

# Positioning shock, policy opportunity: Clearing the decks for the next leg

By Gustavo Medeiros and Ben Underhill

- Warsh nomination for Fed Chair pierced the precious metals mania and knocked Bitcoin.
- Warsh is expected to deliver institutional change, rate cuts and a smaller balance sheet.
- In geopolitics, tensions with Iran remained elevated amid Ukraine ceasefire talks.
- China's Xi Jinping calls for RMB to become global reserve currency and states preference for a slow equity bull market.
- India's budget increases taxes on derivatives trading to rein-in financial market excesses.
- Korea's exports surged alongside semiconductor sales and profits.
- Brazil held its key rate at 15%, Colombia hiked +100bps to 10.25%, Uruguay cut by 100bps to 6.25%.
- Ecuador new issuance repriced its curve with positive spillover to Argentina.
- Ghana cut rates 25bps to 15.5% and Moody's upgraded Kenya to 'B3'.

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## Last Week Performance and Comments

EM Debt	Yield	Change (bp)	Spread	5 day Change	EM Equity*	PE 1yr BF	5 day Change	Comments
GBI-EM GD	5.86%	-2	–	0.8%	MSCI EM	13.2	1.8%	• EM local bonds rose 0.8%, as EM currencies rose 0.4%. • Dollar sovereign and corporates up 0.1% and 0.2%, respectively. • EM equities rallied 1.8%, outperforming both ACWI (0.7%) and S&P 500 (+0.3%).
GBI-EM FX Spot	–	–	–	0.4%	MSCI EM ex-China	13.5	2.2%	
ELMI+	5.55%	8	–	0.7%	MSCI EMEA	11.2	0.6%	
EMBI GD	6.79%	0	250 bps	0.1%	MSCI Latam	12.1	1.1%	
EMBI GD ex-default	6.27%	3	198 bps	0.1%	MSCI EM Asia	13.9	2.0%	
EMBI GD IG	5.44%	4	104 bps	0.0%	MSCI China	12.7	0.8%	
EMBI GD HY	8.44%	4	426 bps	0.3%	MSCI India	21.2	-0.2%	
EMBI HY ex-default	7.12%	1	295 bps	0.3%	MSCI EM Growth	16.1	1.8%	
CEMBI BD	6.33%	-2	224 bps	0.2%	MSCI EM Value	11.3	1.8%	
CEMBI BD IG	5.31%	2	123 bps	0.1%	MSCI EM Small Cap	14.9	2.8%	
CEMBI BD HY	7.74%	-6	364 bps	0.3%	MSCI Frontier	11.1	-0.1%	

Global Debt	Yield	Change (bp)	Spread	5 day Change	Global Backdrop*	PE 1yr BF	5 day Change	Comments
2yr UST	3.53%	-7	–	0.2%	MSCI ACWI	19.0	0.7%	• UST curve steepened post the Warsh nomination. • Spreads to USTs remain very tight across credit products, particularly Global Agg. • The Dollar declined 0.6% last week to 97.0 but recovered from last Tuesday's 95.6 low.
5yr UST	3.79%	-4	–	0.2%	MSCI World (DM)	20.1	0.5%	
10yr UST	4.24%	1	–	0.0%	S&P 500	21.9	0.3%	
30yr UST	4.87%	5	–	-0.7%	VIX Fut.**	19.0%	0.7%	
10yr Germany	2.84%	-6	–	0.4%	DXY Index**	97.0	-0.6%	
10yr Japan	2.25%	0	–	0.4%	EUR*	1.18	0.6%	
Global Agg.***	3.53%	-3	25 bps	0.8%	JPY*	154.8	1.2%	
US Agg. IG***	4.84%	-1	69 bps	0.0%	CRY Index**	320.1	2.5%	
EU Agg. IG***	3.14%	-7	59 bps	0.4%	Brent**	69.3	5.2%	
US Corp HY***	6.58%	-4	265 bps	-0.2%	Gold**	4,894	-1.9%	
EU Corp HY***	5.70%	3	273 bps	0.0%	Bitcoin**	77,243	-14.2%	

## Global Macro

Last Friday, US President Donald Trump ended months of speculation by nominating Kevin Warsh to succeed Jerome Powell as Chair of the Federal Reserve (Fed). The risk-off dynamics post Kevin Warsh appointment are related to positioning, in our view.

Coming into last week, positioning was crowded in many areas, the most obvious being precious metals. The retail investor's overindulgence in precious metals has been well reported and telegraphed. Last year, exchange-traded fund (ETF) volumes were the dominant factor driving prices higher as central bank purchases of gold slowed sequentially, but the previous trade became a frenzy in January.<sup>1</sup> Last week, silver ETF volumes were the third largest across major assets, just behind SPY (S&P 500) and close to QQQ (Nasdaq100). The GLD ETF (physical gold) traded as much as Microsoft and more than Meta, two mega-caps that reported earnings last week.

