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WEEKLY INVESTOR RESEARCH

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The interventionist maths: higher JPY + lower UST = weaker USD

By Gustavo Medeiros and Ben Underhill

- US Treasury Secretary Bessent announced more intervention on long-end UST yields.
- Rhetoric from senior Iranian officials has moved from defiance towards pragmatism.
- Moody's upgraded Pakistan to 'B3'.
- Vietnam's Finance Minister warns it must raise its investment-to-GDP ratio.
- Colombia's incoming government presented a 135-page transition report.
- Fitch affirms Poland's 'A-'rating with a negative outlook.
- Egypt held its deposit, lending and main operation rates at 19%, 20% and 19.5%.
- S&P upgraded Kazakhstan to 'BBB'.
- South Africa's CPI inflation slowed more sharply than expected to 4.3% yoy.

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Last Week Performance and Comments

EM Debt	Yield	Change (bp)	Spread	5 day Change
GBI-EM GD	6.25%	4	–	0.7%
GBI-EM FX Spot	–	–	–	0.8%
ELMI+	5.15%	-23	–	0.7%
EMBI GD	7.23%	8	248 bps	-0.4%
EMBI GD ex-default	6.68%	7	194 bps	-0.4%
EMBI GD IG	5.90%	6	105 bps	-0.3%
EMBI GD HY	8.66%	11	401 bps	-0.4%
EMBI HY ex-default	7.38%	9	273 bps	-0.4%
CEMBI BD	6.71%	4	211 bps	-0.1%
CEMBI BD IG	5.78%	4	119 bps	-0.1%
CEMBI BD HY	7.98%	3	336 bps	0.0%

EM Equity*	PE 1yr BF	5 day Change
MSCI EM	10.0	1.2%
MSCI EM ex-China	9.9	0.8%
MSCI EMEA	10.7	2.3%
MSCI Latam	9.6	3.0%
MSCI EM Asia	10.3	1.1%
MSCI China	10.8	3.0%
MSCI India	19.9	-0.7%
MSCI EM Growth	11.3	1.5%
MSCI EM Value	9.0	0.9%
MSCI EM Small Cap	13.0	-0.7%
MSCI Frontier	11.2	1.9%

Comments

- EM local currency bonds rose 0.7% on a weaker USD.
- EM sovereign bonds fell 0.4% as spreads widened.
- EM equities rose 1.2%, with LatAm outperforming.

Global Debt	Yield	Change (bp)	Spread	5 day Change
2yr UST	4.23%	5	–	0.0%
5yr UST	4.41%	3	–	-0.1%
10yr UST	4.71%	-2	–	-0.2%
30yr UST	5.24%	-6	–	0.0%
10yr Germany	3.24%	2	–	-0.7%
10yr Japan	2.90%	-4	–	-0.1%
Global Agg.***	4.02%	4	29 bps	0.2%
US Agg. IG***	5.47%	5	75 bps	-0.1%
EU Agg. IG***	3.78%	7	61 bps	-0.4%
US Corp HY***	7.29%	9	269 bps	-0.1%
EU Corp HY***	6.37%	6	279 bps	-0.1%

Global Backdrop*	PE 1yr BF	5 day Change
MSCI ACWI	17.0	-0.9%
MSCI World (DM)	18.7	-1.2%
S&P 500	19.7	-1.4%
VIX Fut.**	17.5	1.8%
DXY Index**	98.9	-0.7%
EUR*	1.168	0.7%
JPY*	159.1	0.2%
CRY Index**	406.2	3.8%
Brent**	92.8	2.1%
Gold**	4,643	4.9%
Bitcoin**	77,581	13.3%

Comments

- UST curve flattened after the Treasury announced it would increase long-end buybacks.
- Gold continued to move higher, up nearly 5% on the week, with Bitcoin up 13%.
- US stocks slipped 1.4% on AI-related consolidation after a sharp recovery in early August.

Source & Notations: See end of document.

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Global Macro

The most significant development in global macro last week was US Treasury Secretary Scott Bessent's announcement that the Treasury double the size of buyback auctions of long-end US bond. The US 30-year yield is trading at around 5.25%, its highest level since 2007, and at around 3% in real terms. Initial indications were a 'floor' of USD 4bn per auction across long end of the curve (20-30 years), which currently amounts to around USD 28bn from the 9 September to 4 November, or 40% of what the face value of back end issuance. Bessent's described it as "Treasury Twist", given the buybacks are paid with increased issuance of T-bills.

The US Secretary judges the long end is uncorrelated with its fundamentals. The increase at the long end, however, has almost entirely been an increase in real rates, with inflation expectations remaining contained. The 30-year breakeven is currently where it started the year, at around 2.25%.

Higher term premium and well-behaved inflation breakeven suggests the increase in yield was driven primarily by a solid US growth. Indeed, the industrial acceleration, strong corporate earnings, and forward-looking indicators, such as ISM manufacturing surveys, continue to point to solid industrial activity. Nevertheless, the decline in fiscal revenues from OBBBA and the tariff refund led a to a deterioration on fiscal policy, which remains at unsustainable levels. Therefore, higher term premium probably also reflects fiscal concerns.

