

DeepSeek impacts AI industry and EM

By Gustavo Medeiros and Ben Underhill

- EM had good performance last week as tariff threats receded (except for Colombia).
- Initial thoughts on the impact of DeepSeek on the AI supply chain and EMs.
- Trump and Putin discuss de-escalation in Ukraine.
- Asian exports resilient. Indonesia seeks fiscal gains from de-regulation and efficiency.
- Argentina presses on with market-friendly reforms.
- Elsewhere in Latin America, leftist regimes under pressure, internally and externally.
- Romania's BBB- rating affirmed, but outlook downgraded to negative by S&P.
- Türkiye cuts policy rates. South Africa's GNU under pressure. Egypt flags Eurobond issuance.
- Morocco announces large investments ahead of the World Cup.

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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	6.33%	-9	-	2.8%	MSCI EM	11.9	1.9%	<ul style="list-style-type: none"> • Local currency bonds returned 2.8%, in a strong move driven mostly by EM FX. • EM sovereign USD bonds rose 0.5%, driven mainly by HY. • EM equities moved in line with MSCI ACWI, up nearly 2%.
GBI-EM FX Spot	-	-	-	2.1%	MSCI EM ex-China	13.0	1.4%	
ELMI+	6.57%	-90	-	1.9%	MSCI EMEA	10.6	1.7%	
EMBI GD	7.82%	1	316 bps	0.5%	MSCI Latam	8.4	3.6%	
EMBI GD ex-default	7.13%	-10	247 bps	0.5%	MSCI EM Asia	12.6	1.7%	
EMBI GD IG	5.94%	-1	122 bps	0.2%	MSCI China	9.8	3.0%	
EMBI GD HY	9.95%	-13	536 bps	0.8%	MSCI India	21.2	-0.9%	
EMBI HY ex-default	8.22%	-17	363 bps	0.8%	MSCI EM Growth	17.0	1.8%	
CEMBI BD	6.94%	-2	240 bps	0.2%	MSCI EM Value	9.0	2.0%	
CEMBI BD IG	5.83%	-1	129 bps	0.2%	MSCI EM Small Cap	13.6	0.9%	
CEMBI BD HY	8.45%	-3	391 bps	0.3%	MSCI Frontier	9.1	1.8%	

Global Debt	Yield	Change (bp)	Spread	5 day Change	Global Backdrop*	PE 1yr BF	5 day Change	Comments
2yr UST	4.22%	-7	-	0.1%	MSCI ACWI	18.6	2.1%	<ul style="list-style-type: none"> • US Treasury curve shifted lower in parallel with weaker jobs report and some tariff risks being reconsidered, particularly in China. • S&P 500 had a strong week with yields moving lower and healthy bank earnings. • Commodities tempered some of their gains year-to-date, with Brent moving 2.5% lower on the week.
5yr UST	4.35%	-8	-	0.1%	MSCI World (DM)	19.8	2.1%	
10yr UST	4.55%	-8	-	0.0%	S&P 500	22.2	2.8%	
30yr UST	4.79%	-7	-	0.1%	VIX Fut.**	17.7%	1.5%	
10yr Germany	2.52%	-1	-	-0.6%	DXY Index**	107.8	-1.5%	
10yr Japan	1.21%	1	-	0.1%	EUR*	1.046	0.4%	
Global Agg.***	3.74%	0	32 bps	0.9%	JPY*	155.7	-0.2%	
US Agg. IG***	5.35%	-3	74 bps	0.1%	CRY Index**	309.8	-0.5%	
EU Agg. IG***	3.34%	3	82 bps	-0.1%	Brent**	78.1	-2.5%	
US Corp HY***	7.23%	-6	256 bps	0.5%	Gold**	2,752	1.6%	
EU Corp HY***	6.12%	-2	308 bps	0.2%	Bitcoin**	98,968	-4.9%	

Source & Notations: See end of document.

