor, Riyadh grew from a mid-size town into a major urban metropolis of more than 5 million people. He established the Higher Commission for the Development of Arriyadh which helped develop Riyadh, avoiding red tape and government procurement policy by having its own budget. Since becoming Crown Prince, he has made more than eight official visits in Asia, Europe and the US. Crown Prince Muqrim (69) had an illustrious career as an air force pilot and commander and was later appointed governor of the province of Hail and Madinah. He has also served as Head of Saudi Arabia's intelligence agency then as a special envoy to the late King Abdullah. Prince Mohammed bin Naif (55) becomes the first grandson of the kingdom's founding ruler, King Abdulaziz, to take an established place in the line of succession. All Saudi kings since King Abdulaziz's death in 1953 have been his sons. Prince Mohammed is credited with the country's success in counter-terrorism and the rehabilitation of terrorists. Prince Mohammed bin Salman, a son of King Salman, is the new defence minister and Head of the Royal court and private advisor to the Custodian of the Two Holy mosques.

On oil policy matters, we do not expect any change of course at this point. Oil policy has been defined by technocratic decision making over decades. Even a change of personalities will not alter Saudi Arabia's oil policy. Interestingly, one of King Salman's sons, Prince Abdulaziz, a seasoned oil economist, has been part of the decision making process at the Ministry of Petroleum for many years, as he served first as a Senior advisor in 1987 and then as Assistant oil minister in 1995. Prince Abdulaziz has been a staunch supporter of domestic energy efficiency, a founder of the Saudi Energy Efficiency Centre, was part of the WTO team that brought accession to the kingdom in 2005.

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Emerging Markets

On fiscal matters, we continue to believe that counter-fiscal measures would continue to be implemented. Questions remain as to the pace of fiscal spending and the willingness to sustain a single or a double digit deficit as oil prices find a bottom and begin to recover in the second half of the year, in our view. We do not expect that King Salman would steer away from continuing to tackle labour and job creation issues, enhancing local human capital via education and considering measures to improve infrastructure and local consumption of hydrocarbons.

- Brazil: The central bank raised policy interest rates by 50bps to 12.25% and the government released further details about its fiscal adjustment, including tax hikes on imports, cosmetics, consumer loans and fuel. These changes were announced even as the economic adjustment facing Brazil is beginning to bite. Labour markets took a substantial hit in December, when job creation fell to the lowest level since 1999. Brazil's problems strongly resemble that of India a couple of years ago. Excessive fiscal laxity has created inflation and forced the central bank to raise rates, killing investor confidence and prompting outflows that have also weakened the currency. Since inflation is not yet dead the weaker currency has not helped the current account – indeed, the December current account deficit was the widest it has been in thirteen years. The prospect of having to cut spending to fix fiscal issues, while at the same time hiking rates to kill inflation is unappealing, but we think Brazil will undertake the adjustment and restore investor confidence. In order to achieve this, the most critical element is to achieve the fiscal objectives. Ultimately, the restoration of macroeconomic health is a political imperative. We think a broader political agreement between the right and left in Brazilian politics lies behind the decision to change direction on fiscal policy. Businesses want the economy to improve. Dilma wants to deflect for as long as possible the corruption scandals that surround her and the PT party. The centre-right can provide relief from the scandals if Dilma accepts fiscal reform. This truce will eventually crumble when the economy starts to pick up and the next elections draw nearer. But by then Brazil will have stepped back from the brink.

