

## Covid-19 casualties continue to decline across most EM

By Gustavo Medeiros

Casualties related to the Covid-19 pandemic declined across most large countries in Emerging Markets (EM). Chinese trade data was stronger than expected as the Biden Administration hints at a possible shift in trade relations with China. Inflation was lower than expected in India, but slightly higher than expected in Romania. South African riots subsided and transportation started to normalise. Chile hiked policy rates by 25bps. South Korea kept rates unchanged, but signalled willingness to hike rates going forward. Venezuelan oil production increased. Ecuador cut import tariffs to boost investment. Indonesian trade data was stronger than expected. Argentina tightened capital controls. Lebanon failed to form a government. Indonesia, South Africa, and Russia will hold monetary policy committee meetings this week.

Emerging Markets	Next year forward PE/Yield	Spread over UST	P&L (5 business days)	Global Backdrop	Next year forward PE/Yield/Price	Spread over UST	P&L (5 business days)
MSCI EM	13.1	–	1.72%	S&P 500	20.3	–	-0.96%
MSCI EM Small Cap	12.2	–	1.99%	1-3yr UST	0.22%	–	-0.02%
MSCI Frontier	11.6	–	0.16%	3-5yr UST	0.76%	–	-0.01%
MSCI Asia	14.4	–	1.97%	7-10yr UST	1.28%	–	0.47%
Shanghai Composite	11.5	–	0.75%	10yr+ UST	1.91%	–	1.06%
Hong Kong Hang Seng	9.4	–	2.74%	10yr+ Germany	-0.35%	–	1.22%
MSCI EMEA	9.9	–	-0.55%	10yr+ Japan	0.65%	–	0.44%
MSCI Latam	10.0	–	2.77%	US HY	3.80%	282 bps	-0.15%
GBI-EM-GD	4.96%	–	0.28%	European HY	3.06%	350 bps	0.15%
China GBI-EM GD	3.03%	–	0.65%	Bloomberg-Barclays	1.05%	-23 bps	0.16%
ELMI+	2.97%	–	0.25%	VIX Index*	18.45	–	2.27%
EM FX spot	–	–	0.08%	DXY Index*	92.72	–	0.46%
EMBI GD	4.87%	351 bps	0.27%	EURUSD	1.181	–	-0.47%
EMBI GD IG	3.12%	170 bps	0.26%	USDJPY	109.93	–	-0.40%
EMBI GD HY	7.16%	585 bps	0.29%	CRY Index*	212.6	–	0.78%
CEMBI BD	4.21%	306 bps	0.19%	Brent	72.9	–	-2.99%
CEMBI BD IG	2.94%	181 bps	0.20%	Gold	1,812	–	0.34%
CEMBI BD HY	5.84%	468 bps	0.18%	Bitcoin	31,692	–	-3.42%

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

### Emerging Markets

**Covid-19 update:** The total number of deaths is declining across most large EM countries, according to data from the Institute for Health Metrics and Evaluation (IHME) as depicted in Figure 1. The number of daily deaths per 100k people is close to zero in China, Czech Republic, Hungary, and Nigeria. Daily fatalities are increasing rapidly in Indonesia, Malaysia, and Russia, but forecasted to decelerate in August in both Malaysia and Russia and in September in Indonesia. The situation has significantly improved in India, where daily deaths per 100k have come down from 0.85 in May to 0.34 in June and should decline further to 0.14 in July and only 0.01 by October, according to IHME. Fatalities are likely to increase next month in Vietnam albeit from a very low level, as authorities announced further mobility restrictions, asking Hanoi residents to stay at home except for going to work and purchasing food and medicine.

The large countries of Eastern Europe (ex-Russia) as well as Egypt have seen covid-19 fatalities decline to extremely low levels, after a strong second wave, which peaked between March and April. Deaths per 100k inhabitants are also declining significantly in Latin America (with the exception of Mexico) where the peak of the second wave was between April and June; specifically the number of daily fatalities per 100k now looks set to drop below 0.50 across the continent by next month. Mexico has a different Covid-19 pattern than the rest of Latin America and seems to be in the early stages of a third wave, but with still very low numbers of deaths, partially due to better vaccination levels (27.5% of the Mexican population have received at least one jab and 16.1% are fully vaccinated). Covid-19 related casualties have plateaued in Saudi Arabia, while they have declined significantly in Turkey after an intense second wave which peaked in April. Turkish deaths are very low.

