

# EM leads the H1 2025 race as equities climb another 'wall of worry'

By Gustavo Medeiros and Ben Underhill

- EM assets outperformed again last week, driven by a weaker Dollar.
- Global equities look through geopolitical, trade, and public finances uncertainty.
- Mixed data in China, softer CPI in Malaysia, and South Korea has a new finance minister
- Colombia downgraded; Mexican data softened somewhat despite upward GDP revisions.
- Brazilian fiscal concerns stay in place, in contrast with Argentina.
- Surprise result in Chile's ruling coalition primary points to a polarised race.
- Eastern Europe must find budget room to expand defence spending to 5.0% of GDP particularly challenging for Romania.
- Good news across most of Middle East and Africa.

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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	6.01%	-5	–	1.4%	MSCI EM	12.7	3.4%	<ul style="list-style-type: none"> <li>• EM local currency sovereign bonds outperformed again, driven by EM FX.</li> <li>• Sovereign high yield outperformed both corporate HY and IG indices.</li> <li>• MSCI EM ex-China outperformed both US and DM stocks, led by EMEA.</li> </ul>
GBI-EM FX Spot	–	–	–	1.0%	MSCI EM ex-China	13.5	3.6%	
ELMI+	5.15%	-60	–	1.3%	MSCI EMEA	10.8	4.0%	
EMBI GD	7.56%	1	324 bps	1.1%	MSCI Latam	9.5	2.1%	
EMBI GD ex-default	6.89%	-16	257 bps	1.1%	MSCI EM Asia	13.6	3.4%	
EMBI GD IG	5.68%	-8	123 bps	0.8%	MSCI China	11.3	2.7%	
EMBI GD HY	9.76%	-24	555 bps	1.4%	MSCI India	22.8	3.7%	
EMBI HY ex-default	8.05%	-24	385 bps	1.4%	MSCI EM Growth	17.0	3.5%	
CEMBI BD	6.78%	-9	270 bps	0.5%	MSCI EM Value	10.0	3.2%	
CEMBI BD IG	5.59%	-8	152 bps	0.5%	MSCI EM Small Cap	15.0	4.1%	
CEMBI BD HY	8.40%	-10	432 bps	0.5%	MSCI Frontier	9.1	2.9%	

Global Debt	Yield	Change (bp)	Spread	5 day Change	Global Backdrop*	PE 1yr BF	5 day Change	Comments
2yr UST	3.75%	-16	–	0.3%	MSCI ACWI	18.6	3.3%	<ul style="list-style-type: none"> <li>• US Treasury yields bull steepened, while yields in Japan and Germany rose...</li> <li>• ...thus, US investment grade outperformed EU IG.</li> <li>• Commodity prices dropped 4.1% as oil prices plunged 12% post Iran-Israel de-escalation.</li> </ul>
5yr UST	3.83%	-13	–	0.6%	MSCI World (DM)	19.7	3.3%	
10yr UST	4.28%	-10	–	0.9%	S&P 500	22.0	3.5%	
30yr UST	4.84%	-6	–	0.9%	VIX Fut.**	18.9%	-2.3%	
10yr Germany	2.59%	7	–	-1.4%	DXI Index**	97.4	-1.3%	
10yr Japan	1.44%	4	–	0.2%	EUR*	1.172	1.6%	
Global Agg.***	3.50%	-6	32 bps	1.0%	JPY*	144.7	0.9%	
US Agg. IG***	5.06%	-10	80 bps	0.7%	CRY Index**	299.7	-4.1%	
EU Agg. IG***	3.12%	0	80 bps	-0.1%	Brent**	67.8	-12.0%	
US Corp HY***	7.10%	-20	292 bps	0.8%	Gold**	3,274	-2.8%	
EU Corp HY***	5.93%	-11	321 bps	0.1%	Bitcoin**	107,411	6.6%	

Source & Notations: See end of document.

## Global Macro

The de-escalation of the Israel-Iran conflict led to a strong rally for equity markets as oil prices plunged and soft – but not disastrous – economic data led US Treasury yields lower as the curve bull-steepened (front-end yields declined more than back-end yields).

