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WEEKLY INVESTOR RESEARCH

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USD weakness, JPY strength and more EM outperformance

By Gustavo Medeiros and Ben Underhill

- A US Treasury request for a USDJPY offer led to a sharp strengthening of the Yen.
- US inflation data continued to lean benign.
- The US, Ukraine and Russia held tripartite discussions.
- India to slash tariffs on EU cars, a precedent for a broader trade deal.
- Colombia's pension fund reform could lead to significant capital repatriation, if passed.
- Colombian leftist candidate Iván Cepeda leads voter preferences for May's presidential election in a run-off scenario, but by less than 6%.
- Chile's next finance minister has plans to eliminate the structural fiscal deficit by 2029.
- Romania's 2025 budget deficit narrowed, undershooting its target by 1% of GDP.
- Gabon reopened talks with the IMF after a two-year suspension.
- Fitch raised Türkiye's 'BB-' credit rating outlook to positive.

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Last Week Performance and Comments

EM Debt	Yield	Change (bp)	Spread	5 day Change
GBI-EM GD	5.88%	-1	–	1.2%
GBI-EM FX Spot	–	–	–	1.0%
ELMI+	5.47%	-26	–	0.9%
EMBI GD	6.78%	0	251 bps	0.3%
EMBI GD ex-default	6.24%	-3	197 bps	0.3%
EMBI GD IG	5.40%	1	103 bps	0.0%
EMBI GD HY	8.40%	-7	423 bps	0.5%
EMBI HY ex-default	7.07%	-8	290 bps	0.5%
CEMBI BD	6.34%	1	226 bps	0.1%
CEMBI BD IG	5.29%	1	122 bps	0.0%
CEMBI BD HY	7.80%	0	371 bps	0.2%

EM Equity*	PE 1yr BF	5 day Change
MSCI EM	13.4	1.1%
MSCI EM ex-China	13.8	1.7%
MSCI EMEA	11.4	2.9%
MSCI Latam	11.9	7.6%
MSCI EM Asia	14.0	0.3%
MSCI China	12.4	-0.5%
MSCI India	20.6	-4.1%
MSCI EM Growth	16.5	0.8%
MSCI EM Value	11.2	1.4%
MSCI EM Small Cap	14.6	1.1%
MSCI Frontier	11.1	0.4%

Comments

- EM local currency sovereign bonds returned 1.2%, mostly FX driven.
- EM USD sovereign bonds returned 0.3%, corporate bonds rose 0.2%.
- EM Equities (MSCI EM) outperformed DM and global stocks for another week, led by LATAM.

Global Debt	Yield	Change (bp)	Spread	5 day Change
2yr UST	3.58%	1	–	0.1%
5yr UST	3.81%	1	–	0.1%
10yr UST	4.20%	0	–	0.0%
30yr UST	4.80%	-1	–	0.1%
10yr Germany	2.88%	7	–	-0.9%
10yr Japan	2.24%	-1	–	-1.7%
Global Agg.***	3.56%	2	26 bps	0.5%
US Agg. IG***	4.85%	-1	68 bps	0.1%
EU Agg. IG***	3.21%	1	60 bps	-0.1%
US Corp HY***	6.62%	5	256 bps	0.1%
EU Corp HY***	5.67%	-4	264 bps	0.1%

Global Backdrop*	PE 1yr BF	5 day Change
MSCI ACWI	19.0	-0.1%
MSCI World (DM)	20.1	-0.2%
S&P 500	22.0	-0.4%
VIX Fut.**	19.1%	2.5%
DXY Index**	97.0	-2.4%
EUR*	1.19	2.1%
JPY*	154.8	2.3%
CRY Index**	312.2	3.5%
Brent**	65.7	2.7%
Gold**	5,028	7.5%
Bitcoin**	86,442	-1.6%

Comments

- UST yields were little changed on the week.
- US stocks fell 0.4%, driven by consumer discretionary and banks after results.
- Gold gained on rising geopolitical tensions between the US and Europe over Greenland.

Source & Notations: See end of document.

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Global Macro

Last Friday, the US Treasury reportedly called dealers to ask for a quote to sell USDJPY but did not transact. Even so, the Yen strengthened sharply in thin liquidity on the headline, underscoring how quickly FX can gap when positioning is crowded and depth is poor. The move followed a week of more pointed messaging, with US Treasury Scott Bessent highlighting the one-sided nature of recent USDJPY moves at the US-Japan Finance Ministers' meeting, Japanese authorities stepping up "verbal intervention" as spot approached 160, and Prime Minister Sanae Takaichi warning that Japan would take "all necessary measures" against speculative and "highly abnormal" movements.