A third factor is supply, although not from the Treasury, but from corporates, primarily the US hyperscalers. Indeed, in a Bessent speech last week, he said the hyperscalers should aim for more issuance in the belly of the curve rather than at the long end. US Treasury issuance of 10-year equivalent debt in fact peaked in 2024 and has declined gradually since, from 10% to closer to 8% of GDP. The marginal supply of duration, in other words, is increasingly corporate rather than sovereign, and the Treasury has been shortening the duration of its own issuance for some time.

This is not the first time the US Treasury has announced macro interventions in recent months. Bessent has also intervened in oil prices, selling short and buying long oil futures, and has conducted currency interventions – most recently coordinating USD sales with the Bank of Japan (BOJ) in an attempt to stabilise the Yen against the Dollar – which he sees as too strong, particularly against the currencies of key trading partners in Asia.

The timing of the buyback announcement is, nonetheless, somewhat surprising. Reducing bond volatility ahead of the November mid-term elections may be a key factor. However, implementing US Treasury buybacks while the market is still pricing hikes is less efficient than doing so in a cutting cycle, when short-term funding is cheaper. The bonds the Treasury is likely to buy are also the cheapest – off-the-run bonds issued around 2021, with coupons below 2% and cash prices below 50 cents on the Dollar. Buying these reduces long-end supply and the debt/GDP ratio marginally, but raises interest costs, as the 1-year US Treasury yield is significantly higher at around 3.8%.

The most important market reaction to the buyback announcement was in the currency rather than in rates. The 10-year yield fell by around seven basis points (bps) on the day and the 30-year by around eight bps – a solid move, but well within the range of daily declines seen since the 2024 election, and the uptrend at the long end remains intact. Equities barely registered it, with the S&P 500 up 0.2%. The Dollar, by contrast, had its worst day in months and closed below its 200-day moving average, while gold posted its best day in six months and recovered to its own 200-day moving average. That rates moved so little while FX and gold moved so much is, in our view, the market telling Bessent that the announcement was a signal rather than a solution.

CNBC reported on Monday, citing two senior Treasury officials, that the Treasury could tap the Treasury General Account (TGA) to help fund the buybacks, rather than relying solely on additional bill issuance. Bessent has built the TGA up to around USD 950bn, well above the USD 550-600bn balance targeted under the previous administration, which leaves room to draw it down without creating immediate funding risk. The officials did not specify how much would be used, or whether it would be used at all, only that the option is viewed as available. Yields fell and equity futures pared losses on the report. Funding buybacks out of cash already collected in taxes, at least partially would add reserves to the banking system – closer in effect to easing than simply a duration swap.

Geopolitics: Another development last week was US President Donald Trump and Bessent's announcement of an "economic D-day" on Iran, involving increased sanctions and economic measures against any country trading with it. In an op-ed for the *Financial Times*, Bessent boldly stated that any country judging the risk of isolating Iran economically not worth taking should now weigh whether it wants to incur the wrath of Washington. The transmission channel back into the rates discussion above is energy: tighter enforcement against Iranian barrels feeds the higher energy prices that have driven this year's inflation risk, and with it the repricing of the US front end.

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Global Macro (continued)

Against that, there are signs that Iran's grip on the Strait of Hormuz itself may be loosening. More tankers are routing along the Omani side of the Strait under US naval escort – the lane proposed by Oman and the International Maritime Organization (IMO), which Iran continues to reject. That may partly explain why rhetoric from senior Iranian figures last week was more balanced than purely defiant, shifting towards prioritising a resolution to the war in the short term.

Mohammad Bagher Qalibaf, Speaker of the Islamic Consultative Assembly, in a public address:

21 August: *"No matter how much military power we have, if the people are hungry and we lack financial circulation and economic growth, we won't endure. As combatants, we value peace more than those who merely speak of it."*

Masoud Pezeshkian, President of Iran:

21 August: *"Better that we bring the war to an end now, as we are in a position of power and dignity."*

23 August: *"I was in the presence of the Supreme Leader, and in his speeches as well, he openly stated that we must move beyond this state of 'neither war nor peace'. We are not going to humiliatingly back down before the enemy or bow our heads. We can sit down with strength, but also with logic, and resolve our problem."*

