

Treasury Curve falls flat on Kevin Warsh's FOMC debut

By Gustavo Medeiros and Ben Underhill

- Kevin Warsh began his tenure as Federal Reserve Chair in hawkish fashion.
- Ship tracking data showed material improvement in flows of oil through the Strait of Hormuz.
- US labour market data has improved year-to-date, but too early to confirm the trend.
- Bank Indonesia raised its policy rate to 5.75%, as expected.
- BOK Governor argued inflation expectations will remain elevated for around a year.
- De la Escriella claimed victory in Colombia's election, with 99.9% of votes counted.
- Ukrainian civilian casualties hit a war-record monthly high in May.
- BOJ hiked to 1.0% as expected, with one dissent.
- Andy Burnham the most likely candidate to be the next UK Prime Minister, after Starmer resigned.

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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	6.13%	-5	-	-0.1%	MSCI EM	11.9	4.1%	<ul style="list-style-type: none"> • EM LC sovereign bonds returned -0.1%, as EMFX weakened 0.5% • EM USD sovereign bonds returned 0.8%, driven by lower rates. • EM equities outperformed at 4.1% for the week, driven mostly by chipmakers and AI.
GBI-EM FX Spot	-	-	-	-0.5%	MSCI EM ex-China	12.3	5.9%	
ELMI+	5.82%	9	-	-0.3%	MSCI EMEA	10.0	0.8%	
EMBI GD	6.85%	-11	239 bps	0.8%	MSCI Latam	9.5	-1.3%	
EMBI GD ex-default	6.34%	-8	187 bps	0.8%	MSCI EM Asia	12.5	4.7%	
EMBI GD IG	5.56%	-7	101 bps	0.6%	MSCI China	10.5	-2.8%	
EMBI GD HY	8.28%	-16	389 bps	1.0%	MSCI India	20.1	3.1%	
EMBI HY ex-default	7.04%	-9	265 bps	1.0%	MSCI EM Growth	13.9	5.6%	
CEMBI BD	6.49%	-5	213 bps	0.3%	MSCI EM Value	10.3	2.6%	
CEMBI BD IG	5.53%	-3	118 bps	0.3%	MSCI EM Small Cap	14.6	2.3%	
CEMBI BD HY	7.82%	-7	346 bps	0.4%	MSCI Frontier	11.0	1.6%	

Global Debt	Yield	Change (bp)	Spread	5 day Change	Global Backdrop*	PE 1yr BF	5 day Change	Comments
2yr UST	4.22%	15	-	-0.1%	MSCI ACWI	17.9	1.2%	<ul style="list-style-type: none"> • UST curve bear flattened materially after Warsh's hawkish opening statements. • DXY index rose 1.1% along with higher rates in the short end of the curve. • Brent oil fell another 4.7%, finishing the week below USD 80 a barrel.
5yr UST	4.27%	8	-	-0.1%	MSCI World (DM)	19.2	0.8%	
10yr UST	4.49%	1	-	0.2%	S&P 500	20.5	1.5%	
30yr UST	4.92%	-6	-	1.0%	VIX Fut.**	18.4%	0.4%	
10yr Germany	2.97%	1	-	0.3%	DXI Index**	100.9	1.1%	
10yr Japan	2.68%	10	-	-0.3%	EUR*	1.145	-1.2%	
Global Agg.***	3.83%	0	27 bps	-0.3%	JPY*	161.7	-0.9%	
US Agg. IG***	5.20%	2	68 bps	0.1%	CRY Index**	362.1	-2.1%	
EU Agg. IG***	3.56%	1	62 bps	0.1%	Brent**	79.2	-4.7%	
US Corp HY***	7.12%	2	265 bps	0.2%	Gold**	4,207	-2.4%	
EU Corp HY***	6.18%	-3	278 bps	0.1%	Bitcoin**	64,067	-0.5%	

Source & Notations: See end of document.

Global Macro

Anyone expecting Kevin Warsh to be dovish in his first Federal Open Market Committee meeting was disappointed. Warsh mentioned that the Federal Reserve (Fed) is committed to its price stability target 13 times. The labour market is fine, inflation is not. Two-year bond yields rose over 10 basis points (bps) as overnight index swaps priced a hike by October and another 20bps of risk premium by June 2027. The long end initially sold off but retraced this morning, with the US 10-year trading only 1bp above pre-meeting. The reaction at the long end of the curve vindicates Kevin Warsh's decision to begin his tenure in hawkish style.