The clear signal is that policymakers are now leaning more firmly against further disorderly JPY weakness, and that signalling alone can catalyse a positioning-led adjustment. We have argued that the scale of recent Yen weakness has not been well supported by macro fundamentals. Japan's monetary policy is on a path to normalising, and yield differentials between US and Japanese government bonds are narrowing quickly. We continue to think that a 'tight monetary, loose fiscal' mix in 2026 is more likely to deliver a sustained appreciation in the Yen if uncertainty around the scale and composition of fiscal expansion under Takaichi's government recedes and the market can price a more stable policy regime that does not materially raise medium-term debt sustainability concerns.

Despite the Yen's role as a funding currency for some risk-on carry trades, including in emerging markets (EM), this bout of JPY strength has not translated into a meaningful increase in broader market volatility. In our view, accommodative and easing global financing conditions – underpinned by a soft USD, falling global rates, and supportive liquidity conditions – are providing a strong buffer for EM assets and risk assets more broadly. EM continues to outperform, particularly equities, while EMFX remains well supported. Elevated hard currency bond issuance in recent weeks is being met with robust demand – consistent with investors remaining comfortable taking risk.

In North America, tariff headlines have returned but look more like negotiating leverage than a material macro shock. President Donald Trump threatened a "100% tariff" on Canadian goods if Canada deepens trade ties with China, but it remains unclear how such a measure would be implemented and whether it would apply to US-Mexico-Canada Agreement (USMCA)-compliant trade. The current tariff structure has tended to concentrate the impact on non-USMCA-compliant goods, which helps explain why Canada's effective tariff rate has stayed relatively low. The base case remains that US re-shoring priorities and supply-chain realities keep Mexico integral and limit the probability of a broad, lasting disruption to USMCA trade flows. Trump's low approval ratings also make it less likely he will implement policies that could have a materially negative impact on inflation or his supporter base's 401ks, especially with mid-terms elections are increasingly in focus.

US inflation data have continued to lean benign, with consumer price index (CPI) inflation surprising to the downside again and the 'Truflation' daily index falling to around 1.2% last week. The tension is that softer inflation signals are coexisting with a firmer long end, which looks more like term premium and fiscal risk than a pure inflation story, although some investors also point to the possibility that artificial intelligence (AI)-driven investment could reintroduce inflation pressure later in the cycle. For now, jobless claims remain subdued, but if the labour market were to weaken meaningfully before any reflation impulse arrives, the path of policy rates would likely need to reprice lower and faster than currently discounted.

The Bank of America Merrill Lynch Fund Manager Survey points to record-low cash levels, the most bullish stance since 2021, and high expectations for global profits, still led by tech even as breadth is improving with policy rates falling. Historically, yields have tended to rise in the three months following US Federal Reserve (Fed) Chair transitions since 1970, yet US Treasury volatility is near multi-year lows, suggesting markets are comfortable that policymakers will not tolerate an uncontrolled rise in long-end yields. In this setup, the most reliable signals to de-risk remain higher yields and disappointment in tech profitability, because both would challenge the two key pillars supporting current optimism: rate relief and earnings confidence.

Geopolitics: Trump withdrew the threats he made last week to impose tariffs on several European countries and to use military force in relation to Greenland, shifting the narrative towards negotiation and Arctic security rather than immediate economic or military escalation. The episode still looks consistent with a familiar pattern in which high-profile threats are deployed to create leverage and urgency, before being softened once talks begin. Trump has now entered discussions with NATO Secretary General Mark Rutte on what he described as a "framework of a future deal" between the US and NATO on Greenland, though he has also stressed that there is only a "concept of a deal" at this stage. As a result, the likely shape, sequencing and enforceability of any agreement remain unclear, and any outcome would need to reflect the collective interests of NATO allies rather than disproportionately advancing US priorities.

Global Macro (continued)

Market conditions have stabilised relative to the volatility seen last week. The S&P 500 has recovered most of its losses and 10-year US Treasury yields have fallen, suggesting that investors have treated the rapid backtrack as a de-escalation signal and that European investor appetite for US securities has, at least for now, remained intact. At the same time, the broader deterioration in transatlantic political tone continues to support the European defence sector, where recent gains appear increasingly tied to expectations of sustained rearmament and higher security spending.

NATO messaging has emphasised that allied discussions will focus on Arctic security through collective action among the seven Arctic Allies (US, Canada, Denmark, Norway, Sweden, Finland and Iceland), reinforcing the need for balance in the region. European leaders have broadly echoed support for strengthening Arctic security against Russia and China, while reiterating that Denmark and Greenland should be able to rely on European solidarity as the parameters of any framework are tested.

Ukraine: On Saturday, US officials said that tripartite discussions between the US, Ukraine and Russia for a ceasefire in Ukraine were constructive, even though no deal was finalised. It was the first discussion between the parties since the beginning of the war, four years ago. The countries agreed to meet again next Sunday to continue negotiations, according to anonymous sources.

US officials said discussions over security protocols – a top priority for Ukrainians who have voiced concern over Russian President Vladimir Putin potentially launching another invasion – are very advanced and that a framework has been reviewed by NATO and other European countries.