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EM Asia

Economic data

China's retail sales printed below 1% yoy.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	Retail Sales (YoY)	Jul	0.6%	1.5%	1.0%	Base effect payback for the consumer goods trade-in scheme.
	Retail Sales YTD (YoY)	Jul	1.2%	1.4%	1.3%	
	Industrial Production (YoY)	Jul	4.5%	5.0%	5.3%	High-tech exports doing lifting in industry.
	Industrial Production YTD (YoY)	Jul	5.3%	5.3%	5.4%	
	Fixed Assets Ex Rural YTD (YoY)	Jul	-6.7%	-6.2%	-5.7%	Property down 20%, capex weak ex-tech.
	1-Year Loan Prime Rate	20-Aug	3.0%	3.0%	3.0%	
Indonesia	BI-Rate	19-Aug	5.75%	5.75%	5.75%	Second hold under acting governor Damayanti.
Malaysia	CPI (YoY)	Jul	1.8%	1.9%	1.9%	
	Exports (YoY)	Jul	38.0%	35.0%	45.5%	
	Foreign Reserves (USD)	14-Aug	132.7bn	–	132.1bn	
South Korea	PPI (YoY)	Jul	7.7%	–	8.5%	
	Exports 20 Days (YoY)	Aug	56.0%	–	52.3%	Chips now near half of all Korean exports.
Taiwan	Export Orders (YoY)	Jul	61.9%	52.7%	59.4%	Record order book, AI demand not yet fading.
Thailand	GDP (YoY)	2Q	1.9%	1.8%	2.8%	Slowest in ASEAN-6, confidence at a 14-quarter low private investment and electronics the only offset.
	GDP SA (QoQ)	2Q	-0.2%	-0.4%	0.6%	

Source information is at the end of the document.

Commentary

India: India is widening its crude sourcing towards Latin America as the disruption to shipping through the Strait of Hormuz persists. Venezuelan imports rose to around 444k barrels per day (bpd) in August, making Venezuela India's fourth-largest supplier, ahead of the US at 153k bpd and Iraq at 118k bpd. Russia remains dominant at close to 2 million barrels per day (mpbd), down from around 2.6 mbpd in June and July. West Asia's share of the crude basket fell to around 30% from 43% a year earlier, while Latin America's rose to 12.7% from 3.5%. Diversification protects physical availability, but it carries higher freight and insurance costs given the longer voyages across the Atlantic Basin.

Pakistan: The ratings agency Moody's upgraded Pakistan's sovereign rating to B3 from CAA1. The upgrade brings in line with Fitch and both one notch below S&P.

South Korea: SK Hynix will buy back and cancel KRW 40trn of its shares, the largest cancellation of treasury shares by a listed South Korean company, in response to investor pressure to share the gains from the AI memory boom. The programme covers around 3.3% of issued shares and will run over roughly three months. Separately, Seoul and Washington agreed on Friday to end the Ulchi Freedom Shield exercise early and to cancel its counteroffensive phase, following a US request tied to Trump's order to scale back joint drills. President Lee Jae-myung said South Korea must nonetheless proceed with the transfer of wartime operational control within his term, citing sufficient conditions for self-reliant defence.

Vietnam: Finance Minister Ngo Van Tuan said Vietnam must raise its investment-to-GDP ratio from the current 31-32% to around 40%, and cut its incremental capital-output ratio to 4.5-4.8, in order to support double-digit growth. Total public investment for 2026-30 is projected at more than VND 8.2 quadrillion, split between roughly VND 3.8 quadrillion at central level and VND 4.4 quadrillion at local level, with public investment accounting for around 20–22% of total social investment capital. He flagged statutory expenditure ratios, which require 27.5% of the budget to be allocated to social sectors, as a constraint on flexibility.

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Latin America

Economic data

Argentina's budget surplus restored after seasonal June deficit.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	Budget Balance (ARS)	Jul	2,960,333m	–	-696,843m	Surplus restored after a seasonal June deficit.
	Economic Activity Index (YoY)	Jun	2.7%	2.4%	0.4%	Activity firming though inflation runs near 34%.
	Economic Activity Index (MoM)	Jun	0.8%	0.3%	-0.6%	
	Trade Balance (USD)	Jul	2,115m	1,867m	2,235m	Energy exports driving a 31-month surplus run.
Brazil	FGV CPI IPC-S	15-Aug	-0.4%	–	-0.1%	
	Economic Activity (MoM)	Jun	-0.6%	-0.5%	0.0%	Industry led the fall and services also slipped, the 1 September GDP release is the real test.
	Economic Activity (YoY)	Jun	2.4%	2.3%	0.9%	
Chile	GDP (QoQ)	2Q	0.0%	0.3%	-0.3%	Copper output decline collapse drove the contraction non-mining still grew, unemployment at 9.4%.
	GDP (YoY)	2Q	-0.2%	0.1%	-0.3%	
Colombia	GDP (QoQ)	2Q	1.3%	1.2%	0.6%	Public spending did half the work, rates at 12%.
	Trade Balance (USD)	Jun	-2,161.0m	-1,935.0m	-1,223.3m	
Ecuador	CPI (YoY)	Jul	1.4%	–	1.7%	
Mexico	International Reserves Weekly (USD)	14-Aug	257,417m	–	257,087m	
	Retail Sales (YoY)	Jun	–	3.1%	1.6%	

Source information is at the end of the document.

