

Until next year...

By Gustavo Medeiros and Ben Underhill

- ‘Risk-off’ and higher rates after US Fed meeting caused a cross asset sell-off last week, including in EM.
- Ukraine assassinate Russian commander inside Moscow.
- Erdogan urges foreign countries to withdraw support for Kurdish fighters in Syria.
- European tariffs on Chinese electric vehicles taking effect.
- China holds rates, a waiting game for clarity on US trade policy before easing can continue?
- Sri Lanka upgraded “from Restricted Default” by Moody’s and Fitch.
- Brazil’s Senate passed a weakened version of a spending cut package.
- Ruling party in Romania withdrew from coalition talks.
- IMF complete fourth review of Zambia and disburse loan.
- Ambitious infrastructure plans in Morocco pre-World Cup 2030.
- While the US Fed turn more hawkish, European Central Bank tilts dovish.

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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	6.41%	7	-	-1.1%	MSCI EM	11.7	-3.1%	<ul style="list-style-type: none"> • EM local bonds suffered due to a strong dollar move after Fed meeting. • EM sovereign bonds sold off 1.3%, as the US curve repriced higher. • EM equities underperformed the S&P 500, as ‘risk-off’ sentiment was triggered.
GBI-EM FX Spot	-	-	-	-0.9%	MSCI EM ex-China	12.6	-3.9%	
ELMI+	7.67%	30	-	-0.6%	MSCI EMEA	10.2	-2.4%	
EMBI GD	7.91%	-1	335 bps	-1.3%	MSCI Latam	8.2	-3.8%	
EMBI GD ex-default	7.12%	22	255 bps	-1.3%	MSCI EM Asia	12.5	-3.2%	
EMBI GD IG	5.85%	21	123 bps	-1.5%	MSCI China	9.9	-0.9%	
EMBI GD HY	10.34%	25	583 bps	-1.0%	MSCI India	21.8	-4.9%	
EMBI HY ex-default	8.32%	23	381 bps	-1.0%	MSCI EM Growth	16.7	-3.0%	
CEMBI BD	6.88%	15	241 bps	-0.6%	MSCI EM Value	8.9	-3.2%	
CEMBI BD IG	5.76%	14	128 bps	-0.6%	MSCI EM Small Cap	13.7	-2.9%	
CEMBI BD HY	8.42%	18	394 bps	-0.6%	MSCI Frontier	9.0	-1.8%	

Global Debt	Yield	Change (bp)	Spread	5 day Change	Global Backdrop*	PE 1yr BF	5 day Change	Comments
2yr UST	4.32%	7	-	0.0%	MSCI ACWI	18.2	-2.5%	<ul style="list-style-type: none"> • US stocks retreated 2.0% over the week, recovering after falling 3.5% on Wednesday. • The dollar rallied 1%, given rates expectations. • Commodities sold off 1.0%, again reflecting risk-off and higher rates equalling lower economic activity.
5yr UST	4.39%	13	-	-0.4%	MSCI World (DM)	19.3	-2.4%	
10yr UST	4.54%	14	-	-0.9%	S&P 500	22.0	-2.0%	
30yr UST	4.73%	13	-	-1.6%	VIX Fut.**	17.9%	3.2%	
10yr Germany	2.31%	7	-	-0.6%	DXI Index**	107.9	1.0%	
10yr Japan	1.08%	-1	-	-0.1%	EUR*	1.041	-1.0%	
Global Agg.***	3.67%	8	35 bps	-0.9%	JPY*	156.6	-1.6%	
US Agg. IG***	5.32%	15	76 bps	-0.7%	CRY Index**	292.2	-0.6%	
EU Agg. IG***	3.14%	6	84 bps	-0.3%	Brent**	73.2	-1.0%	
US Corp HY***	7.50%	31	285 bps	-0.8%	Gold**	2,630	-0.8%	
EU Corp HY***	5.99%	7	319 bps	-0.1%	Bitcoin**	95,072	-5.8%	

Global Macro

The US Federal Reserve cut interest rates by 25 basis points (bps) but accompanied the move with hawkish forward guidance. It signalled fewer rate cuts in 2025 than previously anticipated and projected a higher terminal rate. As a result, markets are now pricing in just 1.5 rate cuts for 2025, with the Fed expected to hold rates steady at its January meeting. Fed Chair Jerome Powell emphasised that the current policy stance remains “meaningfully restrictive.”

