Issued: 1 September 2026

WEEKLY INVESTOR RESEARCH

Ashmore

Bonds under pressure as Hormuz conflict flares up

By Gustavo Medeiros and Ben Underhill

- Global bond yields remain under pressure as Strait of Hormuz tensions flare.
- Competing duration narratives: Geopolitics and fiscal (inflationary) vs AI (disinflationary?).
- S&P affirmed India's 'BBB' rating with a stable outlook.
- Bank of Korea raised its base rate by 25bps to 3.0%.
- Vietnam's National Assembly approved an investment policy for a new National Target Program.
- Colombia projects a 9.4% deficit in the re-cast 2027 budget, a hangover from Petro's policies.
- Hungary raised its 2026 budget deficit target to 7.5% of GDP, against 3.7% in the budget law.
- Kazakhstan said oil production had returned to stable levels.
- The IMF reaffirmed its commitment to Zambia following the re-election of its president.

Contents	Page

Last Week Performance and Comments

EM Debt	Yield	Change (bp)	Spread	5 day Change
GBI-EM GD	6.33%	9	–	-0.9%
GBI-EM FX Spot	–	–	–	-0.6%
ELMI+	5.48%	30	–	-0.1%
EMBI GD	7.20%	-1	243 bps	0.2%
EMBI GD ex-default	6.68%	7	191 bps	0.2%
EMBI GD IG	5.90%	2	103 bps	0.0%
EMBI GD HY	8.61%	-5	392 bps	0.4%
EMBI HY ex-default	7.37%	11	268 bps	0.4%
CEMBI BD	6.72%	3	207 bps	0.0%
CEMBI BD IG	5.81%	4	116 bps	0.0%
CEMBI BD HY	8.03%	7	336 bps	0.0%

EM Equity*	PE 1yr BF	5 day Change
MSCI EM	9.9	1.5%
MSCI EM ex-China	9.8	1.6%
MSCI EMEA	10.7	-1.0%
MSCI Latam	9.6	0.3%
MSCI EM Asia	10.1	1.8%
MSCI China	10.6	1.1%
MSCI India	19.9	0.2%
MSCI EM Growth	11.1	1.2%
MSCI EM Value	8.9	1.7%
MSCI EM Small Cap	13.2	2.3%
MSCI Frontier	11.2	-0.2%

Comments

- EM equities rose 3.4% in August, led by Asia ex-India & China and EMEA; outperforming both MSCI ACWI and S&P 500 at 2.7%.
- EM LC and ED rose 0.9% outperforming the Global Agg at 0.5%; as EM FX rose 0.7% and HY outperformed IG.

Global Debt	Yield	Change (bp)	Spread	5 day Change
2yr UST	4.36%	18	–	-0.1%
5yr UST	4.52%	19	–	-0.2%
10yr UST	4.78%	15	–	-0.3%
30yr UST	5.27%	10	–	-0.1%
10yr Germany	3.32%	12	–	-0.7%
10yr Japan	2.99%	10	–	-0.8%
Global Agg.***	4.06%	5	28 bps	-0.3%
US Agg. IG***	5.49%	3	73 bps	-0.2%
EU Agg. IG***	3.87%	8	60 bps	-0.3%
US Corp HY***	7.27%	0	261 bps	0.2%
EU Corp HY***	6.40%	2	277 bps	0.1%

Global Backdrop*	PE 1yr BF	5 day Change
MSCI ACWI	16.8	0.4%
MSCI World (DM)	18.6	0.2%
S&P 500	19.5	0.4%
VIX Fut.**	16.6	-0.7%
DXY Index**	99.5	0.4%
EUR*	1.16	-0.4%
JPY*	159.9	0.4%
CRY Index**	410.6	1.9%
Brent**	91.3	-1.8%
Gold**	4,433	-4.6%
Bitcoin**	78,883	-0.5%

Comments

- Long-dated USTs (+0.8%) outperformed core bonds as Germany and Japan declined 1.4% and 1.5%, respectively
- The Dollar Index declined 0.5%, gold spiked 9.6% and Bitcoin surged 25%, but oil prices were unchanged.

Source & Notations: See end of document.

