

Peak hawkishness

By Gustavo Medeiros and Ben Underhill

- Oil at USD 70 a barrel and softer US payrolls may signal peak hawkishness.
- Semiconductor rally takes a breather due to few negative narratives.
- Bank of Korea warned of risks from single stock ETFs.
- World Bank upgraded Vietnam to upper-middle-income status.
- Brazil's central bank raised its 2026 inflation forecast from 3.9% to 5.2%.
- Colombia's central bank hiked its policy rate by 75bps to 12.0%.
- Massive Russian strike on Kyiv killed at least 13 and injured dozens.
- Saudi Arabian crude exports returned to pre-war levels at 6.3mbpd.
- German cabinet likely to approve 2027 draft budget on Monday.

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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%	0	-	0.1%	MSCI EM	12.7	-1.4%	<ul style="list-style-type: none"> • EM local currency bonds rose 0.5%, driven by FX. • EM USD sovereign bonds fell 0.2% as UST yields widened. • EM equities returned 1.0%, as China outperformed.
GBI-EM FX Spot	-	-	-	0.0%	MSCI EM ex-China	13.1	-0.5%	
ELMI+	5.53%	-2	-	-0.1%	MSCI EMEA	11.0	0.4%	
EMBI GD	6.76%	0	251 bps	0.3%	MSCI Latam	11.8	1.6%	
EMBI GD ex-default	6.25%	-3	201 bps	0.3%	MSCI EM Asia	13.3	-1.9%	
EMBI GD IG	5.40%	-3	105 bps	0.3%	MSCI China	11.9	-3.9%	
EMBI GD HY	8.41%	-4	428 bps	0.3%	MSCI India	21.7	3.1%	
EMBI HY ex-default	7.11%	-3	298 bps	0.3%	MSCI EM Growth	15.3	-2.2%	
CEMBI BD	6.32%	-1	228 bps	0.1%	MSCI EM Value	10.9	-0.6%	
CEMBI BD IG	5.30%	-1	127 bps	0.1%	MSCI EM Small Cap	14.5	-1.7%	
CEMBI BD HY	7.73%	-1	368 bps	0.2%	MSCI Frontier	10.8	-1.8%	

Global Debt	Yield	Change (bp)	Spread	5 day Change	Global Backdrop*	PE 1yr BF	5 day Change	Comments
2yr UST	3.51%	-6	-	0.1%	MSCI ACWI	18.8	-0.1%	<ul style="list-style-type: none"> • US stocks rose 1.7%, with some sector rotation away from semiconductors. • USTs saw some bear steepening. • Gold rose 2.2% as the Dollar index fell.
5yr UST	3.78%	-6	-	0.2%	MSCI World (DM)	20.1	0.0%	
10yr UST	4.23%	-5	-	0.5%	S&P 500	21.8	-0.1%	
30yr UST	4.87%	-4	-	0.7%	VIX Fut.**	18.7%	0.8%	
10yr Germany	2.85%	-2	-	-0.1%	DXI Index**	97.4	-0.3%	
10yr Japan	2.29%	5	-	0.6%	EUR*	1.186	0.6%	
Global Agg.***	3.52%	-1	26 bps	-0.2%	JPY*	156.6	-0.7%	
US Agg. IG***	4.83%	-1	70 bps	0.3%	CRY Index**	309.5	-3.3%	
EU Agg. IG***	3.15%	2	61 bps	0.0%	Brent**	67.3	1.5%	
US Corp HY***	6.58%	0	266 bps	0.1%	Gold**	5,022	7.7%	
EU Corp HY***	5.70%	0	277 bps	0.1%	Bitcoin**	70,481	-3.0%	

Source & Notations: See end of document.

Global Macro

As the fragile ceasefire between the US and Iran continues to hold, oil prices begin the week between USD 64 (Omani spot) and USD 72 (Brent first future). Oil prices below USD 75 in early July was not an outcome most analysts had as a base case just a month ago, and it has spurred a major reset of inflation expectations in bond markets, with the two-year US breakeven now trading below 2%, the lowest since October 2024. The corresponding rise in forward real interest rates as markets have also priced more hawkish US Federal Reserve (Fed) policy has very much dissolved the monetary debasement narrative that captured the zeitgeist last year, at least for now.

