Issued: 12 October 2026

WEEKLY INVESTOR RESEARCH

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US CPI up next for bonds, while stocks pivot to Q3 earnings

By Gustavo Medeiros and Ben Underhill

- US core CPI expected to stay subdued this week despite higher headline inflation.
- S&P 500 breadth at its weakest since April, with financials underperforming.
- President Trump is attempting to broker an 'energy ceasefire' between Russia and Ukraine, which Kyiv is resisting.
- Trump also pledged no strikes on Iran before the midterms, with Iran hitting more tankers.
- Malaysia's 2027 budget targets a narrower deficit of 3.3% of GDP.
- Flávio Bolsonaro took the lead over Lula in a Datafolha runoff poll for the first time.
- Argentina suspended local USD bond issuance after weak auction demand.
- JP Morgan placed Kazakhstan's government debt on 'Index Watch-Positive'.
- Moody's upgraded Ghana to 'B3', while Fitch revised Nigeria's outlook to positive.

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Last Week Performance and Comments

EM Debt	Yield	Change (bp)	Spread	5 day Change
GBI-EM GD	6.44%	-10	–	1.0%
GBI-EM FX Spot	–	–	–	0.3%
ELMI+	6.04%	-4	–	0.2%
EMBI GD	7.21%	-1	234 bps	0.9%
EMBI GD IG	6.39%	-3	150 bps	0.7%
EMBI GD HY	8.17%	2	331 bps	1.2%
CEMBI BD	6.94%	0	213 bps	0.3%
CEMBI BD IG	6.29%	-1	146 bps	0.3%
CEMBI BD HY	8.20%	1	343 bps	0.4%

EM Equity*	PE 1yr BF	5 day Change
MSCI EM	9.5	0.0%
MSCI EM ex-China	9.4	-0.3%
MSCI EMEA	9.9	-0.6%
MSCI Latam	10.3	9.7%
MSCI EM Asia	9.7	-0.7%
MSCI China	9.9	1.2%
MSCI India	18.1	-0.5%
MSCI EM Small Cap	13.5	1.1%
MSCI Frontier	10.3	0.3%

Comments

- EM local currency bonds rose 1%, driven by falling rates, Brazil outperformance.
- EM USD sovereign bonds rose 1%, with defaulted names outperforming.
- EM equities were flat, even with LatAm up around 10% after Bolsonaro's first round victory.

Global Debt	Yield	Change (bp)	Spread	5 day Change
2yr UST	4.79%	-2	–	0.2%
5yr UST	5.02%	-4	–	0.3%
10yr UST	5.24%	-7	–	0.4%
30yr UST	5.60%	-7	–	0.6%
10yr Germany	3.47%	-2	–	-0.5%
10yr Japan	3.02%	-7	–	1.1%
Global Agg.***	4.40%	-3	34 bps	0.0%
US Agg. IG***	5.99%	-6	76 bps	0.4%
EU Agg. IG***	4.25%	-2	73 bps	0.1%
US Corp HY***	8.24%	-5	308 bps	0.2%
EU Corp HY***	7.28%	-2	344 bps	-0.1%

Global Backdrop*	PE 1yr BF	5 day Change
MSCI ACWI	16.3	0.7%
MSCI World (DM)	17.9	0.7%
S&P 500	19.2	1.2%
VIX Fut.**	17.0	-0.5%
DXY Index**	102.3	0.1%
EUR*	1.119	-0.3%
JPY*	158.4	-0.4%
CRY Index**	414.7	0.9%
Brent**	104.8	4.5%
Gold**	4,174	0.8%
Bitcoin**	83,445	0.1%

Comments

- The UST curve bull flattened.
- US stocks rose 1.2%, with breadth improving.
- Brent crude prices rose 3.8% as Iran increased attacks on tankers.

Source & Notations: See end of document.

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Global Macro

Bond yields steadied last week, with the 10-year US Treasury yield oscillating within its newfound 5.2–5.3% range and credit spreads broadly tightening. French OATs also stabilised, with the 10-year easing to c.4.8% and the spread over Bunds narrowing to c.133 basis points (bps) from a peak of 147bps on 2 October. The respite may prove short-lived. The National Assembly's finance committee rejected the revenue half of the 2027 budget and will begin its floor debate on the original draft of the budget on Tuesday.