Ashmore

Global Macro

Global bond yields remained under pressure early in the week as renewed tensions in the Strait of Hormuz fanned inflation concerns. The yield on the 10-year Japanese Government Bond (JGB) rose above 3% for the first time since 1996 while 30-year US Treasury yields are at the widest since 2006. The US Treasury curve bear flattened after a perceived more hawkish tone from US Federal Reserve (Fed) Chair Kevin Warsh's speech at the Jackson Hole Economic Policy Symposium brought the odds of a 16 September rate hike to two-thirds, with two hikes fully priced by March 2027. We advocated for a single hike on Warsh's inaugural meeting in July, as it will be odd for the Fed to hike rates on moderating economic activity and inflation.

The data points likely to guide the Fed's decision will likely be this week's labour data, including Friday's non-farm payrolls (consensus 50k) and next week's consumer price index (CPI) inflation print (consensus unchanged at 3.4% yoy and core -0.1% to 2.4% yoy). Markets are pricing a 25 basis points (bps) hike by the Bank of Japan (BOJ) on 18 September, a move personally recommended by US Treasury Secretary Scott Bessent to Japan's Minister of Finance Satsuki Katayama and the BOJ Governor Kazuo Ueda on the sidelines of this week's G20 meeting taking place in North Carolina, according to Japanese broadcaster NHK.

September's rate decisions may offer some respite to the long end of the curve, but pressures may increase again in the run-up to the UK Budget on 28 October. Furthermore, the supply of investment grade (IG) bonds is likely to pick up again after the quiet summer period. Bank of America reported year-to-date (YTD) supply at USD 1.55trn, which is 37% above last year's with c. USD 200bn of additional US IG supply in September, in line with the YTD average.

However, the main pivotal event for bond prices remains the situation on the Strait of Hormuz. The dispute to control traffic led the US and Iran to exchange strikes for the first time since July. The US hit an island in the Strait and Iran responded with attacks on the UAE and Jordan. Increased flows through the Omani routes in recent weeks have helped contain the situation, but Iran have increased pressure on shipping through these lanes in recent days, hitting two oil super-tankers this morning.

Increasingly, the oil product most under pressure is diesel. Crack spreads (diesel price vs crude oil price) in the US remain over USD 100, and very elevated in Europe and Asia too. Continued constraints on diesel supply may soon feed through to global activity as diesel remains the world's most important fuel for logistics, impacting agriculture and industry.

Risks to food inflation also remain elevated. Harvests in the northern hemisphere so far have been poor, particularly in Europe due to an exceptionally dry and hot summer. Planting season is soon to begin across much of the southern hemisphere, where fertiliser stocks are low due to the Strait of Hormuz crisis and weather risks (namely droughts) from El Niño also lurk. Food prices make up far higher shares of inflation baskets in emerging markets (EM) than in developed markets (DM), so feed through to headline inflation rates more quickly – tending to lead headline CPI inflation by around six months.

Against this bearish narrative for bonds, Torsten Slok, Chief Economist at Apollo, suggested an interesting mental model favouring bonds. David Zervos, Chief Market Strategist at Jefferies has also continued to argue a similar point. Investors are worried about the long end of the yield curve because of concerns over fiscal issues and geopolitics feeding through inflation. However, over the medium term, the inflation dynamics will be dependent on AI's success. If AI does deliver the expected productivity gains, it will generate trillions of dollars in revenues, boosting tax receipts amidst services deflationary pressures. But if AI cannot deliver productivity gains for whatever reason – be it anti-data centre regulation, cybersecurity concerns or constraints on compute capacity affecting model quality – technology asset prices may correct. This would likely lead to a rotation from tech stocks to rates as a slowdown in consumer activity (wealth effect) and less financing for datacentres weakens GDP growth.

We continue to consider the more positive AI outcome as our base case, while staying vigilant around monitoring risks to the downside scenario. For now, NVIDIA's earnings last week confirmed the AI capex cycle is roaring on. The company reported above consensus revenues for Q2 and guidance for Q3 2027. Token consumption increased 24% week-on-week, surging 30x over the last year. This morning, the shares of Taiwan chip manufacturer MediaTek were up by 10% after NVIDIA announced USD 3.5bn investment, the largest investment outside of the US.