## Emerging Markets

Fig 1: Average of daily deaths per 100k people by country. Current projection from July-2021

Region	Country																Forecasts							
		Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	
Asia	China	0.01	0.00	0.00	-	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	India	-	0.00	0.01	0.03	0.08	0.12	0.19	0.23	0.16	0.11	0.08	0.04	0.02	0.04	0.37	0.85	0.34	0.14	0.08	0.03	0.01	0.01	0.01
	Indonesia	-	0.00	0.02	0.03	0.04	0.08	0.08	0.11	0.10	0.11	0.18	0.26	0.23	0.16	0.15	0.17	0.27	1.25	1.92	0.83	0.32	0.18	0.18
	Malaysia	-	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.03	0.02	0.02	0.06	0.09	0.03	0.05	0.28	0.53	0.74	0.64	0.21	0.07	0.04	0.04
	Philippines	-	0.03	0.05	0.03	0.07	0.13	0.16	0.15	0.11	0.09	0.07	0.08	0.08	0.16	0.30	0.27	0.20	0.13	0.11	0.07	0.07	0.07	0.07
	Taiwan	0.00	0.00	0.00	0.00	-	-	-	-	-	-	-	0.00	0.00	0.00	0.00	0.05	0.23	0.07	0.02	0.00	0.00	0.00	0.00
	Vietnam	-	-	-	-	-	0.00	0.00	0.00	-	-	-	-	-	-	-	0.00	0.00	0.04	0.17	0.07	0.04	0.04	0.04
Latin America	Argentina	-	0.00	0.02	0.03	0.07	0.19	0.43	0.72	0.79	0.57	0.32	0.33	0.32	0.28	0.59	1.02	1.20	0.72	0.41	0.20	0.07	0.03	0.03
	Brazil	-	0.00	0.12	0.52	0.67	0.65	0.54	0.43	0.29	0.25	0.39	0.53	0.63	1.23	1.58	1.10	1.04	0.56	0.25	0.09	0.03	0.02	0.02
	Chile	-	0.00	0.06	0.22	0.90	0.54	0.33	0.27	0.26	0.22	0.21	0.33	0.42	0.41	0.59	0.52	0.59	0.39	0.20	0.17	0.12	0.08	0.08
	Colombia	-	0.00	0.02	0.05	0.19	0.52	0.73	0.50	0.41	0.43	0.49	0.83	0.49	0.28	0.82	1.15	1.41	1.05	0.50	0.19	0.07	0.04	0.04
	Ecuador	-	0.09	1.08	3.11	1.52	1.48	1.08	0.89	0.77	0.64	0.45	0.65	0.82	0.81	1.44	1.52	0.80	0.52	0.49	0.41	0.24	0.16	0.16
	Mexico	-	0.01	0.27	0.98	1.31	1.40	1.10	0.77	0.73	0.94	1.38	2.31	1.50	0.76	0.44	0.21	0.15	0.19	0.42	0.42	0.39	0.37	0.37
	Peru	-	0.02	0.68	2.09	2.33	2.38	2.28	1.11	0.56	0.40	0.48	1.44	2.70	2.75	3.18	2.21	1.04	0.46	0.30	0.16	0.07	0.04	0.04
Eastern Europe	Czech Rep.	-	0.01	0.10	0.04	0.01	0.02	0.02	0.11	1.25	2.51	1.58	2.27	2.15	2.93	1.41	0.40	0.10	0.03	0.02	0.00	0.00	0.00	0.00
	Hungary	-	0.01	0.19	0.13	0.04	0.01	0.01	0.10	0.61	1.98	2.94	1.86	1.69	3.60	4.39	1.37	0.17	0.02	0.01	0.00	0.00	0.00	0.00
	Poland	-	0.01	0.15	0.10	0.10	0.06	0.08	0.12	0.75	2.86	2.74	2.07	1.75	2.23	3.59	1.50	0.32	0.06	0.02	0.00	0.00	0.00	0.00
	Russia	-	0.00	0.16	0.52	0.69	0.67	0.46	0.52	1.03	1.74	2.41	2.27	2.02	1.80	1.65	1.61	2.01	3.23	1.20	0.10	0.02	0.01	0.01
Middle East & Africa	Egypt	-	0.02	0.15	0.23	0.84	0.76	0.25	0.22	0.14	0.16	0.40	0.69	0.62	0.53	0.57	0.72	0.45	0.17	0.05	0.03	0.03	0.03	0.03
	Nigeria	-	0.00	0.00	0.01	0.02	0.02	0.01	0.00	0.00	0.00	0.01	0.02	0.02	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Saudi Arabia	-	0.00	0.03	0.08	0.26	0.27	0.23	0.20	0.14	0.11	0.07	0.03	0.03	0.04	0.07	0.09	0.10	0.09	0.08	0.07	0.07	0.07	0.07
	Turkey	-	0.03	0.26	0.12	0.05	0.05	0.06	0.16	0.17	0.31	0.60	0.43	0.24	0.25	0.75	0.62	0.19	0.10	0.07	0.03	0.03	0.03	0.03