Ukraine's President Volodymyr Zelenskyy, who also called the trilateral talks "constructive", has said the thorniest issues are control over territory in eastern Ukraine and the fate of the Zaporizhzhia nuclear power plant, which Russian forces seized in the first days of the war.

US officials said on Saturday that a final framework had not been agreed on the fate of the plant, but said the sharing of the power produced by the plant will be a critical part of any agreement reached. The officials did not provide details on the negotiations over territories.

Oil, Iran: Last Thursday, Trump said aboard Air Force One that the US was moving warships toward Iran "just in case" he wants to take action. "We have a massive fleet heading in that direction and maybe we won't have to use it." In a *Wall Street Journal* piece on Tuesday, Iran's Minister of Foreign Affairs Abbas Araghchi said Tehran would be "firing back with everything we have" if attacked. "An all-out confrontation will certainly be ferocious and drag on far, far longer than the fantasy timelines that Israel and its proxies are trying to peddle to the White House", he said. Brent oil continued to rise last week in reflection of rising supply risks, now at USD 66 a barrel.

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EM Asia

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	GDP (YoY)	4Q	4.5%	4.5%	4.8%	• China GDP slowed as expected in Q4, but acclerating exports keeping headline growth supported, with annual GDP for 2025 meeting 5% target.
	GDP YTD (YoY)	4Q	5.0%	5.0%	5.2%	
	GDP SA (QoQ)	4Q	1.2%	1.1%	1.1%	
	Retail Sales (YoY)	Dec	0.9%	1.0%	1.3%	• Retail sales growth continued to slow in December, highlighting potential need for policy stimulus in 1H 2026 to keep domestic consumption afloat.
	Retail Sales YTD (YoY)	Dec	3.7%	–	4.0%	
	Industrial Production (YoY)	Dec	5.2%	5.0%	4.8%	
	Industrial Production YTD (YoY)	Dec	5.9%	–	6.0%	• With capex continuing to slide, China is introducing further subsidies to encourage upgrades of equipment.
	Fixed Assets Ex Rural YTD (YoY)	Dec	-3.8%	-3.1%	-2.6%	
Indonesia	BI-Rate	21-Jan	4.75%	4.75%	4.75%	• Vulnerable currency currently taking priority in BI's policy, with another hold.
Malaysia	CPI (YoY)	Dec	1.6%	1.4%	1.4%	• Even with inflation now comfortably under target, central bank likely to keep policy rate on hold while growth remains strong, with electronics exports still surging and boosting broader economy.
	Exports (YoY)	Dec	10.4%	2.5%	7.0%	
	Foreign Reserves (USD)	15-Jan	125.6bn	–	125.5bn	
	BNM Overnight Policy Rate	22-Jan	2.75%	2.75%	2.75%	
South Korea	PPI (YoY)	Dec	1.9%	–	1.9%	• Growth dip a surprise, due to pullback in domestic demand, underscoring tension for policymakers whose options to stimulate growth are constrained by weak FX.
	GDP SA (QoQ)	4Q A	-0.3%	0.2%	1.3%	
	GDP (YoY)	4Q A	1.5%	1.8%	1.8%	
Taiwan	Export Orders (YoY)	Dec	43.8%	35.5%	39.5%	• Export orders rise to fastest pace since 2021 on AI demand, continually blowing past analysts' estimates.
	Unemployment Rate	Dec	3.4%	3.4%	3.4%	
	Industrial Production (YoY)	Dec	21.6%	12.0%	15.8%	
Thailand	Customs Exports (YoY)	Dec	16.8%	8.0%	7.1%	
	Customs Imports (YoY)	Dec	18.8%	15.0%	17.6%	

Source information is at the end of the document.

Commentary

China: China's military accused its top General, Zhang Youxia, of undermining the command authority of President Xi Jinping, suggesting the Chinese leader was behind investigations of Zhang Youxia, rather than just charges of corruption.

According to an editorial published in the military's official newspaper *PLA Daily* on Sunday, Zhang, who is Vice Chair of the Central Military Commission (CMC), and Liu Zhenli, another CMC member and the People's Liberation Army's Chief of Staff, had "severely trampled on and damaged the chairman responsibility system". The editorial added the two generals had "seriously abetted political and corruption problems that affect the [Communist] party's absolute leadership over the military and endanger the foundation of the party's rule".

India: India plans to slash tariffs on cars imported from the EU from as high as 110%, to 40%, sources said, in the biggest opening yet of the country's vast market as the two sides close in on a free trade pact that could be announced as early as Tuesday. Prime Minister Narendra Modi's government has agreed to immediately reduce the tax on a limited number of cars from the 27-nation bloc with an import price of more than EUR 15,000 (USD 17,739), two sources told Reuters.