Ashmore

EM Asia

Economic data

Industrial production growth remains robust, including India.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
India	Industrial Production (YoY)	Jul	6.7%	6.0%	8.8%	Capital goods up 16.1%, non-durables down.
South Korea	Consumer Confidence	Aug	104.5	–	106.8	Sentiment and discretionary retail both cooling as the chip boom stays narrow.
	Department Store Sales (YoY)	Jul	17.9%	–	22.2%	
	BOK Base Rate	27-Aug	3.00%	3.00%	2.75%	Pre-emptive hike, 2026 growth seen at 3.3%.
Taiwan	Unemployment Rate	Jul	3.3%	3.3%	3.3%	
	Industrial Production (YoY)	Jul	25.6%	20.7%	22.6%	Computer and optical output up 95.6% yoy.
Thailand	BoT Benchmark Interest Rate	26-Aug	1.00%	1.00%	1.00%	Held, with policy space nearly exhausted.
	Customs Exports (YoY)	Jul	21.6%	17.8%	20.8%	Ministry lifted its 2026 export forecast to above 11% from 8% on AI and tech demand.
	Customs Imports (YoY)	Jul	36.7%	42.0%	50.3%	
	Gross International Reserves (USD)	21-Aug	284.7bn	–	280.9bn	

Source information is at the end of the document.

Commentary

India: S&P affirmed India's 'BBB' rating with a stable outlook and its short-term rating at A-2, keeping the sovereign one notch above the lowest IG tier, citing policy continuity and infrastructure spending against still-weak public finances. S&P sees growth slowing to 6.6% in FY27 from 7.7% in FY26 before recovering to around 7.2% in FY28, and with inflation near 5.1% in FY27. The ratings agency also warned that energy stress could threaten the FY27 deficit target of 4.3% of GDP. Separately, the Hormuz crisis added an estimated USD 22.5bn to India's fossil fuel import bill between March and August, the second-largest additional cost globally after China.

South Korea: The Bank of Korea (BOK) raised its base rate by 25bps to 3.0% on 27 August, the second consecutive hike and the first back-to-back move immediately after restarting a tightening cycle, with six of seven board members in favour. Inflation eased to 2.8% in July but stayed above the 2.0% target, while the BOK lifted its 2026 growth forecast to 3.3% and signalled a possible further hike. Finance Minister Koo Yun-cheol announced debt relief for small businesses that borrowed during the pandemic, and the government picked consortiums led by SK Telecom, KT and Kakao to run a free public AI service under its AI for All project.

Vietnam: The National Assembly approved the investment policy for a new National Target Program covering 2026-2035, with VND 808.6trn (USD 31bn) allocated to the first phase from 2026 to 2030. The consolidated programme spans rural modernisation, education, healthcare, poverty reduction and support for ethnic minority and mountainous areas, aiming to raise incomes, narrow regional development gaps and strengthen social welfare.

Latin America

Economic data

Brazil sees monthly deflation, with headline heading back towards 4%.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Brazil	FGV CPI IPC-S	22-Aug	-0.4%	–	-0.4%	
	IBGE Inflation IPCA-15 (MoM)	Aug	-0.4%	-0.3%	0.1%	Reinforces the case for cuts, with the real policy rate still close to 10%.
	IBGE Inflation IPCA-15 (YoY)	Aug	4.2%	4.3%	4.5%	
	Current Account Balance (USD)	Jul	-8,110m	-6,700m	-2,693m	Twelve-month gap at 2.49% of GDP, still covered by direct investment inflows.
	Foreign Direct Investment (USD)	Jul	7,460m	8,000m	9,075m	
	National Unemployment Rate	Jul	5.3%	5.3%	5.4%	
	Central Govt Budget Balance (BRL)	Jul	10.8bn	10.6bn	-47.9bn	Third largest July surplus since 1997, but the year to date deficit keeps widening.
	FGV Inflation IGPM (MoM)	Aug	-0.2%	-0.3%	-1.2%	
	FGV Inflation IGPM (YoY)	Aug	2.2%	2.1%	2.8%	
	Total Outstanding Loans (BRL)	Jul	7,372bn	–	7,353bn	
Chile	Unemployment Rate	Jul	9.5%	9.4%	9.4%	
Mexico	GDP NSA (YoY)	2Q F	2.1%	2.2%	2.2%	Banxico lifted its 2026 growth call to 1.5% from 1.1% on the back of this quarter.
	GDP SA (QoQ)	2Q F	1.4%	1.5%	1.5%	
	GDP Nominal (YoY)	2Q	6.3%	4.3%	3.4%	
	Bi-Weekly CPI (YoY)	15-Aug	3.3%	3.3%	3.1%	Sixth straight fortnight inside the band, but core sits at 3.93% on services. Banxico pushed its 3% date to Q4 2027.
	Bi-Weekly CPI	15-Aug	0.10%	0.13%	0.11%	
	Bi-Weekly Core CPI	15-Aug	0.08%	0.13%	0.12%	
	Current Account Balance (USD)	2Q	8,927m	3,859m	-15,878m	
	Unemployment Rate NSA	Jul	2.9%	3.0%	2.9%	
	Trade Balance (USD)	Jul	-8,47.5m	2,990.8m	4,059.5m	Deficit despite exports up 43.7% yoy.