Commentary

Argentina: Consumer confidence index edged down to 40 out of 100 in August, six points below its January level, with the weakness concentrated in household finances even as three-year macroeconomic expectations improved. That divergence is feeding investor concern about policy continuity beyond 2027. The government launched a 50-year concession tender for the three main freight rail lines, the core of the Belgrano Cargas privatisation, which is expected to mobilise around USD 1.0bn but to generate little revenue for the Treasury, and broadened eligibility under the Large Investment Incentive Regime (RIGI) for railway upgrades. Country risk rose to 511bps from 402bps in mid-July on a mix of global and idiosyncratic factors, while the government returned to an overall fiscal surplus of ARS 245bn in July, keeping the year on track for balance.

Brazil: Industrial activity index rose 2.6 points mom to 51.0 in July, moving above the neutral mark for the first time in four months, although all of the expectations components fell and the sector still faces high input costs and interest rates. Finance Minister Dario Durigan repeatedly pressed the case that the elevated Selic policy rate is weighing on debt and budgets, while defending fiscal responsibility as the route to enabling cuts, citing Congress-approved fiscal triggers worth BRL 10bn in 2027. A 0.6% mom fall in June activity reinforces the case for a further 25bps cut, to 13.75%, in September. In politics, President Lula's runoff lead over Flávio Bolsonaro narrowed to three percentage points, at 43% against 40%, pointing to a tight and contested race.

Colombia: The incoming de la Espriella government presented a 135-page transition report, *The Book of Truth*, warning of low reserves, a 2025 deficit of 6.4% of GDP with the fiscal escape clause activated, and Finance Ministry cash at a historic low of COP 16trn. Its starkest findings concern energy: a firm capacity deficit equivalent to 4.4% of peak demand and gas reserves down to 5.9 years, which together raise the risk of blackouts in 2027 at an estimated cost of 2% of GDP if an extreme El Niño materialises. A survey by Banco de la República (BanRep), the central bank, held the 2026 inflation forecast at 6.60% and trimmed rate-hike expectations to a single 25bps move, to 12.25%. Second-quarter GDP grew 3.5% yoy on a government-driven fiscal push, with household consumption cooling and external imbalances building.

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Latin America (continued)

Mexico: The Banco de México meeting minutes again gave no clear horizon for ending policy-rate stability, consistent with market expectations of a pause through 2026 and 2027, although two board members appeared open to cutting earlier than the rest. Most members flagged lingering services inflation, while the hawkish bloc warned against widening the gap with the Federal Reserve. Analysts polled by Citi trimmed their year-end 2026 consumer price index (CPI) inflation forecast again, to 4.0%, bringing it within the tolerance band, but held 2027 at 3.8%, signalling scepticism about a swift disinflation. Forecasts for GDP growth were unchanged.

Venezuela: S&P Global estimates Venezuela will not sustain oil output above 1.5mbpd until at least 2030, citing infrastructure decay. Exports stood at 1.2mbpd in July, against a December target of 1.4mbpd and far below the 3.5mbpd of the 1990s. Political dialogue between the 2015 National Assembly and the interim government resumes in September, with US oversight, to discuss civil and electoral guarantees, after a first round agreed on judicial reform and efforts to recover gold. The government signed agreements with Hunt Oil and the oilfield services group SLB, formerly Schlumberger, at the IMAGE 2026 conference in Houston, and the state oil company Petróleos de Venezuela (PDVSA) reported exports up 19.7% yoy over January to July, with a target of 1.25mbpd by the end of August. The mayor of Chacao sought World Bank support for post-earthquake reconstruction, although a direct loan looks unfeasible without a sovereign guarantee.

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Central and Eastern Europe

Economic data

Polish industrial output fell mom.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czechia	PPI Industrial (MoM)	Jul	0.3%	0.1%	-0.4%	
	PPI Industrial (YoY)	Jul	1.6%	1.4%	1.3%	
Poland	Average Gross Wages (YoY)	Jul	6.8%	6.1%	5.9%	
	Sold Industrial Output (MoM)	Jul	-1.8%	-2.0%	1.8%	Output off June nine-month high, momentum fragile.
	Sold Industrial Output (YoY)	Jul	5.1%	5.0%	7.4%	
	PPI (MoM)	Jul	0.6%	0.2%	0.1%	Fastest factory-gate inflation since May 2023, energy costs feeding through.
	PPI (YoY)	Jul	2.8%	2.5%	1.9%	
Russia	PPI (YoY)	Jul	6.6%	–	10.5%	Factory prices cooling fast as demand weakens CBR at 14% with 2026 growth seen at zero to 1% refinery strikes keep fuel the main price risk.
	CPI (WoW)	17-Aug	-0.02%	–	-0.06%	
	CPI Weekly YTD	17-Aug	4.67%	–	4.69%	
	Gold and Forex Reserve (USD)	14-Aug	755.6bn	–	740.0bn	

Source information is at the end of the document.

Commentary

Czech Republic: The Finance Ministry downgraded its 2026 projections in the macroeconomic framework for the 2027 budget, cutting GDP growth by 0.2pp to 1.9% and inflation by 0.3pp to 2.2%. The revision to growth reflects the expiry of the windfall tax, the waiver of the renewable surcharge, stronger public investment and a temporary cut to diesel excise duty, with downside risks from the conflict in the Middle East and from energy prices. Growth is expected to recover to 2.4% in 2027. Fiscal targets are still outstanding, with the deficit likely to come in near 2.8% of GDP, and the ministry keen to stay below 3% to avoid European Commission scrutiny.