- China: China's GDP expanded 7.4% in 2014. This means that another year has passed without a so-called hard landing. This has not prevented various punters from predicting that the hard landing will happen in 2015. Why people keep focusing on this is beyond us. China is slowing because it is changing from a high saving/high investment economy to a consumption led economy. This means greater imports and a smaller current account surplus. To preserve the balance of payments the government is liberalising the capital account. Between them, China's domestic bond and equity markets are equivalent in size to 55% of US GDP and foreign investors have almost no exposure. We expect flows into these markets to dominate outward flows from China's domestic investors, ultimately ensuring that the CNY will be the strongest currency in the world over the next decade. In the past week, China supported liquidity in the money markets by injecting CNY 50bn of 7-day reverse repos. We think the PBOC is keen to provide liquidity, but not particularly keen to engage in general easing as the government continues to steer the economy towards interest rate liberalisation as part of the much greater transformation of the economy towards consumption-led growth. It was also announced that Alibaba is set to purchase a stake in New China Life Insurance Co Ltd, a state insurer. This is also consistent with China's other important economic objective of reforming its state-owned enterprises. The president of the Shanghai-Hong Kong Stock Connect says China is considering allowing bonds and ETFs to be traded on the exchange. We think China is targeting global reserve currency status by December 2015 and that the rapid liberalisation of the capital account is in preparation of this. The HSBC manufacturing index rose to 49.8 in January from 49.6 in December. New home sales jumped 4.2% yoy in December.

- Index developments: Barclays Bank, an index provider, has agreed to begin to include Sukuks (Sharia compliant bonds) within its global bond index. This is very good news. Sukuks have been a fast growth area for external bond issuance in EM. The most commonly used external debt benchmark index, the EMBI Global Diversified Index from JP Morgan does not include Sukuks. This is one of the reasons why this index only captures about 47% of the EM external debt universe. Recently, Bank of America Merrill Lynch took further initiatives by launching the first EM local currency corporate bond index. These indices are still woefully inadequate, mainly because index providers tend only to include markets in their indices where they trade the bonds. As global bond yields decline, global investors are becoming more passive. We strongly advocate against benchmark hugging and passive management, which, in effect, boils down to allocating countries purely on the basis of how much debt they issue. In related news, JP Morgan placed Nigeria on index watch negative on the grounds that the government has taken steps to reduce the liquidity of its bond market. JP Morgan will now evaluate the liquidity situation over the next 3-5 months before taking action, which could involve dropping Nigeria from the GBI EM GD index. JP Morgan's allegation of low liquidity may or may not be a good excuse for dropping a country from indices. Ultimately, the liquidity available to investors is subjective and may be a function of many things, including each investor's investment in local and external counterparties.

- Argentina: A major political storm is raging in Buenos Aires following the death of Alberto Nisman, a special prosecutor investigating allegations that the Kirchner administration derailed an investigation into a terrorist attack. The storm will, however, not change the fact that President Cristina Kirchner leaves office in Q4 of this year, though in a worst case scenario for her it could be earlier depending on how the fallout from Nisman's death evolves. As always in Argentina, the decisions of the key movers and shakers within the Peronist Party will play a key role. Kirchner's position will largely depend on whether they feel the Nisman case can harm the interests of the party.

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Emerging Markets

- Venezuela: The government has announced new measures to deal with the economic challenges brought about by declining oil prices. Firstly, the government says it has set aside cash for the external debt maturing in March. Second, the government has announced changes to the FX regime, whereby basic foods and medicine receive USDs at the heavily subsidised USDVEF 6.3 exchange rate, other sectors obtain USD at a price determined by auctions in the so-called SIDAD I system, while a third rate will now be determined at a freely adjusting rate set in the securities markets. President Maduro also raised the prospect of a change to fuel prices, which currently sap Venezuela of potential revenues worth USD 15bn.

- India: The government is preparing to make benchmark revisions to the calculation of GDP in the coming weeks. As in most other EM economies, GDP is seriously underestimated due to the rapid development of new sectors of the economy that are not captured in surveys, which are based on infrequently revised benchmarks. In 2010, the GDP benchmark was revised higher by 24%. This time GDP could be revised higher by 10% as SMEs in the non-agricultural sector are included. The higher GDP print will improve important ratios such as the deficit to GDP ratio.