Source information is at the end of the document.

Commentary

Argentina: The Lower House approved the Fiscal Innocence II bill by 139 to 110 and sent it to the Senate, expanding the simplified income tax regime to encourage formalisation of an estimated USD 170bn of informal savings held mostly in dollars. President Javier Milei said the central bank (BCRA) could deploy up to USD 15bn in currency futures, a record short, to defend the Peso before the 2027 elections. Milei also confirmed his re-election bid and expects an alliance between Freedom Advances and PRO. Separately, JPMorgan and Santander are structuring USD 14bn-16bn of project financing for an Argentine liquified natural gas (LNG) venture led by energy company YPF, with a final investment decision (FID) targeted for late November.

Brazil: Right-wing candidate Flavio Bolsonaro's economic adviser Adolfo Sachsida said Flavio would propose a public debt ceiling, triggering a spending cap once gross debt exceeded 65% of GDP, reviving a rule dropped when President Lula introduced his fiscal framework in 2023. Separately, the Lula administration is reportedly weighing a lower real minimum wage ceiling for social benefits than for active workers, a change sources say could save more than BRL 10bn a year, but which technicians warn may face constitutional hurdles. Both reinforce expectations of some fiscal adjustment in 2027 regardless of the election outcome. The key difference, in our view, is that Lula's announcement would have to be more severe to compensate from weaker credibility after his Labour Party's last three terms in power.

Ashmore

Latin America (continued)

Colombia: The Finance Ministry under the de la Espriella administration presented a recast 2027 budget that widens the projected central government deficit to 9.4% of GDP. This is 4.9% worse than the fiscal framework, with the primary deficit deteriorating to 4.5% from the Petro administration's 0.5% and debt service surging 54.7% to COP 155.4trn. The 2026 deficit was also revised up to 8.2% of GDP, with a planned COP 21.9trn adjustment aiming to cut it to 7.2%, as Treasury liquidity fell to a historic low of COP 16trn and gross debt topped 60% of GDP. The Ministry called the figures a "diagnosis" and promised a Fiscal Adjustment Law within weeks. Separately, the gas industry expects USD 1.0bn of investment in 2026 as falling output cements a structural shift to imported LNG.

Ecuador: A deterioration in Colombia's water conditions could curb its electricity exports to Ecuador during the low-water season as spot prices surge. Colombia resumed exports on 5 August at about 8.6 GWh a day, roughly 8% of Ecuador's demand, but faces a firm energy deficit of 3% to 4.4% and a 95% probability of a very strong El Niño between October and December. Peak spot prices on Colombia's exchange averaged about USD 0.34 per kWh in August against USD 0.08 at the start of the year, leaving Ecuador exposed to costlier alternatives if exports are cut.

Mexico: The Central Bank of Mexico (Banxico) upgraded its 2026 GDP forecast to 1.5% (from 1.1%), after stronger Q2 activity, but trimmed its 2027 projection to 2.0% and flagged downside risks to expansion including citing USMCA review uncertainty and geopolitical headwinds. Banxico held its Q4 26 CPI inflation projection at 3.5% (core lifted by 10bps to 3.5%) and expects to see convergence to the 3.0% target by Q2-27. Core inflation persistence, trade disruptions, eventual currency depreciation and supply shocks pose upside risks to the disinflation path.

President Claudia Sheinbaum and Economy Minister Marcelo Ebrard said the government expected a trade deal with the US despite the US-Canada dispute, with work under way to cut tariffs on steel, aluminium and vehicles. Ebrard described substantial agreements as close. The optimism suggests a bilateral deal rather than a USMCA ratification. The US-Canada feud should give Mexican exporters some relative competitiveness, though that edge may prove short-lived given volatile US tariff policy and doubts over the future of the USMCA.