In the US, September's consumer price index (CPI) inflation print, due on Wednesday, will be the next test of direction. Consensus estimates converge on an uncomfortable headline but a benign core. UBS projects headline CPI to rise 0.56% mom, the third-largest monthly increase this year after March and April, lifting the annual rate from 3.40% to 3.62%. Core CPI, by contrast, is projected to rise only c.0.2% mom, broadly in line with the pre-pandemic pace. On UBS's numbers, core inflation edges down from 2.45% to 2.41% yoy, only 0.10-0.15pps above the level consistent with the US Federal Reserve (Fed) 2% personal consumption expenditures (PCE) target. The data continue to indicate an energy shock rather than a broadening of underlying inflation, at least for now. The key anchor remains wage growth, which is close to 0% in real terms. In our view, this backdrop leaves room to unwind more of the rate hikes priced into forward curves. That process has already begun over the last two weeks, and another hike is no longer fully priced by year-end.

Demand for duration at these levels is rising. Last week's USD 39bn 10-year reopening stopped through by 1.7bps at 5.30%, the highest yield at a 10-year auction since November 2000. The bid-to-cover ratio was 2.77x, against a 12-month average of about 2.5x. Primary dealers were left with just 2.5% of the issue, against a typical c.9%, meaning end investors absorbed almost all of the supply. Flows tell a similar story. According to BofA, long-term government and corporate bond funds took in USD 7.4bn last week, the largest inflow since May 2025, while municipal bond funds recorded their largest inflow on record.

Higher bond yields have compressed equity valuations this year, but earnings have more than made up the difference. The S&P 500 is up 15% year-to-date (YTD), even though its forward price-to-earnings (P/E) has fallen from nearly 22x in January to 19x. Emerging market (EM) equities are up 24% YTD despite their forward P/E falling 27%, from 13x to 9.5x.

Those gains, however, have become increasingly concentrated in AI. Nvidia, Apple and Microsoft now account for more than 21% of the S&P 500. At the end of Q3, three-quarters of the index's constituents were trading below their 50-day moving average, the weakest breadth since April. The S&P 500 rose 2% in the quarter, while the equal-weighted index fell 2%. Financials have lagged the most in recent weeks. September was the sector's worst month relative to the S&P 500 since 1990. Higher yields, slower M&A and tough trading comparisons all weighed, alongside a growing concern that AI will erode banks' low-cost deposit base by steering household cash towards higher-yielding alternatives.

Last week offered the first sign of a broadening. As yields stabilised, the equal-weighted index outperformed and rose for the first time in eight weeks. Whether that broadening continues depends on the Q3 earnings season, which starts with the US banks on Tuesday. Earnings need to do two things. First, the AI companies must keep delivering to justify the market's concentration in them. Second, the rest of the market must show that the non-AI economy remains resilient, and so far, earnings growth there is broadly holding up. The stakes are high because markets are pricing stress in rates but not in equities. The MOVE index, which measures expected Treasury yield volatility over the next month, has risen to around 100, well above its late-2025 low of c.55. The VIX, the equivalent measure for the S&P 500, is around 17, slightly below its long-run average of c.19-20 and consistent with daily moves of about 1%. Investors are therefore paying to hedge rate swings but not for protection against a sharp equity sell-off, even though the index is concentrated in a handful of AI names and Q3 earnings fall within the VIX's one-month window. A disappointment from the largest companies could close that gap, with bond-market volatility spilling over into equities.

EM faces the same concentration risks. Korea and Taiwan have accounted for the bulk of this year's gains. There is no sign that demand growth for semiconductors is slowing. In fact, it continues to accelerate: Taiwan's September exports rose 60.9% yoy to a record USD 87.2bn, and Samsung's Q3 operating profit of KRW 107.4trn was nearly 2.5 times its full-year 2025 result. Nevertheless, profit-taking and risk management are driving some reallocation away from the theme. According to BofA data, foreign investors sold USD 7.3bn of EM equities ex-China last week, led by Korea (USD 5.7bn), India (USD 2.3bn) and Taiwan (USD 0.7bn), while buying USD 2.8bn of Brazilian equities. Brazil is well positioned to be a key beneficiary of any push to diversify away from the AI theme, particularly now that a political transition looks very likely. A Bolsonaro victory in the runoff against President Lula, now priced at an 87% probability on Polymarket, would likely lower risk premia and raise the probability of fiscal consolidation and further rate cuts. Brazilian equities are up nearly 20% since the first round and 35% YTD, while the BRL has gained another 5%, taking its YTD appreciation to close to 10%.