Gold peaked at USD 5,500/oz last Thursday and closed the week at USD 4,900. It has traded as low as USD 4,500 this morning in Asia. Bitcoin, another carry-free asset that is fully driven by momentum and sentiment, sold off hard over the weekend, trading as low as USD 75,000, a 40% drop from its peak.

Positioning is also elevated across other markets. The American Association of Individual Investors (AAII) equity allocation stood at 70.2% at the end of January, one standard deviation above the last 30-year average and close to its highs of 77%. On the other hand, cash position was at 14.4%, below the last 30-year average of 20% and the post 2008 average of 18%, not far from the March 1998 lows at 11%. Against this backdrop, sentiment is deteriorating sharply as bullish minus bearish readings moved from one standard deviation bullish to one standard deviation bearish. Emerging market (EM) currency volatility is also close to the lowest levels since 2010, and credit spreads are tight across credit asset classes.

The increase in JPY volatility in the previous week was another warning sign. The fact that the Yen remains significantly undervalued, and we are one week away from general elections, warrants caution. Thus, we believe a healthy cleaning up of positioning was warranted. This is likely to feed through to other markets in a more orderly way over the coming weeks and should allow for good entry points once the dust settles, as fundamentally we are in a good place.

**Kevin Warsh appointment, impact on rates, and confirmation hearing:** Warsh has all the credentials to serve as a thoughtful and effective Chair of the Fed, including serving as Fed Governor from 2006-2011. Institutionally, Warsh advocates for less forward guidance but more forward-looking decisions instead of a backward-looking data-dependent approach. In terms of policy bias, he believes a smaller balance sheet can be achieved if coordinated with the Treasury and mortgage agencies. Warsh also believes this could allow for lower policy rates. We discussed his policy bias in a piece last summer, and we believe he has a point.<sup>2</sup> In a nutshell, a smaller balance sheet can improve the transmission channel.

Warsh was one of the most credible of the candidates to succeed Powell, in our view. Alongside Governors Christopher Waller, and Susan Collins, Warsh can lead the committee toward further cuts which should be positive for risk assets. Fundamentally, the case for lower rates is simple. Core Personal Consumption Expenditures (PCE) ex-tariffs is at 2.25%, which implies neutral rates in the 2.75%-3.25% range. If inflation continues to surprise to the downside, as suggested by alternative tracker *truflation*, and the labour market cracks, policy rates towards 2.5% are plausible, in our view.<sup>3</sup>

Lower rates and a smaller balance sheet (even if implemented later), would steepen the curve further. The best expressions are on 2s10s and 5s10s steepeners, rather than 10s30s. A barbell with most exposure in the 2-to 5-year sectors, with some allocation to the long end, is likely the best way to express a small-to-medium long duration view.

Ideally, Warsh would be confirmed to Stephen Miran's Governor seat ahead of the 17-18 March Federal Open Market Committee (FOMC) meeting. If he plays his cards well, he can build trust with current Chair Jerome Powell, who commands the committee. Republican Senator Tom Tillis has reiterated his position that he will oppose any Fed nominations, including Warsh, until the Department of Justice open investigation into Powell is resolved. Tillis's opposition is likely enough to stall the nomination. Presumably he'd like to just see the investigation of Powell dropped before Warsh is nominated. After, Warsh may be able to get the votes he needs to be confirmed in the Senate.

<sup>1</sup> See – <https://www.gold.org/goldhub/research/gold-demand-trends>

<sup>2</sup> See – *Diversified asset allocation and US fiscal dominance*, The Emerging View, 31 July 2025.

<sup>3</sup> See – <https://truflation.com/>

## Global Macro (continued)

**FOMC:** Last week's FOMC meeting was uneventful, except for the fact that Governors Miran and Waller favoured a 25bps cut. Waller dissented because he is hearing companies are planning layoffs in 2026: *"This indicates that there is considerable doubt about future employment growth and suggests that a substantial deterioration in the labour market is a significant risk"*. His stance aligns with Warsh's and our view that we may be in a 'goldilocks' macro environment in 2026 where inflation declines towards the target allowing for cuts despite the solid pace of economic growth, driven by the artificial intelligence (AI) capex boom and better fundamentals in EM countries.<sup>4</sup>

**Geopolitics:** Oil prices extended recent gains after US President Donald Trump said a "massive Armada" was heading to Iran and warned time was "running out" for Tehran to reach a (nuclear weapons) deal. Trump added that if no agreement was reached, any future US attack would be *"far worse"* than last June's strikes. Iran said that it was ready to correspond with the US, but warned that, "if pushed", it would *"defend itself and respond like never before"*. Against this backdrop, OPEC+ ratified plans to keep production steady in March, the last of a three-month supply freeze, even after prices hit a four-month high on the risk of a US strike against Iran.

