

# Deal or no deal?

By Gustavo Medeiros and Ben Underhill

- The US struck Iranian military assets after Trump indicated a preliminary deal was close.
- Positioning in equities increasingly bullish.
- South Korea will use semiconductor tax windfall to seed new sovereign wealth fund.
- Colombian polls suggest a first-round victory for Cepeda, but runoff victory for de la Espriella.
- Polls in Peru have Fujimori at 39% against Sánchez at 35%, ahead of 7 June runoff.
- 73% of Czech farmers are considering scaling back 2026 output.
- Rates held in Egypt and Nigeria, despite higher inflation.
- Aramco is reportedly preparing its largest privatisation programme to date.
- Total UAE investment in the US now exceeds USD 1trn, according to ADNOC CEO.

Contents	Page
Global Macro	2
EM Asia	3
Latin America	5
Central and Eastern Europe	7
Central Asia, Middle East & Africa	9
Developed Markets	11
Benchmark Performance	13
Explore Further Insights	14

## 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	6.31%	-4	-	0.5%	MSCI EM	11.7	1.4%	<ul style="list-style-type: none"> <li>• EM local currency sovereign bonds returned 0.5% as yields compressed.</li> <li>• EM USD sovereign bonds returned 0.3%, in line with global bonds.</li> <li>• EM equities outperformed, returning 1.4% and 2.2% ex-China.</li> </ul>
GBI-EM FX Spot	-	-	-	0.2%	MSCI EM ex-China	11.9	2.2%	
ELMI+	6.25%	23	-	0.0%	MSCI EMEA	9.9	0.1%	
EMBI GD	7.08%	-3	248bps	0.3%	MSCI Latam	9.7	0.0%	
EMBI GD ex-default	7.23%	-3	198bps	0.3%	MSCI EM Asia	12.3	1.6%	
EMBI GD IG	5.71%	-1	102ps	0.2%	MSCI China	11.0	-1.3%	
EMBI GD HY	8.65%	-4	415bps	0.4%	MSCI India	20.2	1.4%	
EMBI HY ex-default	8.65%	-4	289vps	0.4%	MSCI EM Growth	13.6	1.3%	
CEMBI BD	6.60%	0	216bps	0.1%	MSCI EM Value	10.2	1.6%	
CEMBI BD IG	5.60%	-1	116bps	0.1%	MSCI EM Small Cap	14.5	1.8%	
CEMBI BD HY	8.01%	1	355bps	0.0%	MSCI Frontier	10.8	-0.7%	

Global Debt	Yield	Change (bp)	Spread	5 day Change	Global Backdrop*	PE 1yr BF	5 day Change	Comments
2yr UST	4.12%	8	-	0.0%	MSCI ACWI	18.0	1.3%	<ul style="list-style-type: none"> <li>• UST curve twist flattened, with the long-end rallying as the short end sold off.</li> <li>• US stocks hit new all-time highs, driven by the continuation of the AI rally.</li> <li>• Brent crude prices fell towards USD 100 over the week, and are now back below USD 100.</li> </ul>
5yr UST	4.26%	2	-	0.0%	MSCI World (DM)	19.4	1.3%	
10yr UST	4.56%	-3	-	0.2%	S&P 500	20.9	1.0%	
30yr UST	5.07%	-6	-	0.8%	VIX Fut.**	19.5	10.8%	
10yr Germany	3.04%	-11	-	1.7%	DXI Index**	99.2	0.0%	
10yr Japan	2.75%	3	-	0.4%	EUR*	1.16	-0.5%	
Global Agg.***	3.87%	-5	27bps	0.3%	JPY*	159.2	0.3%	
US Agg. IG***	5.26%	-2	68bps	0.3%	CRY Index**	392.7	-3.2%	
EU Agg. IG***	3.60%	-9	66bps	0.7%	Brent**	103.5	-7.6%	
US Corp HY***	7.12%	-10	260bps	0.3%	Gold**	4,509	-1.3%	
EU Corp HY***	6.44%	17	291bps	0.2%	Bitcoin**	75,905	-1.2%	

Source & Notations: See end of document.

## Global Macro

US President Donald Trump said on Saturday that the US and Iran had “largely negotiated” a memorandum of understanding to reopen the Strait of Hormuz. Brent crude fell from Friday’s USD 103.54 close to an intraday low of USD 96.02 by Sunday evening. In typical fashion, Trump then changed the mood in a Monday morning Truth Social post (“Great Deal for all or no Deal at all, back to the Battlefield and shooting, but bigger and stronger than ever before”). In New Delhi, US Secretary of State Marco Rubio struck the same conditional tone, saying the US would give diplomacy every chance “before we explore the alternatives.” Overnight, US and Israeli jets struck missile launch sites and mine-laying boats in Southern Iran. US Central Command described the action as self-defence and explicitly said the ceasefire still holds. Iran has vowed some form of retaliation, however. Brent sits at USD 97.87 this morning, around 5.5% below Friday.

On substance, there is no real change in language from six weeks ago. The “deal is very close” framing has cycled before and kinetic activity has now resumed. Yet, Trump’s jawboning still moves the front of the curve materially. There is some evidence from the Iranian side that we may now be closer to a deal. Iran’s ISNA news agency reported Iran was responding to a US text that “has narrowed the gaps.” There is also word that China would consider taking Iran’s 60% enriched uranium. Under the 2015 Obama nuclear deal, almost all of Iran’s enriched uranium was transferred to Russia, so this framework has strong precedent.