Global Macro (continued)

Geopolitics and commodities

US President Donald Trump said on 8 October that the US "will not be attacking Iran at any time prior to the midterm elections" taking place on 3 November, citing "productive discussions" with Tehran. Brent crude fell c.1% to around USD 103 per barrel on Friday. The military signals point the other way. US officials reportedly briefed Israel's chief of staff on preparations to resume major combat operations within three weeks. The USS Theodore Roosevelt carrier group is heading to the region, adding to roughly 50,000 US personnel already there, with three carriers and two amphibious groups due near Iran by end-November.

Iran, meanwhile, is escalating at sea. The shipping intelligence service Marisks recorded at least eight tanker incidents in the week to 7 October, and the attacks are spreading. One tanker was hit off the coast of Qatar, the first attack there in more than six months, and another off Oman, injuring 12 crew. The Islamic Revolutionary Guard Corps (IRGC) also claimed a strike on a liquefied petroleum gas (LPG) carrier using an 'illegal' route and warned that such vessels could be targeted across the region. In our view, the aim is to raise the cost of the bypass routes and ship-to-ship transfers that have kept Gulf exports flowing. No tanker has yet suffered major structural or cargo damage, but flows through Hormuz have fallen from c.15 million barrels per day (mbpd) to around 10mbpd (7-day average). Separately, the Houthis struck Riyadh's main airport at the weekend, forcing its closure.

On Russia and Ukraine, Trump announced an "energy ceasefire" under which Ukraine would stop striking Russian refineries and Russia would stop hitting Ukraine's, a deal that favours Russian President Vladimir Putin. US officials have reportedly warned Kyiv and European allies that arms sales could stop if they do not back it. Ukrainian President Volodymyr Zelenskyy says Ukraine will hold off if Russia does, while EU foreign policy chief Kaja Kallas urged Trump to sanction Russia instead. More surprising was Friday's diesel deal. The Office of Foreign Assets Control (OFAC) issued a licence lifting sanctions on Russian diesel exports, and Russian vessels are reportedly heading to the US, though it is unclear what they are carrying. Initial volumes of around 125kbpd are small against a c.1.6mbpd shortfall in internationally traded diesel. If the ceasefire holds, it eases pressure on product markets. If it breaks down, renewed refinery strikes would restore the risk premium.

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EM Asia

Economic data

RBI turns hawkish as Taiwan exports hit a record.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	Foreign Reserves (USD)	Sep	3,400.25bn	3,425.00bn	3,438.33bn	
India	RBI Repurchase Rate	7-Oct	5.50%	5.50%	5.25%	First hike since 2023 on oil and global yield risks.
Indonesia	Foreign Reserves (USD)	Sep	146.3bn	–	146.5bn	
Malaysia	Industrial Production (YoY)	Aug	5.0%	4.9%	4.7%	
South Korea	Foreign Reserves (USD)	Sep	440.56bn	–	442.28bn	
	BoP Current Account Balance (USD)	Aug	46,113.0m	–	42,078.0m	
Taiwan	CPI (YoY)	Sep	2.7%	2.4%	2.1%	
	Exports (YoY)	Sep	60.9%	46.7%	41.0%	Record AI demand, MOF sees (USD) 900bn+ for 2026.
Thailand	CPI (YoY)	Sep	2.8%	3.1%	2.5%	
	CPI NSA (MoM)	Sep	0.3%	0.5%	0.6%	
	CPI Core (YoY)	Sep	1.5%	1.6%	1.4%	
	Gross International Reserves (USD)	2-Oct	275.6bn	–	278.4bn	
Vietnam	Domestic Vehicle Sales (YoY)	Sep	-0.3%	–	-12.9%	

Source information is at the end of the document.

Commentary

India: The Reserve Bank of India raised the repo rate by 25bps to 5.50%, its first hike since February 2023, in a unanimous decision. The central bank also shifted its stance from neutral to "calibrated tightening" by majority vote. The move reflects rising inflation risks, with CPI inflation at 4.82% in August, crude prices near USD 100 per barrel and global yields elevated after the Fed's September hike, while growth remains resilient at 7.8% in Q1 FY27. HSBC expects September CPI, due on Monday, to rise to 5.5%.