In other news, Ukraine's president Volodymyr Zelenskyy said peace talks with the US and Russia will be held in Abu Dhabi on 4-5 February.

<sup>4</sup> See – *2026 Emerging Markets Outlook*, The Emerging View, 2 December 2025.

## EM Asia

### Economic data

China had the first increase in industrial profits in five years. Thai external accounts improved.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	Industrial Profits YTD (YoY)	Dec	0.6%	–	0.1%	• First annual industrial profit yoy since 2021 as anti involution takes effect. Equipment and high-tech manufacturing were the main contributors.
	Industrial Profits (YoY)	Dec	5.3%	–	-13.1%	
India	Industrial Production (YoY)	Dec	7.8%	5.9%	7.2%	• Another upside surprise on industrial production shows resilient growth.
South Korea	Department Store Sales (YoY)	Dec	9.3%	–	12.3%	• The broader macro backdrop (ex-semis) is constrained by tight financial conditions. • Avg deposits rates rose by 9bps to 2.9% in Dec, and loan rates rose by 4bps to 4.19%.
	Industrial Production (YoY)	Dec	-0.3%	-2.0%	-1.2%	
	Industrial Production SA (MoM)	Dec	1.7%	0.5%	0.8%	
Taiwan	GDP (YoY)	4Q A	12.7%	8.8%	8.2%	• Fastest growth in 38 years driven by exports. Sets high carry base in 2026.
Thailand	BoP Current Account Balance (USD)	Dec	3,100m	1,250m	-585m	• Much better than expected external accounts. • Large trade surplus driven by 50.1% yoy sure in electronics exports.
	Exports (YoY)	Dec	18.1%	–	5.5%	
	Trade Balance (USD)	Dec	2,676m	–	-221m	
	Gross International Reserves (USD)	23-Jan	289.4bn	–	284.1bn	

Source information is at the end of the document.

### Commentary

**China:** In commentary published on Saturday in *Qiushi*, the ruling communist party's flagship ideology journal, China's President Xi Jinping said the country needed to build a "powerful currency" that could be "widely used in international trade, investment and foreign exchange markets, and attain reserve currency status". The comments were originally part of a speech Xi delivered in 2024 to top regional officials but had not been released publicly until last week. In the same magazine, Xi emphasised that financial markets should serve the real economy and the people. This signals the leadership's supportive stance towards the stock market, but only in a "slow bull" fashion. Last week, there were large outflows from Chinese ETFs, which are widely believed to have come from the 'national team' of state-related companies that bought stocks in Q4 2024 and 2025.

In economic news, the sales of the top 100 Chinese property developers declined 25% yoy in January, from -28% in December, due to base effects. The data remains weak, despite better market sentiment following the policy tone shift revealed in the *Qiushi* article, and the recent recovery of secondary transactions. In the auto market, BYD said sales dropped 30% in January, underscoring the challenges of attempting to boost sales just as a winding back of subsidies hurts demand.

**India:** The FY2027 budget targets a 55.6% debt-to-GDP ratio and a 4.3% fiscal deficit, in line with expectations. The government expects nominal GDP at 10% supporting tax revenues increasing by 7.2%, which is reasonable. Overall positioning remains sensitive to tighter financial conditions. The budget introduces a banking review committee, posing both upside and risks, while unchanged foreign limits for state-owned enterprise (SOE) banks is a mild negative. The government also announced an increase in equity futures tax from 0.02% to 0.05% to curb speculative activity and raise c. INR 150bn (USD 1.6bn) annually. The announcement brought the NSE Nifty 50 Index initially down 2.0%, as shares of stockbrokers and exchanges underperformed, but the market retraced half of it since. In other news, India announced a free trade agreement with the EU. The implementation will be staged over the next five years and full details were not announced.

## EM Asia (continued)

**Indonesia:** The head of the Indonesia Stock Exchange (IDX) and senior regulatory officials resigned last Friday following a sharp sell-off in Indonesian equities, which are down around 10% from their 2026 highs on 19 January. The decline followed comments from index provider MSCI Inc. indicating that Indonesia could face a potential downgrade to Frontier Market status. MSCI cited concerns around low market liquidity, stemming from limited free float, as well as reports that some free-float data may have been overstated. MSCI characterised these issues as potential market integrity concerns. Indonesia's financial regulator, the Financial Services Authority (Otoritas Jasa Keuangan, OJK), is working closely with the Indonesia Stock Exchange (IDX) and has held discussions with MSCI. As part of the response, the minimum free-float requirement for listed companies and initial public offerings is set to increase from 7.5% to 15%. In addition, regulators are proposing to raise the maximum allocation to equities for pension funds and insurance companies from 8% to 20% of assets under management, with the aim of supporting market liquidity in the event of foreign investor outflows.