The key macro data point last week was non-farm payrolls. The headline number came in softer than expected at +56k. Private payrolls ex-healthcare and education came in negative for the first time since February. We flagged after the last print that while better jobs data this year is certainly a reality, under the hood the hiring has looked patchy and uneven across sectors. Moreover, a meaningful portion of it was likely linked to the FIFA World Cup, as well as the more sustainable AI capex trend. Despite the weak print, a shrinking workforce so far this year meant that the unemployment rate still fell, down to 4.2% now. But while there certainly is not much slack in the labour market, demand remains relatively weak, in our view. This is reinforced by wage inflation, which was flat at 3.5% yoy, thus below inflation over the last 12-month period.

Softer payrolls and oil prices back at nearly USD70 a barrel may well signal a peak in central bank hawkishness for the time being with 30 basis points (bps) of tightening priced by markets by year-end. There may now be some value therefore in the front-end and the belly of the yield curve, but repricing will need to be triggered by softer inflation prints. A peak in hawkishness and more importantly, markets expectations of hawkishness may also lead to an unwind of some of the US dollar strength we have seen in recent weeks.

Another factor that may well pare the Fed's hawkishness is a slowdown in the semiconductor-driven rally in US stocks. The S&P 500 had a weak month in June, down 1% and ticked lower again last week as volatility rose within the index. Semiconductor stocks saw a significant move lower, with the Philadelphia Semiconductor Index down nearly 12% on the week. Various shifts in the narrative are puncturing the extreme bullishness of recent months for the time being.

One is increasing government intervention in availability of the newest models. Another is the accelerating capabilities of cheaper Chinese models such as DeepSeek and corresponding gains in international market share. Chinese competition may make it more difficult for Anthropic and OpenAI to continue hiking prices. A third was the news from Meta last week that it will begin to sell excess compute. Investors have spun both bullish (demand high enough that renting compute is worth it because it's so lucrative) and bearish narratives (Meta can't find use case/more supply coming online) out of this.

In our view, none of these stories represent a meaningful concern to the durability of the AI capex trend, or the tightness of its related supply chains. Even so, the uncertainty alone has been enough to dent sentiment for now, especially with positioning in flagship semiconductor names – particularly memory chip makers – very heavy. A loss of momentum in the key driver of emerging market (EM) performance year-to-date (YTD) may slow gains for now. However, a rotation in performance leadership away from semiconductors and high beta names towards other areas of the index now offering significant value (such as India, Latin America, and Chinese tech) is overdue and would ultimately be healthy for the sustainability of the rally, in our view.

Geopolitics

US President Donald Trump will meet with Turkish President Recep Tayyip Erdoğan at 3:15pm local time in Turkey on Tuesday, according to Trump's official White House schedule. On Wednesday, he will meet with NATO Secretary General Mark Rutte at 10:30am, Ukraine President Volodymyr Zelenskyy at 2:30pm, and Syrian President Ahmed al-Sharaa at 3:30pm.

EM Asia

Economic data

South Korean exports remain solid.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
India	Industrial Production (YoY)	May	5.1%	4.5%	4.9%	
Indonesia	Exports (YoY)	May	-5.7%	3.5%	22.0%	Oil & gas deficit hit USD 3.8bn on costly post-Hormuz fuel imports; non-O&G still +USD 2.2bn surplus and Jan-May balance remains positive at USD 4bn.
	Trade Balance (USD)	May	-1,610m	1,014m	89m	
	CPI (YoY)	Jun	3.3%	3.2%	3.1%	
South Korea	Industrial Production (YoY)	May	-0.9%	3.6%	1.5%	K-shaped economy: chips boom while autos and traditional sectors lag on weak domestic demand.
	Industrial Production SA (MoM)	May	-3.0%	0.5%	-0.7%	
	Exports (YoY)	Jun	70.9%	60.9%	53.4%	Strongest gain since 1978 and first USD 100bn month; semis hit USD 44.8bn (+199%), HBM alone USD 12.7bn with Samsung/SK Hynix order books full. BoK hike risk July.
	Trade Balance (USD)	Jun	36,149m	32,600m	27,036m	
	Imports (YoY)	Jun	30.1%	24.5%	20.7%	
	CPI (YoY)	Jun	3.2%	3.2%	3.1%	
	Foreign Reserves (USD)	Jun	427.36bn	-	426.99bn	
Thailand	BoP Current Account Balance (USD)	May	-6,432m	-3,500m	-7,790m	
	Exports (YoY)	May	9.8%	-	23.2%	
	Trade Balance (USD)	May	-2,632m	-	-6,769m	
	Gross International Reserves (USD)	26-Jun	279.3bn	-	282.6bn	
Vietnam	CPI (YoY)	Jun	4.7%	5.5%	5.6%	