Global Macro

Implications of DeepSeek for emerging markets

A small Chinese artificial intelligence (AI) company released 'DeepSeek R1', a large language model (LLM) that has achieved similar results to ChatGPT and other leading models at a fraction of the cost, and without access to NVIDIA graphics processing units (GPUs) at scale.

DeepSeek R1 was trained using approximately 2,000 H800 GPUs. While the open-source code does not explicitly outline a path for reduced reliance on NVIDIA chips, the model's architecture and training methods could potentially be adapted to run on other hardware. So, the initial focus of the market is on how the use of cheaper hardware to get to similar intelligence levels can disrupt the existing AI supply chain and lower capital investments into cutting-edge semiconductors manufactured by NVIDIA.

Within emerging markets (EMs), TSMC, as the sole manufacturer of high-end NVIDIA chips, would be the most exposed company to any downside revisions to AI capital expenditure (capex) estimations.

Market turmoil: It is easy to jump to conclusions given the initial price action. At the time of writing, NVIDIA is down more than 15%, bringing the stock below the mid-December sell-off to levels not seen since mid-October, as markets price in a lower multiple for NVIDIA's future earnings.

It is also possible that the hundreds of billions of dollars capex spent by 'hyper-scalers' (e.g., Google, Microsoft, Meta) on this technology will begin to look like a 'sunk cost', if competitors can achieve the same level of intelligence with cheaper chips. Further evidence of this, or even just a sustained shift in sentiment given these new developments, could lead to a broader sell-off on the 'Magnificent Seven' companies, which would have a significant effect on stock indices given the current market concentration. But are EM companies exposed to AI at risk?

Technology's natural path: While a Chinese company undercutting US producers is sure to generate nervousness among stakeholders in US AI, achieving more at a lower cost is exactly how technology evolves. We believe that cheaper and faster models will lead to broader use cases and much larger adoption – this is the Jevons paradox in action.¹ While it may cause some disruption in the short term, it is what is required for the market to grow. Deepseek R1, and the Alphabet models Gemini 2.0 Flash Exp and Gemini 2.0 Flash Thinking, are natural evolutions of the technology, which will help lead to faster adoptions and broader use cases.

Deep moats: A credible challenge to the NVIDIA hegemon from lower cost competitors could cause significant disruption to supply chains and may raise the value of lower-cost chip companies that have been relegated from the big leagues. There would be considerable alpha to be captured if this trend plays out. Nevertheless, we believe the key EM players like TSMC, SK Hynix, etc. will ultimately benefit from higher adoption rates. If they sell off in line with NVIDIA's supply chain and the hyper-scalers, that would likely be an opportunity to add, in our view.

Geopolitics: Another consideration is the geopolitical angle. If China now has access to cutting edge-AI, this has significant implications for US tech dominance and challenges the efficacy of US export controls over semiconductors. That Deepseek has managed to create such a compelling product with much fewer GPUs than its American counterparts and despite these restrictions, could have major implications for US policies, and shift the narrative around China's technological dependence on the US. China's inferiority certainly did not last long with electric vehicles, so why should it with AI?

The democratisation of the applications: Ultimately, this is likely to accelerate the use of applications based on LLMs such as agentic (or autonomous) AIs, which can take actions independently when prompted to achieve specific goals or objectives without human supervision. And with LLM technology across both poles of the geopolitical space, EM companies that are either building or adopting such technologies are likely to have less dependency on a handful of US companies. A number of those companies would most likely be in China, a market where investors have little-to-no exposure today.

¹ See – https://en.wikipedia.org/wiki/Jevons_paradox

Global Macro (continued)

Geopolitics

In a TV interview, on potential discussions with US President Donald Trump, Russian President Vladimir Putin said, “We have a lot to discuss here, and there are other energy issues that might be mutually interesting.” Putin added that he doubted Trump would make decisions, such as additional sanctions on Russia, that could harm the US economy.