It is true that with Trump’s approval rating on inflation and the economy at record lows of 25% and 35%, and the FIFA World Cup kicking off in the US on 11 June, the incentive for Trump to wrap up operations in Iran has never been stronger. The sticking points remain Iran’s nuclear stockpile, sanctions language, and Strait management. Trump rejected any Iranian toll on transit: “we want it open, we want it free, we don’t want tolls.” Iran has now changed language around tolls to a “service charge”, legal gymnastics which may make charging for usage permissible under international maritime law. Trackable vessel exits did pick up last week, with three Very Large Crude Carriers (VLCCs) and two liquified natural gas (LNG) tankers exiting bound for China, Pakistan, India and South Korea. This supported lower oil prices, but against pre-war levels, this amount remains negligible.

Christopher Waller, historically one of the more dovish US Federal Reserve (Fed) Board members, turned materially more hawkish on Friday. He said the recent labour market and inflation data had caused him to reassess the balance of risks, with inflation becoming the “driving force” behind monetary policy in the near term. Waller will support removing the easing bias from the statement language and making it clear that “a rate cut is no more likely in the future than a rate increase.” Coming from Waller specifically, this is a significant marker on the Federal Open Market Committee (FOMC) and a clear signal that the bar to a near-term cut has moved up.

Central banks more broadly remain on the fence rather than committed to hiking. European Central Bank President (ECB) Christine Lagarde captured the consensus posture last week: “While the energy crisis is pushing up inflation and weighing down on the economy, long-term inflation expectations remain broadly well anchored. The implication of the war for medium-term inflation and economic activity will depend on the intensity and duration of the energy price shock and the scale of its indirect effects.” The market-based metrics are consistent with this: 1yr breakeven swaps dropped sharply to 2.7% while 10y breakevens remain well-anchored at 2.4% and Truflation sits around 2.0%. The question is whether that picture would survive another six to eight weeks of conflict into the July meetings.

Mega-cap IPOs are on track to push big AI to nearly 50% of US market cap, the highest concentration since the railroads. Bank of America flags consensus max-bullish positioning, with yields breaking up suggesting profit-taking risk here. The Philadelphia Semiconductor Index (SOX) has retraced its correction back to all-time highs and is flashing levels overbought, and the BAML Fund Manager Survey sell signal has triggered on tech after a record jump in equity allocation funded mostly by cash, which has 3.9%. There have been 17 such sell signals since 2002, with average two–three-month losses of 2-3% (60% hit ratio) and 15–20% drawdowns in the worst cases.

The fundamental question remains whether the AI semiconductor bottleneck can sustain the trade. The adoption story is still tracking well: AI is the fastest 0-100m and 100m-1bn user technology on record on a population-adjusted basis. Monetisation is also improving with Anthropic forecasting Q2 2025 to be its first profitable quarter. But the wealth-stocks-boom loop is now in tension with very low consumer confidence, worsening business confidence, equal-weight consumer stocks below global financial crisis-era lows relative to the S&P 500, and AI leaving payrolls intact but real wages compressed.

## EM Asia

### Economic data

Chinese domestic activity turns weaker, Korean and Taiwan export boom continues.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	1-Year Loan Prime Rate	20-May	3.0%	3.0%	3.0%	Domestic activity rolled over in April: retail sales 40-month low, IP slowest since Jul 23, FAI YTD swung to contraction; property drag and Iran shock biting.
	Industrial Production YTD (YoY)	Apr	5.6%	-	6.1%	
	Industrial Production (YoY)	Apr	4.1%	6.0%	5.7%	
	Retail Sales YTD (YoY)	Apr	1.9%	-	2.4%	
	Retail Sales (YoY)	Apr	0.2%	2.0%	1.7%	
India	Industrial Production (YoY)	Mar	4.1%	2.7%	5.1%	
Indonesia	BI-Rate	20-May	5.25%	5.00%	4.75%	BI 50bp hike to 5.25%, first rise since 2024.
Malaysia	CPI (YoY)	Apr	1.9%	1.9%	1.7%	Exports +36.9% massive beat vs 9.5% expected; electronics/E&E lifted by AI cycle and rerouting
	Exports (YoY)	Apr	36.9%	9.5%	8.4%	
	Foreign Reserves	15-May	129.5bn	-	129.7bn	
South Korea	Consumer Confidence	May	106.1	-	99.2	CCI jumped as Q1 GDP surprise and new BoK governor Shin lift outlook. Growth call likely revised to mid-2%; chip exports +151% YoY in March feeding PPI to 6.9%, highest since October 2022.
	Department Store Sales (YoY)	Mar	14.7%	-	25.6%	
	Exports 20 Days (YoY)	May	64.8%	-	49.4%	
	PPI (YoY)	Apr	6.9%	-	4.1%	
Taiwan	Export Orders (YoY)	Apr	48.1%	45.0%	65.9%	AI capex still driving exorbitant export growth, but base effect kicking in from Mar 65.9% peak.
	Unemployment Rate	Apr	3.3%	3.4%	3.4%	
Thailand	BoT Benchmark Interest Rate	29-Apr	1.0%	1.0%	1.0%	BoT held 1.00% as Q1 GDP beat on exports upside from US. Section 122 10% tariff expires in Jul, payback risk dominates H2 export outlook.
	GDP SA (QoQ)	1Q	0.7%	0.3%	1.9%	
	GDP (YoY)	1Q	2.8%	2.4%	2.5%	
	Gross International Reserves	15-May	285.4bn	-	290.2bn	

Source information is at the end of the document.