Venezuela: Bloomberg reported the country is weighing an exit from OPEC as part of a deepening energy alignment with the US. Officials are said to have discussed the idea with US representatives, although no decision has been taken. An exit by the 1960 founding member would remove production quotas and help mainly US oil companies return, further weakening OPEC after the UAE's departure, though it would not change short-term supply given collapsed capacity. The move dovetails with reported US-Venezuela talks, aired by Axios, and then clarified on a fact sheet press release. The Venezuelan interim authorities granted private oil company North American Blue Energy Partners (NABEP) a 100-year concession on 17 oil fields containing 65 billion barrels of reserves in the Orinoco Belt. The area contains the majority of Venezuela's 300 billion barrels of proven oil reserves, mostly heavy, high-sulfur crude that is costly and technically challenging to transport and refine. After years of mismanagement, the area requires large-scale infrastructure rebuilding and billions of dollars in capital. NABEP has ambitious plans to invest USD 100bn in new oil infrastructure and is expected to pay USD 200bn of royalties and tax payments over the first 25 years as it scales production from 200k barrels to 1 million barrels of oil per day. NABEP has granted the US Department of Defence a 35% stake in its corporate parent. The US Department of State has the right to purchase 20% of production from current and future fields operated by NABEP, as well as the right of first refusal for the remaining 80% of production. The deal has come under criticism both by the Democrat Party and opposition in Venezuela on sovereignty and democratic concerns. Separately, OFAC updated eight Venezuela-related general licences for the oil, gas, mining and energy sectors, maintaining the current framework while barring joint operations with Russian, Chinese, Iranian, Cuban or North Korean entities.

Ashmore

Central and Eastern Europe

Economic data

Hungary cut rates again, diverging from regional peers.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czechia	GDP (QoQ)	2Q P	0.4%	0.4%	0.4%	A soft quarter confirmed. The question is whether consumption and investment held up.
	GDP (YoY)	2Q P	1.9%	2.0%	2.0%	
Hungary	Central Bank Rate Decision	25-Aug	5.50%	5.50%	5.75%	Fourth cut of 2026, easing against the regional grain as Czechia and Romania held.
	Trade Balance (EUR)	Jul	69m	–	1,173m	
Poland	Retail Sales (YoY)	Jul	5.3%	4.6%	6.8%	Held up despite fuel VAT reverting to 23% in July from a temporary 8% rate.
	Unemployment Rate	Jul	5.8%	5.9%	5.8%	
Russia	Industrial Production (YoY)	Jul	0.4%	-0.3%	0.7%	Mining fell and manufacturing barely grew.
	CPI WoW	24-Aug	0.01%	–	-0.02%	Weekly prints stalled near zero after a petrol spike from strikes on refineries.
	CPI Weekly YTD	24-Aug	4.68%	–	4.67%	
	Gold and Forex Reserve (USD)	21-Aug	761.2bn	–	755.6bn	

Source information is at the end of the document.

Commentary

Hungary: The government revised its 2026 budget deficit target from 3.7% to 7.5% of GDP after a review projected an 8.3% deficit without corrective action. It blamed weaker growth, poor procurement contracts and the previous Fidesz government's pre-election spending. The revision assumes 2.0% growth, down from 4.1% originally, and includes HUF 700bn of savings, initial social measures and a HUF 500bn disaster fund. Public debt is expected to rise temporarily to 77.5% of GDP at end-2026. Hungary was also reportedly on track to meet the milestones needed to draw EUR 10bn of EU recovery funds by the 31 August deadline, potentially unlocking a further EUR 6.4bn of cohesion funding. The government maintained its goal of joining the euro area in 2030.

Poland: The Civic Coalition (KO)-led government is set to fix the 2027 state budget deficit at PLN 282.6bn, a slight nominal rise from the PLN 271.7bn ceiling for 2026, with revenue up 7.4% and spending up 6.4%. It now targets a 2026 general government deficit of some 6.8% of GDP, with the 2027 general government gap likely little changed, though planned middle-class tax cuts depend on hikes that may not survive a presidential veto. Finance Minister Andrzej Domański said the energy transition would be a new growth engine as Poland seeks permanent G20 membership, ahead of G20 meetings in the US alongside National Bank of Poland Governor Adam Glapiński.