Malaysia: Prime Minister Anwar Ibrahim presented a MYR 459.8bn budget for 2027, 3.6% above the revised 2026 budget, comprising MYR 376.8bn of operating and MYR 83bn of development spending. The fiscal deficit is targeted at 3.3% of GDP in 2027, down from a revised 3.6% in 2026, which was raised from 3.5% because of a higher subsidy bill. Revenue is projected to rise 4.7% to MYR 380.8bn, including a MYR 32bn dividend from Petronas. The budget raises the minimum wage to MYR 2,000 per month from June, lifts individual income tax relief for the first time since 2010 and allocates MYR 16bn in cash aid for lower-income households, ahead of a general election due by February 2028. The government expects growth near the top of its 4.8-5.3% range in 2026 and 4.2-5.2% in 2027.

Pakistan: The World Bank raised its FY27 growth forecast to 3.8% from 3.2%, only marginally above the 3.7% expected for FY26. Inflation is projected to rise to 8.2%, above the central bank's 5-7% target for a second year, while higher import costs push the current account to a deficit of 0.8% of GDP and the fiscal deficit widens to 3.5% of GDP, still within the government's 3.6% target. The report also highlighted the social cost of successive shocks, with poverty up 6.4pps between FY19 and FY25.

South Korea: Samsung Electronics reported preliminary Q3 operating profit of KRW 107.4trn, the first Korean company to exceed KRW 100trn in a quarter and slightly above consensus. Revenue rose 127% yoy to KRW 195trn and the operating margin reached a record 55.1%, with memory chips driving almost all of the gains on strong AI-related demand and rising DRAM and NAND prices. Q3 profit alone was nearly 2.5 times the company's full-year 2025 result, although the foundry, LSI and consumer electronics businesses likely remained loss-making.

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Latin America

Economic data

Brazil inflation moves above the target ceiling.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	Vehicle Domestic Sales Adefa	Sep	43,214.0	–	39,068.0	
Brazil	Trade Balance Monthly (USD)	Sep	7,741m	7,400m	6,909m	
	FGV Inflation IGP-DI (MoM)	Sep	1.5%	1.5%	0.1%	
	FGV CPI IPC-S	7-Oct	0.4%	–	0.7%	
	IBGE Inflation IPCA (MoM)	Sep	0.8%	0.8%	-0.3%	End of Itaipu power bill credit drove the jump, taking 12m inflation above the 4.5% ceiling.
	IBGE Inflation IPCA (YoY)	Sep	4.6%	4.5%	4.2%	
Chile	Trade Balance (USD)	Sep	2,047m	2,600m	1,688m	
	CPI (YoY) Chained	Sep	4.1%	4.2%	4.1%	
	CPI (MoM)	Sep	0.4%	0.5%	0.6%	
Colombia	CPI (MoM)	Sep	0.4%	0.4%	0.4%	
	CPI (YoY)	Sep	6.3%	6.3%	6.2%	
Mexico	Gross Fixed Investment NSA (YoY)	Jul	6.6%	7.2%	7.4%	
	International Reserves Weekly (USD)	2-Oct	256,040m	–	256,543m	
	CPI (MoM)	Sep	0.4%	0.4%	0.2%	
	CPI (YoY)	Sep	3.5%	3.5%	3.3%	
	CPI Core (MoM)	Sep	0.2%	0.2%	0.2%	
	Bi-Weekly CPI (YoY)	30-Sep	3.5%	3.5%	3.4%	
	Bi-Weekly CPI	30-Sep	0.1%	0.1%	0.3%	
	Bi-Weekly Core CPI	30-Sep	0.0%	0.1%	0.2%	
Peru	Reference Rate	7-Oct	4.25%	4.50%	4.25%	14th straight hold, fuel shock seen fading.

Source information is at the end of the document.

Commentary

Argentina: Economy Ministry officials told foreign investors that local USD bond issuance has been temporarily suspended, and that alternative financing is being sought for 2027, with remaining 2026 payments already covered. The pause follows weak demand: the Bonar 2029 drew only USD 71m of bids in August and was then dropped from three auctions as secondary yields rose as high as 13.4%. Local USD bonds were due to cover USD 5.0bn of the USD 24.9bn of FX needs in 2027, so the Treasury may lean more on purchases in the spot FX market.