Despite robust macro fundamentals and growth outlook, Indonesian equities have underperformed the MSCI EM for the past two years and currently trade at their lowest relative valuation versus EM since 2009. Improvements in corporate governance, alongside a potential "positioning wash" from forced or panic selling, could act as catalysts for a more sustainable recovery.

**Malaysia:** Fiscal consolidation surprised modestly to the upside. The central government deficit to MYR 73.6bn, c. 3.7% of GDP, in 2025, beating the 3.8% target and both the initial and revised deficit estimates. Revenues rose 3.9% to MYR 337.1bn while expenditure increased 1.7% to MYR 410.7bn, supporting a slightly better funding backdrop into 2026 as the government targets a further deficit reduction to 3.5% of GDP.

**South Korea:** Korean exports increased by 33.9% yoy (14.0% yoy on a working-day adjusted basis) to USD 65.9bn in January as semiconductor exports doubled to USD 20.5bn amid strong demand for servers and solid-state drives (SSDs) on larger data centre investments. Ministry of Finance data suggested DRAM chips increased seven-fold from January 2025, whereas prices of NAND chips rose by four-fold as supply shortages led to price spikes.

Samsung Electronics and SK Hynix reported record Q4 operating profits of KRW 20.1trn and KRW 19.2trn respectively, reinforcing a memory- and AI-driven export tailwind into 2026. SK Hynix remains structurally advantaged in high bandwidth memory (HBM), while Samsung is positioning for HBM4 ramp-up. SK Hynix is also reinforcing its strategic positioning through the planned launch of a US-based AI data centre solutions business. While memory remains a highly cyclical sector, profits appear sustainable over multiple quarters given the visibility from *hyperscalers* AI spend. Multi-year bloated returns on equity will depend on AI adoption depth, capacity increase, and pricing discipline.

In other news, ratings agency Fitch affirmed Korea's rating at 'AA-' with a stable outlook, underpinned by "robust external finances," a "dynamic export sector", and "stable macroeconomic performance". Trade policy risk remains for exporters after renewed US tariff threats, which were softened by comments that the US would "work something out" with Korea.

**Thailand:** General elections take place on Sunday, 8 February. Recent polls suggest the People's Party is gaining ground, but most still see Bhumjai Thai forming the government with Phue Thai, which would imply little policy change.

## Latin America

### Economic data

Brazil signalled start of easing cycle. Colombia hiked 100bps to 10.25%. Uruguay cut by 100bps to 6.25%.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Brazil	Current Account Balance (USD)	Dec	-3,363m	-5,000m	-4,956m	
	Foreign Direct Investment (USD)	Dec	-5,248m	900m	9,820m	
	IBGE Inflation IPCA-15 (YoY)	Jan	4.5%	4.5%	4.4%	• Inflation decline stalled, but inflation expectations dropped enough for the beginning of easing cycle. Expectations at 3.99% for 2026, 3.8% for 2027, and 3.5% for 2028.
	IBGE Inflation IPCA-15 (MoM)	Jan	0.2%	0.2%	0.3%	
	Selic Rate	28-Jan	15.0%	15.0%	15.0%	
	FGV Inflation IGPM (MoM)	Jan	0.4%	0.4%	0.0%	
	FGV Inflation IGPM (YoY)	Jan	-0.9%	-0.9%	-1.1%	• Selic on hold, but dovish statement suggests a 50bps cut in March.
	Total Outstanding Loans (BRL)	Dec	7,123bn	–	6,995bn	
	Central Govt Budget Balance (BRL)	Dec	22.1bn	14.4bn	-20.2bn	
	Net Debt % GDP	Dec	65.3%	65.4%	65.2%	
	National Unemployment Rate	Dec	5.1%	5.1%	5.2%	• Unemployment fell to new record low supporting Lula's position.
Chile	Overnight Rate Target	27-Jan	4.50%	4.50%	4.50%	
	Unemployment Rate	Dec	8.0%	8.3%	8.4%	
	Retail Sales (YoY)	Dec	4.5%	5.5%	5.8%	
	Copper Production Total	Dec	540,221	–	451,815	
Colombia	National Unemployment Rate	Dec	8.0%	–	7.0%	
	Urban Unemployment Rate	Dec	7.8%	8.1%	7.3%	
	Overnight Lending Rate	30-Jan	10.25%	9.75%	9.25%	• 100bp hike and hawkish inflation outlook against rising inflation expectations.
Mexico	Trade Balance (USD)	Dec	2,429.6m	2,500.0m	662.8m	
	International Reserves Weekly (USD)	23-Jan	254,983m	–	253,224m	
	GDP NSA (YoY)	4Q P	1.6%	1.3%	-0.1%	
	GDP SA (QoQ)	4Q P	0.8%	0.6%	-0.3%	• Rising growth suggests negative output gap narrowing, however economy still operating below potential, likely further cuts in 2026.