Putin’s remarks follow Trump’s address at Davos, where he urged Saudi Arabia and OPEC members to lower oil prices, arguing that a price drop could end the Russia-Ukraine war immediately. Earlier in the week, Trump increased pressure on Russia to secure a peace deal with Ukraine “soon,” warning that failure to do so could result in new tariffs, sanctions, and taxes on Russian imports to the US, as well as similar measures from “other participating countries.”

Colombia: Trump threatened to impose 25% tariffs on Colombia this week, increasing to 50% next week, if it would not accept illegal immigrants repatriated from the US. Trump rescinded his tariff threats after Colombia agreed to take back undocumented migrants after initially refusing a US military plane, full of deportees, from landing on Colombian turf.

This hardball style of negotiation is now becoming a Trumpian blueprint: the threat of instant, aggressive front-loaded tariffs to extract law and order concessions (immigration, drugs) in the Americas.

EM Asia

Economic data

Korea's exports softer. Taiwan and Malaysian exports remain strong.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	1-Year Loan Prime Rate	Jan-20	3.1%	3.1%	3.1%	• Swaps pricing 25bps more cuts over next 12m
Malaysia	Exports (YoY)	Dec	16.9%	8.8%	3.9%	• Biggest rise in exports since 2022.
	CPI (YoY)	Dec	1.7%	1.8%	1.8%	• CPI remains muted. BNM likely to maintain neutral policy stance through 2025 as growth is also resilient.
	Foreign Reserves (USD)	Jan-15	115.5bn	-	116.2bn	
	BNM Overnight Policy Rate	Jan-22	3.0%	3.0%	3.0%	
South Korea	PPI (YoY)	Dec	1.7%	-	1.4%	
	Consumer Confidence	Jan	91.2	-	88.2	• Weak growth in Q4 reflects political chaos hindering recovery in consumption, and raises odds of another cut in Feb meeting.
	GDP (YoY)	4Q A	1.2%	1.4%	1.5%	
	GDP SA (QoQ)	4Q A	0.1%	0.2%	0.1%	
	Exports 20 Days (YoY)	Jan	-5.1%	-	6.8%	• Daily avg exports +1.4% yoy from 3.5% yoy in December.
	Imports 20 Days (YoY)	Jan	-1.7%	-	7.5%	
Taiwan	Export Orders (YoY)	Dec	20.8%	18.8%	3.3%	• Export orders rose at fastest pace since 2022, however weaker domestic activity continues to weigh on GDP growth.
	Unemployment Rate	Dec	3.4%	3.4%	3.4%	
	Industrial Production (YoY)	Dec	20.0%	13.5%	10.2%	
	GDP (YoY)	4Q A	1.8%	2.0%	4.2%	
Thailand	Customs Exports (YoY)	Dec	8.7%	7.4%	8.2%	
	Customs Imports (YoY)	Dec	14.9%	15.4%	0.9%	
	Gross International Reserves (USD)	Jan-17	237.3bn	-	235.4bn	

Source information is at the end of the document.

Commentary

Indonesia: President Prabowo has implemented an expenditure efficiency plan to streamline government spending. The budget impact over the next fiscal year is estimated to be up to 1.3% of GDP. Any spending saved by this plan will be recycled back into social programs, including the free lunches policy. The efficiency plan will include changes to operational and non-operative spending, consisting at least of office operational expenditures, maintenance spending, official travel, government assistance, infrastructure development, and procurement of equipment and machinery. Cuts will not include public wages and social spending.

Apple has proposed investing USD 200m in an Air Tag factory in Batam, according to industry ministry spokesperson Febri Hendri Antoni Arif. The figure includes capital investment in land acquisition, construction, and equipment purchases. Apple also proposed a USD 1bn investment package that includes export value projections and raw material supply. The Indonesian government prefers the entirety of the USD 1bn to be allocated to capital investment.

Malaysia: Moody's affirmed Malaysia's credit rating at A3/stable. Additionally, the European Union (EU) and Malaysia have agreed to resume talks for a free trade deal, with Prime Minister Anwar Ibrahim expressing hope that the agreement will boost exports to and attract investments from the EU.