Source information is at the end of the document.

Commentary

South Korea: China Business News reported on Saturday that Samsung plans to raise average third-quarter DRAM (dynamic random access memory) prices by around 20% from the previous three months, and has already verbally notified some customers. An unidentified consumer electronics manufacturer and a separate industry source both confirmed they had received notice of the planned increase. The move points to firming pricing power in memory as AI-driven demand continues to tighten supply.

The Bank of Korea (BOK) warned of the risks posed by single-stock leveraged exchange-traded funds (ETFs). In a written response to People Power Party lawmaker Park Sung-hoon, reported by Yonhap, BOK said: "With Samsung and SK Hynix accounting for more than half of stock market capitalization and trading volume, expanding investment in single-stock leveraged ETFs could further intensify this concentration".

Presidential Chief of Staff, Kang Hoon-sik raised the prospect of a fund that would channel excess revenue from the chip industry into future growth. "We aim to make bold investments for the future, including supporting the three mega projects, creating future growth engines, addressing K-shaped polarization, and supporting housing, startups and jobs for those in their 20s and 30s", he said.

The government, together with Samsung and SK Hynix, formalised a KRW 800trn semiconductor cluster in the country's southwest, anchored by four memory fabrication plants. A new nuclear plant was endorsed to meet the cluster's 6.3 gigawatt power requirement, although its water supply remains contested. Separately, SK Group and KKR will form Korea's largest renewables company, targeting 10 gigawatts of capacity by 2031 to power AI data centres, while a new humanoid robot strategy aims to lift Korea's global share to 20% from around 1% today. In domestic politics, Parliament approved Han Sung-sook as Prime Minister with 166 votes, in a session boycotted by the opposition People Power Party.

EM Asia (continued)

Taiwan: Hon Hai (Foxconn) reported that revenue grew 52% yoy in June, implying that sales for the June quarter rose almost 40% to TWD 2.5trn (around USD 79bn) on Bloomberg calculations. That was ahead of the TWD 2.4trn analysts had expected on average, underscoring the strength of AI server demand flowing through Taiwan's contract manufacturers.

Vietnam: The World Bank upgraded Vietnam to upper-middle-income status after gross national income per capita reached USD 4,970 in 2025. Growth momentum remains strong: second-quarter GDP accelerated to 8.4% year-on-year, while in June industrial production rose 12.7% and retail sales 14.8%, and the trade deficit narrowed to USD 2.6bn. The reclassification is an important milestone, though over time it may erode Vietnam's access to concessional financing. General Secretary of the Communist Party, Tô Lâm, signalled a strategic shift in foreign direct investment (FDI) policy under Resolution 10, prioritising technology transfer and self-reliance over headline volume. Execution remains a weak point, however: public investment disbursement reached only 25.7% of the annual plan in the first half, well short of the 50% targeted by the end of the third quarter, prompting a zero-tolerance warning from Prime Minister Lê Minh Hùng over delays to transport projects.