Source information is at the end of the document.

### Commentary

**Brazil:** The central bank kept the Selic at 15.0% for a fifth consecutive meeting and signalled cuts are likely to begin at the 17–18 March 2026 meeting, while stressing policy will remain restrictive even as easing starts. Inflation forecast was trimmed by 10bps to 3.4% for 2026 and 3.2% for Q3 2027, implying room for gradual easing if expectations remain controlled. For local markets, we see that the key is that the easing signal improves duration optics, but the emphasis on caution points to a smaller initial move and a still-long restrictive phase.

**Colombia:** The central bank lifted its benchmark rate by one full percentage point, to 10.25%, higher than expected by all 31 economists surveyed by Bloomberg. “Inflation expectations in January increased sharply” the central bank said in its statement. “Economic activity indicators for the fourth quarter of 2025 suggest that GDP maintained a good dynamism.” The move came after President Gustavo Petro unexpectedly raised the 2026 minimum wage by a record 23%, arguing

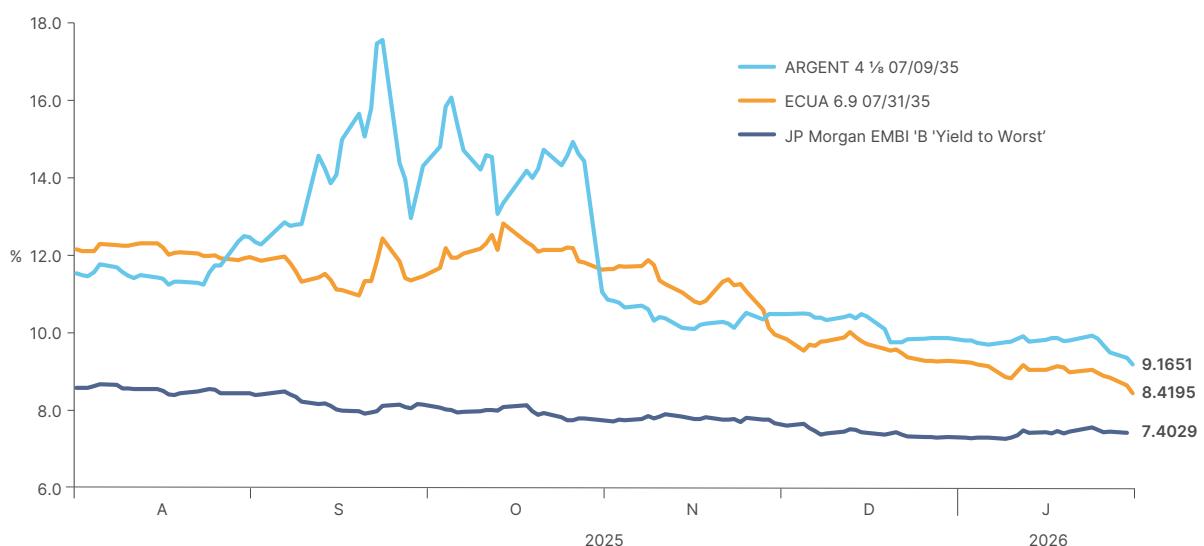
## Latin America (continued)

that workers needed higher incomes, leading to higher inflation expectations, which brought 2026 inflation expectations from 4.6% to 6.4% and 2027 expectations to 4.8%.

The Constitutional Court provisionally suspended the government's economic emergency decree and related tax package, by a 6-2 vote, removing the fast-track route to closing the 2026 fiscal gap and forcing reliance on conventional options such as spending restraint, a new tax reform attempt, or increased borrowing. Debt metrics remain heavy, with gross public debt estimated around 65% of GDP, keeping the sovereign sensitive to any further fiscal slippage and limiting room for policy error.

**Ecuador:** Ecuador issued USD 4bn in two new bonds and bought back USD 3.1bn of bonds with near-term amortisations (USD 2.5bn of 2030s and USD 0.6bn of 2035s). Ecuador now has a negative financing gap for 2026. The new bonds were USD 2.2bn of 2034 and USD 1.8bn of 2039, both amortising over the last three years, bearing coupons and yields of 8.75% and 9.25%, respectively. The final yields were significantly below the initial price target of 9.375% and 9.875% as final demand came to USD 7.3bn and USD 8.0bn, respectively. This represents a landmark issuance as Ecuador regained market access with palatable rates. The result was a steadfast re-pricing of the country risk, thanks to lower short-term refinancing needs, as per Fig 1. The market also repriced Argentina, which is likely to come to the market soon. After the issuance, Moody's updated the sovereign credit rating to 'Caa1' with a stable outlook.