Latin America

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	Trade Balance (USD)	Dec	1,666m	1,000m	1,268m	• Widest surplus since August with exports and imports both growing, exports highest since July.
	Economic Activity Index (YoY)	Nov	0.1%	-0.5%	-0.6%	
	Economic Activity Index (MoM)	Nov	0.9%	0.4%	0.6%	
Brazil	FGV CPI IPC-S	Jan-22	0.1%	-	0.2%	• Widest deficit since 2020, -2.5% GDP in 2024 but FDI higher at USD 71bn in 2024 vs USD 64bn in '23. • Service inflation surprised to the upside 2026 CPI est. rose 5bps to 4.1% (target 3.5%).
	Current Account Balance (USD)	Dec	-9,033m	-12,800m	-3,060m	
	Foreign Direct Investment (USD)	Dec	2,765m	-2,000m	6,956m	
	IBGE Inflation IPCA-15 (MoM)	Jan	0.11%	-0.02%	0.34%	
	IBGE Inflation IPCA-15 (YoY)	Jan	4.50%	4.36%	4.71%	
Ecuador	Trade Balance	Nov	487.9m	-	400.5m	
Mexico	Retail Sales (YoY)	Nov	-1.9%	-1.4%	-1.2%	• Remain weak under pressure from high rates. • Best CPI since early 2021. Core at 3.72%. Service inflation slowed 17bps to 4.82%. • Weak activity suggests a 50bps cut.
	International Reserves Weekly (USD)	Jan-17	229,505m	-	228,921m	
	Bi-Weekly CPI	Jan-15	0.20%	0.27%	0.04%	
	Bi-Weekly Core CPI	Jan-15	0.28%	0.24%	0.06%	
	Bi-Weekly CPI (YoY)	Jan-15	3.69%	3.72%	3.99%	
	Economic Activity IGAE (YoY)	Nov	0.53%	0.70%	0.72%	

Source information is at the end of the document.

Commentary

Argentina: Yesterday, the government announced a cut in export duties until 30 June. The objective is to enhance producers' margins, which have been declining due to lower prices, amid a potential mild drought. It would also incentivise producers to sell the harvest sooner, allowing the central bank to buy Dollars in the official FX market. Rates will be trimmed as below:

- Soybean from 33% to 26%, the lowest since November 2019. Soy oil from 31% to 24.5%.
- Corn, wheat, barley, sorghum, and sunflower to 9.5%, the lowest since August 2018.
- Eliminated export taxes on sugar, cotton, tobacco, rice, leather, and others.

The government estimates the fiscal cost would be around USD 800m (0.1% of GDP) and retain significant margin after reaching a 1.8% primary surplus in 2024.

Moody's raised Argentina's sovereign credit for the first time in five years, from Ca to Caa3, citing the ongoing success of the government's macroeconomic stabilisation programme.

Brazil: Chief of Staff Rui Costa said the government will hold meetings with food producers to decide on measures to control food prices. The announcement came one day before the poor IPCA-15 inflation number and after two directors from the Brazilian bureau of statistics IBGE resigned after top executive Marcio Pochmann launched charges against the institution.² IBGE has raised its forecast harvest growth to 10.2% in 2025 after declining 7.2% in 2024.

FX reserves dropped by USD 33.3bn to USD 329bn in December after the central bank intervened in the FX market. The authority sold USD 19.8bn in the spot market and offered USD 11.0bn in credit line auctions (with buy-back commitments).

² See – <https://www.poder360.com.br/poder-brasil/em-atrito-com-funcionarios-ibge-anuncia-troca-de-mais-2-diretores/>

Latin America (continued)

Finance Minister Fernando Haddad said he is concerned about public debt levels and stated the government will cut expenditures and reassess tax benefits. Former President Jair Bolsonaro said his wife could be candidate for president. Other alternatives include São Paulo Governor Tarcísio de Freitas and Bolsonaro's son Eduardo. Bolsonaro is ineligible to run until 2030 but remains hopeful as his vote intentions have been now above Lula's in several polls after the weaker BRL took a toll on people's purchasing power. Several polls released in January are showing Lula's net approval rate in negative territory for the first time during all his three governments, with his popularity suffering in the Northeast region which has been Lula's Labour Party (PT) main vote source for decades.