Notably, emerging markets (EM) ex-China equities continued to outperform both US and non-US developed markets. The strong rebound of the S&P 500 from its post-Liberation Day lows means the gap between the EM and US equity performance is much narrower, but it is hard to dispute that non-US equity markets have had significantly better risk-adjusted returns. The S&P 500 180-day realised volatility rose to 21.6% from 10.9% at its lows in July 2024, while the MSCI EM volatility stands at 17.0%, up 11.8% from last year's lows.

The recovery of US stocks is again relatively narrow as most gains have taken place in stocks related to artificial intelligence (further, dealers continue to report increased retail volumes in stock options and levered funds as a red flag). The 'pain trade' may be higher as institutional investors remain overall underweight. The resolution of the trade war as well as the US budget will be the most important macro events of the summer. On the trade war, China confirmed it has reached a deal with the US and US Secretary of Commerce Howard Lutnick said a deal with 10 major countries is likely over the next weeks. The negotiation with the EU is going down to the wire as the 9 July deadline approaches next Wednesday. Market participants have not been focused on trade headlines, so negative surprises could lead to some volatility next week.

In Europe, Germany approved the 2025 budget draft and 2026–2029 fiscal benchmarks. The key highlights are the front-loaded investments with defence and infrastructure amounting to over EUR 200bn in 2025, from below EUR 150bn in 2024. The German budget deficit is forecast to rise above 3% of GDP in 2026. Bund yields moved wider, and the euro was stronger on the news.

The fiscal impulse from Germany and the US rates rally has been a strong factor driving global fixed income returns. The EMBI and CEMBI IG rose 4.7% and 4.0%, respectively, a strong outperformance over both US Agg IG and EU Agg IG, up 3.7% and 0.8%, respectively YTD. The later returns are for the EUR Agg IG index in euros. In USD unhedged terms, the same index rose 14.0%. In this regard, EM local currency (LC) bonds rose an impressive 12% year-to-date, of which 6.4% is down to EM currencies strength, as the dollar continues to weaken regardless of stock and bond market returns and the prevailing events and narrative. EM LC has significantly outperformed major fixed income indices made up exclusively of Dollar assets, and the Bloomberg Global Aggregate Index, up 7.0%, driven by currency contribution of 4.9%, as around 48% of the index comprises non-USD currencies. The winning positions for total return investors have been overweight in US front end rates and EM rates and a short USD against EUR and EM FX.

## EM Asia

### Economic data

Malaysia CPI inflation at slowest in five years. China's industrial profits weak despite better PMI this morning.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	Industrial Profits YTD (YoY)	May	-1.1%	1.0%	1.4%	• Weak industrial profits confirms deflationary wave coming to Asia and World ex-US
	Industrial Profits (YoY)	May	-9.1%	–	3.0%	
Malaysia	CPI (YoY)	May	1.2%	1.4%	1.4%	• Slowest since Feb 21, transport/recreation lower mom.
Philippines	Budget Balance (PHP)	May	-145.2bn	–	67.3bn	• Consumer confidence at four year high up from 93.8 in April, on extra budget, tariff suspension and upcoming election.
	Exports (YoY)	May	15.1%	4.9%	7.6%	
	Trade Balance (USD)	May	-3,290m	-4,050m	-3,973m	
South Korea	Consumer Confidence	Jun	10,870%	–	10,180%	
	Department Store Sales (YoY)	May	2.30%	–	-2.90%	
Taiwan	Unemployment Rate	May	3.3%	3.4%	3.4%	• Manufacturing output still flying, driven entirely by electronics and chips, with many categories declining.
	Industrial Production (YoY)	May	22.6%	18.0%	–	
Thailand	BoT Benchmark Interest Rate	25-Jun	1.75%	1.75%	–	• Forward guidance indicates further cuts possible if growth risks, particularly from tariffs, escalate.
	Gross International Reserves (USD)	20-Jun	258.4bn	–	–	

Source information is at the end of the document.

### Commentary

**China:** Economic activity has been mixed with better purchasing managers' index (PMI) data contrasting with signs of deterioration in the labour market, and no signs of improvement in industrial profits. This morning, the manufacturing PMI rose by 0.2 to 49.7 (49.6 consensus) as the non-manufacturing PMI rose by 0.2 to 50.5 (50.3 est.). The recovering new export orders and shipping data suggest exports may remain resilient in June while the rebound in construction PMI indicates improved infrastructure investment.