Romania: Interim Prime Minister Ilie Bolojan said his centre-right PNL Party would not participate in any government including the centre-left PSD, and would go into opposition if such a formula emerged. President Nicusor Dan plans to make a third attempt to appoint a permanent prime minister by the end of next week, following formal party consultations taking place this week. The PNL's earlier choice of Siegfried Muresan, backed by the USR and UDMR, remains in place. Two prior nominations failed, with Eugen Tomac withdrawing on 14 June and Adrian Vestea falling short at 189 votes on 22 June. The Bolojan cabinet was toppled on 5 May by a no-confidence motion, and PSD leader Sorin Grindeanu's overtures to the UDMR leave coalition options narrow in a fragmented parliament.

Ukraine: President Volodymyr Zelenskyy estimated Ukraine's annual war spending at EUR 140bn and Russia's at about EUR 340bn, without giving a source, up from his September 2025 estimate of USD 120bn and above SIPRI's assessment of USD 84bn for 2025. Zelenskyy had put the military budget deficit at USD 27bn on 23 August. Ukraine has raised military spending this year with the help of EUR 90bn of non-repayable EU assistance for 2026-2027, of which it expects EUR 45bn this year.

Ashmore

Central Asia, Middle East & Africa

Economic data

South Africa PPI declined steeply.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
South Africa	**PPI (YoY)**	Jul	5.7%	6.0%	7.5%	A steep step down should feed CPI lower.
Türkiye	**Trade Balance (USD)**	Jul	-7.34bn	-7.40bn	-10.40bn	A narrower gap despite costly energy imports.

Source information is at the end of the document.

Commentary

Egypt: Al Dahra Agriculture Trading, part of the UAE's Al Dahra Holding, will execute a five-year wheat supply agreement with Egypt worth up to USD 500m, signed in 2023. However, a new military-affiliated agency, Mostakbal Misr, has since taken over grain procurement, leaving some uncertainty over deliveries. Separately, Egypt and Saudi Arabia expect to launch their 3,000 MW electricity interconnection in September following final testing. The USD 1.8bn project linking the two grids across the Gulf of Aqaba supports Egypt's ambition to be the region's main power-trading hub.

Kazakhstan: The Energy Ministry said oil production had returned to stable levels with no decline, after July's CPC loading disruptions cost an estimated 3.5 million tonnes and cut the annual output forecast from 98 to 96 million tonnes. President Kassym Tokayev defended plans to invest the sovereign fund in strategic projects, with the 2027-2029 framework adding KZT 5trn in targeted transfers on top of KZT 6.86trn in guaranteed transfers. The Energy Ministry also confirmed a deal for the Kondensat refinery to process Russian crude, sending 70% of the fuel to Russia, and said the facility's 50% Russian owner was not sanctioned.

Morocco: The OCP group, through OCP North America, and US cooperative CHS are preparing to invest up to USD 450m in a phosphate fertiliser plant in Waggaman, Louisiana, with capacity above 1 million tonnes a year, the first such US plant built since 1984. OCP would supply the phosphoric acid while OCP North America and CHS would market the output through CHS's US network. The investment deepens OCP's US footprint and supports Washington's push to cut import dependence, following the group's return to the US market after a temporary suspension of countervailing duties on Moroccan phosphate fertilisers.

Nigeria: President Bola Tinubu said he and state governors had agreed to work together to cut transport costs, targeting lower fares from 1 October, with states promoting cheaper compressed natural gas and electric vehicles supported by a joint federal-state committee. The initiative builds on the Presidential CNG Initiative, under which more than 120k vehicles have been converted with another 100k kits planned. Fares remain high, with the statistics office reporting a 22% year-on-year rise in intercity bus fares in May, largely attributed to the 2023 fuel subsidy removal.

South Africa: The government pledged to cut municipal debt owed to Eskom and the water boards by 30% by 2031 in its local government election manifesto, and to lift at least half of municipalities to clean audits. Municipalities owed more than ZAR 161bn by end-2025, including ZAR 110.5bn to Eskom, and the Treasury withheld ZAR 13.5bn in allocations from 69 defaulting municipalities in July. Separately, Salga, representing all 257 municipalities, is seeking consultants to tackle nearly ZAR 467bn in consumer debt, as Eskom warned its own debt could rise to ZAR 358bn by 2031 in a way that could threaten its unbundling.