### Commentary

**India:** India and the Netherlands signed 17 agreements during Prime Minister Narendra Modi's visit and upgraded ties to a strategic partnership, covering semiconductors, critical minerals, renewables, water and agriculture. The headline deliverable is a Tata Electronics-ASML memorandum of understanding to build India's first front-end semiconductor fabrication plant in Gujarat, an estimated USD 11bn project. Modi then travelled to Sweden, where European Commission (EC) President Ursula von der Leyen reaffirmed the EU's commitment to sign and implement the EU-India free trade agreement this year, with a separate investment pact also under discussion.

**Indonesia:** S&P warned that Jakarta's plan to centralise the export of crude palm oil, coal and iron alloy through a single new state-owned enterprise (SOE), Danantara Sumberdaya Indonesia, carries material execution risk. Private exporters must transfer buyer contracts to the SOE between June and August, after which foreign buyers will deal directly with the SOE. S&P flagged risks across exports, government revenues and the balance of payments, and noted that businesses are already managing Iran-war supply chain disruptions and shifts in royalties and pricing formulas.

The government's stated aim is to lift the revenue-to-GDP ratio, which has sat around 15% and is a long-standing weakness of the sovereign credit profile. S&P rates Indonesia 'BBB/Stable, against Fitch 'BBB/Negative and Moody's 'Baa2/Negative. A poorly executed rollout risks denting business confidence and investor sentiment further.

---

## EM Asia (continued)

**Malaysia:** The Malaysian Housing Contractors Association said higher diesel prices have pushed construction costs up by as much as 15%, with building material prices rising 20–30%, and some customers are postponing home builds. The construction sector is excluded from the government's targeted diesel subsidy regime, which covers logistics, public transportation and fisheries, and the association is seeking income tax relief. This is a clean read on Iran-war energy pass-through reaching domestic non-tradeable sectors.

**South Korea:** The government will use part of the semiconductor-driven “super tax revenue” to seed a new sovereign wealth fund with initial capital of nearly KRW 30trn, to be launched later this year. The vehicle is modelled partly on Norway's GPF and Singapore's Temasek, but will function as a domestic-focused strategic growth fund, taking long-term stakes in later-stage Korean firms in priority sectors. Financing combines in-kind contributions of public enterprise and inheritance tax shares with cash injections to be legislated in June and reflected in the 2027 budget. Critics warn the domestic concentration, alongside the existing KRW 150trn National Growth Fund, risks inflating valuations if capital is misallocated.

One of the 26 Korean ships stranded in the Strait of Hormuz since late February successfully exited under a route proposed by Iran, the first such passage. The HMM-operated tanker Universal Winner carried roughly 2.0 million barrels of crude. Seoul said no tolls or compensation were paid and is working to extricate the remaining 25 vessels, prioritising those with Korean crews and essential cargo. Iran is insisting on its designated routes, raising shipper concerns over both safety and US sanctions exposure, though Seoul judges the current US advisory does not make the transit sanctionable.

Korean power infrastructure firms are scaling rapidly into the US AI data centre buildout. LS Group affiliates Gaon Cable and LS Electric have secured major US AI hyperscaler contracts, with Gaon's US unit Lscus supplying bus ducts worth KRW 50bn this year and potentially KRW 4.0trn over five years, and LS Electric shipping USD 70m of vacuum circuit breakers. HD Hyundai Marine Solution will supply 33 20-megawatt engines plus maintenance to a Texas data centre project, repurposing marine engines for land-based power generation. Q1 revenue and operating profit rose meaningfully across LS Cable, Gaon Cable and Taihan Cable & Solution. The global power grid market is forecast to more than double from USD 10.98bn in 2025 to USD 24.37bn by 2035.

New Bank of Korea (BOK) Monetary Policy Board member Kim Jin-ill struck a hawkish tone at his inauguration, flagging inflation risks from higher oil prices and financial stability risks around household debt, housing and capital flows. He had previously said he would have preferred the base rate roughly 0.125pp higher than the current 2.50%. He signalled no immediate hike at the next (28 May) meeting, arguing tightening should be gradual and well-telegraphed, and pushed back on simple hawk/dove labels.

## Latin America

### Economic data

Argentina economic activity growth hits multi-year high.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	Budget Balance (ARS)	Apr	632,844m	-	930,284m	Activity index at multi-year high in Mar, 6.6% above pre-Milei level; agri, mining, manufacturing led broad beat after Feb slump. Fiscal surplus intact, Vaca Muerta oil structural tailwind for trade.
	Economic Activity Index (MoM)	Mar	3.5%	0.8%	-2.7%	
	Economic Activity Index (YoY)	Mar	5.5%	2.1%	-2.0%	
	Trade Balance (USD)	Apr	2,711m	1,900m	2,581m	
Brazil	Economic Activity (MoM)	Mar	-0.7%	-0.4%	0.9%	Mar economic activity disappointed after strong Q4 carry; Q1 momentum already in rear view.
	Economic Activity (YoY)	Mar	3.1%	3.0%	-0.1%	
	FGV CPI IPC-S	15-May	0.7%	-	0.8%	
	FGV Inflation IGPM (MoM)	Apr	2.7%	2.6%	0.5%	IPCA-15 in line; food +6.8% YoY, 14m high on Hormuz fertilizer disruption risk for 26/27 crop.
	IBGE Inflation IPCA-15 (MoM)	Apr	0.9%	1.0%	0.4%	
	IBGE Inflation IPCA-15 (YoY)	Apr	4.4%	4.5%	3.9%	
Chile	GDP (QoQ)	1Q	-0.3%	-0.2%	0.5%	Q1 contraction confirmed, mining -3.1% on copper ore grade decline and water scarcity at major ops; BCCh held 4.5% citing Iran oil shock.
	GDP (YoY)	1Q	-0.5%	-0.3%	1.6%	
	Overnight Rate Target	28-Apr	4.50%	4.50%	4.50%	
Colombia	Trade Balance (USD)	Mar	-527.4m	-428.6m	-1,229.7m	Trade deficit wider than expected on soft demand.
Mexico	Bi-Weekly CPI	15-May	-0.2%	-0.2%	0.0%	Bi-weekly CPI cooled; Banxico cut to 6.50% on 7 May; likely terminal as Q1 GDP confirmed weak.
	Bi-Weekly CPI (YoY)	15-May	4.1%	4.1%	4.4%	
	Bi-Weekly Core CPI	15-May	0.1%	0.2%	0.1%	
	Economic Activity IGAE (YoY)	Mar	1.4%	0.6%	-0.4%	IGAE rebounded but Q1 GDP -0.6% confirms tariff and tax-driven investment slump now 17 months old, nearshoring boost still not materialising.
	GDP NSA (YoY)	1Q F	0.2%	0.1%	0.1%	
	GDP Nominal (YoY)	1Q	3.4%	-	4.5%	
	GDP SA (QoQ)	1Q F	-0.6%	-0.8%	-0.8%	
	International Reserves Weekly (USD)	15-May	255,758m	-	257,030m	
	International Reserves Weekly (USD)	24-Apr	256,543m	-	257,131m	
Retail Sales (YoY)	Mar	2.9%	3.0%	3.1%		