Latin America

Economic data

Activity softened in Argentina in April.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	Economic Activity Index (YoY)	Apr	1.6%	3.3%	6.2%	Post-election momentum cooling; overvalued-peso drag and thin reserves are the key fragilities ahead of heavy external debt payments in H2.
	Economic Activity Index (MoM)	Apr	-1.5%	-	3.1%	
	Government Tax Revenue (ARS)	Jun	20,017.1bn	-	21,513.6bn	
	Vehicle Domestic Sales Adefa	Jun	-	-	35,979	
Brazil	FGV Inflation IGPM (MoM)	Jun	-0.5%	-0.5%	0.8%	Soft print as 14.5% Selic bites capex; BCB on hold watching energy passthrough after the truce.
	FGV Inflation IGPM (YoY)	Jun	3.2%	3.2%	2.0%	
	Central Govt Budget Balance (BRL)	May	-53.3bn	-53.2bn	25.2bn	
	Net Debt % GDP	May	67.9%	68.0%	67.2%	
	FGV CPI IPC-S	30-Jun	0.4%	-	0.5%	
	Total Outstanding Loans (BRL)	May	7,300bn	-	7,259bn	
	Industrial Production (MoM)	May	-0.2%	0.3%	0.7%	
	Trade Balance Monthly (USD)	Jun	-	11,000m	7,823m	
Chile	Retail Sales (YoY)	May	4.8%	5.5%	4.1%	
	Copper Production Total	May	423,623	-	399,867	
	Economic Activity (MoM)	May	-0.2%	0.2%	0.1%	
	Economic Activity (YoY)	May	-0.9%	-0.4%	-1.2%	
Colombia	National Unemployment Rate	May	8.0%	-	8.8%	Board split 4-2-1; BanRep sees target only in 2028.
	Urban Unemployment Rate	May	8.5%	8.9%	8.8%	
	Overnight Lending Rate	30-Jun	12.0%	11.8%	11.3%	
Mexico	International Reserves Weekly (USD)	26-Jun	255,181m	-	255,236m	
	Remittances Total (USD)	May	5,611.0m	5,575.0m	4,978.1m	

Source information is at the end of the document.

Commentary

Argentina: Pampa Energia's USD 4.5bn Rincon de Aranda project became the first upstream oil and gas entry into the Incentive Regime for Large Investments (RIGI), targeting output of 45k barrels per day in the Vaca Muerta shale formation by 2027. Approved RIGI projects now total USD 46.3bn, with a further USD 87.3bn under evaluation, including commitments from Glencore, Chevron and YPF. The pipeline underlines the regime's growing traction as a magnet for energy and resource investment.

Brazil: Brazil's central bank raised its 2026 inflation forecast from 3.9% to 5.2%, citing the output gap, conflict-driven fuel prices and higher inflation expectations. Inflation is now expected to breach the top of the target band, above the 4.50% ceiling, through end-2026, which would trigger a formal explanatory letter in October. After three cuts that brought the policy rate to 14.25%, the 4-5 August decision looks genuinely open. EmergingMarketWatch leans towards a hold, given continued fiscal stimulus and a tight labour market, though one further 25bps cut before pausing cannot be ruled out.

Colombia: Colombia's central bank raised its policy rate by 75bps to 12.0% on 30 June, more than markets had expected, in a three-way 4-2-1 split. Tightening now totals 275bps this year, running sharply against the regional easing trend, with

Latin America (continued)

inflation at 5.8% and expectations above target across all horizons. The seasonally-adjusted unemployment rate hit a record low of 8.1% in May, although public-sector hiring accounted for 1.7 percentage points of the job growth.

President-elect Abelardo de la Espriella named Miguel Gomez-Martinez, a pro-market conservative, as Finance Minister. The initial read is market-positive, though the reaction is likely capped until the head of public credit is also named. Interest costs are projected at 3.9%-4.6% of GDP in 2027, with TES government bonds clearing at yields of 13%-14%. De la Espriella's pledged cuts of 700k state jobs would, if delivered, threaten the very labour market strength currently underpinning the central bank's hawkish stance.