Poland: Fitch Affirms Poland at 'A-' with a negative outlook: Fitch attributed the negative outlook to the absence of a credible fiscal consolidation plan, domestic political challenges and the risk of pre-election fiscal easing, which together have reduced its confidence in the authorities' ability to deliver additional fiscal measures and to contain high deficits.

Poland's government published a bill proposing a higher rate of corporate income tax for energy and fuel companies with annual revenue above EUR 50m, designed as a back-up to the windfall tax law that President Karol Nawrocki referred to the Constitutional Tribunal. The rate would rise from 19% to 30% in 2027, then fall to 26% in 2028 and 23% in 2029, before returning to the standard rate in 2030, for projected revenue of PLN 4.8bn over the period. The government appears to expect the windfall tax to be struck down, and further interference from the president's office looks likely ahead of next year's election.

Türkiye: Drilling for shale oil started near Bismil in the Diyarbekir region. Energy minister Alparslan Bayraktar put estimated reserves at 6.1bn barrels and their total value at USD 540bn, potentially double or triple the reserves at Gabar. Extraction, undertaken with the US firms Continental Resources and TransAtlantic Petroleum, could add USD 8bn a year to the economy, with 24 wells planned over three years and a target of 250,000 bpd within five years. The partners will subsequently be licensed to explore for shale gas in the Thrace region.

The Central Bank of the Republic of Türkiye (CBRT) will resume one-week repo auctions as a normalisation of the liquidity framework that paves the way for around 300bps of effective easing.

Ukraine: Ukraine's parliament appointed Yevhen Khmara as Defence Minister with 312 votes and reappointed Andriy Sybiha as Foreign Minister with 266, completing the reshuffle President Volodymyr Zelenskyy began last month. The comfortable margins underline his continuing control of the legislature, despite street protests over the dismissal of

Central and Eastern Europe (continued)

Khmara's predecessor, Mykhaylo Fedorov. Khmara previously served as acting head of the Security Service of Ukraine, while Sybiha said his priorities are a just peace with Russia, accession to the European Union and NATO, and the promotion of Ukrainian ethnic identity globally.

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Central Asia, Middle East & Africa

Economic data

Egypt held policy rates for the fourth meeting running.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Egypt	Trade Balance (USD)	Jun	-7,480.0m	–	-3,991.0m	Wider oil and non-oil gaps, Suez revenue offsets.
	Lending Rate	20-Aug	20.0%	–	20.0%	Fourth straight hold, unanimous.
	Deposit Rate	20-Aug	19.0%	19.0%	19.0%	A 12% August electricity rise is still to come.
Nigeria	CPI (YoY)	Jul	15.4%	15.7%	15.9%	
Qatar	CPI (YoY)	Jul	–	–	2.2%	
	GDP Constant Prices (YoY)	1Q	–	–	2.0%	
South Africa	CPI (MoM)	Jul	0.2%	0.4%	0.7%	First slowdown in five months on fuel and food food inflation – lowest in more than 16 years.
	CPI (YoY)	Jul	4.3%	4.5%	5.0%	
	CPI Core (MoM)	Jul	0.5%	0.5%	0.6%	Core still firming, so no case for a cut yet.
	CPI Core (YoY)	Jul	4.2%	4.2%	4.1%	
	Retail Sales (MoM)	Jun	-0.6%	0.0%	0.0%	
	Retail Sales Constant (YoY)	Jun	1.6%	2.5%	2.2%	
Türkiye	Real Sector Confidence NSA	Aug	102.8	–	102.2	
	Capacity Utilisation	Aug	73.5%	–	73.9%	
	Foreign Tourist Arrivals (YoY)	Jul	-0.3%	–	-4.0%	

Source information is at the end of the document.

Commentary

Angola: A 30-year concession for a 1,240km transmission line running from Lauca to Kolwezi in the Democratic Republic of Congo (DRC) was granted to Somagec Energy Holding and Averi Finance. The project aims to monetise hydroelectric capacity for the copper and cobalt belt. Oil output averaged 1.01mbpd in July, slightly below the 1.03mbpd target, in part because of a scheduled shutdown at the Angola liquefied natural gas (LNG) plant, which challenges the 2026 goal of 1.05mbpd. Chevron confirmed a discovery at the 105-4X well in Block 0, supporting the revival of offshore exploration. S&P affirmed Angola's 'B-/B' rating with a stable outlook on 14 August, widening its forecast for the 2026 deficit to 3.2% of GDP on higher fuel subsidies and expecting debt to rise towards 52% of GDP over 2027–29.

Azerbaijan: A further rail transit shipment was sent to Armenia via Azerbaijan and Georgia, comprising 15 wagons of Russian wheat and barley travelling from Bilajari towards Boyuk-Kesik. Cumulative transit to Armenia via Azerbaijan now includes more than 47,000 tons of grain, 9,000 tons of fertiliser, and smaller volumes of propane, coal, aluminium and wood. Separately, up to 15,000 tons of diesel and up to 5,000 tons of AI-92 and AI-95 gasoline have been exported directly from Azerbaijan to Armenia. Together these flows reflect a marked rise in regional transport links.