Brazil: Flávio Bolsonaro took the lead over President Lula in a runoff for the first time in Datafolha's series, at 49% against 45%, after winning the first round with 47.0% of valid votes. Former candidates Ronaldo Caiado and Romeu Zema, along with Centrão parties including União Brasil and Progressistas, have backed or leaned towards him ahead of the 25 October runoff. His Liberal Party won the largest caucus in both houses, though he would still need allies to reach the three-fifths threshold for constitutional changes, including judicial reform. Separately, September IPCA inflation rose 0.82% mom, above the 0.73% expected, taking the 12-month rate to 4.58%, just above the 4.5% ceiling of the target band, as the end of the Itaipu electricity bonus lifted power bills by almost 8%.

Chile: Finance Minister Jorge Quiroz acknowledged that weakness initially concentrated in mining and other supply-hit sectors has spread to domestic demand. He expects copper output to fall around 7% this year to its lowest since 2003, subtracting 0.8pps from growth in Q1 and 1.2pps in Q2 before spillovers, and blamed years of

Latin America (continued)

deferred investment, El Niño and high fuel prices. Quiroz still expects an investment-led recovery from Q4, pointing to USD 36.5bn of projects approved since March, a record for a new administration, although capital goods imports fell for a fifth consecutive month in September.

Colombia: The meteorological institute (IDEAM) officially declared the arrival of El Niño, putting the probability of strong or very strong conditions through at least March 2027 at 83%. The grid operator warns reservoirs could fall to 36.3% by April 2027, the second-lowest level this century, forcing greater reliance on thermal generation, and the regulator has already limited electricity exports and introduced incentives to cut consumption. With September inflation at 6.29% and the policy rate at 12.25%, a prolonged episode would raise food and power prices into 2027 and could delay rate cuts.

Peru: President Keiko Fujimori announced a unified command bringing together the armed forces and national police to fight organised crime, along with an elite special-operations unit, tighter prison controls and an inter-ministerial coordination commission. The measures follow growing public pressure after high-profile crimes, including a kidnapping in Trujillo. The government's request for delegated legislative powers on security passed the Lower House and is expected to clear the Senate shortly. Separately, the central bank held its reference rate at 4.25% for a 14th consecutive month, despite inflation of 4.5%, as it expects the fuel-driven overshoot to fade.

Venezuela: The government reportedly agreed to set up a fund with Qatar to settle USD 2.5bn of arrears to the Inter-American Development Bank (IDB), with Qatar paying immediately and Venezuela repaying on concessional terms. Clearing the default would allow it to seek a new USD 8bn IDB loan for roads, water, budget management and public administration, as the country contends with daily blackouts and earthquake damage. Separately, state-owned oil company PDVSA signed agreements with Baker Hughes and partners to develop gas processing, transport and export infrastructure, subject to approvals including from the US Treasury.

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Central and Eastern Europe

Economic data

Poland hold rates, but hikes on table.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czechia	CPI (MoM)	Sep P	0.0%	-0.1%	0.3%	
	CPI (YoY)	Sep P	2.5%	2.4%	1.9%	
	Industrial Output NSA (YoY)	Aug	2.7%	2.8%	0.0%	
Hungary	Industrial Production WDA (YoY)	Aug	8.7%	4.1%	4.7%	Vehicle and electronics output drove the jump.
	Retail Sales (YoY)	Aug	2.4%	4.4%	4.9%	
	CPI (YoY)	Sep	1.6%	1.8%	1.3%	
	CPI (MoM)	Sep	0.2%	0.4%	0.2%	
Poland	Poland Base Rate Announcement	7-Oct	3.75%	3.75%	3.75%	Fuel-driven CPI overshoot keeps hikes on the table.
Romania	Retail Sales (YoY)	Aug	0.1%	–	-6.1%	
	Interest Rate Announcement	8-Oct	6.5%	6.5%	6.5%	
	GDP (YoY)	2Q F	-0.2%	-0.4%	-0.4%	
Russia	CPI (WoW)	5-Oct	0.96%	–	0.12%	October utility tariff rises added about 0.75pp, pushing annual inflation above CBR's forecast.
	CPI Weekly YTD	5-Oct	5.94%	–	4.93%	
	Gold and Forex Reserve (USD)	2-Oct	733.2bn	–	742.7bn	
	CPI (YoY)	Sep	–	6.3%	6.3%	
	CPI (MoM)	Sep	–	0.3%	-0.1%	
	CPI Core (MoM)	Sep	–	–	0.3%	

Source information is at the end of the document.