Source: Institute for Health Metrics and Evaluation <http://www.healthdata.org/> Data as at 15 July 2021.

Last week, the vaccination pace decelerated in China, Singapore, Brazil, and Argentina, but accelerated in Taiwan, Malaysia, Colombia, Kazakhstan, Czech Republic, and South Korea. The vaccination pace is also improving in South Africa and India. China has now administered close to 1.5bn jabs to its population and is on track to vaccinate more than 80% of its adult population by the end of August.

**China:** United States (US) Treasury Secretary Janet Yellen said that import tariffs put in place against Chinese exports during the Trump Administration are an unthoughtful “tax on consumers”; which “didn’t address in many ways the fundamental problems we have with China”. The White House is conducting a review of the US-China relationship, which may lead to an end of Trump-era tariffs, in our view. Chinese trade data was stronger than consensus expectations with exports increasing at a 2-year compounded annualised rate (2y-o-2y) of 15.1% in June compared to 11.1% in May, while imports rose 18.8% from 12.4% (both 2y-o-2y). The strong exports drove the Chinese trade surplus to USD 51.5bn in June from USD 45.5bn in May, beating expectations by almost USD 7bn. Oil, iron ore and copper imports softened, while electronics and machinery imports were firm, pointing to a pickup in capital spending. In regulatory news, Beijing approved Tencent’s acquisition of search engine Sogou, a sign that Beijing does not wish to impair growth in the sector. Rather, the objective is to step up oversight to ensure fair competition and prevent monopolies as stated by Premier Li Keqiang last week. In other news, asset management company Huarong said it would redeem a USD 500m perpetual bond in September, highlighting the company’s efforts to repay its Eurobonds.

**India:** The yoy rate of consumer prices index (CPI) inflation was unchanged at 6.3% in June, 0.3% better than consensus expectations, while core CPI declined more than expected to 6.1% yoy from 6.6% yoy over the same period. Inflationary pressures in producer prices also eased with the yoy rate of wholesale price index (WPI) inflation declining to 12.1% in June from 12.9% yoy in May, slightly better than consensus expectations. Industrial production (IP) rose at a yoy rate of 29.3% in May, 2.7% lower than consensus expectations. In corporate news, car hailing company Ola raised USD 500m from Temasek and other investors to expand across geographies and different categories. Ratings agency S&P affirmed India’s sovereign rating at ‘BBB-’, with a stable outlook. In other news, monsoon rains returned to normal levels last week after a 15-day dry patch. Water reservoirs are broadly at the same level in 2020.

## Emerging Markets

**Romania:** The yoy rate of CPI inflation rose to 3.9% in June from 3.8% yoy in May, 0.2% higher than consensus expectations. IP disappointed relative to consensus expectations, dropping 8.5% in May after rising 3.7% in April, leading to a slowdown in the yoy rate of IP growth to 30.3% from 64.7% over the same period. Industrial sales declined 2.0% in May after -4.0% in April.