In the 61 trading days since the Fed implemented a 50bps rate cut, the 10-year US Treasury yield has risen by 90bps, the DXY has strengthened 8%, the S&P 500 has gained 4%, the NYSE Composite is down 1%, SPW (S&P 500 Equal Weight) has declined 1%, and investment grade bonds have dropped 4%. These moves do not indicate a material ‘loosening of financial conditions.’ Rather, the combination of a hawkish pivot from the Fed, despite core consumer price index (CPI) inflation remaining at 3.5%, and a strong consensus for further stock market gains has led to increased market nervousness and volatility.

Emerging market (EM) assets and currencies have also felt the impact of these developments keenly. Since the end of summer, rising US yields and a stronger dollar has exerted pressure on EM currencies, making it more expensive for these economies to borrow, service their dollar-denominated debt, and reducing their international purchasing power. The strength of the US dollar, currently being driven by high rates, has given less space for EM central banks to cut rates and boost their economies, for fears of currency depreciation. These tighter conditions have contributed to EM equity markets lagging, as well as the dominant performance of US mega-cap stocks.

While ‘economic exceptionalism’ has become an axiom this quarter, a significant divergence is emerging within US equity markets. The S&P 500 has risen 23% year-to-date, compared to just 8% growth for the index excluding its 12 largest constituents. The equal weighted index has declined consistently since the start of December, down 6.4% month-to-date, versus -1.68% for the market-weighted index. This disparity shows the broader market is experiencing a significant correction, masked by the outsized performance of a few winners now trading at record valuations. The S&P 500’s market capitalisation is now USD 50trn, while the S&P 500 excluding the “Magnificent 7” stocks has a market capitalisation of just USD 32trn.

Geopolitics:

Representatives from Iran, the UK, France, and Germany are set to meet next month for high-level discussions on pressing regional and international issues, including the nuclear issue. The timing of this meeting is particularly significant as it comes just ahead of Donald Trump’s inauguration as US President, raising questions about the potential impact of his administration’s policies on ongoing diplomatic efforts.

The President of Türkiye, Recep Tayyip Erdoğan, has stated the time has come to neutralise terror groups operating in Syria. In a strongly-worded address, Erdogan highlighted the growing threat posed by these groups to both regional stability and Türkiye’s national security. He called for swift and decisive action, emphasising Türkiye would take necessary measures to eliminate these threats, even if it requires unilateral action. Erdogan also called on international allies to support efforts to stabilise Syria and prevent further expansion of militant networks.

General Igor Kirillov, the head of Russia’s nuclear defence forces, was killed in a bomb attack in Moscow. The explosive device, which was remotely detonated, marked a significant escalation in targeted attacks. Ukrainian special forces claimed responsibility for the assassination, as a consequence for Kirillov’s war crimes related to the usage of illegal chemical weapons.

EM Asia

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	5-Year Loan Prime Rate	Dec-20	3.6%	3.6%	3.6%	• No further monetary policy easing as China awaits for the trade dispute.
	1-Year Loan Prime Rate	Dec-20	3.1%	3.1%	3.1%	
	Industrial Production (YoY)	Nov	5.4%	5.4%	5.3%	• Economic activity very soft confirming need for a change in economic policy stance, boosting consumption instead of further incentives to production and infrastructure investment.
	Industrial Production YTD (YoY)	Nov	5.8%	5.7%	5.8%	
	Retail Sales (YoY)	Nov	3.0%	5.0%	4.8%	
	Fixed Assets Ex Rural YTD (YoY)	Nov	3.3%	3.5%	3.4%	
India	Trade Balance (USD)	Nov	-37,837m	-23,000m	-27,142m	• Larger deficit adds pressure on INR.
	Exports (YoY)	Nov	-4.8%	-	17.2%	• Gold imports reached a historic high of USD 14.8bn adding pressure on the import bill.
	Imports (YoY)	Nov	27.0%	-	3.9%	
Indonesia	Imports (YoY)	Nov	0.0%	7.1%	17.5%	• Strong trade in contrast with India, driven by export growth as imports were unchanged vs last year.
	Trade Balance (USD)	Nov	4,420m	2,342m	2483m	
	BI-Rate	Dec-18	6.00%	6.00%	6.00%	• Financial conditions remains key for BI policy.
Malaysia	Exports (YoY)	Nov	4.1%	1.9%	1.6%	• Electronic and chemical products, as well as beverages, tobacco and palm oil led the increase in exports driving trade surplus to MYR 15.3bn.
	CPI (YoY)	Nov	1.8%	2.1%	1.9%	
	Foreign Reserves (USD)	Dec-13	118.1bn	-	118.3bn	
Thailand	BoT Benchmark Interest Rate (USD)	Dec-18	2.25%	2.25%	2.25%	• BoT decision to preserve policy space amidst rising uncertainties in early 2025.
	Gross International Reserves (USD)	Dec-13	237.9bn	-	239.3bn	
Taiwan	Export Orders (YoY)	Nov	3.3%	6.6%	4.9%	