Egypt: The MPC held its deposit, lending and main operation rates at 19.0%, 20.0% and 19.5%, respectively, a fourth consecutive hold. The MPC expects inflation to accelerate in the third quarter before returning to the target range in the second half of 2027, and kept GDP growth for the 2025/26 fiscal year at 5.0%. The Central Bank of Egypt (CBE) separately nudged its 2025/26 growth forecast up to 5.0%, citing resilience to the crisis in the Middle East, strong remittances and Suez Canal revenues, and estimated that a 1% depreciation of the pound adds 0.18% to consumer price inflation. The seventh review of the International Monetary Fund (IMF) Extended Fund Facility flagged gross financing needs peaking at 42% of GDP in 2025/26 and public debt at 91% of GDP as of June 2026, judging the debt sustainable but not with a high probability.

Central Asia, Middle East & Africa (continued)

Ghana: A power outage hit Accra and parts of the Eastern, Northern, Central and Ashanti regions on 20 August, the second major blackout in under a month after the outage of 29 July. The cause is unclear, and concern is rising over a return of dumsor, the local term for prolonged and unpredictable load-shedding. Separately, the Chamber of Mines expects gold output of 6.1-6.7m ounces this year, up from 5.94m in 2025, when the small-scale sector overtook large-scale production for the first time in more than a century. Mineral exports reached USD 21.3bn, around 95% of which was gold, although much small-scale activity sits outside the tax system; payments from the sector to government totalled GHS 24.2bn.

Kazakhstan: S&P Global Ratings upgraded Kazakhstan to 'BBB' with a stable outlook. The ratings agency expects Kazakhstan's economy to remain resilient to global uncertainty and volatile commodity prices, with real GDP growth averaging more than 4% over the medium term, and judges that the country's sizeable external and fiscal buffers should cushion external shocks, including short-term disruption to oil exports through the Caspian Pipeline Consortium (CPC) arising from the Russia-Ukraine conflict. Steady growth, favourable commodity prices and policy efforts to broaden the tax base and control costs should, in its view, allow the government to contain fiscal deficits.

Nigeria: President Bola Tinubu and figures from the organised private sector pushed back against former Vice President Atiku Abubakar's proposal to restore fuel subsidies if he is elected in 2027, with Tinubu accusing him of economic ignorance and critics warning of a heavy fiscal burden, while the Nigeria Labour Congress is split on the question. Finance minister Taiwo Oyedele said Tinubu's reforms had averted a deeper crisis by shoring up salary payments and curbing the government's use of Ways and Means overdraft financing from the central bank, but that they came at the cost of a cost-of-living crisis, noting NGN 9.39trn spent on wage adjustments against NGN 15.8trn generated by subsidy and foreign exchange reforms. The Dangote Refinery secured a USD 1bn underwriting programme ahead of an IPO that could raise up to USD 5bn on the Nigerian Exchange in October.

Oman: Trump's threat on 17 August to bomb Oman if it interferes with US efforts to end the war with Iran marked an escalation of frustration with a long-standing diplomatic intermediary. Since the US and Israel began their war on Iran on 28 February, Oman has preserved a channel to Tehran while keeping close ties to Washington, and it became central to bridging the dispute over the Strait of Hormuz after the US-Iran memorandum agreed in June expired on 17 August without a deal. A report by Kpler cited by CNN found more than 80% of transits through Hormuz over the past fortnight used a newly emerged Omani route, suggesting Iran has partially lost control of the strait, even though overall traffic remains sharply reduced.

Saudi Arabia: Data from the Joint Organisations Data Initiative (JODI) showed crude exports rebounding 16.3% mom to 4mbpd in June, although volumes stayed low as both sea export routes came under threat after the Houthis vowed to blockade the Red Sea. Aramco is now offering cargoes off the coast of Oman, signalling a possible return through the Strait of Hormuz.

The National Debt Management Center (NDMC) raised SAR 9.5bn through domestic sukuk at rising yields, having already secured its 2026 financing, ahead of inclusion in the JP Morgan and Bloomberg indices in 2027. The sovereign wealth fund, the Public Investment Fund (PIF), reported 2025 revenues up 9% to USD 120bn and net profit doubling to USD 17bn, with assets under management of USD 900bn.

The Ministry of Finance is exploring a plan under which ships and marine cargo assets would obtain cheaper insurance through a pooled arrangement, offering cover of as much as SAR 700m, equivalent to USD 186m, for each insured event, including the seizure of a ship or a missile attack, according to people familiar with the matter.

Senegal: An IMF mission led by Mercedes Vera Martin began talks in Senegal aimed at advancing towards a new financing programme, focusing on the convergence over reforms that could underpin a future agreement. Talks have continued since Senegal disclosed large previously unreported public liabilities, which led to the suspension of its earlier programme, although Prime Minister Ousmane Sonko's public opposition to debt restructuring has complicated matters. Discussions cover corrective measures including centralised debt management and an audit of arrears, with a statement expected at the end of the visit.