Warsh admitted meeting with US Treasury Secretary Scott Bessent weekly, and said he is focused on the inflationary impact of the energy shock. Interestingly, even US President Donald Trump said there might be a rate hike later this year after the meeting. Trump doesn't like it, but said he trusts Warsh. Why would hikes make sense if there is a clear disinflation path ahead through lower oil prices? The break-even rate on 1-yr Treasury Inflation-Protected Securities is below 1.9% and 2.4% on 1-yr consumer price index (CPI) swaps, but analysts still see core Personal Consumption Expenditures (PCE) above 2% by December 2027. If the Fed does hike, it should do so early to have a larger impact on expectations, in our view. Hiking in July would allow the Fed to stay ahead of the curve, should pass-through to inflation materialise, and then probably cut more and earlier in 2027, particularly if Warsh manages to convince the FOMC to shrink the balance sheet.

It is no longer an exaggeration to talk about regime change in the Fed: Warsh did not register his voting intention on the dot plot and got full agreement to a much shorter statement. He also announced five taskforces to reconsider communications, the balance sheet, the use of and reliance on existing data sources, productivity and jobs in "an era of transformation", as well as the inflation framework.

The World Gold Council's latest central bank survey highlights that 89% of monetary authorities believe global central bank gold reserves will increase over the next 12 months. A record 45% of respondents expect their own gold reserves will also increase over the same period. Meanwhile, most respondents (74%) see moderate or significantly lower US dollar holdings within global reserves over the next five years. Respondents also believe that the share of other currencies, such as the Euro and Renminbi will remain unchanged over the same period.

Iranian authorities reportedly announced yesterday that the Strait of Hormuz was once again closed, but ship tracking data suggests this is not the case. US Vice-President JD Vance said 12.5 million barrels of oil passed through the Strait on an evening, and nearly a dozen ships had gone through the US blockade. Kuwait said it expects to return to prewar oil production levels in a matter of weeks, and Qatar announced a fast normalisation in natural gas production. Fighting between Israel and Hezbollah appeared to ease on Sunday, a day after the Israeli government directed the military to restrict itself to defensive actions only in Lebanon.

On Tuesday, MSCI will announce the outcome of its annual market classification review. The focus will be on whether South Korea is added to the watchlist for developed market status, and if Indonesia faces a potential downgrade to frontier market (FM) status. The criteria are: 1) Openness to foreign ownership; 2) Ease of capital inflows/outflows; 3) Efficiency of the operational framework; 4) Availability of investment instruments; and 5) Stability of the institutional framework. While the direction of policy in Korea is positive, last week's Annual Accessibility Review suggest reason for caution. The absence of a fully deliverable offshore Won market and lingering inefficiencies in short-selling settlements continue to hinder Korea's market accessibility. In contrast, the report has eased concerns about Indonesia's potential downgrade to FM status. Though MSCI downgraded Indonesia's assessment on information flow to 'negative', other accessibility criteria were left unchanged, which is seen as reducing the odds of a broader market status reclassification.

US payrolls added 552k jobs over the last six months on a year-to-date (YTD) basis, against the -49k recorded over the previous six months. Relative to last year, the biggest turn around has been across cyclical sectors: trade, transportation and utilities (TTU), manufacturing, construction have all flipped from net losses to net gains, with business services also rebounding. Firings appear to have stopped in government too, with hiring positive YTD.

Under the hood of the headline cyclical industry turnaround, however, hiring has been choppy. Within TTU, 'couriers and messengers' account for roughly 80% of the YTD hiring. Manufacturing gains are concentrated in refined metals and electronics, very likely data centre-related; construction has been led by 'non-residential speciality trade contractors', a category also consistent with the data centre build-out. Professional and business services hiring has been concentrated in science, technology, R&D and building administration – arguably feeding off new factory and infrastructure construction. Healthcare remains the single biggest driver of overall hiring at more than 50% of net additions, though its pace has

Global Macro (continued)

slowed YTD, particularly relative to the rest of the economy. By contrast, information and financial activities have gone from bad to worse, perhaps reflecting AI-related disruption to those sectors.

While the stabilisation of payrolls is of course positive, it is still too early, in our view, to be confident that the improvement suggests a broad-based labour-market acceleration. US wage growth is still deteriorating quickly in real terms. The unemployment rate has fallen YTD from 4.5% to 4.3%, however, this is also reflective of the fact that labour supply has continued to shrink due to both net migration and a decline in the labour participation rate, according to Federal Reserve Economic Data.