**South Africa:** The riots in Kwazulu-Natal (KZN) and Gauteng states subsidised towards the end of last week, leaving considerable destruction in their wake and the risk of supply shortages in the affected areas. State-owned utility company Transnet said service levels in KZN ports are normalising as the company works to resume operations for the rail link running from KZN to Gauteng. The South African police were much criticised for inaction during the protests, but on the other hand there were no reported fatalities from police repression. The protests may have weakened ex-President Jacob Zuma and his allies within the Africa National Congress (ANC) Party. The army deployed close to 25k troops to protect important infrastructure like electricity substations and phone towers. In other news, mining production rose at a yoy rate of 21.9% in May, which was lower than the 31.5% yoy consensus expectation. Retail sales rose by 2.1% in May after declining 0.6% in April, while manufacturing production declined 2.6% in May after falling 1.2% in April.

**Chile:** The central bank hiked its policy rate by 25bps to 0.75%, in line with consensus expectations and said future decisions will depend on the evolution of the economy. The board of directors said that recent economic developments in Chile are consistent with the central bank's base case scenario that the output gap closes rapidly, aided by a high level of fiscal stimulus and dynamic private sector consumption. This scenario is consistent with a rise in the policy rate to 1.75% over the next few quarters, while the market is currently pricing in policy rates close to 2.0% by year-end and around 2.75% by H2 2022. In other news, primary elections for the main left-wing and right-wing coalitions in Chilean politics ahead of presidential elections on 21 November saw a very far left candidate lose to a less extreme leftist, while on the right a centre-right candidate won. Chilean voters therefore seem to be moving ever so slightly back towards the centre of politics, in our view.

**South Korea:** Bank of Korea (BoK) kept its policy rate unchanged at 0.5% in line with consensus expectations. However, BoK governor Lee Ju-yeol emphasised concerns over financial imbalances, stating the board intends to discuss the possibility of a rate hike at its upcoming meeting in August. In other news, the unemployment rate declined 0.1% to 3.7% in June, which was better than consensus expectations as the number of people employed increased by 582k in June after rising 620k in May.

**Venezuela:** State owned oil company Petroleos de Venezuela (PDVSA) started producing two different grades of improved crude oil for domestic use in a bid to revive Venezuela's fuel production. The move follows important reforms in the oil and gas sectors, including flexible fuel prices at the pump. The Organisation of the Petroleum Exporting Countries (OPEC) monthly bulletin shows that Venezuela's oil production rose to 529 thousands of barrels per day (bpd), according to secondary sources. PDVSA said production was 633k bpd. Either way, these numbers represent increased output of 53k bpd compared from May 2021 and 240k bpd relative to the level of production recorded in June 2020.

**Ecuador:** Foreign Trade Minister Julio Jose Prado announced a tariff cut on 667 product groups from 1 August, thereby lowering production costs for 81 industries in a bid to boost the economic recovery. The measure foresees a full elimination of duties for 590 product groups, reducing the amount of duties collected by USD 180m (0.2% of GDP). In spite of pressure from specific sectors of the population, the government is increasing gasoline and diesel prices by some 3% in July, in line with the formula set by the previous administration. Under the current policy, fuel prices will gradually converge with international prices.

**Indonesia:** Finance Minister Sri Mulyani Indrawati said the fiscal deficit is likely to remain unchanged at 5.7% of GDP despite Bank Indonesia's downward revision of the 2021 real GDP growth rate to 3.8% from 4.6%. In particular, revenues are projected to reach IDR 1.76tn, or 101% of the Budget objective, while spending should hit IDR 2.70tn, or 98% of the planned Budget spending. In other news, the trade surplus narrowed to USD 1.3bn in June from USD 2.7bn in May, lower than consensus expectations as imports rose 10.1% mom. The trade surplus for Q2 2021 as a whole rose to USD 6.3bn from USD 5.5bn in Q1 2021.

**Argentina:** The central bank introduced new measures to control the dealing in foreign securities (Blue Chip swap) by local brokers, effectively reducing the size of the transactions and the period over which they can be completed. The measures are an attempt to prevent further depreciation of ARS ahead of primaries for the mid-term election on 12 September and mid-term elections on 14 November. In economic news, the yoy rate of CPI inflation rose to 50.2% in June from 48.8% in May, slightly above consensus expectations.

**Lebanon:** Designated Prime Minister Saad Hariri announced he would step down after failing to form a government after President Michel Aoun rejected the latest cabinet proposal largely composed by expert technocrats. Hariri had been trying to form a government since October 2020. The paralysis of the Lebanese government therefore continues. President Aoun will begin consultations with parliament to name a new prospective Prime Minister.