Bolivia: Fitch downgraded Bolivia's rating from CCC to CCC-, reflecting the agency's view that while a default event does not yet appear probable, the margin of safety continues to erode. This erosion is due to dwindling FX availability and the absence of corrective economic and fiscal policy measures. In 2024, fuel shortages, road blockades, and social unrest disrupted economic activity. The monetary financing of wide fiscal deficits has created growing risks to macroeconomic stability, with inflation, previously low, now beginning to accelerate.

Political tensions have heightened ahead of the elections in August 2025, and ongoing divisions have delayed approvals for new multilateral financing. Although external public debt service is relatively low for 2025, risks are increasing concerning bond amortisations starting in March 2026.

Colombia: S&P affirmed Colombia's credit rating at BB+ with a negative outlook. The agency forecasts GDP growth of 1.7% for 2023 and an average of 2.7% over the next two years. It noted that austerity measures should ensure compliance with fiscal rules by 2025. However, the rating remains constrained by high debt levels, limited fiscal flexibility, and policy uncertainty.

Trump threatened 25% tariffs on Colombia this week, increasing to 50% next week, if it would not accept illegal immigrants repatriated from the US. Colombian President Gustavo Petro's initial confrontational stance over Trump made him a target. Nevertheless, Trump quickly rescinded the tariff threat, after Colombia agreed to take back undocumented migrants. What will stick is the cancellation of aid from US to Colombia (c. USD 700m), which is a much smaller hit to external accounts. However, given Colombia has very little fiscal space, it is still a substantial blow.

Laura Sarabia, a close ally of Petro, will be appointed as the new Foreign Minister, replacing Luis Gilberto Murillo. The 30-year-old has previously served as director of the Administrative Department of the Presidency (DAPRE) and has been a loyal collaborator to Petro since before he assumed office in August 2022. Sarabia will inherit a challenging diplomatic backdrop, managing the complex relationship with Venezuela, and addressing the increasingly tenuous relationship with the US, and Donald Trump.

Panama: China's Foreign Ministry spokesperson Mao Ning stated that the Panama Canal is not under the direct or indirect control of any power, adding Beijing has "never" interfered in the area. Mao emphasised that China respects Panama's sovereignty over the canal and recognises it as a neutral international passage zone. Meanwhile, Trump threatened to reimpose US control over the canal, claiming Panama broke its promise to maintain the transfer finalised in 1999 and ceded operational control to China. Panamanian President José Raúl Mulino responded, asserting that sovereignty over the canal is based on historic treaties and clarifying that the US remains the canal's primary user despite Trump's claims of de facto Chinese control.

Mexico: Fitch Ratings stated the US is unlikely to impose tariffs on Mexico.

Central and Eastern Europe

Economic data

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Hungary	Average Gross Wages (YoY)	Nov	11.9%	12.4%	12.9%	• Weakest since 2021 with more slowdown ahead on small min. wage rise (7-9%) in 2025 and weak growth.
	Unemployment Rate	Dec	4.3%	4.6%	4.5%	
Poland	Average Gross Wages (YoY)	Dec	9.8%	10.8%	10.5%	• Weaker wage growth on lower minimum wage.
	Sold Industrial Output (MoM)	Dec	-8.0%	-6.0%	-5.3%	
	Sold Industrial Output (YoY)	Dec	0.2%	2.5%	-1.3%	
	PPI (MoM)	Dec	-0.2%	-0.2%	0.2%	• PPI deflation narrowed, but industry remains in contraction.
	PPI (YoY)	Dec	-2.6%	-2.5%	-3.8%	
	Retail Sales (YoY)	Dec	2.7%	5.1%	3.4%	

Source information is at the end of the document.