EM Asia

Economic data

Soft data in China increased the odds of policy action in Beijing.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	Retail Sales (YoY)	May	-0.6%	-0.2%	0.2%	First retail YoY decline since 2022; Beijing scaled back trade-in subsidies.
	Retail Sales YTD (YoY)	May	1.4%	1.4%	1.9%	
	Industrial Production (YoY)	May	4.5%	4.4%	4.1%	Property drag deepened FAI slump.
	Industrial Production YTD (YoY)	May	5.4%	5.3%	5.6%	
	Fixed Assets Ex Rural YTD (YoY)	May	-4.1%	-2.3%	-1.6%	
India	Wholesale Prices (YoY)	May	9.7%	9.6%	8.3%	WPI hot from oil import passthrough; trade volumes resilient despite Iran.
	Exports (YoY)	May	18.0%	-	13.8%	
	Imports (YoY)	May	20.6%	-	10.0%	
Indonesia	BI-Rate	18-Jun	5.8%	5.8%	5.5%	2nd BI hike in 2 weeks defending rupiah.
Malaysia	CPI (YoY)	May	2.0%	2.1%	1.9%	CPI tame; exports surged on US tariff front-loading ahead of policy shift.
	Exports (YoY)	May	45.3%	29.7%	37.3%	
South Korea	PPI (YoY)	May	8.5%	-	7.2%	
Taiwan	CBC Benchmark Interest Rate	18-Jun	2.0%	2.0%	2.0%	
Thailand	Gross International Reserves (USD)	12-Jun	283.9bn	-	283.5bn	

Source information is at the end of the document.

Commentary

China: Pan Gongsheng, Governor of the People's Bank of China (PBoC), said the central bank will improve the adjustment mechanism of interest rates "at an appropriate time", signalling a shift away from the seven-day reverse repo rate toward an overnight policy rate. The change aims "to transform the monetary policy framework to a price-based model, and to enhance the precision and effectiveness of the PBOC's adjustment of short-term interest rates."

New home sales volume and value declined 11.7% and 8.0% yoy, respectively, in May 2026. However, tier 1 cities showed signs of stabilisation as existing and new home prices were up by 0.4% and 0.2% mom.

DeepSeek secured USD 7bn of funding, at a USD 50bn valuation, in an unusual structure. Investors were asked to put their capital into a limited partnership managed by CEO DeepSeek Liang Wenfeng, instead of DeepSeek itself, to preserve founder control. The exception is China's National Artificial Intelligence Industry Investment Fund which invested RMB 1bn directly in DeepSeek and retains voting rights freedom from the lock-up. Liang committed RMB 20bn (USD 2.95bn) in this funding round. Tencent is reportedly considering RMB 10bn and CATL RMB 5bn.

Indonesia: Bank Indonesia raised its policy rate by another 25bps to 5.75%, in line with consensus. It followed a 50bps hike in May and an 25bps increase on 9 June between meetings to support the IDR. Governor Perry Warjiyo said in a briefing announcing the decision that the central bank would continue to go "all-out" to support the Rupiah.

MSCI retained Indonesia's emerging market (EM) status in its 2026 Global Market Accessibility Review, ending downgrade speculation tied to ownership transparency concerns at major listed companies. MSCI nonetheless cut its information flow assessment to negative from positive, flagging the same opacity issue around ownership structures and freely tradable share estimation. The decision supported sentiment after H1 2026 selloff and aids Bank Indonesia's Rupiah stabilisation efforts if foreign inflows resume.

EM Asia (continued)

South Korea: Exports adjusted for business-day differences rose by 49.7% yoy in the first 20 days of June, a tad lower than the 52.6% in May. Chip exports led gains, rising 188.4% yoy, while shipments of computer-related products increased 293.3% yoy.

Bank of Korea (BOK) Governor Shin Hyun-song argued inflation expectations will remain elevated for around a year after the US-Iran conflict ends, presenting BOK's latest oil and inflation report on Wednesday. Oil shocks lasting more than three months produce a longer-lived core inflation impact than short spikes, with the indirect channel driven more by duration than the magnitude of the shock. The BOK is sceptical that global crude will normalise immediately given infrastructure damage and depleted inventories. With Won weakness and semiconductor-boom income effects also amplifying pressure, the BOK signalled readiness to hike on a combination of external and domestic factors.

The Federation of Korean Trade Unions, the Korean Confederation of Trade Unions and Minimum Wage for All Movement jointly demanded an hourly minimum wage of KRW 12,000 for 2027, up 16.3% from the current KRW 10,320, with a monthly equivalent of KRW 2,508,000 on a 209-hour basis. Unions argue 2023-2025 minimum wage hikes averaged 2.37% against 2.66% inflation, leaving the current monthly minimum at 78.3% of the Minimum Wage Commission's estimated KRW 2.75m cost of living.