Central and Eastern Europe

Economic data

Inflation surprised to the downside in Poland.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Republic	GDP (QoQ)	1Q F	0.2%	0.2%	0.2%	
	GDP (YoY)	1Q F	2.2%	2.2%	2.2%	
Hungary	PPI (YoY)	May	-0.7%	-	0.3%	
	Trade Balance (EUR)	May	502m	-200m	370m	
Poland	CPI (MoM)	Jun P	-0.5%	-0.3%	-0.3%	Back at the NBP 2.5% target; fuel and food falling. Opens door to easing despite mfg PMI at 46.1.
	CPI (YoY)	Jun P	2.5%	2.7%	3.1%	
Romania	PPI (YoY)	May	12.1%	-	10.3%	
Russia	Current Account Balance (USD)	1Q F	12,654m	-	13,400m	Consumer still buoyant on war-economy wages even as GDP stagnates; CBR easing constrained by sticky inflation and opaque fiscal risks into 2027.
	Retail Sales Real (YoY)	May	7.8%	5.5%	6.5%	
	Unemployment Rate	May	2.1%	2.2%	2.2%	
	GDP (YoY)	1Q F	-0.2%	-	-0.2%	
	CPI WoW	29-Jun	0.2%	-	0.3%	
	CPI Weekly YTD	29-Jun	4.2%	-	3.9%	
	Gold and Forex Reserve (USD)	26-Jun	715.2bn	-	743.8bn	

Source information is at the end of the document.

Commentary

Czech Republic: The Czech National Bank's Deputy Governor Eva Zamrazilová characterised June's 25bps rate hike as fine-tuning rather than the start of a new cycle, citing core inflation near 3%, strong services-sector wages and excess credit growth. EmergingMarketWatch doubts a 3.75% policy rate is restrictive enough, and expects a further 25bps hike in either September or November.

Hungary: The government scrapped the fuel price cap on 26 June. Retail prices fell only modestly, with gasoline easing to HUF 580 from the HUF 595 cap, implying little relief for June inflation. The Economy Minister retains the option to reimpose measures should prices exceed the regional average.

Poland: National Bank of Poland Governor Adam Glapiński put the central bank's unrealised gold profit above PLN 150bn at end-May, down from PLN 193bn in February, and renewed his call for a cross-party deal to sell gold to fund defence spending. The plan remains blocked by the standoff between the government and President Karol Nawrocki. A modified bill may reach the Sejm in July, but any realised profit would only feed into the budget in mid-2027, just before the elections.

Romania: The CFA Romania macroeconomic confidence index fell 7.7 points to 30.5 in May, close to record lows. One-year inflation expectations rose to 7.53%, with the RON seen at 5.35 to the EUR in a year's time. The 2026 growth outlook was cut to a marginal contraction, and the head of CFA Romania warned of stagflation, arguing that only spending cuts can resolve a deficit-driven inflation problem, with the fiscal gap running at 6.2% of GDP.

Ukraine: A large-scale Russian strike on Kyiv killed at least 13 people and injured dozens, damaging more than 20 residential buildings. Attacks of this kind now recur every two to three weeks. Despite the pressure, support for European Union (EU) membership rose to 70% and for NATO to 63% in June polling, helped by the opening of the first cluster of EU accession negotiations and the EUR 90bn support package.

Central Asia, Middle East & Africa

Economic data

Saudi unemployment rate declined in Q1 2026.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Saudi Arabia	Unemployment Rate (Saudis)	1Q	6.4%	–	7.2%	
	M3 Money Supply (YoY)	May	8.9%	–	10.0%	
	SAMA Net Foreign Assets (SAR)	May	1,743.5bn	–	1,768.2bn	
South Africa	Money Supply M3 (YoY)	May	9.6%	–	9.8%	
	Trade Balance Rand	May	-1.8bn	12.8bn	14.4bn	
Türkiye	CPI (YoY)	Jun	32.1%	32.1%	32.6%	Disinflation resuming as war energy shock fades; CBRT still funding at the 40% overnight rate after suspending its year-end forecast range.
	CPI (MoM)	Jun	1.0%	1.0%	1.7%	
	CPI Core Index (YoY)	Jun	29.8%	30.1%	30.4%	
	PPI (MoM)	Jun	1.8%	–	2.8%	Pipeline pressures easing alongside CPI, backing gradual CBRT normalisation into H2.
	PPI (YoY)	Jun	28.1%	–	28.9%	

Source information is at the end of the document.

Commentary

Kuwait: Crude output recovered to 1.65 million barrels per day (mbpd) in June from just 580,000 in May, reaching 1.9mbpd in the final ten days of the month as the reopening of the Strait of Hormuz restored maritime routes. All force majeure notices have now been rescinded. With Brent crude trading near USD 72, July output should rise further.