Source information is at the end of the document.

Commentary

China:

Chinese automakers have captured their smallest share of the European electric vehicle (EV) market in eight months, following the introduction of new tariffs. These tariffs have increased the cost of importing cars to the region by as much as 35%. As a result, their market share has dropped significantly, falling from around 12% earlier this year to just 7%. This decline highlights the impact of trade barriers on Chinese automakers' competitiveness in Europe's growing EV market.

Sri Lanka:

Sri Lanka received credit rating upgrades from Moody's and Fitch, reflecting improved financial stability following the completion of a major bond restructuring. Moody's upgraded the country's rating to Caa1, while Fitch raised its rating from Restricted Default to CCC+. These upgrades come after 98% of creditors participated in the restructuring, helping to normalise relations with most lenders.

Fitch also upgraded Sri Lanka's local currency rating from CCC- to CCC+, citing better macroeconomic prospects. The upgrades mark a turning point for the country, signalling increased confidence in its ability to manage debt and foster economic recovery.

Latin America

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	Unemployment Rate	3Q	6.9%	-	7.6%	• Economic data continues to be supportive of Milei's popularity as unemployment dropped and GDP growth surprised to the upside as poverty rate dropped to 38.9% in Q3, back to 2023 lows.
	Consumer Confidence Index	Dec	46	-	45	
	GDP (YoY)	3Q	-2.10%	-2.60%	-1.7%	
	GDP (QoQ)	3Q	3.90%	3.40%	-1.7%	• Imports dropped on lower energy and intermediate goods partially offset by higher capital goods and vehicles imports.
	Trade Balance (USD)	Nov	1,234m	800m	898m	
	Exports Total (USD)	Nov	6,479m	-	7,026m	
	Imports Total (USD)	Nov	5,245m	-	6,128m	
Brazil	FGV CPI IPC-S	Dec-16	0.08%	-	0.00%	
Chile	Overnight Rate Target	Dec-17	5.00%	5.00%	5.25%	
Colombia	Manufacturing Production (YoY)	Oct	1.1%	-0.2%	-4.1%	
	Retail Sales (YoY)	Oct	9.0%	5.0%	1.5%	
Ecuador	Trade Balance	Oct	400.5m	-	487.2m	
Mexico	Overnight Rate	Dec-19	10.0%	10.0%	10.25%	• Banxico more dovish stance leaves room for 50bps cuts, despite inflation converging to the target only on Q3 26, from Q4 25 prior forecast.
	Retail Sales (YoY)	Oct	-1.2%	-1.0%	-1.5%	
	International Reserves Weekly (USD)	Dec-13	228,654m	-	228,753m	

Source information is at the end of the document.

Commentary

Brazil: Congress approved a watered-down version of Brazil's spending cut proposals this week. President Lula said the government would 'remain vigilant' about 'further measures' to cut spending, but this was not enough to stop further volatility in Brazilian assets. Finance Minister Fernando Haddad told reporters before the final vote that the lower house had only slightly reduced the impact of the BRL 70bn (USD 11.5bn) saving plan, with a cut of just BRL 1.0bn (approximately USD 171m). This was far less than the government had initially feared, which was a more substantial dilution of the bill.

However, forecasts by Brazilian asset manager XP Investments, predict a much larger reduction of BRL 8bn (approximately USD 1.37bn) due to changes in the plan. XP already forecasted the bill's savings to be BRL 52bn, so the revision would lower the estimated savings from the government's original projection, reducing it to BRL 44.3bn (about USD 7.5bn) over the next two years. Furthermore, XP predicts an even more significant decrease in long-term savings, revising the government's projected BRL 294.2bn (roughly USD 50bn) in savings to BRL 232.2bn (around USD 39.5bn).