Thailand: S&P maintained Thailand's 'BBB+' sovereign rating with a Stable outlook, forecasting 2.0% GDP growth in 2026 accelerating to a 2.3% average across 2026-2029. The fiscal deficit is projected at 3.2% of GDP in both 2026 and 2027. Political stability under the current administration is expected to support policy continuity and key projects including the Eastern Economic Corridor and major transport infrastructure. The S&P stance contrasts with Fitch's Negative outlook (changed September 2025 on stimulus, delayed consolidation and fiscal uncertainty). Moody's also retains a Stable outlook.

Prime Minister Anutin Charnvirakul signed an order creating a National Semiconductor and Advanced Electronics Policy Committee to implement the January 2026 strategy positioning Thailand as an ASEAN semiconductor hub. The 25-year roadmap targets domestic Made in Thailand chip production by 2050, with over THB 2.5trn of investment and more than 230,000 trained workers. Strategy benchmarks include Singapore, Malaysia, Vietnam and the Philippines.

Latin America

Economic data

Brazil's easing cycle likely to pause as higher fuel prices lifted inflation above target.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	Budget Balance (ARS)	May	1,924,367m	-	632,844m	Fiscal surplus reinforces Milei macro stabilisation narrative.
	Trade Balance (USD)	May	3,504m	2,300m	2,713m	
Brazil	FGV CPI IPC-S	15-Jun	0.6%	-	0.6%	Activity softened ahead of Copom easing; tight policy transmission visible.
	Retail Sales (MoM)	Apr	-1.5%	-0.6%	0.7%	
	Retail Sales (YoY)	Apr	1.0%	2.0%	4.0%	
	Economic Activity (MoM)	Apr	0.5%	0.6%	-0.2%	
	Economic Activity (YoY)	Apr	0.9%	1.5%	3.3%	
	Selic Rate	17-Jun	14.25%	14.25%	14.50%	
Chile	Overnight Rate Target	16-Jun	4.5%	4.5%	4.5%	
Colombia	Retail Sales (YoY)	Apr	14.9%	11.0%	14.6%	Retail boomed but manufacturing lagged; consumer-led recovery on expansive fiscal.
	Manufacturing Production (YoY)	Apr	2.0%	3.3%	3.8%	
	Consumer Confidence Index	May	17.8	-	13.7	
Mexico	ANTAD Same-Store Sales (YoY)	May	0.8%	-	4.4%	
	International Reserves Weekly (USD)	12-Jun	255,183m	-	255,731m	
Peru	Economic Activity (YoY)	Apr	3.7%	3.6%	3.2%	

Source information is at the end of the document.

Commentary

Argentina: May's trade surplus came in at a USD 3.5bn (consensus USD 2.3bn), as exports rose above USD 9.5bn, from USD 8.9bn in April, while imports declined marginally to just over USD 6bn.

Colombia: With 99.9% of polling stations reporting, Abelerdo de la Espriella had 49.7% of the vote to Iván Cepeda's 48.7%, in one of the closest results in history. The difference is much narrower than expected. The polarisation of the population will add a governance challenge during de la Espriella's term. There will be a risk of social protests from the opposing side, as former president Gustavo Petro was an agitator during the Duque administration (2018-2022). Petro may not accept the results immediately and instead ask for a recount. Cepeda appears more prepared to accept defeat.

Central and Eastern Europe

Economic data

Czechia hiked as expected.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Republic	PPI Industrial (MoM)	May	-0.1%	0.7%	1.4%	
	PPI Industrial (YoY)	May	1.5%	2.3%	1.0%	
	Repurchase Rate	18-Jun	3.8%	3.8%	3.5%	First CNB hike since 2022; core sticky.
Poland	CPI (MoM)	May F	-0.3%	-	-0.3%	
	CPI (YoY)	May F	3.1%	-	3.1%	
	CPI Core (MoM)	May	-0.1%	-0.1%	0.9%	
	CPI Core (YoY)	May	3.1%	3.0%	3.0%	Core CPI sticky at 3.1%; NBP cautious, industrial output beat shows resilience.
	Sold Industrial Output (MoM)	May	-0.8%	-2.2%	-7.6%	
Romania	Industrial Output (YoY)	Apr	-3.1%	-	-2.1%	
	Current Account YTD (EUR)	Apr	-7,980m	-	-5,338m	
Russia	PPI (YoY)	May	9.4%	-	5.5%	PPI jumped on utility tariff hikes and rouble FX passthrough.
	GDP (YoY)	1Q P	-0.2%	-	-0.2%	
	CPI WoW	15-Jun	0.2%	-	0.2%	
	CPI Weekly YTD	15-Jun	3.7%	-	3.5%	
	Key Rate	19-Jun	14.3%	14.0%	14.5%	Cut 25bp; cautious easing on fiscal risks; reserves drained on FX defence.
	Gold and Forex Reserve (USD)	12-Jun	729.3bn	-	749.7bn	

Source information is at the end of the document.