Zambia: The IMF reaffirmed its commitment following President Hakainde Hichilema's re-election, with IMF Managing Director Kristalina Georgieva congratulating him and pledging closer engagement as the government negotiates a successor to its expired Extended Credit Facility. Former finance minister Situmbeko Musokotwane said Zambia could outgrow the need for an IMF programme within five years on stronger mining output and 6% to 7% growth, while conceding a programme remained necessary in the near term because debt restructuring brought no outright cancellation. The immediate direction remains continued IMF-supported reform.

Ashmore

Developed Markets

Economic data

Japan's core inflation rising, September hike now likely.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Eurozone	M3 Money Supply (YoY)	Jul	3.4%	3.5%	3.3%	
	Consumer Confidence	Aug F	-15.5	-15.5	-15.5	
Japan	Tokyo CPI (YoY)	Aug	1.9%	1.9%	1.8%	Core-core reached 2.0% for the first time, firming the case for a September hike.
	Tokyo CPI Ex-Fresh Food (YoY)	Aug	1.8%	1.8%	1.7%	
	Jobless Rate	Jul	2.4%	2.5%	2.5%	Tight labour market adds to the September case, with wholesale inflation at 7.2%.
	Job-To-Applicant Ratio	Jul	1.18	1.19	1.18	
United States	Chicago Fed Nat Activity Index	Jul	-0.08	-0.09	0.06	Below trend after June was revised up.
	Building Permits	Jul F	1,433k	1,443k	1,443k	
	FHFA House Price Index (MoM)	Jun	0.0%	0.2%	0.3%	
	Richmond Fed Manufact. Index	Aug	4.0	7.0	5.0	
	New Home Sales	Jul	607k	620k	678k	
	Conf. Board Consumer Confidence	Aug	89.4	90.2	90.2	Extends a downtrend running since late 2021.
	MBA Mortgage Applications	21-Aug	-1.0%	–	-0.4%	
	Personal Income	Jul	0.4%	0.2%	0.2%	Income grew at twice the pace of spending, reversing the June pattern.
	Personal Spending	Jul	0.2%	0.1%	0.3%	
	PCE Price Index (YoY)	Jul	3.7%	3.6%	3.7%	Disinflation has stalled rather than resumed. Headline sits 1.7pp above target and core 1.3pp above, hardening the hold.
	Core PCE Price Index (MoM)	Jul	0.2%	0.2%	0.1%	
	Core PCE Price Index (YoY)	Jul	3.3%	3.3%	3.3%	
	Durable Goods Orders	Jul P	1.1%	0.5%	0.5%	
	Durables Ex Transportation	Jul P	0.4%	0.6%	1.1%	
	Personal Consumption	2Q S	3.4%	3.2%	3.2%	
	Core PCE Price Index (QoQ)	2Q S	3.6%	3.4%	3.4%	
	Wholesale Inventories (MoM)	Jul P	1.3%	0.2%	0.3%	
	Initial Jobless Claims	22-Aug	203k	208k	207k	Low firing, but July payrolls fell 23k with unemployment at 4.1%. Hiring is the weak leg.
	Continuing Claims	15-Aug	1,778k	1,792k	1,796k	
	U. of Mich. Sentiment	Aug F	51.7	51.0	51.0	Down sharply from July despite the revision.

Source information is at the end of the document.