**Pakistan:** Foreign exchange (FX) reserves are expected to rebound towards the USD 14bn target after China reportedly refinanced USD 3.4bn in loans. The refinancing follows a sharp dip in reserves to USD 9.1bn due to the repayment of foreign commercial loans.

**Philippines:** The government laid out a clear plan to get its national budget in better shape over the next few years. The goal is to shrink the country's fiscal deficit, the gap between what the government spends and what it collects in revenue, from 5.5% of the total economy in 2025 down to 4.3% by 2028. The strategy relies on a combination of strong economic growth and measures to increase government income. The proposed budget for 2026 reflects this plan, increasing spending by 7.4% based on an optimistic forecast of 6-7% economic growth in the coming years.

**South Korea:** President Lee Jae-myung nominated veteran government official Koo Yun-cheol for the role of Finance Minister. Koo has signalled a focus on real-world issues, including stabilising the cost of living and managing public finances "like a corporation" as key priorities.

## Latin America

### Economic data

Softer data in Mexico, inflation surprised to downside in Brazil again.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	GDP (YoY)	1Q	5.8%	6.1%	2.6%	• Argentina four quarter growth now positive, after strong pick up in domestic demand in Q1.
	Current Account Balance (USD)	1Q	-5,191m	-	1,029m	
Brazil	Current Account Balance (USD)	May	-2,930m	-3,200m	-1,865m	• CA deficit widened, but less than expected, to -3.3% of GDP
	Foreign Direct Investment (USD)	May	3,662m	4,632m	5,491m	• FDI through to May at USD30.9bn, vs USD31.5bn last year.
	IBGE Inflation IPCA-15 (YoY)	Jun	5.27%	5.31%	5.40%	• Second consecutive downside surprise on inflation, due to the first deflation in food prices in ten months.
	IBGE Inflation IPCA-15 (MoM)	Jun	0.26%	0.30%	0.36%	
	FGV Inflation IGPM (MoM)	Jun	-1.7%	-1.0%	-0.5%	• PPI deflation depending bodes well for ongoing CPI decline over the next months.
	FGV Inflation IGPM (YoY)	Jun	4.4%	5.2%	7.0%	
	Tax Collections	May	230,152m	-	-	• Record high tax collections shows the government must control expenditures to balance the budget.
	Central Govt Budget Balance (BRL)	May	-40.6bn	-40.0bn	17.8bn	
	Total Outstanding Loans (BRL)	May	6,653bn	-	6,597bn	
Colombia	Overnight Lending Rate	27-Jun	9.25%	9.25%	9.25%	• BanRep 4-2-1 split for hold-50bps-25bps.
	Urban Unemployment Rate	May	9.0%	8.9%	8.7%	• Board cautious despite easing inflation due to fiscal rule suspension and higher deficit.
	National Unemployment Rate	May	9.0%	-	8.8%	
Mexico	Retail Sales (YoY)	Apr	-2.0%	-0.4%	2.5%	• Retail sales fell more than all estimations, adding to case for further interest rate cuts.
	Economic Activity IGAE (YoY)	Apr	-1.6%	-1.9%	2.5%	
	Bi-Weekly CPI	15-Jun	0.1%	0.1%	0.2%	• Core CPI has risen from around 3.7% in January to 4.2%, with headline higher. Services inflation is running at 4.6%, but has been stable all year, goods inflation has risen from 3.04% in March to 3.84% now.
	Bi-Weekly Core CPI	15-Jun	0.2%	0.2%	0.2%	
	Bi-Weekly CPI (YoY)	15-Jun	4.5%	4.5%	4.6%	
	International Reserves Weekly (USD)	20-Jun	241,300m	-	241,212m	
	Trade Balance (USD)	May	1,029.4m	365.0m	-	
	Overnight Rate	26-Jun	8.0%	8.0%	-	
	Unemployment Rate NSA	May	2.75%	2.59%	-	

Source information is at the end of the document.