Source information is at the end of the document.

### Commentary

**Argentina:** State-controlled YPF announced a USD 25bn Vaca Muerta upstream project, "LLL Oil", across five contiguous blocks, with 1,152 wells planned over 15 years and production reaching 240,000 barrels per day (bpd) by 2032. All crude output will be exported via the new VMOS pipeline, while associated gas remains in the domestic market. YPF estimates annual exports of USD 6bn and more than USD 100bn over the life of the project, with around 6,000 direct jobs in construction. The project has been submitted to the RIGI investment regime, following Chevron's earlier USD 10bn RIGI application.

The rush to submit RIGI applications ahead of the October 2027 elections is rational, given the regime offers fiscal benefits and tax invariability locked in for 30 years and approval can take more than a year. Vaca Muerta is moving from thesis to flow, and the cumulative E&P pipeline is becoming a material structural FX-earner for the sovereign credit profile.

## Latin America (continued)

**Brazil:** BCB Focus analysts raised the end-2026 Selic forecast to 13.25% from 13.00%, implying a smaller 175 basis points (bps) easing cycle this year as the Middle East energy shock continues to pressure prices. A 25bps cut at the mid-June Copom meeting is still expected, which would take Selic to 14.25%. The 2026 IPCA forecast rose to 4.92% (the tenth consecutive weekly increase, well above the 4.50% upper tolerance band), and the 2028 forecast rose to 3.65%, a horizon Copom has flagged as particularly relevant given de-anchoring concerns. GDP and FX forecasts were broadly unchanged. Senator Flávio Bolsonaro's support in a runoff against President Lula fell 6pps to 41.8% in the May 13-18 Atlas poll, after recordings emerged of his exchanges with disgraced Banco Master owner Daniel Vercaro. The previously tied runoff now shows Lula leading 48.9% to 41.8%. Some 51.7% of respondents see direct Flávio involvement in the Banco Master scandal, 64.1% say the tapes weakened his campaign, and rejection of Flávio rose to 52.0%, above Lula's 50.6%. Allies are publicly backing him, but reportedly conditioning support on further Banco Master disclosures, and Michelle Bolsonaro remains a possible alternative, though her father-in-law does not appear supportive.

**Colombia:** First-round polls continue to point to left-wing Historic Pact senator Iván Cepeda winning the 31 May first round in the 37-44% range, but the runoff picture has tightened sharply against him. The Guarumo/Ecoanalítica poll shows Cepeda losing both potential runoffs (39.9% versus 44.8% against Paloma Valencia, and 40.0% versus 43.6% against Abelardo de la Espriella). AtlasIntel shows de la Espriella defeating Cepeda 44.0% to 40.4%, with a Cepeda-Valencia matchup a technical tie. The Colombia Invamer poll remains the outlier, still showing a comfortable Cepeda win. Hardline right candidate de la Espriella has risen materially, from 18.2% in January to 27.5-32.9% now, on a security-and-crime platform, drawing comparisons with Trump and El Salvador's Nayib Bukele. Drivers of right-wing momentum cited in the reporting include Gustavo Petro's increasingly confrontational stance towards BanRep, elevated inflation, a widening fiscal deficit, and the suspension of arrest warrants for 29 Clan del Golfo leaders. The decisive variables for the 21 June runoff are how the centrist bloc swings, and whether Valencia voters transfer cleanly to de la Espriella, which surveys are not yet measuring directly.

**Mexico:** President Claudia Sheinbaum will ask Congress to delay the next judicial election by one year to avoid concurrence with the 2027 midterms, following requests by senior lawmakers and the electoral registry (INE). The reform will also widen the candidate examination process and limit participation, with the stated aim of simplifying the ballot. The risks include narrowing the candidate pool for judges not aligned with the Morena Party, though the bulk of judges up for election are already Morena-aligned. The base case is tighter Morena control over the justice system in this second phase of judicial reform, which continues to weigh on the business climate and investment conditions, even if mostly priced in since 2024.

**Peru:** The latest Ipsos poll has Keiko Fujimori at 39% ahead of the 7 June runoff against Roberto Sánchez at 35%, a narrow 4pp lead within margin of error. Fujimori gained 1pp from April, Sánchez lost 3pp, and undecideds rose sharply to 12% from 7%. Fujimori dominates Lima (54% versus Sánchez's 23%), while Sánchez retains rural strongholds (49% against Fujimori's 26%, but with undecideds in rural areas jumping to 11% from 3%). The campaign is now in its decisive phase, with Fujimori hardening her security rhetoric and Sánchez likely to moderate parts of his structural reform agenda to pick up undecided voters. Rafael López Aliaga has reiterated he will not back Fujimori, removing one potential consolidation channel.