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EM Asia (continued)

Kazakhstan: President Kassym-Jomart Tokayev proposed constitutional reforms, including introducing a vice-presidential post and reshaping parliament into a single chamber. While framed as institutional strengthening, the changes raise longer-term questions around the country's power balance and succession ahead of 2029. Near-term policy continuity remains intact, limiting immediate market implications for FX or sovereign risk.

Malaysia: Government data showed that 71% of approved manufacturing foreign direct investment (FDI) between January 2022 and September 2025 has been realised, confirming strong execution capacity rather than merely headline investment pledges. This reinforces confidence in Malaysia's medium-term growth outlook, supports the currency through stable inflows, and remains constructive for domestic equities, particularly in manufacturing and supply-chain-linked sectors.

Pakistan: Fitch affirmed Pakistan's 'B-/stable' sovereign rating and assigned a Recovery Rating of RR4, indicating average recovery prospects in the event of default on its external debt. The action signals near-term financing stability rather than structural improvement, with continued reliance on multilateral support. While the government has reiterated its intention to re-enter international bond markets, access is likely to be deferred until financing conditions and credit metrics improve sufficiently to support demand and pricing. The RR4 assessment reinforces Pakistan's status as a high-beta credit, leaving market sentiment highly sensitive to International Monetary Fund (IMF) programme adherence and broader global risk conditions.

South Korea: Policy announcements over the week focused on boosting domestic capital market depth and encouraging repatriation of overseas investment. Authorities introduced capital gains tax exemptions on foreign equity repatriation and additional tax incentives for investment in the National Growth Fund and domestic stocks. These measures coincided with a rise in average daily FX turnover to USD 80.7bn in 2025, underscoring improving market liquidity. The policy mix is supportive for equities and reinforces Korea's positioning as a deep, liquid EM market, with only marginal implications for the FX outlook.

Vietnam: The Party Congress reaffirmed policy continuity and an outward-oriented development strategy centred on industrial upgrading, infrastructure expansion, and deeper integration into global manufacturing and technology supply chains. The medium-term growth agenda reinforces Vietnam's positioning as a key beneficiary of supply-chain reallocation, supporting sustained capital formation and export-led expansion. On the external side, a sharp narrowing of the financial account deficit reflects resilient fundamentals: net FDI inflows remained robust at USD 5.38bn, underscoring continued investor confidence, even as portfolio outflows of USD 2.48bn highlight near-term pressure on equity markets. Corporate and financial-sector external deleveraging further weighed on flows, but overall external resilience and policy stability continue to support a constructive backdrop for long-horizon FDI and manufacturing-linked equity exposure, with limited political or execution risk relative to regional peers.

Latin America

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	Trade Balance (USD)	Dec	1,892m	1,450m	2,535m	• Weak activity reflecting structural softness in sectors such as manufacturing.
	Economic Activity Index (YoY)	Nov	-0.3%	2.0%	3.2%	
	Economic Activity Index (MoM)	Nov	-0.3%	–	-0.4%	
Brazil	FGV CPI IPC-S	22-Jan	0.5%	–	0.4%	
Colombia	Trade Balance (USD)	Nov	-1,550.4m	-1,600.0m	-1,914.5m	
	Retail Sales (YoY)	Nov	–	8.2%	10.0%	
	Manufacturing Production (YoY)	Nov	–	1.9%	1.9%	
Mexico	International Reserves Weekly (USD)	16-Jan	253,224m	–	252,564m	• Retail sales continue upwards trend, above all estimates in November.
	Retail Sales (YoY)	Nov	4.4%	2.8%	3.4%	
	Bi-Weekly CPI	15-Jan	0.3%	0.4%	0.0%	
	Bi-Weekly Core CPI	15-Jan	0.4%	0.5%	0.0%	
	Bi-Weekly CPI (YoY)	15-Jan	3.8%	3.9%	3.7%	
	Economic Activity IGAE (YoY)	Nov	-0.1%	1.2%	1.8%	

Source information is at the end of the document.

Commentary

Argentina: President Javier Milei reiterated that alignment with the US on geopolitical issues does not constrain Argentina's pursuit of freer trade with China, the EU, and other partners. The comments aim to reassure investors that ideological positioning will not override economic pragmatism. Markets remain focused on domestic reform delivery, with foreign policy posing limited near-term risk to asset pricing.

Brazil: Fiscal concerns intensified after the federal audit court warned that off-budget mechanisms risk creating a parallel budget, undermining transparency and fiscal credibility. Recent polling shows that President Lula remains the frontrunner in this year's election, though his lead over Flávio Bolsonaro has narrowed materially, reinforcing expectations of a polarised and potentially tight runoff.

Colombia: The government just published a draft decree introducing a 30% cap on foreign investments by mandatory local pension funds. The decree has a temporary 35% ceiling during a transition period and a five-year adjustment. Pension funds had about 50% of their assets abroad in late 2025. Wealth management firm Larrain Vial said the decree could lead to the repatriation of COP 125-250trn (USD ~34-68bn).