Commentary

Czech Republic: A Czech News Agency (CTK) survey of local economists showed a split between stable rates and a 25bp hike at the 18 June Monetary Policy Committee (MPC), although the survey was taken before the US-Iran deal announced 14 June. Hike arguments centred on Middle East conflict risk, ongoing domestic inflationary pressure and expansionary fiscal policy that the government has not signalled a willingness to reverse. Hold arguments noted that the Czech National Bank (CNB) does not react sharply to geopolitics or follow European Central Bank (ECB) moves closely, with May inflation easing further and remaining below euro area levels. The oil market reaction to the US-Iran deal would have tilted the balance firmly toward stable rates had the survey been taken this week.

Hungary: The National Bank of Hungary (NBH) MPC meets on 23 June, with the policy rate at 6.25%. Minutes from May's meeting showed one cut vote (external member Péter Gottfried) against ten holds, but Governor Mihály Varga flagged the possibility of cuts contingent on the risk premium decline being verified as sustained.

Forint appreciation and lower domestic yields following the Tisza Party's April election win, the prospect of unfreezing EUR 16.4bn in EU funds, and the new government's 2030 eurozone accession commitment have all compressed risk premia. The recent US-Iran resolution has driven further Forint strength and added dovish weight, with the June Inflation Report now expected to give the MPC the cover to begin easing.

Kazakhstan: The International Monetary Fund (IMF) Article IV mission (3-12 June) projects 2026 GDP growth at 4.6% on elevated oil prices and stabilising production, offsetting slower household credit and fiscal consolidation. Inflation is forecast at 10%, with quasi-fiscal activities, external tensions and utility tariff hikes flagged as the main risks. The IMF advised the National Bank of Kazakhstan (NBK) should be ready to tighten further if inflation does not moderate consistently, maintaining a firm stance until the 5% medium-term target is firmly on track. The main downside risk is

Central and Eastern Europe (continued)

potential disruption to the Caspian Pipeline Consortium. Sustained high oil prices and gradual tariff reform are seen as upsides for external and fiscal buffers.

Poland: Prime Minister Donald Tusk announced the fuel tax-cut programme will be fully lifted this summer, citing the prospective Middle East resolution. The Finance Ministry has already declined to extend the PLN 0.29/litre petrol and PLN 0.28/litre diesel excise cuts beyond 15 June, though the 8% VAT (cut from 23%) and the maximum price cap remain. Business Insider Poland reported the Ministry of Finance favours a gradual VAT exit contingent on Iran-related oil outcomes. The programme costs PLN 1.7bn per month. The first post-excise-cut maximum prices have already declined, reflecting the US-Iran deal's pass-through to crude.

Ukraine: Civilian casualties hit a war-record monthly high in May at 274 killed and 1,763 injured, per the United Nations Human Rights Monitoring Mission (HRMMU). HRMMU Head Danielle Bell attributed the spike to greater use of powerful weapons in urban areas, with short-range drones the main cause near the front. Presidential office head Budanov estimates 6 million people live near the front lines. Cumulative emigration since 2014 has reached 8.5 million per UN data, primarily to Russia, Germany and Poland, with potential for further outflows over the summer as hostilities intensify.

Central Asia, Middle East & Africa

Economic data

Nigeria and South Africa's inflation below consensus.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Egypt	Trade Balance (USD)	Apr	-4,775.0m	-	-4,649.0m	
Nigeria	CPI (YoY)	May	15.9%	16.2%	15.7%	Inflation cooling; CA in surplus on oil export recovery.
	Current Account Balance (USD)	1Q	5.0bn	-	1.4bn	
Qatar	CPI (YoY)	May	2.2%	-	2.6%	
	GDP Constant Prices (YoY)	1Q	-	-	2.0%	
Saudi Arabia	CPI (YoY)	May	1.8%	-	1.7%	
South Africa	CPI (MoM)	May	0.7%	0.8%	1.1%	Softer print on food prices, may mean SARB does not hike again at upcoming meeting.
	CPI (YoY)	May	4.5%	4.7%	4.0%	
	CPI Core (MoM)	May	0.2%	0.3%	0.5%	
	CPI Core (YoY)	May	3.8%	3.9%	3.6%	
	Retail Sales (MoM)	Apr	0.9%	-	0.1%	
	Retail Sales Constant (YoY)	Apr	1.3%	2.0%	2.5%	
Türkiye	Industrial Production (MoM)	Apr	3.7%	-	-0.8%	Big positive swing; activity recovering despite tight TCMB policy.
	Industrial Production (YoY)	Apr	6.0%	-	-1.1%	
	Real Sector Confidence NSA	Jun	103.5	-	103.3	
	Capacity Utilisation	Jun	74.5%	-	74.2%	

Source information is at the end of the document.