Commentary

Poland: National Bank of Poland President Adam Glapiński said the Monetary Policy Committee was ready to act if second-round effects emerge, after fuel prices pushed inflation to 4.0% yoy in September, ending a 14-month run within the target band. He did not expect a hike in November but dropped his September guidance that rates would stay on hold until mid-2027. Glapiński welcomed the government's renewed fuel tax cuts but warned inflation would jump in January if they expire as planned, making the November projection and fiscal decisions key for early-2027 policy.

Romania: President Nicuşor Dan nominated diplomat Luca Niculescu as Prime Minister-designate, the fourth attempt to form a government since the previous cabinet fell in May. He has 10 days to secure a majority, but the arithmetic is difficult: the Social Democratic Party (PSD) wants clarity on deficit targets, Save Romania Union (USR) rejects PSD-influenced ministers, the National Liberal Party (PNL) wants to see the programme first and the nationalist parties will vote against. S&P affirmed the rating at 'BBB-' with a negative outlook, noting that fiscal consolidation has stayed on track but warning that prolonged delay could trigger a downgrade.

Ukraine: A KIIS poll found 53% of respondents think President Zelenskyy should not seek another term, against 42% who think he should, with support down from 59% in December 2023 amid war fatigue and corruption scandals. However, 71% oppose holding elections during the war. Only 40% think the country is heading in the right direction, down from 68% in May 2022.

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Central Asia, Middle East & Africa

Economic data

South African manufacturing slumps on fuel costs.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Egypt	Net Reserves (USD)	Sep	57.3bn	–	57.2bn	
	CPI Core (YoY)	Sep	–	–	14.9%	
South Africa	Manufacturing Prod NSA (YoY)	Aug	-4.3%	0.4%	1.1%	Fuel-driven input costs and weak demand hit output, led by petroleum and chemicals.
	Manufacturing Prod SA (MoM)	Aug	-3.1%	-0.3%	2.2%	
Türkiye	CPI (YoY)	Sep	29.7%	30.3%	31.5%	Lowest since 2021 as food and transport eased, though housing and utilities accelerated.
	CPI (MoM)	Sep	1.8%	2.3%	1.8%	
	CPI Core Index (YoY)	Sep	28.7%	28.8%	30.1%	
	PPI (MoM)	Sep	2.1%	–	2.6%	
	PPI (YoY)	Sep	27.4%	–	28.0%	
	Industrial Production (MoM)	Aug	-1.0%	–	-0.9%	
	Industrial Production (YoY)	Aug	-1.9%	–	-0.2%	

Source information is at the end of the document.

Commentary

Azerbaijan: President Ilham Aliyev announced increases to the minimum wage, pensions and social benefits for 2027, with pensions to be indexed from January for around 1.1 million pensioners and the minimum wage, currently AZN 400 a month, reviewed by February. Social spending will account for around 44% of the 2027 budget, more than AZN 18.5bn. The package should support consumption despite modest growth, underpinned by strong fiscal and external buffers.

Egypt: The World Bank raised its FY2026/27 growth forecast by 0.3pps to 4.3%, citing greater-than-expected resilience to the regional crisis, though this marks a slowdown from 5.1% in 2025/26. Strong remittances and tourism provide support, but inflation of 13.3% remains high and public debt is above 80% of GDP, while the fiscal deficit is projected to narrow to 6.5% of GDP. Suez Canal disruption has cost an estimated USD 16.5bn in FX earnings since November 2023.

Ghana: Moody's upgraded the long-term foreign currency rating to 'B3' from 'Caa1' and moved the outlook to stable from positive. The ratings agency pointed to a sustained easing in domestic financing conditions, which has lowered borrowing costs and meaningfully improved debt affordability, albeit from a weak starting point.

Kazakhstan: JPMorgan placed government debt on Index Watch-Positive, opening the way to inclusion in the GBI-EM Global Diversified index with a preliminary weight of 0.48%, following reforms including a primary dealer system. The review can last up to 12 months and will assess liquidity, foreign investor access and settlement infrastructure. Separately, Kazakhstan and Oman signed eight agreements during the Sultan's visit to Astana, including a joint investment fund between Samruk-Kazyna and the Oman Investment Authority.