Commentary

Romania: S&P downgraded its outlook on Romania from stable to negative, affirming its BBB- credit rating. S&P explained the action was due to rising risks to public finances in coming years, with debt/GDP rising from 37% to 52% of GDP since 2020, and deficits averaging 7.6%. Fiscal consolidation efforts will be difficult given increased political fragmentation after the recent election, and slower economic growth prospects.

Central Asia, Middle East, and Africa: South Africa inflation declined, but the Government of National Unity (GNU) came under pressure. Türkiye cut rates as expected. Notable investment plans for Morocco.

Central Asia, Middle East & Africa

Economic data

Text area...

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Egypt	Trade Balance (USD)	Nov	-3,709.0m	-	-3,658.0m	
South Africa	CPI (MoM)	Dec	0.1%	0.3%	0.0%	• Food and energy prices lower than expected brought inflation to the centre of target.
	CPI (YoY)	Dec	3.0%	3.2%	2.9%	
	CPI Core (MoM)	Dec	0.0%	0.2%	0.0%	• The Rand rose 3% vs. the dollar last week.
	CPI Core (YoY)	Dec	3.6%	3.8%	3.7%	• Core CPI at lowest level since 2022.
	Retail Sales Constant (YoY)	Nov	7.7%	5.8%	6.2%	• The SARB is likely to cut policy rate by 25bps to 7.5% this week.
	Retail Sales (MoM)	Nov	0.8%	-	1.6%	
Türkiye	One-Week Repo Rate	Jan-23	45.0%	45.0%	47.5%	• Second cut. Signaled similar cuts in the future.

Source information is at the end of the document.

Commentary

Egypt: Egypt's government plans to issue between USD 1bn and USD 1.5bn in Eurobonds and Green Bonds as early as next month, according to government officials. If successful, this would mark the first bond issuance since 2021.

Gabon: Fitch downgraded the sovereign rating by one notch to CCC, bringing its rating in line with Moody's.

Kenya: Kenya expects to save KES 60bn annually from an overhaul of state corporations, according to local reports. The savings are projected to come from reduced operational costs and subsidies for underperforming entities.

Morocco: The tourism sector in Morocco registered a record income of USD 11bn in 2024. Morocco also unveiled an ambitious USD 14bn transport infrastructure plan aimed at preparing for the 2030 FIFA World Cup, with significant investments in rail and air transport networks.

Transport and Logistics Minister Abdessamad Kayouh outlined that the railway sector will see investments of MAD 96bn, including MAD 53bn for a high-speed rail line between Kenitra and Marrakech, MAD 29 bn for high-speed and multi-service trains, and MAD 14bn for station upgrades and network maintenance.

By 2040, the rail network aims to connect 43 Moroccan cities (up from 23 currently), covering 87% of the population (up from 51%), and linking 12 international airports and 12 ports by rail. Morocco also plans investments of MAD 42bn to modernise major airports, including expanding Casablanca Airport's capacity to 44m passengers per year and building a new terminal at Rabat-Salé Airport to accommodate 4m passengers. The government also aims to launch a national maritime commercial fleet to enhance Morocco's economic influence in West Africa and beyond.

Rwanda: Rebel group M23 claimed to have seized the key trading hub of Goma in Eastern Democratic Republic of Congo, which raises the prospect of a war between the nations. The conflict has displaced hundreds of thousands of people.

South Africa: The Democratic Alliance (DA) invoked Clause 19 of the GNU's Statement of Intent, challenging the constitutionality of the Expropriation Bill signed by President Ramaphosa. The bill permits land seizures without compensation under conditions deemed "just and equitable" and in the "public interest." The DA argues this undermines property rights and accuses the African National Congress (ANC) of unilateral decision-making. The bill aims to address inequality in land ownership and ensure resource access. ANC officials reaffirmed their commitment to transformation and dialogue. This dispute highlights growing tensions within the GNU and differing views on the balance between reform and constitutional integrity.