## Emerging Markets

**This week:** The central banks of Indonesia, South Africa, and Russia will hold monetary policy committee meetings with consensus expectations for no change in policy rates in Indonesia and South Africa (both at 3.5%), and a hike of 75bps in Russia to 6.25%.

### Snippets:

- **Czech Republic:** The yoy rate of CPI inflation declined 0.1% to 2.8% in June, 0.1% above consensus expectations.
- **El Salvador:** A poll by Centro de Estudios Ciudadanos (CEC) showed that more than 75% of Salvadorans believe that using bitcoin as legal tender is not a wise decision with 95% of respondents saying the US dollar is better for the financial stability of their families and the economy.
- **Egypt:** More than 2.25m vaccines arrived last week. So far, only 4.9m doses have been administered in Egypt, covering fewer than 5% of the population.
- **Ethiopia:** Sudan said the water supply from the Blue Nile decreased by up to 50% due to the second filling of the Great Ethiopia Renaissance Dam. Both Sudan and Egypt worry that the filling of the dam will deprive them of scarce water from the Nile. Negotiations between Egypt, Ethiopia, and Sudan over the pace of filling the dam have stalled for years.
- **Iraq:** Minister of Water Resources Mahdi Rashid Hamedani said neighbouring Iran has blocked water flow from vital rivers and that Baghdad is considering filing a complaint at the United Nations.<sup>1</sup>
- **Kenya:** Kenya received 305k international tourists in H1 2021 compared to 390k in H1 2020. In comparison, Kenya received 2.05m tourists in 2019.
- **Kuwait:** Ratings agency S&P downgraded Kuwait's sovereign rating at 'A+' with a negative outlook. S&P sees liquidity risks rising due to a lack of strategy to refinance the government's debt after parliament did not authorise further government borrowing. Politics aside, the ability to serve the debt is vast as Kuwait's debt-to-GDP ratio is lower than 15%.
- **Malaysia:** IP declined 3.4% mom in May, equivalent to a yoy increase of 26.0% compared to 50.1% yoy in April.
- **Mexico:** IP rose 0.1% mom in May, from -0.2% mom in April, almost unchanged in yoy terms at 36.4%.
- **Nigeria:** The yoy rate of CPI inflation declined marginally to 17.8% in June from 18.1% yoy in May, in line with consensus expectations. Food prices inflation remained elevated (22.3% yoy).
- **Philippines:** Ratings agency Fitch affirmed Philippines' sovereign rating at 'BBB', while moving the outlook to negative due to a deterioration of the country's credit profile resulting from the pandemic.
- **Poland:** The yoy rate of CPI inflation was unchanged at 4.4% in June. The harmonised index of consumer prices (HICP) inflation declined to a yoy rate of 4.1% in June from 4.6% yoy in May.
- **Saudi Arabia:** The yoy rate of CPI inflation rose to 6.2% in June from 5.7% yoy in May. The Riyal peg to the US dollar means Saudi Arabia effectively follows US monetary policy.
- **Singapore:** The rate of real GDP growth declined 2.0% qoq in Q2 2021, softer than -1.8% qoq consensus expectations.
- **Turkey:** The Central Bank of Turkey kept its policy rate unchanged at 19.0% in line with consensus expectations. IP rose 1.3% in May after declining 0.8% in April, higher than consensus expectations at -0.4%.

## Global backdrop

**Commodities:** OPEC+ reached a deal to increase oil production by 400k bpd every month starting in August resulting in increased output of 2 million bpd by year-end. United Arab Emirates won the right to increase its baseline production to 3.5m bpd from 3.2m bpd currently. The baselines for Saudi Arabia and Russia rose to 11.5m bpd from 11m bpd, while Iraq and Kuwait had their baselines increased by 150k bpd each to 4.8m bpd and 3.0m bpd, respectively.