The long implementation timeline suggests that asset reallocation will likely be gradual. Many market participants expect a future president to raise foreign investment limits again. However, Larrain Vial argues that the next government may lack the incentive to do so, as keeping pension assets onshore would help contain domestic yields. In equities, pension funds are close to regulatory limits in most index constituents, implying limited direct buying and a higher likelihood that incremental allocations would come via investment funds. Therefore, local bonds are more likely to benefit from initial flows, also due to the high nominal and real yields they currently trade.

The Colombian decree process begins with a draft published for public consultation, during which market participants, trade associations, and the public may submit comments that must be reviewed and addressed. Then the decree is formally expedited and enters into force upon publication, unless a different effective date is specified. After issued, the decree may be challenged through administrative and constitutional lawsuits, including annulment actions before the

Latin America (continued)

Council of State or constitutional claims if fundamental rights are alleged to be affected. Courts may suspend or overturn the decree in whole or in part, and future governments may also amend or repeal it through subsequent regulatory acts.

A new poll by Guarumo y Ecoanalitica, with 245 people polled in person in 83 municipalities of Colombia (implying a 1.8% margin of error), was released by the *El Tiempo* daily. Leftist Colombian senator Iván Cepeda would get 33.6% of votes in this year's presidential election. Right-wing candidate Abelardo De la Espriella has 18.2% support, and Centro Democrático Party's Paloma Valencia 6.9%. In a potential runoff scenario between Cepeda and De la Espriella, 39.4% would vote for Cepeda and 33.9% for De la Espriella, while 26.7% said they would not vote for either. In a runoff scenario between Cepeda and Valencia, 40% would vote for the leftist, 21.2% for the centrist and 38.8% would not vote for either. The poll was conducted from 14-22 January.

Chile: Incoming Finance Minister Jorge Quiroz indicated that USD 6bn in public spending cuts could happen over a longer period than the 18 months pledged during the campaign, as growth picks up. The new government needs 24 months to implement those spending reductions if economic growth accelerates from about 2.5% this year to 4.0% at the administration's end, public debt does not surpass 45% of GDP and officials achieve a structural fiscal balance, Quiroz told newspaper *El Mercurio* in an interview published on Sunday. Economic growth in H2 2026 will be dynamic as the government moves to unlock billions of dollars in pending investment projects, Quiroz told the newspaper. The labour market will strengthen in the following 12–24 months with the recovery of some 200,000 jobs, Quiroz said.

The administration has outlined a plan to eliminate the structural fiscal deficit by 2029, implying spending cuts of roughly USD 6bn and a renewed focus on fiscal discipline. While the commitment is bond-positive in principle, political feasibility remains uncertain, particularly where legislative approval is required. At the same time, the appointment of private sector figures to key economic roles, with limited party representation, signals a technocratic bias that may support policy execution and investor confidence. Markets are likely to await early implementation signals before repricing Chilean assets, with credibility hinging on delivery rather than stated ambition.

Dominican Republic: The World Bank commended the government's macroeconomic management and political stability, reinforcing the country's appeal as a lower-volatility EM allocation. It noted, however, that higher productivity growth will be required to return long-term growth rates of around 5%, highlighting the importance of sustained structural reform and investment over the medium term. The overall outlook remains supportive for bonds and FX, with limited near-term policy risk.

Ecuador: Trade tensions with Colombia escalated, with the government announcing a 30% tariff on Colombian imports from 1 February and additional reciprocal measures in energy trade. Disputes over fiscal arrears methodology highlighted transparency concerns in budget execution, with policy unpredictability continues to keep risk premiums of Ecuadorian assets elevated.

Mexico: Authorities acknowledged that changes to USMCA could emerge in the upcoming review, while domestic political developments included declining presidential approval ratings and renewed debate over US intervention against cartels. For markets, the nearshoring narrative remains intact, but sensitivity to US political developments and trade rhetoric remains the dominant driver for FX and equities.

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Central and Eastern Europe

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Republic	PPI Industrial (MoM)	Dec	-0.2%	0.0%	0.3%	
	PPI Industrial (YoY)	Dec	-2.1%	-1.9%	-1.3%	
Poland	Average Gross Wages (YoY)	Dec	8.6%	6.9%	7.1%	
	PPI (MoM)	Dec	-0.4%	-0.2%	0.1%	
	PPI (YoY)	Dec	-2.5%	-2.3%	-2.3%	
	Sold Industrial Output (YoY)	Dec	7.3%	3.0%	-1.1%	
Romania	Interest Rate Announcement	19-Jan	6.5%	6.5%	6.5%	• Central bank sees price growth slowing to 3.7% by end 2026.

Source information is at the end of the document.