Lula also said the next leader of the Central Bank, Gabriel Galipolo, will be 'the governor with the most autonomy it has ever had.'

Central and Eastern Europe

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Republic	PPI Industrial (YoY)	Nov	1.7%	1.4%	0.8%	
	Repurchase Rate	Dec-19	4.00%	4.00%	4.00%	• Rate held to deal with rising FX risks.
Hungary	Central Bank Rate Decision	Dec-17	6.5%	6.5%	6.5%	
Poland	CPI Core (MoM)	Nov	0.2%	0.2%	0.4%	
	CPI Core (YoY)	Nov	4.3%	4.3%	4.1%	• Inflation still very sticky, core up from 3.8% low in May.
	Average Gross Wages (YoY)	Nov	10.5%	10.0%	10.2%	
	PPI (MoM)	Nov	0.3%	0.4%	0.5%	
	Sold Industrial Output (YoY)	Nov	-1.5%	-1.3%	4.6%	
	Retail Sales (YoY)	Nov	3.4%	1.9%	2.3%	
Romania	Industrial Sales (YoY)	Oct	8.2%	-	5.9%	

Source information is at the end of the document.

Commentary

Romania: The ruling leftist Social Democrat Party (PSD) has withdrawn from government coalition talks following clashes with three other parties over reform plans and cost-cutting measures. Romania currently has the European Union's widest budget deficit, necessitating tough fiscal consolidation efforts.

As a result of the PSD's withdrawal, the remaining parties: PNL, USR, and UDMR, may form a minority government, which the PSD has signalled it might support indirectly. Despite winning the largest share of votes in recent parliamentary elections, the PSD appears reluctant to be directly associated with the unpopular spending cuts required to address the budget deficit, particularly with the presidential election looming between March and May.

Complicating matters further, the centrist USR party withdrew from coalition talks yesterday, citing concerns that fiscal consolidation discussions were not being taken seriously. The situation underscores the political challenges Romania faces as it seeks to balance economic reforms with electoral pressures.

Central Asia, Middle East & Africa

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Egypt	Trade Balance (USD)	Oct	-3658.0m	-	-4271.0m	
Nigeria	Current Account Balance (USD)	3Q	6.1bn	-	5.1bn	• Inflation at 28 year high, central bank to extend tightening cycle into next year
	CPI (YoY)	Nov	34.60%	34.30%	33.9%	
Oman	CPI (YoY)	Nov	0.5%	-	0.8%	

Source information is at the end of the document.

Commentary

Zambia: The Executive Board of the International Monetary Fund (IMF) completed its fourth review of Zambia's economic programme, resulting in the disbursement of USD 184m. The IMF described Zambia's performance under the programme as "satisfactory," noting progress in managing public debt. While Zambia's public debt is now considered "sustainable," the country remains at a "high risk" of overall external debt distress. However, the risk level is expected to improve to moderate over the medium term, reflecting optimism about Zambia's fiscal and economic trajectory.

Morocco: Moroccan Prime Minister Aziz Akhannouch announced ambitious infrastructure and technology plans as part of the country's preparations for co-hosting the 2030 FIFA World Cup. He stated that airport capacity will be doubled by 2030 to accommodate the anticipated influx of visitors. Additionally, a nationwide rollout of 5G networks is set to begin in early 2026, enhancing the country's digital infrastructure. The USD 1.2bn Nador West Med Port is also slated to open within the first few months of next year, further boosting Morocco's logistical and trade capabilities.