Morocco: Moody's completed a periodic review of the country's 'Ba1' rating with a positive outlook, citing a diversified economy, effective policymaking and strong access to financing. It expects growth of 4.5% in 2026 and 4.3% in 2027, inflation near 2.2% and the deficit stable at around 3.5% of GDP, with debt near 61%. The main risk is higher social spending by the government formed after the 23 September elections, while continued consolidation could lead to an upgrade.

Nigeria: Fitch revised the outlook on its 'B' rating to positive from stable, citing continued reform of the policy framework and greater confidence that momentum will survive the upcoming elections. Monetary and FX reforms have supported greater Naira flexibility, disinflation and faster-than-expected reserve accumulation, although inflation remains well above peers and weak governance, hydrocarbon dependence and low revenue still constrain the rating. Separately, the World

Central Asia, Middle East & Africa (continued)

Bank raised its 2026 growth forecast to 4.3%, with inflation forecast to fall from 23% in 2025 to 15.7% in 2026 and the current account surplus widening to 6.0% of GDP. Pre-election spending ahead of the January 2027 polls remains the main risk to reform momentum.

Qatar: The government plans to make domestic government bonds settleable through Euroclear, removing a key barrier to foreign participation in a market dominated by local banks. The move builds on the primary dealer framework launched in 2025 and follows a USD 3bn dollar bond in September, and should help build a deeper riyal yield curve and broaden the investor base.

Saudi Arabia: The World Bank now expects GDP to contract 2.0% in 2026, a sharp revision from 3.1% growth in June, after the Houthis entered the war in July, imposing a naval blockade and striking tankers and oil infrastructure. The non-oil economy remains resilient on consumption, low unemployment and infrastructure spending, and growth is projected to rebound to 7.9% in 2027 on base effects. The budget deficit is seen widening to 6.6% of GDP this year before narrowing to 3.7% in 2027.

South Africa: The South African Reserve Bank (SARB)'s new programme of direct interviews with firms, discussed for the first time in the October Monetary Policy Review, shows momentum weakening and higher fuel and input costs squeezing margins. Firms have so far absorbed part of these costs given weak demand, with no clear evidence yet of widespread second-round effects, but the review concludes that risks of generalised inflation have increased. The squeeze is visible in the data: manufacturing output fell 4.3% yoy in August, led by petroleum and chemicals, and headline inflation is expected to stay above 5% until Q2 2027.

Türkiye: Ankara and Islamabad agreed to prepare forces for rapid deployment to Saudi Arabia under the Mecca Joint Defence Agreement, following renewed Houthi strikes including on an Aramco facility in Riyadh. No troops have yet deployed, numbers and timing were not specified, and Turkish deployment would require parliamentary approval, with ratification of the pact expected this month. Separately, September inflation fell to 29.7% yoy, the lowest since November 2021 and below expectations, as food and transport prices slowed.

Zambia: The Treasury called for tighter fiscal management ahead of the 2027 budget, flagging the expansion of constituencies, maize arrears and El Niño as risks, with growth projected at 5.3% in 2026 and 6.9% on average in 2027-29. Financing for Zambia's leg of the Lobito Corridor road link has been secured, a project that could cut mine-to-port transit from 28 days to about five. The World Bank said Zambia could regain eligibility for loans next year, rather than grants only, if stabilisation continues.

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Developed Markets

Economic data

Price pressures build in US survey data.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Japan	BoP Current Account Balance (JPY)	Aug	4,062.0bn	3,172.3bn	2,988.9bn	
United States	ISM Services Index	Sep	54.9	55.0	55.4	ISM services prices paid matched a 2022 high, trade gap widest in 17 months on oil, gold, chips, while UMich 1yr inflation expectations rose to 4.7%.
	Trade Balance (USD)	Aug	-105.6bn	-102.1bn	-92.8bn	
	MBA Mortgage Applications	2-Oct	-4.2%	–	-6.0%	
	Initial Jobless Claims	3-Oct	197k	200k	199k	
	Continuing Claims	26-Sep	1,716k	1,700k	1,699k	
	Wholesale Inventories (MoM)	Aug F	0.5%	0.7%	0.7%	
	U. of Mich. Sentiment	Oct P	46.3	47.6	48.1	

Source information is at the end of the document.

Commentary

United States: The ISM Services Purchasing Managers Index (PMI) slipped to 54.9 in September, but its prices-paid component rose to 74.0, matching its highest level since July 2022, while employment returned to expansion. The trade deficit widened to USD 105.6bn in August, the widest in 17 months, as imports reached a record on crude oil, gold and AI-related semiconductors. The University of Michigan's preliminary October sentiment index fell to 46.3, with one-year inflation expectations rising to 4.7%.