## Central and Eastern Europe

### Economic data

Core CPI inflation in Poland breaches central bank ceiling.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Rep	PPI Industrial (MoM)	Apr	1.4%	0.9%	1.5%	
Hungary	Central Bank Rate Decision	28-Apr	6.25%	6.25%	6.25%	MNB held 6.25%, EU-high rate alongside Romania.
Poland	Average Gross Wages (YoY)	Apr	5.4%	6.0%	6.6%	Wages eased to 5.4%, real wage growth still solid.
	CPI Core (MoM)	Apr	0.9%	0.8%	0.5%	Core CPI rose to 3.0% YoY breaching NBP ceiling; Iran-driven inflation forces NBP to pause cuts.
	CPI Core (YoY)	Apr	3.0%	2.9%	2.7%	
	PPI (MoM)	Apr	0.5%	0.5%	3.0%	PPI swung positive to 1.9% YoY on energy.
	PPI (YoY)	Apr	1.9%	-0.1%	1.2%	
	Sold Industrial Output (MoM)	Apr	-7.4%	-7.9%	15.2%	IP collapsed -7.4% MoM after Mar 17.2% surge; reversal of base effect, underlying trend weak.
	Sold Industrial Output (YoY)	Apr	3.1%	4.2%	7.5%	
Romania	Current Account YTD (EUR)	Mar	-5,338m	-	-3,191m	
Russia	CPI Weekly YTD	18-May	3.2%	-	3.2%	Weekly CPI fell; CBR cut 50bp to 14.5% on 24 Apr 8th straight cut; further easing likely if inflation slowdown sustains despite demand from war economy spending.
	CPI WoW	18-May	0.0%	-	0.1%	
	Current Account Balance (USD)	1Q P	12,200m	-	9,365m	
	Gold and Forex Reserve	15-May	768.9bn	-	771.0bn	

Source information is at the end of the document.

### Commentary

**Czech Republic:** A Czech Agricultural Association survey found 73% of producers are considering scaling back 2026 output on higher costs, with fertiliser and diesel the two main drivers. Roughly 38% have secured more than 70% of their fertiliser needs, so cost rather than availability is the binding constraint. Fertiliser prices are up an estimated 18-20% on average, and diesel rose 28% mom in March and 6% mom in April. About a third of producers expect production costs to rise 6-10% by year-end, with another half expecting 11-20% or more, averaging around 14-15%.

Assuming partial pass-through, agricultural producer prices could rise 5-10%. Given the 16.9% food weight in the consumer price index (CPI), this implies a headline lift of at least 0.7pp and up to 1.7pp in the worst case, partially mitigated by imports and a firm CZK. The Czech National Bank's August staff forecast looks pivotal, and the real risk is de-anchored household inflation expectations.

**Hungary:** Prime Minister Péter Magyar warned in Vienna that the budget is in very difficult shape and the 2026 deficit will be very high, while suggesting the previous Fidesz government had falsified the budget, which we read as referring to off-balance-sheet payment commitments on existing contracts not booked as expenditures. Magyar had previously cited unofficial Fidesz numbers showing a 6.8% of GDP deficit versus the 5% official target. The government's review concludes end-June. Magyar reiterated that special taxes cannot be phased out immediately, and markets should read this as implying that the EC's assumption of special-tax removal in 2027, which drives the EC's 5.8% 2027 deficit forecast, is unlikely to hold.

**Kazakhstan:** The National Bank of Kazakhstan (NBK) will introduce a cap on borrowers' debt-to-income ratios from 2027 at a level equivalent to eight annual incomes, with no differentiation across loan types initially. The existing debt-service-ratio cap at 0.5 (50% of income) will continue alongside. Together with prior macroprudential tightening, the NBK reads retail lending as already cooling and has held back from differentiated caps for now.

---

## Central and Eastern Europe (continued)

Russia's deputy Prime Minister Alexander Novak said an agreement is in place "in principle" for higher Russian crude transit to China via Kazakhstan, rising from 10 million tonnes annually to 12.5 million tonnes. Details are being formalised. The OFAC license extension granted in April runs through 19 March 2027, and Kazakhstan's Energy Ministry is seeking a more permanent arrangement.

**Romania:** Fitch maintained the country's 'BBB-' rating with a negative outlook and warned that the political crisis following the fall of the Bolojan cabinet materially increases risks to multi-year fiscal consolidation. The ratings agency does not expect early elections, but flagged a lack of clarity on the new government's policy direction. Q1 fiscal performance was strong, with a RON 22bn deficit (1% of GDP), roughly half 2024-25 levels, and the 2026 target is 6.2% of GDP from 7.7% in 2025. Medium-term visibility on the 2027-28 fiscal strategy has deteriorated, and the next rating review is 31 July.

GDP contracted 1.7% yoy in Q1, weaker eurozone demand and higher energy prices likely push 2026 growth below Fitch's earlier 1.1% forecast, and April inflation hit 10.7% yoy, constraining policy room. The country's recovery and resilience facility (RRF) funds remain critical with 1.8% of GDP still pending (EUR 4.6bn grants, EUR 2.7bn loans). Separately, the caretaker cabinet reported that the National RRP implementation has exceeded 60% with EUR 10bn still to be drawn through requests 5 and 6, and the Health Ministry needs urgent decisions to keep NRRP-financed hospital projects on track for August completion.