**United States:** The yoy rate of CPI inflation rose to 5.4% in June from 5.0% yoy in May, higher than the 4.9% yoy consensus expectation. Core CPI (ex-food and energy) rose to a yoy rate of 4.5% in June from 3.8% yoy in May, or 0.5% above consensus. The yoy rate of producer price index (PPI) inflation also reached a high level of 7.3% in June from 6.6% yoy in May, or 0.6% higher than consensus. A number of Federal Reserve directors spoke last week, with most members dismissing inflationary pressures as transitory. President of the New York Fed John Williams pushed back against an early taper to mortgage-backed securities (MBS) arguing purchases of both US Treasuries and MBS affected housing costs, thus advocating tapering the purchase of both assets

<sup>1</sup> See <https://iranintl.com/en/world/iraq-accuses-iran-violation-cutting-water-vital-rivers>

## Global backdrop

simultaneously. St. Louis Fed President James Bullard (non-voting member) supported an earlier “pull back” of emergency measures. Chairman Jerome Powell said that the objective of reaching “substantial further progress” before commencing asset purchases remains “a ways off.” Powell believes inflation pressures are transitory and noted that labour markets are far from full employment. At the same time, Powell admitted he was surprised by the magnitude of recent price increases and indicated that the Fed would respond in case inflation remains elevated or if inflation expectations increase. In our view, the key test for the Fed’s action is how wages and rents react, particularly as special unemployment benefits are set to expire. If employees are able to successfully bid for higher wages then higher house prices may also feed into higher rents, which in turn will keep inflation elevated.

In other economic news, the University of Michigan sentiment index softened to 80.8 in July from 85.5 in June and 86.5 expected. The expectations index softened to 78.4 from 83.5, but the 1-year inflation expectation rose to 4.8% from 4.2% over the same period, suggesting consumers see slower economic activity with higher prices ahead. On the other hand, the Empire Manufacturing survey rose to 43 in July from 17.4 in June, higher than consensus expectations. Retail sales rose 0.6% in June after declining 1.7% in May, better than consensus expectations, while industrial production rose 0.4% after a 0.7% increase over the same period. Mortgage applications jumped 16.0% in the week of 9 July after declining 1.8% in the previous week.

**Europe:** The yoy rate of EU headline HICP inflation declined 0.1% to a yoy rate of 1.9% in June, while core HICP inflation declined 0.1% to 0.9% yoy. HICP inflation rates were unchanged in Germany and France at 2.1% and 1.9%, respectively, in line with consensus expectations. In other news, the Eurozone aggregate industrial production declined 1.0% in May after rising 0.6% in April, lower than consensus expectations.

**United Kingdom:** The yoy rate of CPI inflation rose to 2.5% in June from 2.1% yoy in May, 0.3% higher than consensus expectations as core CPI inflation rose 2.3% yoy from 2.0% yoy. Retail prices index (RPI) inflation rose to 3.9% yoy from 3.4% yoy over the same period. The weekly average earnings rose 7.3% yoy in May on a 3-month moving average basis from 5.7% yoy in April. Bank of England (BOE) director Michael Saunders said inflation is likely to remain above BOE’s 2.0% target for 2-3 years, and that BOE will be in a position to reduce bond purchases in the next month or two. The BOE balance sheet was GBP 828bn at the end of June, up from GBP 435bn in March 2020.

**Japan:** Bank of Japan (BoJ) kept its policy rate and the target yield for the 10-year government bond unchanged at -0.1% and 0.0%, respectively. BoJ increased its one-year inflation forecast by 0.1% to 0.9% yoy, and raised its GDP growth forecast by 0.3% to 2.7%. BoJ said it would buy green bonds denominated in foreign currencies using its foreign exchange reserves and will offer interest-free funds for climate-linked investments as well as exempt a larger share of reserves from negative rates. Governor Haruhiko Kuroda said the central bank’s mandates do not need overhauling in order to start taking action on the environment. Kuroda also said banks and companies should not wait for an international consensus before taking action against climate change.

**New Zealand:** The Reserve Bank of New Zealand (RBNZ) kept the policy rate unchanged at 0.25%, but committed to end large-scale asset purchases by 23 July, much earlier than expected, noting that house prices growth is “unsustainable.” In other news, the yoy rate of CPI inflation rose to 3.3% in June from 1.5% yoy in May, 0.6% above consensus expectations.