South Africa: CPI inflation slowed more than expected, to 4.3% yoy in July from 5.0% in June, below the 4.5% consensus, as easing fuel and food costs offset municipal tariff adjustments. Transport was the main source of disinflation, with annual fuel inflation dropping to 20.6% from 34%, while food inflation fell to a 16-year low of 0.9%. Core inflation nonetheless edged up to 4.2%. The downside surprise reduces the immediate pressure on the South African Reserve

Central Asia, Middle East & Africa (continued)

Bank (SARB) after its unexpected decision to hold at 7.0% in July, although sticky core and services inflation will keep the MPC cautious ahead of September.

Tanzania: Fitch revised Tanzania's outlook to positive, affirmed 'B+' rating: the agency said the revision reflects the projected strengthening of Tanzania's international reserves and moderate fiscal deficits, which alongside continued high growth should support a downward trajectory for government debt. It also noted recent institutional and operational improvements in the macroeconomic policy framework that could increase resilience to shocks, while cautioning that these have yet to be tested.

United Arab Emirates: Residential property sales in Abu Dhabi nearly tripled in the first half of 2026, reaching AED 70.4bn, equivalent to USD 19.2bn, from AED25.3bn a year earlier, a rise of around 178% driven by off-plan demand and foreign buyers, according to the Abu Dhabi Real Estate Centre. Off-plan transactions made up 89% of sales value, with the ten largest developers accounting for 90% of primary off-plan sales. Residential stock reached around 409,000 units, with a further 71,000 expected by 2030, and repeat sale prices rose 20% for apartments. The broader market recorded AED 117bn of transactions, up 112% yoy, raising questions about whether growth can be sustained without creating an imbalance between demand and supply.

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Developed Markets

Economic data

A decline in consumption pushed Japan's GDP growth lower.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Eurozone	CPI (YoY)	Jul F	2.9%	2.9%	2.9%	
	CPI (MoM)	Jul F	0.2%	0.2%	0.2%	
	Consumer Confidence	Aug P	–	-16.0	-15.9	
Japan	GDP Annualised SA (QoQ)	2Q P	1.1%	2.0%	1.9%	Consumption fell first time in eight quarters capex down again as firms turn cautious.
	GDP SA (QoQ)	2Q P	0.3%	0.5%	0.5%	
	GDP Deflator (YoY)	2Q P	2.6%	2.3%	3.2%	Net trade flattered by slumping oil imports.
	Industrial Production (MoM)	Jun F	1.9%	–	1.3%	
	Core Machine Orders (MoM)	Jun	9.7%	7.2%	-12.4%	
	Natl CPI (YoY)	Jul	1.9%	1.9%	1.6%	Core near target, services passing on wages September hike to 1.25% is now the base case.
	Natl CPI Ex Fresh Food (YoY)	Jul	1.8%	1.8%	1.6%	
UK	Average Weekly Earnings 3M/(YoY)	Jun	4.1%	4.0%	4.4%	Pay growth easing and payrolls shrinking again vacancies at 707k point to more slack ahead.
	ILO Unemployment Rate 3Mths	Jun	4.9%	4.8%	4.9%	
	Claimant Count Rate	Jul	4.3%	–	4.4%	
	Jobless Claims Change	Jul	-11.0k	–	-6.4k	
	CPI (MoM)	Jul	0.3%	0.3%	0.1%	Ofgem cap lifted gas most since October 2022 core stuck a third month.
	CPI Core (YoY)	Jul	2.6%	2.5%	2.6%	
	RPI (MoM)	Jul	0.6%	0.8%	0.3%	
	RPI (YoY)	Jul	3.2%	3.3%	3.0%	
	Retail Sales Inc Auto Fuel (MoM)	Jul	-0.5%	-0.5%	0.7%	Promotions pulled sales into June, heat cut footfall.
	Retail Sales Inc Auto Fuel (YoY)	Jul	1.6%	2.2%	3.8%	
	Retail Sales Ex Auto Fuel (MoM)	Jul	-0.9%	-0.5%	0.9%	
	Retail Sales Ex Auto Fuel (YoY)	Jul	2.3%	3.3%	5.0%	
United States	Empire Manufacturing	Aug	20.6	10.0	15.6	Factories still riding the AI equipment buildout.
	Total Net TIC Flows	Jun	133.5bn	–	131.5bn	
	Net Long-term TIC Flows	Jun	172.7bn	–	231.2bn	
	Import Price Index (MoM)	Jul	-0.4%	0.1%	-0.3%	
	Housing Starts	Jul	1,239k	1,345k	1,415k	Single-family starts lowest since November 2022 permits are optionality at 6.7% mortgage rates.
	Building Permits	Jul P	1,443k	1,375k	1,374k	
	Industrial Production (MoM)	Jul	0.2%	0.3%	0.3%	Fed factory gauge at a four-year high led by high-tech and construction supplies.
	Capacity Utilisation	Jul	76.3%	76.3%	76.2%	
	Pending Home Sales (MoM)	Jul	-2.3%	0.0%	-4.8%	Priciest mortgages of the year hit contract signings.
	MBA Mortgage Applications	14-Aug	-0.4%	–	3.6%	
	Initial Jobless Claims	15-Aug	206k	210k	212k	
	Continuing Claims	08-Aug	1,799k	1,788k	1,781k	
	Leading Index	Jul	0.2%	0.1%	-0.1%	

Source information is at the end of the document.