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Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	0.3%	0.3%	23.7%	26.7%	24.9%	8.9%
MSCI EM ex-China	0.5%	0.5%	37.6%	47.0%	30.2%	13.5%
MSCI EMEA	-2.3%	-2.3%	2.9%	5.5%	17.2%	1.2%
MSCI Latam	11.0%	11.0%	27.4%	42.3%	21.7%	15.4%
MSCI Asia	-0.5%	-0.5%	25.1%	26.9%	25.8%	9.2%
MSCI China	-0.6%	-0.6%	-12.4%	-19.0%	10.1%	-2.6%
MSCI India	-1.9%	-1.9%	-16.5%	-14.4%	2.5%	0.9%
MSCI EM Growth	0.6%	0.6%	20.8%	21.0%	25.1%	7.1%
MSCI EM Value	0.0%	0.0%	26.7%	33.3%	24.7%	10.9%
MSCI EM Small Cap	1.5%	1.5%	14.8%	15.3%	16.6%	8.0%
MSCI Frontier	-0.7%	-0.7%	9.1%	16.3%	22.6%	7.5%
GBI-EM-GD	0.5%	0.5%	1.1%	4.3%	9.1%	2.8%
GBI-EM China	0.0%	0.0%	7.1%	9.4%	7.0%	3.1%
EM FX spot	-0.3%	-0.3%	-1.8%	-0.3%	1.2%	-1.4%
ELMI+ (1-3m NDF)	-0.1%	-0.1%	3.1%	5.0%	7.0%	2.9%
EMBI GD	0.4%	0.4%	-0.3%	2.6%	10.6%	2.1%
EMBI GD IG	0.5%	0.5%	-2.9%	-1.9%	5.8%	-1.2%
EMBI GD HY	0.3%	0.3%	2.3%	7.0%	15.5%	5.5%
CEMBI BD	0.2%	0.2%	0.5%	1.8%	7.8%	2.4%
CEMBI BD IG	0.2%	0.2%	-1.1%	-0.2%	6.2%	0.8%
CEMBI BD HY	0.1%	0.1%	2.9%	4.6%	10.1%	4.6%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	1.1%	1.1%	14.3%	17.0%	22.2%	11.6%
MSCI World (DM)	1.2%	1.2%	13.1%	15.8%	21.8%	11.9%
S&P 500	2.1%	2.1%	15.1%	17.3%	23.3%	13.8%
DXY Index**	0.8%	0.8%	4.0%	3.4%	-1.4%	1.6%
EUR*	-1.3%	-1.3%	-5.9%	-4.8%	0.3%	-2.3%
JPY*	-0.7%	-0.7%	-3.4%	-6.8%	-5.9%	-10.0%
CRY Index**	1.1%	1.1%	38.8%	40.3%	13.5%	12.0%
Brent**	1.2%	1.2%	72.2%	67.0%	6.8%	4.7%
Gold**	0.4%	0.4%	-3.4%	1.6%	30.7%	18.9%
Bitcoin**	-0.2%	-0.2%	-4.8%	-27%	46.1%	8.6%
1-3yr UST	0.3%	0.3%	0.7%	1.8%	4.1%	1.9%
3-5yr UST	0.3%	0.3%	-1.7%	-0.7%	3.9%	0.5%
7-10yr UST	0.4%	0.4%	-4.3%	-3.3%	3.7%	-1.7%
10yr+ UST	0.4%	0.4%	-7.2%	-7.4%	2.4%	-6.9%
10yr+ Germany	1.1%	1.1%	-3.9%	-6.0%	-1.1%	-8.6%
10yr+ Japan	0.5%	0.5%	-9.9%	-12.9%	-9.1%	-8.3%
Global Agg.***	-0.1%	-0.1%	-2.7%	-1.9%	4.0%	-1.8%
US Agg. IG***	0.4%	0.4%	-2.5%	-1.6%	4.6%	-0.5%
EU Agg. IG***	0.3%	0.3%	-2.2%	-2.1%	2.7%	-2.1%
US Corp HY***	0.2%	0.2%	0.3%	1.9%	8.5%	3.7%
EU Corp HY***	-0.6%	-0.6%	-0.2%	0.7%	6.7%	2.8%

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

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