- Malaysia: The government has adjusted its budget to be consistent with an oil price of USD 55 per barrel instead of USD 100 per barrel previously. The government is maintaining capital expenditures, but is cutting recurrent spending. The net effects of these changes are to increase the fiscal deficit by a modest 0.2% of GDP. Malaysia's rapid and decisive adjustment to changes in its external conditions is typical of most other EM countries. Generally, EM countries are more sensitive to domestic shocks, such as changes in fiscal and monetary policies than to external shocks. And when an external shock happens the response to the shock is typically far more important that the shock itself.

- Ukraine: Ukraine and Russian-backed rebels in Eastern Ukraine continue to engage in serious fighting as both sides attempt to establish positions of strength ahead of talks scheduled for later this month in Astana. The risk is that the violence leads to a delay in talks, but we think all sides have strong incentives – mainly economic– to find a solution to the Eastern Ukraine situation. The decision by Ukraine to agree to set aside the question of Crimea simplifies the problem considerably. A solution will require peacekeepers for Eastern Ukraine, a constitutional arrangement for Donbass, renewed gas supply arrangements between Russia and the rest of Europe and a dismantling of sanctions against Russia.

- Russia: The current account surplus in Q4 2014 was US 10.5bn, which puts the Russian current account surplus at roughly 3% of GDP. Russia has adjusted quickly and decisively to lower oil prices by driving down imports via currency devaluation and by raising policy rates to 17%. We expect a current account surplus of about USD 80bn in 2015, assuming oil prices are around USD 60 per barrel for the year. If this assumption holds, Russia will draw down only about USD 22bn of its reserves, which currently stand at about USD 385bn. For every USD 10 change in oil prices the external balance adjusts by approximately USD 51bn.

- Turkey: The central bank reduced the rediscount rate that applies to loans to exporters and cut the benchmark interest rate by 50bps to 7.75%. The corridor for overnight rates was maintained at 7.5% to 11.25%. Uniquely in Turkey, the central bank uses rate uncertainty as a policy instrument. It increases uncertainty about overnight rates by widening the o/n rate corridor, and reduces it to instil less uncertainty. The reduction in loan rates for exporters may have been the result of serious political pressure from Prime Minister Erdogan ahead of parliamentary elections scheduled for June 2015.

- Zambia: Edgar Lungu has been inaugurated as President of Zambia after being declared winner of the presidential election. Lungu will now serve out the remainder of former President Michael Sata's term (until autumn 2016) following Sata's death last year. Lungu is a former justice minister and defence minister and a member of Sata's Patriot Front party. International observers, including the African Union and the UK High Commissioner, declared the vote free and fair. The losing candidate alleged fraud, but stopped short of calling on his supporters to take the streets. Lungu announced that he will continue the policies of his predecessor. Zambia has one of the longest records of peaceful transitions of power in Africa. While peaceful political transitions were rare events during the Cold War era due to extensive foreign meddling they have now become the norm in most African countries.

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Emerging Markets

Snippets:

- **Slovenia:** Slovenia's foreign currency debt rating was raised to investment grade by Moody's
- **Thailand:** Thailand's parliament voted 190-18 to impeach former Prime Minister Yingluck Shinawatra, who was removed from office by the military after years of unrest and accusation of widespread corruption involving a rice subsidy scheme
- **Mexico:** Inflation in Mexico in the first fortnight of 2015 declined by 19bps, taking the yoy rate of inflation to 3.08% and core inflation to 2.43% yoy
- **Costa Rica:** The outlook on Costa Rica's sovereign debt was downgraded to negative by Fitch, which maintained its BB+ rating. The downgrades of Costa Rica by ratings agencies are not hugely surprising to the market. Costa Rica's fiscal position is weakening, but from a position of considerable strength.
- **Sri Lanka:** The new Sri Lankan government has said it will maintain project funding by China. The closeness between China and the outgoing Sri Lankan administration raised questions about future relations with China
- **South Africa:** South African inflation in December declined to 5.3% yoy from 5.8% in November. With exception of a few seriously mismanaged EM economies, the majority of EM countries are experiencing major improvements in inflation as a consequence of the fall in oil prices. The effect of oil prices on inflation will prove temporary; the commitment of most EM central banks to low inflation is likely to persist, however.
- **Yemen:** The Prime Minister, Abed Rabbo Mansour Hadi, resigned last week after being pressured to make concessions to the Shia rebels, known as Houthis. Shia rebels seized the capital in September.