Commentary

South Africa: The African Transformation Movement formally opposed President Cyril Ramaphosa's urgent court application to halt the Section 89 impeachment inquiry while he seeks a judicial review of the 2022 Ngcobo panel report into the Phala Phala farm scandal. The ATM proposed that the interdict hearing take place this week. Ramaphosa argued that Parliament could otherwise undertake substantial work based on a report that may later be found invalid. He also maintained that the matter goes beyond his personal interests, given the constitutional importance of the office of the president.

South Africa Reserve Bank Governor Lesetja Kganyago warned of increasing inflation expectations: *"inflation expectations have drifted away from target... what we have seen is that all price setters are expecting inflation higher, and that is what the central bank has got to act on, reining in those expectations"*.

Developed Markets

Economic data

BOJ hiked, BOE unchanged as expected; US continuing claims inched higher.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments	
Eurozone	ZEW Survey Expectations	Jun	9.5	-	-9.1	Iran ceasefire optimism drove ZEW to biggest sentiment jump since 2022.	
	CPI (MoM)	May F	0.1%	0.1%	0.1%		
	CPI Core (YoY)	May F	2.6%	2.5%	2.5%		
Japan	Tertiary Industry Index (MoM)	Apr	1.3%	0.6%	-0.6%	BoJ hiked to 1.00%, 31-year high; 7-1 vote, more hikes signalled by Ueda.	
	BOJ Target Rate	16-Jun	1.0%	1.0%	0.8%		
	Core Machine Orders (MoM)	Apr	8.7%	0.5%	-9.4%		
	Natl CPI (YoY)	May	1.5%	1.5%	1.4%		
	Natl CPI Ex Fresh Food (YoY)	May	1.4%	1.4%	1.4%		
UK	CPI (MoM)	May	0.2%	0.4%	0.7%	Headline cooled but services CPI re-accelerated to 3.7%; wages sticky.	
	CPI (YoY)	May	2.8%	3.0%	2.8%		
	CPI Core (YoY)	May	2.6%	2.7%	2.5%		
	RPI (MoM)	May	0.2%	0.5%	0.7%		
	RPI (YoY)	May	3.1%	3.3%	3.0%	Held 7-2 with two HIKE dissents, first vote for hike since 2023.	
	Average Weekly Earnings 3M/(YoY)	Apr	4.4%	4.0%	4.4%		
	ILO Unemployment Rate 3Mths	Apr	4.9%	5.0%	5.0%		
	Claimant Count Rate	May	4.5%	-	4.4%		
	Jobless Claims Change	May	31.2k	-	8.3k		
	Bank of England Bank Rate	18-Jun	3.8%	3.8%	3.8%		
	Retail Sales Inc Auto Fuel (MoM)	May	1.2%	0.5%	-1.0%		
	Retail Sales Inc Auto Fuel (YoY)	May	3.2%	1.8%	0.1%		
	Retail Sales Ex Auto Fuel (MoM)	May	1.2%	0.3%	-0.1%		
	Retail Sales Ex Auto Fuel (YoY)	May	4.6%	3.1%	1.1%		
United States	Empire Manufacturing	Jun	5.7	13.7	19.6	Sharp drop; mortgage rates and Iran cost shock weighing on builders.	
	Industrial Production (MoM)	May	0.1%	0.3%	0.9%		
	Capacity Utilisation	May	76.2%	76.2%	76.1%		
	Import Price Index (MoM)	May	1.9%	1.0%	2.0%		
	Housing Starts	May	1,177k	1,430k	1,392k		
	Building Permits	May P	1,413k	1,418k	1,423k		
	MBA Mortgage Applications	12-Jun	-3.8%	-	10.8%		
	Retail Sales Advance (MoM)	May	0.9%	0.6%	0.4%		
	Retail Sales Ex Auto (MoM)	May	0.8%	0.6%	0.7%		
	Pending Home Sales (MoM)	May	3.8%	0.9%	0.3%		
	FOMC Rate Decision (Upper Bound)	17-Jun	3.8%	3.8%	3.8%		Held, but median dot now implies a hike by year-end; Warsh debut.
	FOMC Rate Decision (Lower Bound)	17-Jun	3.5%	3.5%	3.5%		
	Initial Jobless Claims	13-Jun	226k	225k	230k		
Philadelphia Fed Business Outlook	Jun	10.3	10.0	-40.0			

Source information is at the end of the document.