Commentary

Romania: Fiscal dynamics improved materially as the 2025 budget deficit undershot its target by 1 percent of GDP, supported by stronger revenue collection and tighter spending discipline while preserving elevated investment. EU fund absorption accelerated sharply, reaching 23.3% of the 2021-27 allocation by December, reinforcing the investment outlook. The government is preparing a “realistic” 2026 budget targeting a deficit slightly above 6% of GDP, signalling a gradual consolidation path. Alongside this, the Council of Europe’s Group of States against Corruption (GRECO) urged further progress on anti-corruption safeguards, highlighting governance gaps that remain a medium-term consideration. Improved fiscal credibility is supportive for bonds and FX, even as institutional reform remains an area to watch.

Central Asia, Middle East & Africa

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Egypt	Trade Balance (USD)	Nov	-4,673.0m	–	2.0%	
South Africa	CPI (MoM)	Dec	0.2%	0.2%	-0.1%	• Inflation ticked up but outlook remains benign, unlikely to derail easing.
	CPI (YoY)	Dec	3.6%	3.6%	3.5%	
	CPI Core (MoM)	Dec	0.1%	0.2%	0.1%	
	CPI Core (YoY)	Dec	3.3%	3.4%	3.2%	
	Retail Sales (MoM)	Nov	0.6%	–	1.0%	• Retail sales picking up, signalling recovering demand.
	Retail Sales Constant (YoY)	Nov	3.5%	2.7%	3.0%	
Türkiye	Real Sector Confidence NSA	Jan	101.6	–	100.8	• Cutting cycle continues, but slower pace than expected.
	Capacity Utilisation	Jan	74.1%	–	74.4%	
	One-Week Repo Rate	22-Jan	37.0%	36.5%	38.0%	

Source information is at the end of the document.

Commentary

Egypt: The current account deficit narrowed by 45% year-on-year to USD 3.2bn in Q3 2025, driven by strong tourism, rising remittances, and improving non-oil exports following the March 2024 FX reform. Despite weak Suez Canal revenues and large interest outflows linked to portfolio inflows, Egypt has shown resilience to recent global and regional shocks. The recent 12-day war in Iran triggered only a short-lived sell-off, with limited overall impact on capital flows or macro stability. Portfolio inflows remain substantial, supporting reserves but increasing exposure to shifts in global risk sentiment. Separately, President Abdel Fattah El-Sisi accepted an invitation to join a US-led Gaza Peace Board, a move with limited immediate market relevance.

Gabon: Authorities ordered the repatriation of USD 270m from oil restoration funds to bolster Bank of Central African States (BEAC) FX reserves and reopened talks with the IMF after a two-year suspension. The moves signal a shift toward orthodox macro management and near-term external stabilisation, though a new IMF programme is likely to require tighter fiscal policy with potential social implications.

Nigeria: President Bola Tinubu approved targeted incentives for Shell's proposed USD 20bn Bonga South West deep-offshore project, designed to attract investment while protecting government revenues. The project is expected to reach final investment decision during Tinubu's first term, reinforcing Nigeria's investor-friendly energy stance and supporting medium-term FX inflows, subject to execution.

Saudi Arabia: Crude exports rose 3.9% mom to 7.4m barrels per day (bpd) in November as refinery intake declined after the summer season associated with a domestic demand surge, freeing more volumes for export. Increased supply has coincided with weaker prices, with Arab Light falling to USD 63/bbl in December. Fitch affirmed the 'A+/stable' rating, citing strong fiscal buffers and net foreign assets, while flagging a gradual widening of the current account deficit due to high domestic spending. The outlook remains credit-positive, though oil price dynamics weigh on revenue expectations.

Türkiye: Fitch raised Türkiye's 'BB-' credit rating outlook to positive, while Moody's kept its 'Ba3' rating stable. Fitch said: "The Outlook revision reflects a further reduction in external vulnerabilities from a faster-than-expected rise in foreign-exchange (FX) reserves since we upgraded the rating in September 2024, improved quality of reserves, fall in FX contingent liabilities, continuation of tight macroeconomic policies and some reduction in the risk of marked policy

Central Asia, Middle East & Africa (continued)

loosening. The ratings are supported by Türkiye's large and diversified economy, low government debt and record of sustaining access to external financing, but are constrained by its record of high inflation, repeated periods of political interference in monetary policy and unorthodox policy, recurrent external crises and weak governance."

Zambia: Copper output fell sharply in November due to heavy rains and power constraints, complicating efforts to meet the 2025 production target. To manage a heavy 2026 debt-servicing schedule, the central bank raised the foreign investor cap on local-currency bonds to 23% from 5%, aiming to support rollover, compress yields, and stabilise the Kwacha. While supportive in the near term, the strategy increases exposure to shifts in global risk sentiment as Zambia approaches an election cycle.