Global backdrop

In Greece, SYRIZA won the election. This may finally bring some rationality to Greece. After all, Greece's debt burden has been unsustainable for a long time, even after the earlier default in 2011. It has taken this long for anyone to call Greece's debt problem by its proper name: unsustainable. Uncertainty about how Greece will manage both to remain in the EUR and to renege on the terms of its bailout will likely weigh on the EUR for a while. Meanwhile, the ECB has conditioned purchases of Greek bonds under its QE program on a commitment by the new government to adhere to a future adjustment program. Between the choice of leaving the Eurozone or staying within it while carrying a completely unsustainable debt burden, we think another messy compromise seems likely. After all, Europe is so good at that.

ECB QE came just as European data is improving. In fact, the improvement has been evident for some time in other indicators including rising core inflation. In the past week, manufacturing firmed. The January flash PMI print for the Eurozone rose to 52.2 versus 51.7 expected and 51.4 in December. Consumer confidence also improved. In January, the European consumer confidence index rose 2.4 points from the level recorded in December. The ECB's quarterly lending survey also pointed to progress in the credit markets for the third quarter in a row.

The higher frequency US data has been rather disappointing at the margin of late. For example, US Markit PMI fell marginally from last month and undershot expectations. Underlying US trend growth is still weak, particularly taking into account the extremely easy monetary conditions. Quarter on quarter headline economic growth rates can best be described as volatile. However, one area that has been improving of late is housing. Housing starts were strong and Federal Housing Finance Agency house prices rose 0.8% in November versus 0.3% expected. Since mid-2013, US mortgage rates have fallen from more than 4.6% to just 3.8%, closely matching the decline in the 30-year US Treasury yield. All good, but it does leave the housing market vulnerable to panic reversals in the US treasury market. Recall that mortgage rates jumped by more than 100bps in mid-2013 following then Fed President Ben Bernanke's tapering announcement; the pain was instant – mortgage applications declined by 65% and Bernanke was forced to cancel tapering. This is what happens when the sleeping elephant wakes up.

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Global backdrop

Emerging Markets	Month to date	Year to date	1 year	3 years	5 years
MSCI EM	3.7%	3.7%	5.5%	2.6%	3.4%
MSCI EM Small Cap	2.1%	2.1%	3.7%	6.1%	3.5%
MSCI FM	-2.9%	-2.9%	0.2%	12.4%	7.1%
S&P 500	-0.26%	-0.26%	14.53%	18.44%	15.84%
GBI EM GD	1.98%	1.98%	-1.53%	-0.93%	2.92%
ELMI+	-1.14%	-1.14%	-6.81%	-2.09%	-0.63%
EM spot FX	-1.13%	-1.13%	-11.67%	NA	NA
EMBI GD	0.92%	0.92%	8.16%	6.27%	7.62%
EMBI GD IG	1.58%	1.58%	10.81%	5.77%	7.03%
EMBI GD HY	-0.29%	-0.29%	3.60%	7.02%	8.44%
5 year UST	1.69%	1.69%	4.22%	1.63%	3.69%
7 year UST	2.47%	2.47%	7.80%	2.81%	5.54%
10 year UST	3.43%	3.43%	13.03%	4.57%	7.18%
CEMBI BD	0.65%	0.65%	4.85%	6.02%	6.46%
CEMBI BD HG	1.42%	1.42%	7.72%	6.31%	6.73%
CEMBI BD HY	-1.02%	-1.02%	-1.01%	5.71%	6.13%
US HY	0.15%	0.15%	1.18%	7.84%	9.05%
European HY	1.24%	1.24%	5.79%	14.01%	11.79%
Barclays Agg	-0.51%	-0.51%	-0.80%	0.44%	2.33%

Source: Bloomberg, total returns. Figures for more than one year are annualised.

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