Nigeria: The World Bank is backing Nigeria's 2026–2032 development plan with USD 1.25bn in financing aimed at spurring job creation and private investment.

Separately, an International Monetary Fund (IMF) official said that Nigeria's unreported spending equals around 2% of GDP, underlining persistent gaps in fiscal transparency.

Saudi Arabia: Crude exports returned to pre-war levels at 6.3mbpd over the six days to Wednesday, according to Bloomberg tanker data, up from 4.45mbpd in June, as loadings resumed at Ras Tanura and flows from Yanbu continued. If sustained, these volumes would support oil revenues in the third quarter.

South Africa: The new Democratic Alliance leader, Geordin Hill-Lewis, sharpened his attacks on the African National Congress (ANC) over Black Economic Empowerment, the National Health Insurance scheme and the Basic Education Laws Amendment Act, while reaffirming his party's commitment to the Government of National Unity (GNU), as he courts some six million undecided voters ahead of the 4 November local elections. Hill-Lewis claims the ANC now polls below 50% across all demographics, and recent by-election trends point to the party possibly falling below 40%.

UAE: Abu Dhabi's dual-tranche Dollar benchmark drew more than USD 11bn in orders, with initial price thoughts of 50bps over US Treasuries for the five-year tranche and 55bps for the ten-year. The proceeds will fund diversification efforts, including AI chip manufacturing, and the deal re-establishes a liquid sovereign yield curve that local issuers can price against.

Developed Markets

Economic data

US payrolls softer than expected. Softer inflation in Europe. Japan activity solid.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Eurozone	M3 Money Supply (YoY)	May	3.2%	2.7%	2.7%	
	Consumer Confidence	Jun F	-17.7	-	-17.7	
	CPI Estimate (YoY)	Jun P	2.8%	3.0%	3.2%	
	CPI (YoY)	Jun P	2.8%	3.0%	3.2%	Energy inflation eased to 8.7% from 10.8% as post-truce oil settles; core slipped to 2.4%. Gives ECB cover to slow after its June hike, with markets seeing at most one more move to 2.5% this year.
	CPI (MoM)	Jun P	-0.1%	0.1%	0.1%	
	CPI Core (YoY)	Jun P	2.4%	2.5%	2.6%	
	Unemployment Rate	May	6.2%	6.3%	6.2%	
Japan	Retail Sales (YoY)	May	5.3%	3.0%	2.8%	
	Jobless Rate	May	2.5%	2.5%	2.5%	
	Job-To-Applicant Ratio	May	117.0%	118.0%	118.0%	
	Industrial Production (MoM)	May P	0.5%	0.7%	0.5%	
	Tankan Large Mfg Index	2Q	22.0	16.0	17.0	Sentiment defied the war-drag forecasters expected; chip-cycle demand offset higher energy costs. FY26 capex plans lifted by AI datacentre buildout and labour-shortage automation. Keeps BoJ on track for a follow-up hike by year-end after June move.
	Tankan Large Mfg Outlook	2Q	17.0	13.0	14.0	
	Tankan Large Non-Mfg Index	2Q	37.0	36.0	36.0	
	Tankan Large Non-Mfg Outlook	2Q	28.0	29.0	29.0	
	Tankan Large All Ind Capex Est FY	2Q	11.5%	11.0%	3.3%	
	Monetary Base (YoY)	Jun	-13.7%	-	-12.2%	
UK	Mortgage Approvals	May	56.2k	63.0k	66.0k	
	GDP (QoQ)	1Q F	0.6%	0.6%	0.6%	
	GDP (YoY)	1Q F	0.9%	1.1%	1.1%	
	Nationwide House PX (MoM)	Jun	0.0%	0.1%	-0.6%	
	Nationwide House Px NSA (YoY)	Jun	2.2%	2.5%	1.7%	
	DMP 1 Year CPI Expectations	Jun	3.3%	3.6%	3.7%	
United States	Dallas Fed Manf. Activity	Jun	0.0%	100.0%	40.0%	
	FHFA House Price Index (MoM)	Apr	-0.1%	0.2%	0.2%	
	Conf. Board Consumer Confidence	Jun	91.2	94.4	90.6	
	JOLTS Job Openings	May	7,594k	7,296k	7,585k	
	MBA Mortgage Applications	26-Jun	0.0%	-	1.0%	
	ADP Employment Change	Jun	98k	120k	122k	
	ISM Manufacturing	Jun	53.3	53.9	54.0	Prices paid fell sharply as post-truce energy relief feeds through; activity still expanding.
	ISM Prices Paid	Jun	73.0	77.5	82.1	
	Construction Spending (MoM)	May	0.1%	0.1%	0.3%	
	Change in Nonfarm Payrolls	Jun	57k	113k	129k	Leisure hiring unusually weak despite World Cup; Apr-May revised down 74k. U-rate fell only because participation dropped to 61.5%, lowest since 2021. Sep hike odds faded post-print, market now leans Dec if at all; Fed focus shifts to inflation data.
	Change in Manufact. Payrolls	Jun	3k	3k	-2k	
	Unemployment Rate	Jun	4.2%	4.3%	4.3%	
	Initial Jobless Claims	27-Jun	215k	218k	216k	