Title (continued)

Türkiye: The Central Bank of the Republic of Türkiye (CBRT) dropped its emphasis on monthly inflation as the underlying trend of inflation is likely to increase in Q1 2025 and hinted at additional measures to address excess lira liquidity in the banking system. We expect the CBRT to extend the duration of TRY depo auctions to 91 days (from one-week depo auctions) to mop up excess liquidity.

Zambia: Zambia's copper production increased by 12% to 820,676 tonnes in 2024, despite a drought. The government targets raising output to 1m tonnes by 2025 and 3m tonnes by 2031.

Developed Markets

Economic data

Text area...

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Eurozone	ZEW Survey Expectations	Jan	18.0	-	17.0	
	Consumer Confidence	Jan P	-14.2	-14.1	-14.5	
Japan	Industrial Production (MoM)	Nov F	-2.2%	-	-2.3%	
	Tertiary Industry Index (MoM)	Nov	-0.3%	0.1%	0.1%	
	Natl CPI (YoY)	Dec	3.6%	3.4%	2.9%	• CPI surprised to the upside in December.
	BOJ Target Rate	Jan-24	0.50%	0.50%	0.25%	• BOJ hiked rates for the third time. Governor Ueda signaled further hikes, vowing to fight inflation, but no specific timing mentioned.
	Exports (YoY)	Dec	2.8%	2.4%	3.8%	
	Imports (YoY)	Dec	1.8%	3.2%	-3.8%	
UK	ILO Unemployment Rate 3 Mths	Nov	4.4%	4.4%	4.3%	
	Claimant Count Rate	Dec	4.6%	-	4.6%	
United States	MBA Mortgage Applications	Jan-17	0.1%	-	33.3%	
	Leading Index	Dec	-0.1%	-0.1%	0.4%	• Continuing claims rose to 3-year highs. The numbers are volatile, with natural disasters hitting the labour market ahead of Trump cuts.
	Initial Jobless Claims	Jan-18	223k	220k	217k	
	Continuing Claims	Jan-11	1,899k	1,866k	1,853k	
	U. of Mich. Sentiment	Jan F	69.3	73.2	73.2	• Weak Michigan survey with inflation est remaining at 3.3%.
	Existing Home Sales	Dec	4.24m	4.20m	4.15m	

Source information is at the end of the document.

Commentary

United States: US consumer sentiment declined in January readings due to concerns about unemployment and the potential impact of tariffs on inflation. Consumers expect prices to rise 3.2% over the next 5-10 years and 3.3% over the next year, the highest since May 2024. The labour market and potential federal workforce reduction are also causing concerns, with 47% of consumers expecting unemployment to rise in the year ahead.