Fig 1: Yield: Argentina 2035, Ecuador 2035 and EMBI single-B



Source: Ashmore and Bloomberg. Data as at 31 January 2026.

In other news, a security programme worth USD 180m was announced for border control, intelligence and prison infrastructure, including helicopters, radar and upgrades to tactical systems, alongside plans for major prison capacity expansion over 15-18 months. Spreads have continued to compress, with country risk near an eight-year low around 446bps, but tensions with Colombia add a new tail risk channel for growth and investor confidence if trade disruption persists.

**Uruguay:** The central bank accelerated its easing policy by cutting interest rates by 1%, bringing this to 6.5%. Sustained UYU appreciation including 13% in 2025 and 3% in 2026, increase the odds of inflation falling below the target of 4.5%. The Monetary Policy Committee meeting was brought forward to 26 January from its original date of 12 February as "disruptive dynamics" in international markets, warranted swifter decision-making to minimise external shocks on domestic inflation.

## Central and Eastern Europe

### Economic data

Hungary kept policy unchanged.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Republic	Consumer & Business Confidence	Jan	100.2	100.9	100.2	
	GDP (QoQ)	4Q A	0.5%	0.6%	0.8%	
Hungary	Central Bank Rate Decision	27-Jan	6.5%	6.5%	6.5%	• Higher inflation in December prevented cut, but central bank expected to begin lowering rates in coming meetings.
	PPI (YoY)	Dec	-3.4%	-	-2.7%	
	Trade Balance (EUR)	Dec	333m	-8m	35m	
	GDP NSA (YoY)	4Q P	0.7%	0.8%	0.6%	
Poland	Retail Sales (YoY)	Dec	5.0%	5.7%	2.8%	
	Unemployment Rate	Dec	5.7%	5.7%	5.6%	

Source information is at the end of the document.

### Commentary

**Poland:** Defence-led investment visibility increased under the EU's Security Action for Europe (SAFE) programme. Authorities indicated around 80% of the EUR 43.7bn envelope will be channelled into the domestic arms industry, with European Commission approval already secured and EU Council sign-off expected within four weeks; first disbursements are likely from March. The scale (framed as close to PLN 200bn) points to sustained capex support for growth, but it may complicate the disinflation path and fiscal optics if not matched with credible medium-term consolidation. This is a bullish combination for the PLN, not so much for local rates, in our view.

**Türkiye:** Fitch affirmed the 'BB-' rating and revised the outlook to positive, citing a stronger external liquidity profile and improved reserve quality as swap reliance declines. The upgrade is supportive at the margin for rollover dynamics and sentiment, but the macro constraint remains the disinflation and credibility challenge, with risks that domestic demand recovery widens the current account deficit and that pre-election pressures test policy discipline.

## Central Asia, Middle East & Africa

### Economic data

South Africa kept policy rates unchanged. Saudi's GDP growth accelerated.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Saudi Arabia	M3 Money Supply (YoY)	Dec	8.4%	–	2.0%	• Disinflation continuing, however with growth picking up, no urgency to cut, with four out of six board members voting to hold.
	SAMA Net Foreign Assets (SAR)	Dec	1,637.2bn	–	1,650.8bn	
South Africa	PPI (YoY)	Dec	2.9%	3.0%	2.9%	• Disinflation continuing, however with growth picking up, no urgency to cut, with four out of six board members voting to hold.
	SARB Announce Interest Rate	29-Jan	6.75%	6.75%	6.75%	
	Money Supply M3 (YoY)	Dec	8.2%	–	8.3%	
	Trade Balance Rand	Dec	–	27.3bn	37.7bn	
Türkiye	Trade Balance (USD)	Dec	-9.3bn	-9.4bn	-8.0bn	
	Foreign Tourist Arrivals (YoY)	Dec	0.1	–	0.0	

Source information is at the end of the document.

### Commentary

**Ghana:** The central bank cut interest rates by 250bps to 15.5%, in line with expectations. Macroeconomic conditions have materially improved with a stable outlook for 2026. Headline inflation dropped by 90bps to 5.4% yoy in December as the 2025 current account surplus rose to 8.1% of GDP. Debt/GDP dropped to 45.5% in November from 63.1% prior as FX reserves rose to USD 13.8bn. Further interest rate cuts are expected. Near-term risks are ongoing easing amid FX appreciation due to the large current account surplus and elevated gold prices.