## Central Asia, Middle East & Africa

### Economic data

Egypt and Nigeria hold interest rates.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Egypt	Deposit Rate	21-May	19.0%	19.0%	19.0%	CBE held 2nd meeting; Q1 GDP 5.0% from 5.3%; Iran war risks delay easing cycle, urban CPI eased to 14.9% but well above 5-9% target.
	Lending Rate	21-May	20.0%	-	20.0%	
	Trade Balance (USD)	Mar	-4,649.0m	-	-5,107.0m	
Nigeria	Central Bank Interest Rate	20-May	26.5%	26.5%	26.5%	CBN held as inflation reaccelerated due to external factors.
Qatar	CPI (YoY)	Mar	4.2%	-	2.5%	Headline jump driven by food and clothing.
South Africa	CPI Core (MoM)	Apr	0.5%	0.4%	0.8%	Fuel +18.2% MoM, steepest since CPI series began in 2008; petrol +15.2%, diesel +35.4%; transport CPI swung to +0.7pp contribution from -0.2pp.
	CPI Core (YoY)	Apr	3.6%	3.5%	3.2%	
	CPI (MoM)	Apr	1.1%	1.1%	0.6%	
	CPI (YoY)	Apr	4.0%	4.0%	3.1%	
	Retail Sales Constant (YoY)	Mar	2.6%	2.4%	1.6%	Retail solid despite confidence weak; fuel pain will be better reflected in May print.
	Retail Sales (MoM)	Mar	0.1%	-	-1.1%	
Türkiye	Capacity Utilisation	May	74.2%	-	73.8%	Tourist arrivals fell on Iran war regional fears.
	Economic Confidence	Apr	96.4	-	97.9	
	Foreign Tourist Arrivals (YoY)	Apr	-9.4%	-	5.0%	
	Real Sector Confidence NSA	May	103.3	-	100.6	
	Trade Balance (USD)	Apr	-8.5bn	-8.5bn	-11.2bn	Trade deficit narrowed sharply on weaker imports.

Source information is at the end of the document.

### Commentary

**Nigeria:** The Central Bank of Nigeria (CBN) retained its monetary policy rate at 26.5% with all major policy parameters unchanged. Governor Olayemi Cardoso characterised the recent inflation uptick as temporary and externally driven, and said reforms have shielded Nigeria from Iran-war spillovers. External reserves rose to USD 49.5bn as of 15 May from USD 48.4bn end-April, covering around nine months of imports. Daily FX turnover has risen from around USD 100m at the start of the administration to roughly USD 550m, with some days reaching USD 1bn, and CBN intervention is now only 1.2-1.3% of market turnover. A revised FX Operations Manual is due 1 June.

Separately, Nigeria and the US conducted further joint strikes against Islamic State militants in the northeast on 17 May, following an earlier joint operation that killed ISIS's reported second-in-command in West Africa. Trump has hinted at further strikes if attacks continue. The security cooperation is escalating against the backdrop of his earlier criticism of Nigeria's protection of Christians.

**Saudi Arabia:** Aramco is reportedly preparing its largest privatisation programme to date, targeting as much as USD 35bn from divestments of energy facilities, infrastructure and potentially real estate. Aramco will retain full upstream control, but will divest minority stakes in mid- and downstream assets. Possible transactions reportedly include sale-and-leasebacks of real estate (including the HQ campus in the Eastern Province), stake sales in export and storage terminals, and deals involving gas-fired power plants and water infrastructure. This builds on last year's USD 11bn BlackRock lease arrangement for the Jafurah gas plant and Riyas NGL fractionation facility.

Pakistan deployed 8,000 troops, a squadron of fighter jets, drones and an air defence system to Saudi Arabia under last year's mutual defence pact, per a Reuters exclusive citing security and government sources. Saudi Arabia is financing

---

## Central Asia, Middle East & Africa (continued)

the deployment, and the role is primarily advisory and training for now, though the source said numbers could rise materially. Aramco also activated the Kingdom's first quantum computer with Pasqal, a 200-qubit neutral-atom platform with commercial Quantum-Computing-as-a-Service access, positioned within Vision 2030's technology pillars.

**UAE:** The Abu Dhabi National Oil Company (ADNOC) CEO Sultan Al Jaber said total UAE investment in the US now exceeds USD 1trn, with energy investments alone (ADNOC, XRG and Masdar) above USD 85bn across 19 states. XRG, created in 2024 to consolidate Abu Dhabi's lower-carbon energy and chemicals assets, controls an enterprise-value portfolio above USD 150bn. The US strategy is heavily skewed toward natural gas and LNG: XRG holds an 11.7% stake in Rio Grande LNG Phase 1 and an additional 7.6% in Trains 4-5, with ADNOC Trading on a 20-year, 1.9 million tonnes per year LNG offtake. XRG also holds 35% in ExxonMobil's proposed Baytown low-carbon hydrogen and ammonia facility, and Masdar holds 50% of Terra-Gen.

The West-East Pipeline, designed to double UAE export capacity through Fujairah on the Gulf of Oman and bypass the Strait of Hormuz, is 50% complete with delivery accelerated to 2027. Current Habshan-Fujairah capacity is 1.8mbpd, and the expansion aims to lift this to 3.6mbpd. Al Jaber reiterated the commitment to the USD 150bn five-year capex programme and noted that global spare capacity at around 3mbpd should be closer to 5mbpd. The world drew 250 million barrels from storage in two months, with effective cover now at 30-35 days, and full Hormuz flows are not expected to return before Q1-Q2 2027.