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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	3.5%	0.3%	24.2%	38.9%	24.2%	9.7%
MSCI EM ex-China	4.2%	-2.0%	36.1%	57.6%	28.4%	13.9%
MSCI EMEA	6.8%	8.3%	10.8%	19.3%	17.6%	4.2%
MSCI Latam	-1.6%	3.3%	14.1%	36.8%	14.8%	11.8%
MSCI Asia	3.4%	0.1%	26.3%	40.2%	25.8%	10.0%
MSCI China	0.9%	10.0%	-6.5%	-4.2%	12.5%	-0.4%
MSCI India	-0.5%	1.2%	-8.8%	-8.5%	5.9%	4.4%
MSCI EM Growth	3.9%	-1.6%	22.6%	36.8%	24.3%	8.1%
MSCI EM Value	3.1%	2.4%	25.9%	41.1%	23.9%	11.4%
MSCI EM Small Cap	7.1%	-0.1%	12.8%	17.7%	15.6%	8.5%
MSCI Frontier	3.4%	3.8%	14.4%	24.7%	22.9%	9.2%
GBI-EM-GD	1.8%	2.1%	3.6%	9.1%	8.4%	3.0%
GBI-EM China	0.8%	1.6%	6.5%	9.6%	6.6%	3.1%
EM FX spot	1.4%	1.8%	0.9%	3.1%	0.9%	-0.9%
ELMI+ (1-3m NDF)	1.4%	2.9%	4.1%	6.9%	6.8%	3.1%
EMBI GD	0.6%	-0.8%	2.5%	8.2%	10.5%	2.3%
EMBI GD IG	0.6%	-1.5%	-0.3%	3.0%	5.7%	-1.2%
EMBI GD HY	0.6%	-0.3%	5.1%	13.4%	15.5%	5.8%
CEMBI BD	0.6%	0.1%	2.3%	5.0%	8.2%	2.5%
CEMBI BD IG	0.4%	-0.4%	0.6%	3.2%	6.5%	1.0%
CEMBI BD HY	0.7%	0.7%	4.7%	7.6%	10.6%	4.8%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	2.7%	2.8%	14.3%	23.6%	21.5%	11.5%
MSCI World (DM)	2.6%	3.1%	13.1%	21.8%	21.1%	11.6%
S&P 500	2.5%	2.5%	12.9%	21.9%	22.0%	13.2%
DXY Index**	-1.0%	-2.2%	0.6%	1.2%	-1.7%	1.3%
EUR*	1.3%	2.1%	-1.5%	-1.5%	0.8%	-1.8%
JPY*	0.1%	1.9%	-3.2%	-10.1%	-7.0%	-10.6%
CRY Index**	5.5%	14.9%	36.0%	35.4%	13.8%	13.6%
Brent**	3.0%	27.2%	52.5%	37.0%	3.6%	5.5%
Gold**	14.7%	15.3%	7.4%	37.6%	34.3%	20.8%
Bitcoin**	23.5%	32.8%	-11.3%	-32%	43.8%	10.1%
1-3yr UST	0.3%	0.5%	1.1%	2.9%	4.4%	2.0%
3-5yr UST	0.3%	-0.1%	-0.1%	1.9%	4.3%	0.7%
7-10yr UST	0.2%	-1.2%	-1.3%	1.4%	3.8%	-1.6%
10yr+ UST	0.3%	-3.7%	-3.3%	0.1%	1.3%	-7.1%
10yr+ Germany	-0.9%	-4.5%	-2.4%	-3.5%	-1.3%	-9.5%
10yr+ Japan	-0.7%	-2.1%	-9.2%	-12.8%	-9.7%	-8.3%
Global Agg.***	0.7%	0.2%	0.0%	1.6%	4.2%	-1.6%
US Agg. IG***	0.4%	-1.0%	-0.3%	2.5%	4.7%	-0.3%
EU Agg. IG***	-0.2%	-1.7%	-0.4%	0.3%	3.1%	-2.2%
US Corp HY***	0.7%	0.5%	2.4%	5.5%	8.9%	4.3%
EU Corp HY***	0.4%	0.2%	2.0%	3.1%	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. 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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Emerging View

The case for emerging market small cap equities

31 July 2026
By Gustavo Medeiros and Ben Underhill

EM small caps are assumed to be the risky cousin of US small caps. The data says otherwise: nearly nine in ten are profitable, on half the forward multiple of the Russell 2000. We make the case for the asset class.

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