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Developed Markets

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Eurozone	CPI (YoY)	Dec F	1.9%	2.0%	2.0%	• CPI dropped below target, however core inflation still running at 2.3%, reflecting lingering higher services inflation.
	CPI (MoM)	Dec F	0.2%	0.2%	0.2%	
	CPI Core (YoY)	Dec F	2.3%	2.3%	2.3%	
	ZEW Survey Expectations	Jan	40.8	–	33.7	
	Consumer Confidence	Jan P	-12.4	-13	-13.2	
Japan	Industrial Production (MoM)	Nov F	-2.7%	–	-2.6%	• CPI cooled sharply due to subsidy effects, but underlying inflation pressure remains with wage growth robust and persistent weak yen. Should keep BOJ on cautious hiking path.
	Tertiary Industry Index (MoM)	Nov	-0.2%	0.0%	0.9%	
	Natl CPI (YoY)	Dec	2.1%	2.2%	2.9%	
	Natl CPI Ex Fresh Food (YoY)	Dec	2.4%	2.4%	3.0%	
	BOJ Target Rate	23-Jan	0.75%	0.75%	0.75%	
UK	Average Weekly Earnings 3M/(YoY)	Nov	4.7%	4.6%	4.8%	• CPI rise likely to be shortlived, driven by volatile components, however services inflation still at 4.5%
	ILO Unemployment Rate 3Mths	Nov	5.1%	5.1%	5.1%	
	Claimant Count Rate	Dec	4.4%	–	4.3%	
	Jobless Claims Change	Dec	17.9k	–	-3.3k	
	CPI (MoM)	Dec	0.4%	0.4%	-0.2%	
	CPI (YoY)	Dec	3.4%	3.3%	3.2%	
	CPI Core (YoY)	Dec	3.2%	3.3%	3.2%	
	RPI (MoM)	Dec	0.7%	0.6%	-0.4%	
	RPI (YoY)	Dec	4.2%	4.1%	1306k	
	Retail Sales Inc Auto Fuel (MoM)	Dec	0.4%	0.0%	-0.1%	
	Retail Sales Inc Auto Fuel (YoY)	Dec	2.5%	1.1%	1.8%	
	Retail Sales Ex Auto Fuel (MoM)	Dec	0.3%	0.0%	-0.4%	
	Retail Sales Ex Auto Fuel (YoY)	Dec	3.1%	1.7%	2.6%	
United States	MBA Mortgage Applications	16-Jan	14.1%	–	28.5%	• 3Q GDP rose faster than expected, with most of the uptick coming from stronger net exports and investment. Consumer spending remains resilient, although reflecting the 'K shaped' dynamic, with higher income households driving most of the consumption.
	Construction Spending (MoM)	Sep	-0.6%	0.1%	0.4%	
	Pending Home Sales (MoM)	Dec	-9.3%	-0.3%	3.3%	
	Construction Spending (MoM)	Oct	0.5%	0.1%	-0.6%	
	GDP Annualised (QoQ)	3Q T	4.4%	4.3%	4.3%	
	Personal Consumption	3Q T	3.5%	3.5%	3.5%	
	GDP Price Index	3Q T	3.8%	3.8%	3.8%	
	Core PCE Price Index (QoQ)	3Q T	2.9%	2.9%	2.9%	
	Initial Jobless Claims	17-Jan	200k	209k	199k	
	Continuing Claims	10-Jan	1,849k	1,890k	1,875k	
	Personal Spending	Oct	0.5%	0.3%	0.4%	
	Personal Income	Oct	0.1%	0.4%	0.4%	

Source information is at the end of the document.

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Developed Markets (continued)

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
United States	PCE Price Index (YoY)	Oct	2.7%	2.7%	2.8%	• US inflation gauges continue to show disinflation trends, even with core goods inflation continuing to tick up due to tariffs.
	Core PCE Price Index (MoM)	Oct	0.2%	0.2%	0.2%	
	Core PCE Price Index (YoY)	Oct	2.7%	2.7%	2.8%	
	Personal Income	Nov	0.3%	0.4%	0.1%	
	Personal Spending	Nov	0.5%	0.5%	0.5%	
	PCE Price Index (YoY)	Nov	2.8%	2.8%	2.7%	
	Core PCE Price Index (MoM)	Nov	0.2%	0.2%	0.2%	
	Core PCE Price Index (YoY)	Nov	2.8%	2.8%	2.7%	
	U. of Mich. Sentiment	Jan F	56.4	54.0	54.0	• Sentiment hit 5 month high, passing all estimates, personal finance optimism.

Source information is at the end of the document.

Commentary

United Kingdom: The Labour Party barred Greater Manchester Mayor Andy Burnham from contesting a seat in Parliament, stymieing a possible leadership challenge against Prime Minister Sir Keir Starmer. The party's National Executive Committee (NEC) barred Burham from running in the Gorton and Denton by-election to avoid an "unnecessary election" to replace him as mayor. *"The NEC believes that causing an unnecessary election for the position of Greater Manchester Mayor would have a substantial and disproportionate impact on party campaign resources"* the Labour statement said, citing the upcoming local elections across the UK in May.