## Developed Markets

### Economic data

Eurozone inflation back at 3.0%.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments	
Eurozone	CPI Core (YoY)	Apr F	2.2%	2.2%	2.2%	Headline 3% final, highest since Sep 2023; energy +10.8% sharpest since Feb 23 on Hormuz; core eased to 2.2%, second-round effects muted.	
	CPI (MoM)	Apr F	1.0%	1.0%	1.0%		
	CPI (YoY)	Apr F	3.0%	3.0%	3.0%		
	Consumer Confidence	May P	-19.0	-20.6	-20.6	CCI bounced to -19 from -20.6 but still very weak.	
Japan	Core Machine Orders (MoM)	Mar	-9.4%	-8.4%	13.6%	Machine orders sharp pullback after Mar surge.	
	GDP Annualised SA (QoQ)	1Q P	2.1%	1.7%	0.8%	Q1 GDP beat marks 2nd consecutive expansion led by exports and capex. Deflator at 3.4% supports BoJ normalisation case.	
	GDP Deflator (YoY)	1Q P	3.4%	3.1%	3.4%		
	GDP SA (QoQ)	1Q P	0.5%	0.4%	0.2%		
	Industrial Production (MoM)	Mar F	-0.4%	-	-0.5%	Base effects fade, core lift gives BoJ room but Iran choc expected to lift inflation forecasts again.	
	Natl CPI Ex Fresh Food (YoY)	Apr	1.4%	1.7%	1.8%		
	Natl CPI (YoY)	Apr	1.4%	1.6%	1.5%		
	Tertiary Industry Index (MoM)	Mar	-0.2%	-0.5%	-0.7%		
UK	Average Weekly Earnings 3M/(YoY)	Mar	4.1%	3.8%	3.9%	Big disinflation surprise, however partially due to lags in data in some parts of basket.	
	CPI Core (YoY)	Apr	2.5%	2.6%	3.1%		
	CPI (MoM)	Apr	0.7%	0.9%	0.7%		
	CPI (YoY)	Apr	2.8%	3.0%	3.3%	Fuel price cap on 1 Apr pushed housing services to 1.4%.	
	Claimant Count Rate	Apr	4.4%	-	4.4%	Retail rolled over as weather distortion faded; real incomes squeezed; BoE expects CPI rebound to 3.3% Q3 on energy, complicating cut timing.	
	ILO Unemployment Rate 3Mths	Mar	5.0%	4.9%	4.9%		
	Jobless Claims Change	Apr	26.5k	-	4.9k		
	RPI (MoM)	Apr	0.7%	1.1%	0.8%		
	RPI (YoY)	Apr	3.0%	3.6%	4.1%		
	Retail Sales Ex Auto Fuel (MoM)	Apr	-0.4%	-0.3%	0.1%		
	Retail Sales Ex Auto Fuel (YoY)	Apr	1.1%	1.7%	1.5%		
	Retail Sales Inc Auto Fuel (MoM)	Apr	-1.3%	-0.6%	0.6%		
	Retail Sales Inc Auto Fuel (YoY)	Apr	0.0%	1.3%	1.4%		
United States	Building Permits	Apr P	1,442k	1,384k	1,363k		Conf Board CC ticked up but near pandemic-era low; continuing claims drifting higher, labour softening; FHFA flat as housing market stalls.
	Building Permits	Feb F	1,538k	1,393k	1,393k		
	Conf. Board Consumer Confidence	Apr	92.8	89.0	92.2		
	Continuing Claims	09-May	1,782k	1,786k	1,776k	Starts dropped sharply; permits-starts gap shows pipeline still feeding builders ahead.	
	FHFA House Price Index (MoM)	Feb	0.0%	0.1%	0.2%		
	Housing Starts	Apr	1,465k	1,410k	1,507k		
	Housing Starts	Feb	1,356k	1,369k	1,385k		
	Initial Jobless Claims	16-May	209k	210k	212k		
	Leading Index	Apr	0.1%	-	-0.6%		Leading Index turned positive marginally.
	MBA Mortgage Applications	15-May	-2.3%	-	1.7%		

Source information is at the end of the document.

## Developed Markets (continued)

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
United States	MBA Mortgage Applications	15-May	-2.3%	-	1.7%	
	MBA Mortgage Applications	24-Apr	-1.6%	-	7.9%	
	Net Long-term TIC Flows	Mar	81.3bn	-	57.0bn	Long-term TIC at USD 81bn, foreign demand robust.
	Pending Home Sales (MoM)	Apr	1.4%	1.0%	1.7%	
	Philadelphia Fed Business Outlook	May	-40.0%	17.8	26.7	Massive miss: -0.4 vs +18 expected, 27pt plunge, new orders flipped negative; on Iran energy shock.
	Richmond Fed Manufact. Index	Apr	3.0	100.0%	0.0%	
	Total Net TIC Flows	Mar	150.7bn	-	182.7bn	Total TIC outflow despite long-term strength.
	U. of Mich. Sentiment	May F	44.8	48.2	48.2	UMich 44.8, record low; inflation expts rising.

Source information is at the end of the document.

## Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	5.5%	21.0%	20.8%	47.5%	22.5%	7.5%
MSCI EM ex-China	7.7%	27.6%	31.6%	65.8%	27.5%	12.8%
MSCI EMEA	-0.7%	3.5%	3.5%	22.0%	15.8%	2.9%
MSCI Latam	-4.1%	-1.1%	13.3%	41.6%	16.0%	10.9%
MSCI Asia	6.8%	24.2%	22.8%	49.7%	23.3%	7.5%
MSCI China	-1.6%	1.9%	-7.2%	4.8%	9.6%	-4.2%
MSCI India	-1.1%	7.9%	-11.6%	-10.9%	7.3%	5.2%
MSCI EM Growth	4.9%	22.6%	20.9%	48.3%	22.9%	5.6%
MSCI EM Value	6.1%	19.5%	20.8%	46.6%	22.1%	9.4%
MSCI EM Small Cap	1.6%	15.2%	14.4%	31.3%	18.5%	8.8%
MSCI Frontier	0.0%	10.2%	9.2%	43.1%	24.0%	9.3%
GBI-EM-GD	-0.2%	2.6%	0.3%	10.1%	7.7%	1.8%
GBI-EM China	0.7%	2.3%	4.3%	7.5%	5.1%	2.8%
EM FX spot	-0.2%	1.3%	-0.1%	3.6%	0.4%	-1.8%
ELMI+ (1-3m NDF)	0.0%	2.4%	1.6%	6.7%	6.0%	2.1%
EMBI GD	-0.2%	2.6%	1.3%	13.1%	10.6%	2.4%
EMBI GD IG	-0.7%	0.9%	-0.4%	7.9%	4.8%	-0.6%
EMBI GD HY	0.3%	4.4%	3.0%	18.3%	16.7%	5.5%
CEMBI BD	-0.1%	1.5%	1.3%	7.8%	8.1%	2.7%
CEMBI BD IG	-0.2%	0.9%	0.2%	6.4%	6.1%	1.3%
CEMBI BD HY	0.0%	2.4%	2.9%	9.9%	11.1%	4.7%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	3.4%	14.0%	10.3%	29.4%	21.0%	11.4%
MSCI World (DM)	3.2%	13.1%	9.0%	27.3%	20.7%	11.9%
S&P 500	3.8%	14.7%	9.7%	29.5%	22.9%	14.1%
DXY Index**	1.2%	-0.7%	0.9%	-0.7%	-1.3%	2.0%
EUR*	-1.2%	0.2%	-1.9%	0.9%	0.6%	-2.5%
JPY*	1.8%	0.7%	2.8%	14.4%	9.7%	-10.5%
CRY Index**	-0.6%	5.4%	31.4%	32.5%	14.5%	14.3%
Brent**	-9.2%	-12.5%	70.2%	60.7%	10.9%	9.3%
Gold**	-2.3%	-3.4%	4.4%	36.9%	31.7%	19.1%
Bitcoin**	-0.7%	11.3%	-13.4%	-32%	41.3%	14.8%
1-3yr UST	-0.2%	0.0%	0.3%	3.4%	4.0%	1.8%
3-5yr UST	-0.7%	-0.6%	-0.7%	3.3%	3.5%	0.6%
7-10yr UST	-1.0%	-1.1%	-1.4%	4.3%	2.4%	-1.0%
10yr+ UST	-1.1%	-1.8%	-2.2%	4.9%	-0.7%	-5.2%
10yr+ Germany	-0.1%	-0.6%	-0.4%	-2.9%	-1.5%	-7.7%
10yr+ Japan	-3.3%	-4.7%	-8.4%	-12.4%	-11.1%	-7.9%
Global Agg.***	-0.7%	0.6%	-0.5%	3.3%	3.3%	-1.7%
US Agg. IG***	-0.5%	-0.4%	-0.5%	5.3%	3.9%	0.1%
EU Agg. IG***	0.3%	0.8%	0.1%	1.3%	3.2%	-1.5%
US Corp HY***	-0.1%	1.6%	1.1%	7.6%	9.1%	4.4%
EU Corp HY***	0.5%	2.4%	0.9%	4.0%	7.7%	3.3%

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. DXI 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, DXI and CRY which are shown as percentage change.

## Explore Further Insights

### Emerging View

## South Korea in focus

30 April 2026

By Gustavo Medeiros and Ben Underhill



Korea runs a current account surplus yet the won sits at a 13-year low. We unpack the engineered offshoring behind it, why the policy is now reversing, and why we think the setup for Korean equities looks the strongest since 2007.

[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

<b>Bogota</b> T: +57 601 589 9000	<b>Mumbai</b> T: +9122 6269 0000	<b>Singapore</b> T: +65 6580 8288	<b>Qatar</b>	<b>Fund prices</b> <a href="http://www.ashmoregroup.com">www.ashmoregroup.com</a>
<b>Dublin</b> T: +353 1588 1300	<b>New York</b> T: +1 212 661 0061	<b>Tokyo</b> T: +81 03 4571 1601		Bloomberg FT.com
<b>Jakarta</b> T: +6221 2953 9000	<b>Riyadh</b> T: +966 11 483 9100	<b>Lima</b> T: +511 391 0396		Reuters S&P Lipper

[www.ashmoregroup.com](http://www.ashmoregroup.com)  [@AshmoreEM](https://twitter.com/AshmoreEM)

No part of this article may be reproduced in any form, or referred to in any other publication, without the written permission of Ashmore Investment Management Limited © 2026.

**Important information:** This document is issued by Ashmore Investment Management Limited (Ashmore), which is authorised and regulated by the Financial Conduct Authority. The information and any opinions contained in this document have been compiled in good faith, but no representation or warranty, express or implied, is made as to accuracy, completeness or correctness. Save to the extent (if any) that exclusion of liability is prohibited by any applicable law or regulation, Ashmore, its officers, employees, representatives and agents expressly advise that they shall not be liable in any respect whatsoever for any loss or damage, whether direct, indirect, consequential or otherwise however arising (whether in negligence or otherwise) out of or in connection with the contents of or any omissions from this document. Past performance is not a reliable indicator of future results. This document does not constitute and may not be relied upon as constituting any form of investment advice and prospective investors are advised to ensure that they obtain appropriate independent professional advice before making any investment.