Developed Markets

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Eurozone	ZEW Survey Expectations	Dec	17	-	12.5	
	CPI (YoY)	Nov F	2.2%	2.3%	2.0%	
	CPI Core (YoY)	Nov F	2.7%	2.7%	2.7%	• Prices retreating mom supports further cuts.
	CPI (MoM)	Nov F	-0.3%	-0.3%	-0.3%	
Japan	BOJ Target Rate	Dec-19	0.25%	0.25%	0.25%	• BoJ less hawkish than expected, inflation uncertainty about Trump's policies make path of monetary policy less clear.
	Natl CPI (YoY)	Nov	2.9%	2.9%	2.3%	
	Tertiary Industry Index (MoM)	Oct	0.3%	-0.1%	-0.1%	
UK	ILO Unemployment Rate 3Mths	Oct	4.3%	4.3%	4.3%	
	Claimant Count Rate	Nov	4.6%	-	4.6%	
	Jobless Claims Change	Nov	0.3k	-	-10.9k	
	CPI (MoM)	Nov	0.1%	0.1%	0.6%	
	CPI Core (YoY)	Nov	3.5%	3.6%	3.3%	• As core inflation ticked up in UK, BoE held rates, despite very soft retail sales highlighting growth risks.
	RPI (YoY)	Nov	3.6%	3.7%	3.4%	
	Retail Sales Ex Auto Fuel (MoM)	Nov	0.3%	0.5%	-0.9%	
	CPI (YoY)	Nov	2.6%	2.6%	2.3%	
	RPI (MoM)	Nov	0.1%	0.2%	0.5%	
	Bank of England Bank Rate	Dec-19	4.75%	4.75%	4.75%	
	Retail Sales Inc Auto Fuel (MoM)	Nov	0.2%	0.5%	-0.7%	
United States	Building Permits	Nov P	1,505k	1,430k	1,419k	
	Personal Consumption	3Q T	3.7%	3.6%	3.5%	
	GDP Price Index	3Q T	1.9%	1.9%	1.9%	
	Core PCE Price Index (QoQ)	3Q T	2.2%	2.1%	2.1%	
	Philadelphia Fed Business Outlook	Dec	-1,640.0%	280.0%	-550.0%	
	Leading Index	Nov	0.3%	-0.1%	-0.4%	
	Existing Home Sales	Nov	4.15m	4.09m	3.96m	
	Total Net TIC Flows (USD)	Oct	203.6bn	-	398.9bn	
	Net Long-term TIC Flows (USD)	Oct	152.3bn	-	216.1bn	
	Empire Manufacturing	Dec	20.0%	1000.0%	3120.0%	
	Retail Sales Advance (MoM)	Nov	0.7%	0.6%	0.5%	
	Retail Sales Ex Auto (MoM)	Nov	0.2%	0.4%	0.2%	
	Industrial Production (MoM)	Nov	-0.1%	0.3%	-0.4%	
	Capacity Utilisation	Nov	76.8%	77.3%	77.0%	
	MBA Mortgage Applications	Dec-13	-0.7%	-	5.4%	
	Housing Starts	Nov	1,289k	1,345k	1,312k	
	Current Account Balance (USD)	3Q	-310.9bn	-287.1bn	-275.0bn	

Source information is at the end of the document.

Developed Markets (continued)

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
United States	Current Account Balance (USD)	3Q	-310.9bn	-287.1bn	-275.0bn	
	FOMC Rate Decision (Upper Bound)	Dec-18	4.50%	4.50%	4.75%	• The Fed cut as expected but it was not a unanimous decision. The updated dot plot shows the median official now anticipates a shallower rate cut path, only another 50bps in 2025, and then 50 more in 2026.
	FOMC Rate Decision (Lower Bound)	Dec-18	4.25%	4.25%	4.50%	
	GDP Annualised (QoQ)	3Q T	3.1%	2.8%	2.8%	
	Initial Jobless Claims	Dec-14	220k	230k	242k	
	Continuing Claims	Dec-07	1,874k	1,892k	1,879k	

Source information is at the end of the document.

Commentary

European Union: European Central Bank (ECB) President Christine Lagarde reinforced the dovish tone from the previous week's press conference, stating the central bank aims to implement an "appropriate" policy stance. She added, "If the incoming data continue to align with our baseline, the path forward is clear, and we anticipate further reductions in interest rates."

Meanwhile, Isabel Schnabel, one of the ECB's more hawkish members, said that "gradually lowering policy rates towards a neutral level is the most prudent course of action", subtly signalling caution against the possibility of taking rates below neutral. This suggests some divergence within the ECB on the extent of future rate cuts.

Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	-0.5%	-8.3%	7.1%	10.0%	-0.9%	1.8%
MSCI EM ex-China	-1.5%	-8.4%	3.3%	6.3%	1.2%	4.5%
MSCI EMEA	1.1%	-3.8%	5.8%	7.4%	-5.6%	-1.8%
MSCI Latam	-3.6%	-13.6%	-24.4%	-22.4%	4.1%	-2.7%
MSCI Asia	-0.6%	-8.3%	11.1%	14.5%	-0.6%	2.6%
MSCI China	2.2%	-8.1%	18.8%	21.2%	-5.1%	-3.3%
MSCI India	-2.4%	-10.8%	11.9%	15.4%	10.0%	12.4%
MSCI EM Growth	0.3%	-7.0%	10.1%	12.4%	-2.7%	1.4%
MSCI EM Value	-1.3%	-9.7%	3.9%	7.4%	1.1%	2.0%
MSCI EM Small Cap	-1.6%	-7.7%	4.2%	7.5%	3.6%	8.9%
MSCI Frontier	-0.3%	-1.6%	8.9%	10.2%	-3.0%	2.0%
GBI-EM-GD	-1.3%	-6.4%	-1.7%	-0.7%	-0.4%	-1.5%
GBI-EM China	0.8%	-1.3%	4.4%	5.6%	0.4%	3.8%
EM FX spot	-1.0%	-6.0%	-6.7%	-6.0%	-3.2%	-4.2%
ELMI+ (1-3m NDF)	-0.8%	-4.1%	-0.4%	0.5%	0.7%	-0.1%
EMBI GD	-1.3%	-1.8%	6.7%	7.0%	-0.7%	0.2%
EMBI GD IG	-2.1%	-4.4%	0.5%	0.7%	-4.8%	-1.6%
EMBI GD HY	-0.5%	0.8%	13.1%	13.6%	3.6%	1.9%
CEMBI BD	-0.5%	-0.8%	7.6%	8.1%	1.1%	2.2%
CEMBI BD IG	-0.8%	-1.5%	5.0%	5.3%	-1.1%	0.9%
CEMBI BD HY	-0.1%	0.3%	11.6%	12.3%	4.0%	4.1%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	-2.1%	-0.7%	17.9%	19.8%	7.0%	10.2%
MSCI World (DM)	-2.2%	0.2%	19.1%	21.0%	8.0%	11.3%
S&P 500	-1.6%	3.2%	26.0%	28.0%	10.8%	14.8%
DXY Index**	2.1%	7.1%	6.5%	6.1%	4.0%	2.0%
EUR*	-1.7%	-6.8%	-7.1%	-6.9%	-4.4%	-2.6%
JPY*	-4.6%	-9.2%	-14.4%	-13.7%	-13.7%	-9.5%
CRY Index**	1.8%	2.5%	10.8%	9.6%	8.2%	9.6%
Brent**	0.3%	1.9%	-5.0%	-7.5%	-1.6%	2.0%
Gold**	-0.5%	-0.2%	27.5%	28.1%	13.3%	12.1%
Bitcoin**	-1.8%	49.1%	123.7%	117%	23.2%	67.0%
1-3yr UST	0.0%	-0.3%	3.8%	4.0%	1.3%	1.3%
3-5yr UST	-0.7%	-2.0%	2.1%	2.4%	-0.7%	0.5%
7-10yr UST	-2.1%	-4.4%	-0.5%	-0.4%	-4.5%	-1.3%
10yr+ UST	-4.8%	-8.1%	-5.9%	-6.0%	-11.9%	-5.2%
10yr+ Germany	-2.9%	-0.6%	-1.4%	-2.5%	-11.6%	-6.2%
10yr+ Japan	0.3%	-1.8%	-5.8%	-7.7%	-6.0%	-3.8%
Global Agg.***	-1.9%	-4.9%	-1.4%	-0.8%	-4.5%	-1.8%
US Agg. IG***	-1.6%	-3.0%	1.3%	1.6%	-2.4%	-0.3%
EU Agg. IG***	-0.8%	0.4%	2.9%	2.7%	-3.4%	-1.6%
US Corp HY***	-0.6%	0.0%	8.0%	8.6%	3.1%	4.2%
EU Corp HY***	0.6%	1.9%	9.0%	9.3%	3.1%	3.0%

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. DX Y 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, DX Y and CRY which are shown as percentage change.

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2025 Emerging Markets Outlook

4 December 2024

By Gustavo Medeiros and Ben Underhill



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The positive effects of post-pandemic structural reforms and fiscal discipline have been visible in the last two years' economic data, with EM GDP growth consistently surprising to the upside. Economic fundamentals improving alongside credit metrics in most countries meant we saw far more sovereign credit rating upgrades than downgrades this year. We expect this trend to continue into 2025.

On the flip side, countries that neglected fiscal discipline and approved detrimental reforms – like Brazil and Mexico – struggled.

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