Developed Markets (continued)

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
United States	Continuing Claims	06-Jun	1,810k	1,789k	1,786k	
	Leading Index	May	0.1%	0.1%	0.2%	
	Total Net TIC Flows (USD)	Apr	26.1bn	-	149.3bn	Foreign UST buying slowed, but net LT flows still positive.
	Net Long-term TIC Flows (USD)	Apr	103.1bn	-	79.9bn	

Source information is at the end of the document.

Commentary

Australia: The Reserve Bank of Australia held the policy rate at 4.35%, as widely expected.

Japan: The Bank of Japan (BOJ) hiked rates, as expected, by 25bps to 1.0%, with one board member dissent. Its statement suggested no rush for another hike, with further tightening contingent on economic progress. The overall tone of the comments was neutral-dovish. The BOJ also said it would slow the pace of quantitative tightening from April 2027 (FY2027). From then, it plans to buy JPY 24trn of bonds a year, which would reduce the pace of balance sheet shrinkage to c. 11% per year, according to Nomura. That should bring the BOJ's balance sheet to 72% of GDP by April 2027 and 63% by April 2028. That compares with a pre-Covid plateau of 80% of GDP, assuming the central bank doesn't slow the tapering pace again.

May's nationwide CPI inflation data was in line with expectations. Core CPI (excluding fresh food) was unchanged at +1.4% yoy, while the BoJ's preferred core measure (excluding fresh food and energy) eased to +1.8% yoy from +1.9%. There has been a significant inflationary pressure on imported prices and producer price index (PPI) inflation, but the pass-through to CPI will take some time, according to Japan economists, with CPI inflation expected to accelerate from this autumn. Until then, inflation is likely to remain below 2%.

In a speech to parliament on Monday, Prime Minister Sanae Takaichi signalled she is onboard with BOJ hikes: "We expect the central bank to work closely with the government and to conduct appropriate monetary policy, taking into account economic, price and financial developments, with the aim of achieving the 2% price stability target". In the same session of parliament, BOJ Deputy Governor Ryozi Himino cited the risk of inflation rising too fast: "In a situation like the current one, where there is a risk that underlying inflation could rise above the 2% price stability target, delaying the necessary adjustment in the degree of monetary accommodation could allow such risks to materialize, which in turn could weigh on economic activity later on".

United Kingdom: The Bank of England (BOE) kept its policy rate unchanged at 3.75%, with a 7-2 MPC split, in line with expectations. The MPC statement said the latest moves in energy prices means it expects CPI inflation to peak at 3.25% in Q426. That's about half a percentage point lower than its expectation in April. If confirmed, and in absence of any further shocks, the BOE will probably keep its policy rate unchanged for 2026.

Former Manchester Mayor Andy Burnham was elected as MP for the constituency of Makerfield with a convincing 24,927 votes, defeating Reform UK's Robert Kenyon, who secured 15,696 votes. Voter turnout was close to 59%. This has triggered a leadership contest within the Labour Party to replace Sir Keir Starmer, who resigned as Labour Party leader today. Key to monitor will be the appointment of a new Chancellor of the Exchequer. Most commentary puts Ed Miliband (Energy and Net Zero Secretary) as favourite for the post. The Burnham-Miliband pairing is seen by market participants as fiscally loose, but they will find a very constrained fiscal situation where any decision to increase spending (even if matched by more taxes) will be met by steeper curves which will further constrain their manoeuvrability.

Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	2.2%	28.5%	28.3%	54.6%	23.2%	8.2%
MSCI EM ex-China	3.5%	39.2%	43.6%	76.2%	29.0%	14.0%
MSCI EMEA	-0.1%	5.4%	5.4%	26.6%	15.2%	3.0%
MSCI Latam	-1.9%	-3.1%	11.1%	36.0%	11.4%	9.3%
MSCI Asia	2.4%	32.5%	30.9%	57.0%	24.5%	8.4%
MSCI China	-3.2%	-2.7%	-11.4%	2.0%	7.1%	-5.4%
MSCI India	2.6%	11.3%	-8.9%	-7.6%	6.7%	5.3%
MSCI EM Growth	2.4%	30.7%	28.8%	56.0%	23.4%	6.3%
MSCI EM Value	1.9%	26.4%	27.8%	53.1%	22.9%	10.2%
MSCI EM Small Cap	-0.2%	17.0%	16.1%	30.2%	16.7%	7.9%
MSCI Frontier	-0.9%	9.8%	8.8%	38.2%	23.4%	8.7%
GBI-EM-GD	0.1%	3.8%	1.5%	9.8%	7.2%	2.2%
GBI-EM China	0.1%	3.1%	5.1%	7.6%	5.7%	3.1%
EM FX spot	-0.6%	1.0%	-0.4%	2.6%	-0.2%	-1.6%
ELMI+ (1-3m NDF)	-0.5%	2.5%	1.7%	5.8%	5.5%	2.3%
EMBI GD	0.8%	4.7%	3.4%	13.3%	10.5%	2.6%
EMBI GD IG	0.4%	2.4%	1.1%	7.3%	5.1%	-0.6%
EMBI GD HY	1.1%	6.9%	5.6%	19.3%	16.2%	5.8%
CEMBI BD	0.4%	2.4%	2.2%	7.5%	7.9%	2.7%
CEMBI BD IG	0.2%	1.6%	0.9%	5.8%	6.2%	1.2%
CEMBI BD HY	0.7%	3.5%	4.1%	10.1%	10.6%	4.7%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	-0.4%	15.5%	11.8%	28.8%	19.9%	11.5%
MSCI World (DM)	-0.7%	13.8%	9.7%	25.7%	19.4%	11.9%
S&P 500	-1.0%	15.2%	10.2%	26.9%	20.9%	14.1%
DXY Index**	1.9%	0.9%	2.6%	2.2%	-0.5%	1.9%
EUR*	-1.8%	-1.2%	-3.2%	-2.9%	-0.3%	-2.5%
JPY*	-1.7%	-2.5%	-4.5%	-12.6%	-8.2%	-10.7%
CRY Index**	-4.8%	-2.8%	21.2%	15.9%	10.9%	11.7%
Brent**	-13.9%	-33.0%	30.2%	2.9%	2.2%	1.2%
Gold**	-7.3%	-9.9%	-2.6%	24.9%	30.0%	18.8%
Bitcoin**	-13.0%	-6.1%	-26.9%	-36%	28.6%	14.3%
1-3yr UST	-0.1%	0.2%	0.5%	3.2%	4.2%	1.9%
3-5yr UST	-0.2%	-0.3%	-0.3%	2.9%	3.9%	0.7%
7-10yr UST	0.0%	-0.1%	-0.4%	3.8%	2.9%	-1.1%
10yr+ UST	1.2%	1.1%	0.7%	4.9%	-0.3%	-5.7%
10yr+ Germany	-0.6%	0.1%	0.4%	-4.9%	-1.3%	-8.0%
10yr+ Japan	0.6%	-2.8%	-6.5%	-13.3%	-10.4%	-7.6%
Global Agg.***	-0.8%	0.8%	-0.3%	2.0%	3.3%	-1.6%
US Agg. IG***	0.1%	0.5%	0.5%	4.8%	4.1%	0.1%
EU Agg. IG***	-0.3%	1.3%	0.6%	1.0%	3.3%	-1.6%
US Corp HY***	0.1%	2.3%	1.8%	7.0%	8.8%	4.3%
EU Corp HY***	0.2%	3.1%	1.6%	4.2%	7.5%	3.2%

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.

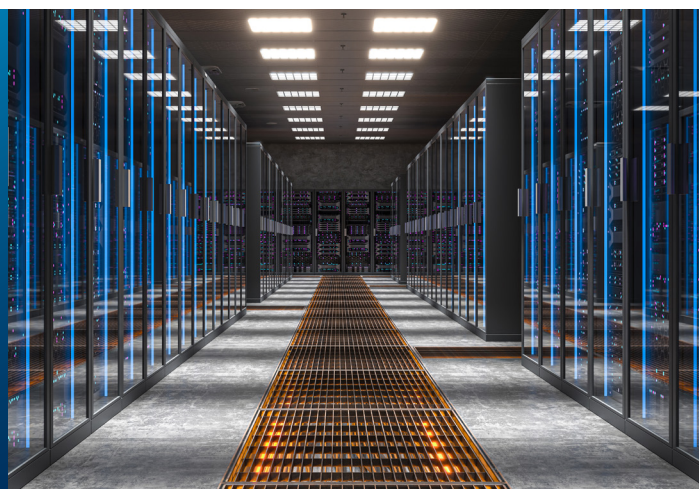
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31 May 2026

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