**Kenya:** Moody's upgraded Kenya to 'B3' with a stable outlook, highlighting improved liquidity conditions, stronger reserves and renewed market access. The government issued USD 3.0bn of Eurobonds in 2025 and used part of the proceeds to buy back USD 1.2bn of bonds maturing in 2026-28, pushing the next large maturity to 2030. While refinancing risk has eased, the fiscal backdrop remains tight, with the deficit expected to stay near 6% of GDP and interest costs still consuming over 30% of government revenue.

## Developed Markets

### Economic data

US economy remains resilient; Japan CPI inflation surprised to downside.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Eurozone	M3 Money Supply (YoY)	Dec	2.8%	3.0%	3.0%	• Eurozone area grew faster than expected, with Germany Italy and Spain all surpassing estimates, Spain fastest at 0.8% qoq. Exports grew 1.3% from 0.2% last quarter, with domestic demand slowing from 2.5% to 1.7%.
	Consumer Confidence	Jan F	-12.4	-	-12.4	
	GDP SA (QoQ)	4Q A	0.3%	0.2%	0.3%	
	GDP SA (YoY)	4Q A	1.3%	1.3%	1.4%	
	Unemployment Rate	Dec	6.2%	6.3%	6.3%	
Japan	Tokyo CPI (YoY)	Jan	1.5%	1.7%	2.0%	• CPI cooled more than expected, but core core measure (ex all food) still likely around 2.5%, demonstrating persistent inflationary pressures. Nevertheless the datapoint takes some pressure off the BOJ to hike further imminently.
	Tokyo CPI Ex-Fresh Food (YoY)	Jan	2.0%	2.2%	2.3%	
	Jobless Rate	Dec	2.6%	2.6%	2.6%	
	Job-To-Applicant Ratio	Dec	119.0%	118.0%	118.0%	
	Retail Sales (YoY)	Dec	-0.9%	0.7%	1.1%	
	Industrial Production (MoM)	Dec P	-0.1%	-0.4%	-2.7%	
UK	Mortgage Approvals	Dec	61.0k	64.9k	64.1k	
United States	Chicago Fed Nat Activity Index	Oct	-42.0%	-	-24.0%	• Overall economic activity remains strong, particularly durable goods and capex indicators. The housing market is also rebounding from its weakest levels in decades. But sentiment surveys remain mixed and whilst the job markets seem to be in equilibrium, very low new job creations mean any surge of AI adoption leading to more layoffs can tilt wage inflation downwards.  • Policy unchanged. Miran and Waller voted for a 25bps cut. Powell neutral.
	Chicago Fed Nat Activity Index	Nov	-4.0%	-20.0%	-42.0%	
	Dallas Fed Manf. Activity	Jan	-1.2	-8.5	-11.3	
	FHFA House Price Index (MoM)	Nov	0.6%	0.3%	0.4%	
	Richmond Fed Manufact. Index	Jan	-600k	-500k	1,306k	
	Conf. Board Consumer Confidence	Jan	84.5	91.0	94.2	
	FOMC Rate Decision (Lower Bound)	28-Jan	3.5%	3.5%	3.5%	
	Initial Jobless Claims	24-Jan	209k	205k	210k	• Both jobless and continuing claims stable, as employment market remains in stasis.  • Higher machinery and equipment provider margins led pick up in services PPI indicating increasing pass-through of tariffs and/or higher semiconductor prices.
	Continuing Claims	17-Jan	1,827k	1,850k	1,865k	
	Trade Balance (USD)	Nov	-56.8bn	-44.0bn	-29.2bn	
	Factory Orders	Nov	2.7%	1.6%	-1.2%	
	Durable Goods Orders	Nov F	5.3%	-	5.3%	
	Durables Ex Transportation	Nov F	0.4%	-	0.5%	
	Wholesale Inventories (MoM)	Nov F	0.2%	0.2%	0.2%	
	PPI Ex Food and Energy (MoM)	Dec	0.7%	0.2%	0.0%	
	PPI Final Demand (YoY)	Dec	3.0%	2.8%	3.0%	
	PPI Ex Food and Energy (YoY)	Dec	3.3%	2.9%	3.0%	

Source information is at the end of the document.

## Developed Markets (continued)

### Commentary

**Japan:** Investor concerns about fiscal deficits are overblown: deficits and debt dynamics have materially improved across major economies versus three to five years ago. In Japan, the fiscal deficit narrowed to about 0.5% of GDP in Q3-2025, down sharply from around 10% during the pandemic, helping public debt decline from 246% of GDP to roughly 205% over the same period. Excluding Bank of Japan (BOJ) holdings, Japan's debt-to-GDP ratio fell from a peak of 198% in 2012 to about 121% in Q3 2025.