Ashmore

Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	3.4%	0.2%	24.1%	39.2%	23.2%	8.2%
MSCI EM ex-China	4.4%	-1.8%	36.3%	59.3%	27.9%	12.4%
MSCI EMEA	6.3%	7.8%	10.3%	21.0%	17.3%	3.2%
MSCI Latam	-0.7%	4.2%	15.1%	32.7%	14.6%	10.6%
MSCI Asia	3.3%	-0.1%	26.1%	40.5%	24.6%	8.5%
MSCI China	-0.3%	8.6%	-7.6%	-6.1%	10.5%	-2.2%
MSCI India	-0.3%	1.4%	-8.6%	-3.8%	5.9%	3.1%
MSCI EM Growth	3.4%	-2.1%	22.0%	35.4%	23.1%	6.2%
MSCI EM Value	3.4%	2.7%	26.3%	43.5%	23.3%	10.2%
MSCI EM Small Cap	9.5%	2.1%	15.3%	19.5%	15.2%	7.6%
MSCI Frontier	3.7%	4.2%	14.8%	23.8%	22.6%	9.1%
GBI-EM-GD	0.9%	1.2%	2.7%	7.6%	7.7%	2.3%
GBI-EM China	0.8%	1.6%	6.5%	9.1%	6.6%	3.1%
EM FX spot	0.7%	1.1%	0.2%	2.2%	0.5%	-1.5%
ELMI+ (1-3m NDF)	1.6%	3.0%	4.2%	6.8%	6.6%	2.7%
EMBI GD	0.9%	-0.5%	2.8%	8.0%	10.0%	2.2%
EMBI GD IG	0.7%	-1.4%	-0.2%	2.8%	4.9%	-1.2%
EMBI GD HY	1.1%	0.2%	5.6%	13.3%	15.1%	5.6%
CEMBI BD	0.6%	0.1%	2.3%	4.7%	7.8%	2.5%
CEMBI BD IG	0.5%	-0.3%	0.7%	2.9%	6.1%	1.0%
CEMBI BD HY	0.8%	0.8%	4.9%	7.3%	10.3%	4.7%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	2.7%	2.7%	14.3%	22.3%	20.5%	10.9%
MSCI World (DM)	2.6%	3.1%	13.1%	20.4%	20.1%	11.2%
S&P 500	2.7%	2.7%	13.1%	20.4%	21.0%	12.8%
DXY Index**	-0.5%	-1.7%	1.1%	1.7%	-1.4%	1.4%
EUR*	0.8%	1.5%	-2.0%	-2.5%	0.6%	-2.5%
JPY*	0.4%	-1.3%	3.9%	-10.7%	#N/A	-10.5%
CRY Index**	6.6%	16.1%	37.4%	35.8%	13.4%	13.5%
Brent**	0.4%	24.1%	48.7%	32.8%	1.4%	4.4%
Gold**	9.6%	10.1%	2.6%	28.6%	31.7%	19.6%
Bitcoin**	25.2%	34.6%	-10.1%	-28%	44.2%	10.7%
1-3yr UST	0.2%	0.4%	1.0%	2.5%	4.3%	1.9%
3-5yr UST	0.1%	-0.3%	-0.3%	1.0%	4.0%	0.6%
7-10yr UST	0.1%	-1.2%	-1.4%	0.4%	3.1%	-1.6%
10yr+ UST	0.8%	-3.2%	-2.8%	0.2%	0.1%	-6.8%
10yr+ Germany	-1.4%	-5.0%	-2.9%	-4.4%	-2.7%	-9.2%
10yr+ Japan	-1.5%	-2.9%	-10.0%	-13.8%	-9.9%	-8.4%
Global Agg.***	0.5%	-0.1%	-0.3%	0.6%	3.6%	-1.7%
US Agg. IG***	0.4%	-0.9%	-0.3%	1.9%	4.1%	-0.3%
EU Agg. IG***	-0.5%	-1.9%	-0.7%	-0.1%	2.5%	-2.1%
US Corp HY***	1.0%	0.7%	2.7%	4.9%	8.5%	4.1%
EU Corp HY***	0.5%	0.3%	2.1%	3.3%	7.4%	3.2%

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.

Explore Further Insights

Emerging View

The case for emerging market small cap equities

31 July 2026
By Gustavo Medeiros and Ben Underhill

EM small caps are assumed to be the risky cousin of US small caps. The data says otherwise: nearly nine in ten are profitable, on half the forward multiple of the Russell 2000. We make the case for the asset class.

Find out more →

Subscribe to our Insights

At Ashmore we want to keep you well informed and engaged on both the local and global macro events shaping our investments in emerging markets. By subscribing, you get notified as soon as we publish our content. **Find out more →**

Head office

Ashmore Investment Management Limited, 16 Palace Street, London, SW1E 5JD T: +44 (0)20 3077 6000

Local offices

Bogota
T: +57 601 589 9000

Dublin
T: +353 1588 1300

Jakarta
T: +6221 2953 9000

Lima
T: +511 391 0396

Mexico
T: +52 55 4065 8898

Mumbai
T: +9122 6269 0000

New York
T: +1 212 661 0061

Riyadh
T: +966 11 483 9100

Singapore
T: +65 6580 8288

Tokyo
T: +81 03 4571 1601

Qatar
T: +974 5588 9857

Fund prices
www.ashmoregroup.com
Bloomberg
FT.com
Reuters
S&P
Lipper

www.ashmoregroup.com @AshmoreEM