Benchmark Performance

Emerging Markets	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI EM	1.5%	1.5%	1.5%	13.6%	-1.2%	1.9%
MSCI EM ex-China	2.1%	2.1%	2.1%	9.0%	1.3%	4.7%
MSCI EMEA	4.1%	4.1%	4.1%	10.1%	-4.8%	-1.2%
MSCI Latam	7.5%	7.5%	7.5%	-16.3%	3.6%	-1.8%
MSCI Asia	0.5%	0.5%	0.5%	18.0%	-1.3%	2.5%
MSCI China	-0.2%	-0.2%	-0.2%	27.9%	-6.4%	-3.5%
MSCI India	-4.6%	-4.6%	-4.6%	5.4%	6.5%	11.0%
MSCI EM Growth	1.6%	1.6%	1.6%	16.6%	-2.9%	1.3%
MSCI EM Value	1.3%	1.3%	1.3%	10.5%	0.6%	2.4%
MSCI EM Small Cap	-2.1%	-2.1%	-2.1%	5.4%	2.9%	7.8%
MSCI Frontier	3.3%	3.3%	3.3%	10.9%	-0.8%	2.0%
GBI-EM-GD	2.8%	2.8%	2.8%	2.4%	0.0%	-1.3%
GBI-EM China	0.3%	0.3%	0.3%	5.8%	0.0%	3.3%
EM FX spot	1.9%	1.9%	1.9%	-3.5%	-3.3%	-3.9%
ELMI+ (1-3m NDF)	2.3%	2.3%	2.3%	2.7%	0.6%	0.2%
EMBI GD	0.9%	0.9%	0.9%	9.8%	0.4%	0.1%
EMBI GD IG	0.1%	0.1%	0.1%	3.1%	-3.8%	-1.8%
EMBI GD HY	1.7%	1.7%	1.7%	16.6%	4.8%	2.0%
CEMBI BD	0.5%	0.5%	0.5%	8.3%	1.6%	2.0%
CEMBI BD IG	0.3%	0.3%	0.3%	5.9%	-0.5%	0.6%
CEMBI BD HY	0.8%	0.8%	0.8%	11.7%	4.5%	3.8%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	3.8%	3.8%	3.8%	21.2%	9.1%	10.6%
MSCI World (DM)	4.1%	4.1%	4.1%	22.1%	10.4%	11.7%
S&P 500	3.8%	3.8%	3.8%	27.1%	13.2%	14.9%
DXY Index**	-0.7%	-0.7%	-0.7%	4.2%	3.5%	1.9%
EUR*	0.9%	0.9%	0.9%	-4.9%	-3.8%	-2.4%
JPY*	0.6%	0.6%	0.6%	-10.0%	-13.5%	-9.5%
CRY Index**	4.4%	4.4%	4.4%	13.3%	7.3%	12.3%
Brent**	4.7%	4.7%	4.7%	-6.5%	-4.4%	5.7%
Gold**	4.9%	4.9%	4.9%	35.4%	15.3%	11.7%
Bitcoin**	5.6%	5.6%	5.6%	135%	39.8%	61.7%
1-3yr UST	0.2%	0.2%	0.2%	4.3%	1.6%	1.4%
3-5yr UST	0.2%	0.2%	0.2%	3.1%	-0.2%	0.3%
7-10yr UST	0.0%	0.0%	0.0%	1.3%	-3.6%	-1.7%
10yr+ UST	-0.4%	-0.4%	-0.4%	-1.6%	-10.8%	-6.1%
10yr+ Germany	-3.2%	-3.2%	-3.2%	-1.2%	-11.7%	-7.2%
10yr+ Japan	-0.7%	-0.7%	-0.7%	-5.4%	-6.0%	-4.2%
Global Agg.***	0.5%	0.5%	0.5%	1.2%	-4.0%	-2.0%
US Agg. IG***	0.1%	0.1%	0.1%	3.0%	-1.8%	-0.6%
EU Agg. IG***	-0.8%	-0.8%	-0.8%	3.3%	-3.2%	-2.0%
US Corp HY***	1.2%	1.2%	1.2%	9.9%	3.9%	4.4%
EU Corp HY***	-0.1%	-0.1%	-0.1%	8.2%	3.2%	2.9%

Source and notations for all tables in this document: Source: Bloomberg, JP Morgan, Barclays, Merrill Lynch, Chicago Board Options Exchange, Thomson Reuters, MSCI. As at latest data available on publication date. *EMBI GD and EMBI GD HY Yield/Spread ex-default yields and spreads calculated by Ashmore. Defaulted EMBI securities includes: Ethiopia, Ghana, Lebanon, Sri Lanka, and Venezuela. **Price only. Does not include carry. ***Global Indices from Bloomberg. Price to Earnings: 12 months blended-forward. Index Definitions: VIX Index: Chicago Board Options Exchange SPX Volatility Index. DX Y Index: The Dollar Index. CRY Index: Thomson Reuters/CoreCommodity CRM Commodity Index. Figures for more than one year are annualised other than in the case of currencies, commodities and the VIX, DX Y and CRY which are shown as percentage change.

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