We believe a temporary rise in the deficit toward 1.5-2.0% of GDP would not derail the benign debt trajectory. However, consumption-oriented stimulus could add inflationary pressure, likely prompting the BOJ to raise policy rates more quickly and to a higher terminal level. This should put upward pressure on the Yen and support long-dated yields, which have recently been de-anchored.

We also expect long-term Japanese investors to shift allocations from 'A-rated' DM bonds into Japanese government bonds and from US equities into domestic equities. The former shift should support yields (most bond flows are FX hedged), while the latter would be supportive of the JPY.

## Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	8.9%	8.9%	8.9%	42.8%	16.7%	5.3%
MSCI EM ex-China	10.4%	10.4%	10.4%	45.6%	20.3%	10.3%
MSCI EMEA	8.8%	8.8%	8.8%	37.2%	17.0%	6.5%
MSCI Latam	15.3%	15.3%	15.3%	63.0%	16.7%	13.3%
MSCI Asia	8.2%	8.2%	8.2%	42.0%	16.2%	4.5%
MSCI China	4.7%	4.7%	4.7%	36.1%	9.2%	-3.7%
MSCI India	-5.1%	-5.1%	-5.1%	1.0%	10.5%	9.2%
MSCI EM Growth	8.8%	8.8%	8.8%	43.1%	16.2%	2.4%
MSCI EM Value	9.0%	9.0%	9.0%	42.5%	17.2%	8.4%
MSCI EM Small Cap	7.3%	7.3%	7.3%	30.9%	16.0%	9.9%
MSCI Frontier	3.9%	3.9%	3.9%	48.1%	21.3%	10.4%
GBI-EM-GD	2.2%	2.2%	2.2%	19.4%	8.7%	1.8%
GBI-EM China	1.0%	1.0%	1.0%	4.9%	3.2%	2.6%
EM FX spot	1.4%	1.4%	1.4%	8.7%	0.5%	-1.5%
ELMI+ (1-3m NDF)	1.5%	1.5%	1.5%	13.0%	6.1%	2.2%
EMBI GD	0.7%	0.7%	0.7%	13.4%	9.7%	2.1%
EMBI GD IG	-0.1%	-0.1%	-0.1%	9.5%	4.9%	-1.2%
EMBI GD HY	1.5%	1.5%	1.5%	17.5%	14.7%	5.6%
CEMBI BD	0.7%	0.7%	0.7%	8.7%	7.7%	2.6%
CEMBI BD IG	0.3%	0.3%	0.3%	8.1%	6.2%	1.1%
CEMBI BD HY	1.4%	1.4%	1.4%	9.5%	9.8%	4.8%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	3.0%	3.0%	3.0%	21.9%	19.1%	11.9%
MSCI World (DM)	2.2%	2.2%	2.2%	19.6%	19.3%	12.9%
S&P 500	1.5%	1.5%	1.5%	16.3%	21.1%	15.0%
DXY Index**	-1.4%	-1.4%	-1.4%	-10.0%	-1.8%	1.4%
EUR*	1.0%	1.0%	1.0%	11.6%	1.2%	-2.0%
JPY*	1.3%	1.3%	1.3%	-3.8%	-9.9%	-10.6%
CRY Index**	7.1%	7.1%	7.1%	5.0%	5.6%	12.5%
Brent**	13.9%	13.9%	13.9%	-9.8%	-6.5%	4.4%
Gold**	13.2%	13.2%	13.2%	75.1%	36.5%	21.5%
Bitcoin**	-11.7%	-11.7%	-11.7%	-21%	47.9%	17.2%
1-3yr UST	0.2%	0.2%	0.2%	4.9%	4.3%	1.8%
3-5yr UST	0.0%	0.0%	0.0%	6.2%	3.9%	0.6%
7-10yr UST	-0.4%	-0.4%	-0.4%	7.2%	2.5%	-1.5%
10yr+ UST	-0.5%	-0.5%	-0.5%	4.7%	-1.6%	-6.6%
10yr+ Germany	0.2%	0.2%	0.2%	-6.9%	-2.7%	-9.0%
10yr+ Japan	-3.2%	-3.2%	-3.2%	-15.4%	-7.3%	-6.9%
Global Agg.***	0.9%	0.9%	0.9%	8.6%	3.2%	-1.8%
US Agg. IG***	0.1%	0.1%	0.1%	6.8%	3.6%	-0.2%
EU Agg. IG***	0.7%	0.7%	0.7%	2.0%	3.2%	-1.9%
US Corp HY***	0.5%	0.5%	0.5%	7.7%	8.9%	4.5%
EU Corp HY***	0.8%	0.8%	0.8%	5.2%	8.0%	3.7%

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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30 January 2026

By Gustavo Medeiros and Ben Underhill



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