## Benchmark performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	-2.27%	-2.27%	4.99%	30.79%	10.58%	11.96%
MSCI EM Small Cap	0.39%	0.39%	20.34%	56.10%	12.78%	11.54%
MSCI Frontier	-1.39%	-1.39%	13.40%	36.11%	7.67%	8.80%
MSCI Asia	-2.25%	-2.25%	3.96%	30.03%	11.69%	13.39%
Shanghai Composite	-0.82%	-0.82%	3.57%	12.51%	10.44%	5.31%
Hong Kong Hang Seng	-4.10%	-4.10%	-3.45%	2.91%	1.67%	6.04%
MSCI EMEA	-1.19%	-1.19%	14.80%	31.16%	5.28%	6.28%
MSCI Latam	-1.38%	-1.38%	7.54%	34.87%	3.46%	5.12%
GBI-EM-GD	-0.66%	-0.66%	-4.02%	4.34%	3.48%	2.92%
China GBI-EM GD	0.82%	0.82%	3.95%	11.86%	-	-
ELMI+	-0.69%	-0.69%	-1.29%	5.17%	1.71%	2.09%
EM FX spot	-1.05%	-1.05%	-2.60%	2.47%	-3.53%	-3.08%
EMBI GD	0.49%	0.49%	-0.18%	6.53%	6.13%	4.54%
EMBI GD IG	0.61%	0.61%	-1.86%	2.05%	7.50%	4.86%
EMBI GD HY	0.37%	0.37%	1.79%	12.06%	4.54%	4.12%
CEMBI BD	0.37%	0.37%	1.66%	8.15%	7.40%	5.59%
CEMBI BD IG	0.46%	0.46%	0.32%	4.89%	6.98%	4.78%
CEMBI BD HY	0.27%	0.27%	3.47%	12.75%	7.91%	6.81%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
S&P 500	0.75%	0.75%	16.11%	36.64%	17.76%	17.08%
1-3yr UST	0.06%	0.06%	-0.04%	0.08%	2.74%	1.64%
3-5yr UST	0.34%	0.34%	-0.71%	-0.63%	4.30%	2.20%
7-10yr UST	1.32%	1.32%	-2.11%	-3.41%	6.31%	2.66%
10yr+ UST	2.71%	2.71%	-5.42%	-10.06%	8.81%	3.61%
10yr+ Germany	2.72%	2.72%	-4.25%	-2.23%	5.21%	2.20%
10yr+ Japan	0.95%	0.95%	0.64%	0.93%	1.13%	-0.21%
US HY	0.25%	0.25%	3.88%	13.32%	7.34%	6.94%
European HY	0.24%	0.24%	3.72%	11.49%	4.17%	4.43%
Bloomberg-Barclays Agg	0.63%	0.63%	-2.60%	2.06%	4.42%	2.59%
VIX Index*	16.55%	16.55%	-18.90%	-28.15%	43.36%	54.14%
DXY Index*	0.31%	0.31%	3.09%	-3.36%	-2.57%	-4.47%
CRY Index*	-0.38%	-0.38%	26.69%	50.95%	11.06%	14.23%
EURUSD	-0.45%	-0.45%	-3.37%	3.12%	1.40%	7.11%
USDJPY	-1.06%	-1.06%	6.47%	2.48%	-2.26%	3.59%
Brent	-2.95%	-2.95%	40.75%	69.01%	0.45%	56.26%
Gold	2.39%	2.39%	-4.53%	-0.30%	48.20%	36.06%
Bitcoin	-8.36%	-8.36%	9.30%	245.54%	327.19%	4,621.73%

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

Source: Bloomberg, JP Morgan, Barclays, Merrill Lynch, Chicago Board Options Exchange, Thomson Reuters, MSCI, total returns.

Figures for more than one year are annualised other than in the case of currencies, commodities and the VIX, DX Y and CRY which are shown as percentage change.

## Contact

### Head office

#### Ashmore Investment Management Limited

61 Aldwych, London WC2B 4AE

T: +44 (0)20 3077 6000

 @AshmoreEM

[www.ashmoregroup.com](http://www.ashmoregroup.com)

### Bogota

T: +57 1 316 2070

### Dubai

T: +971 440 195 86

### Dublin

T: +353 1588 1300

### Jakarta

T: +6221 2953 9000

### 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 6860 3777

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#### Lima

#### Shanghai

### Bloomberg page

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### Fund prices

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