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Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	6.9%	6.9%	6.9%	41.9%	15.8%	4.0%
MSCI EM ex-China	8.1%	8.1%	8.1%	42.9%	19.4%	8.8%
MSCI EMEA	8.1%	8.1%	8.1%	37.8%	16.0%	6.0%
MSCI Latam	14.0%	14.0%	14.0%	65.8%	16.9%	12.3%
MSCI Asia	6.0%	6.0%	6.0%	40.6%	15.2%	3.1%
MSCI China	3.9%	3.9%	3.9%	39.6%	8.4%	-4.6%
MSCI India	-6.3%	-6.3%	-6.3%	0.2%	8.4%	7.8%
MSCI EM Growth	6.8%	6.8%	6.8%	42.5%	15.5%	1.2%
MSCI EM Value	7.0%	7.0%	7.0%	41.2%	16.0%	7.0%
MSCI EM Small Cap	4.4%	4.4%	4.4%	26.5%	15.3%	8.6%
MSCI Frontier	4.0%	4.0%	4.0%	48.7%	21.1%	9.9%
GBI-EM-GD	1.4%	1.4%	1.4%	19.0%	8.5%	1.7%
GBI-EM China	0.6%	0.6%	0.6%	4.9%	3.2%	2.5%
EM FX spot	1.0%	1.0%	1.0%	8.4%	0.4%	-1.6%
ELMI+ (1-3m NDF)	0.8%	0.8%	0.8%	12.4%	6.0%	2.0%
EMBI GD	0.5%	0.5%	0.5%	14.1%	9.5%	2.1%
EMBI GD IG	-0.1%	-0.1%	-0.1%	10.3%	4.9%	-1.1%
EMBI GD HY	1.2%	1.2%	1.2%	18.0%	14.2%	5.6%
CEMBI BD	0.5%	0.5%	0.5%	9.0%	7.7%	2.6%
CEMBI BD IG	0.2%	0.2%	0.2%	8.5%	6.2%	1.1%
CEMBI BD HY	1.0%	1.0%	1.0%	9.6%	9.8%	4.7%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	2.3%	2.3%	2.3%	20.7%	19.1%	11.0%
MSCI World (DM)	1.7%	1.7%	1.7%	18.4%	19.5%	12.0%
S&P 500	1.1%	1.1%	1.1%	14.5%	21.5%	14.1%
DXY Index**	-1.1%	-1.1%	-1.1%	-9.5%	-1.5%	1.5%
EUR*	0.8%	0.8%	0.8%	10.6%	1.0%	-2.1%
JPY*	1.7%	1.7%	1.7%	-3.3%	-9.8%	-10.8%
CRY Index**	4.5%	4.5%	4.5%	0.8%	3.8%	12.2%
Brent**	8.1%	8.1%	8.1%	-16.2%	-9.1%	3.3%
Gold**	18.0%	18.0%	18.0%	85.9%	38.2%	22.5%
Bitcoin**	0.5%	0.5%	0.5%	-16%	56.3%	22.4%
1-3yr UST	0.0%	0.0%	0.0%	5.0%	4.3%	1.8%
3-5yr UST	-0.2%	-0.2%	-0.2%	6.5%	3.9%	0.6%
7-10yr UST	-0.4%	-0.4%	-0.4%	8.1%	2.6%	-1.5%
10yr+ UST	0.2%	0.2%	0.2%	6.7%	-1.0%	-6.5%
10yr+ Germany	-0.1%	-0.1%	-0.1%	-6.1%	-3.2%	-9.1%
10yr+ Japan	-3.5%	-3.5%	-3.5%	-16.0%	-7.9%	-7.0%
Global Agg.***	0.1%	0.1%	0.1%	8.4%	2.9%	-2.0%
US Agg. IG***	0.1%	0.1%	0.1%	7.5%	3.8%	-0.2%
EU Agg. IG***	0.4%	0.4%	0.4%	2.3%	2.9%	-2.0%
US Corp HY***	0.7%	0.7%	0.7%	8.2%	9.0%	4.5%
EU Corp HY***	0.8%	0.8%	0.8%	5.8%	8.1%	3.6%

Source and notations for all tables in this document: Source: Bloomberg, JP Morgan, Barclays, Merrill Lynch, Chicago Board Options Exchange, Thomson Reuters, MSCI. As at latest data available on publication date. *EMBI GD and EMBI GD HY Yield/Spread ex-default yields and spreads calculated by Ashmore. Defaulted EMBI securities includes: Ethiopia, Ghana, Lebanon, Sri Lanka, and Venezuela. **Price only. Does not include carry. ***Global Indices from Bloomberg. Price to Earnings: 12 months blended-forward. **Index Definitions:** **VIX Index:** Chicago Board Options Exchange SPX Volatility Index. **DXY Index:** The Dollar Index. **CRY Index:** Thomson Reuters/CoreCommodity CRM Commodity Index. 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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