Developed Markets (continued)

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
United States	Continuing Claims	20-Jun	1,814k	1,820k	1,812k	
	Factory Orders	May	-1.3%	-2.0%	5.3%	
	Durable Goods Orders	May F	-4.5%	-4.5%	-4.5%	
	Durables Ex Transportation	May F	1.4%	1.3%	1.3%	

Source information is at the end of the document.

Commentary

Germany: The German cabinet is likely to approve the 2027 draft budget on Monday, with EUR 203.6bn in new borrowing, above the EUR 196.5bn flagged in April, Reuters reported over the weekend. The increase reflects higher defence and investment spending. New borrowing would comprise EUR 118.7bn in the core budget, EUR 54.9bn from the infrastructure fund and EUR 30bn from a special defence fund. Core defence spending is set to rise to EUR 109bn from EUR 82.2 bn this year, while total investment climbs to EUR 117.5bn from EUR 78.9bn in 2025, and overall spending rises 5.9% year-on-year to EUR 555.4bn.

Japan: Nikkei published a follow-up overnight on the government's US-style 'DOGE' efforts. This is a Cabinet Office unit, established in November 2025 under Finance Minister Satsuki Katayama, and modelled on the US Department of Government Efficiency, tasked with reviewing policy tax breaks and subsidies and eliminating ineffective programmes to create fiscal space. The government had previously cited savings from the initiative as a potential funding source for its proposed consumption tax cut, and as a means of honouring its pledge not to rely on additional deficit-financing bond issuance.

United Kingdom: A group of economists, including Andy Burnham adviser Jim O'Neill, urged the next UK government to consider a sweeping tax overhaul to revive weak growth, warning that "incrementalism will not fix Britain." The letter said that proposals in the University College London report, which include scrapping stamp duty and council tax, cutting income taxes for most workers, and introducing a 1% annual property value tax, merited serious consideration, while stopping short of endorsing them. The report argued the reforms could be delivered without higher borrowing, creating a GBP 38bn fiscal buffer.

Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	-1.4%	7.3%	7.3%	39.7%	16.8%	4.0%
MSCI EM ex-China	-0.5%	9.9%	9.9%	45.1%	20.5%	9.2%
MSCI EMEA	0.4%	9.2%	9.2%	36.5%	17.4%	6.1%
MSCI Latam	1.6%	17.2%	17.2%	62.2%	19.2%	12.5%
MSCI Asia	-1.9%	6.1%	6.1%	38.5%	16.0%	3.1%
MSCI China	-3.9%	0.6%	0.6%	26.4%	8.8%	-5.5%
MSCI India	3.1%	-2.1%	-2.1%	4.9%	12.2%	8.3%
MSCI EM Growth	-2.2%	6.3%	6.3%	38.7%	16.0%	0.9%
MSCI EM Value	-0.6%	8.3%	8.3%	40.6%	17.6%	7.4%
MSCI EM Small Cap	-1.7%	5.5%	5.5%	27.8%	15.5%	8.6%
MSCI Frontier	-1.8%	2.0%	2.0%	45.2%	20.3%	9.5%
GBI-EM-GD	0.1%	2.3%	2.3%	18.9%	9.2%	1.7%
GBI-EM China	0.1%	1.1%	1.1%	5.0%	3.2%	2.7%
EM FX spot	0.0%	1.4%	1.4%	8.6%	1.0%	-1.5%
ELMI+ (1-3m NDF)	-0.1%	1.4%	1.4%	12.7%	6.4%	2.1%
EMBI GD	0.3%	1.0%	1.0%	13.0%	9.8%	2.1%
EMBI GD IG	0.3%	0.2%	0.2%	9.0%	4.9%	-1.0%
EMBI GD HY	0.3%	1.8%	1.8%	17.0%	14.8%	5.3%
CEMBI BD	0.1%	0.9%	0.9%	8.4%	7.7%	2.6%
CEMBI BD IG	0.1%	0.4%	0.4%	7.7%	6.2%	1.1%
CEMBI BD HY	0.2%	1.6%	1.6%	9.4%	9.7%	4.7%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	-0.1%	2.8%	2.8%	20.8%	18.9%	11.0%
MSCI World (DM)	0.0%	2.3%	2.3%	18.8%	19.2%	11.9%
S&P 500	-0.1%	1.4%	1.4%	15.4%	20.7%	13.9%
DXY Index**	0.4%	-1.0%	-1.0%	-9.9%	-1.9%	1.5%
EUR*	0.0%	0.8%	0.8%	12.7%	1.5%	-2.0%
JPY*	-1.2%	-0.3%	-0.3%	-6.5%	-10.1%	-10.9%
CRY Index**	-3.3%	3.6%	3.6%	0.7%	4.6%	10.9%
Brent**	-4.8%	10.6%	10.6%	-9.8%	-7.3%	2.0%
Gold**	2.6%	16.3%	16.3%	72.7%	39.2%	22.3%
Bitcoin**	-9.9%	-19.6%	-19.6%	-26%	47.7%	8.3%
1-3yr UST	0.1%	0.3%	0.3%	5.0%	4.5%	1.8%
3-5yr UST	0.2%	0.2%	0.2%	6.3%	4.3%	0.7%
7-10yr UST	0.5%	0.0%	0.0%	6.9%	3.1%	-1.3%
10yr+ UST	0.7%	0.2%	0.2%	3.0%	-1.1%	-6.0%
10yr+ Germany	-0.1%	0.1%	0.1%	-8.5%	-2.7%	-8.8%
10yr+ Japan	0.6%	-2.6%	-2.6%	-14.9%	-7.5%	-6.8%
Global Agg.***	-0.2%	0.7%	0.7%	7.6%	3.4%	-1.7%
US Agg. IG***	0.3%	0.4%	0.4%	6.4%	4.0%	-0.1%
EU Agg. IG***	0.0%	0.7%	0.7%	1.3%	3.0%	-1.9%
US Corp HY***	0.1%	0.6%	0.6%	7.6%	8.8%	4.4%
EU Corp HY***	0.1%	0.9%	0.9%	4.9%	7.7%	3.5%

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.

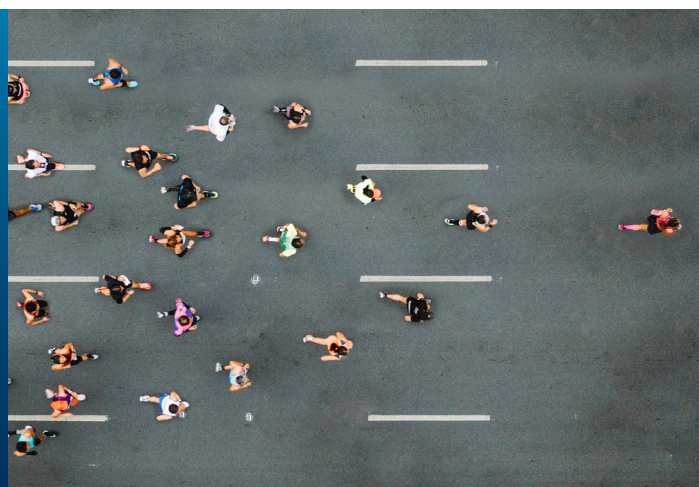
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30 June 2026

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