### Commentary

**Argentina:** The federal government posted a fiscal surplus of 0.3% of GDP for the first five months of the year, staying on track to meet its annual balanced-budget target. The surplus came despite a 0.2% increase in the unemployment rate to 7.9% in Q1 2025, primarily due to public sector layoffs and weak construction activity, despite an increase in informal private sector jobs. External accounts deteriorated as the current account moved to a USD 5.2bn deficit in Q1 2025, on increased Argentinian tourists spending abroad, driven by a strong real effective exchange rate (REER).

Nevertheless, the country's financial position is still improving slowly. Net reserves plus government FX deposits fell to USD 1.1bn in May due to payments to international financial institutions but rose in June after a USD 2.0bn central bank repo and USD 1.5bn from a bond issuance. In political news, a rally was held for former President Cristina Fernández de Kirchner, who remains a prominent but potentially fading figure while serving a sentence under house arrest.

## Latin America (continued)

**Brazil:** Congress overturned President Lula's IOF tax hike decree, a significant political defeat for the government, signalling strong resistance to future tax increases and putting more pressure on the government to cut spending instead. The government has escalated the fight to the Supreme Court. On the economic front, the central government primary deficit dropped to BRL 40.6bn in May from BRL 60.4bn a year earlier, a cumulative surplus of BRL 32.2bn YTD, driven by higher revenue and lower spending. Credit ratings agency Fitch recently confirmed Brazil's BB rating, acknowledging the country's large and diverse economy but also pointing to its high government debt as a key constraint.

**Chile:** Jeannette Jara, of the Communist Party and a former labour minister, won a decisive primary election victory with over 60% of the vote, easily defeating the more moderate candidate who was favoured to win. This makes Jara the official candidate for the "Unity for Chile" coalition in the November 2025 general election. She will face a tough fight against right-wing contenders who are currently leading in the polls. A major concern for her coalition is the very low voter turnout in the primary – only 9% of eligible voters participated, down sharply from 21% in 2021. Such low participation can be a warning sign of a party's difficulty in mobilising its supporters for the main election.

**Colombia:** Both S&P and Moody's have downgraded the country's debt, citing serious concerns about the government's deteriorating finances and its controversial plan to suspend a key law that limits government borrowing. S&P lowered the hard currency sovereign rating to BB from BB+ with a negative outlook and the local currency rating to BB+ from BBB-, bringing it together with Fitch. The decision knocked Colombia out of the Bloomberg Global Aggregate and the JP Morgan GBI EM GD IG. Analysts estimate the Global Agg. removal will lead to c. USD 3.8bn of outflows. The index removal takes place on the last business day of the month but today is a bank holiday in Colombia. This makes the rebalancing timing uncertain as passive investors dislike front-running index changes. Colombian bonds will leave the GBI EM GD IG only in two months, with a very limited impact due to a much smaller number of investors following it. Moody's downgraded its sovereign debt to Baa3 from Baa2 with a stable outlook. Amid these fiscal troubles, the government's controversial pension reform cleared another procedural hurdle in Congress, though it is not yet law.

**Ecuador:** The unemployment rate ticked up slightly to 4.1% in May. President Daniel Noboa has signalled his intention to strengthen economic and trade ties with China, following the implementation of a new Free Trade Agreement between the two countries earlier this year.

**Mexico:** The central bank cut its main interest rate by half a percentage point to 8.0%. The decision was expected but was not unanimous, with Jonathan Heath, a hawkish board member voting against the cut due to concerns about recent inflation data. In economic news, auto exports, a key driver of its economy, dropped 9% yoy in May, contributing to a slight decline in the country's total exports for the month. In other news, the national banking commission has stepped in to intervene at smaller banks that have been accused of involvement in money laundering.

**Panama:** President José Raúl Mulino took the decisive step of declaring a state of emergency to end disruptive roadblocks set up by striking banana workers. The move, which includes suspending some constitutional guarantees, is aimed at restoring order and ending the economic disruption caused by the protests.

**Peru:** The government announced it expects construction to begin this year on the highly controversial Tía María copper project. The project has faced years of delays due to strong opposition from local communities concerned about its potential environmental impact, but the energy minister has signalled a push to finally move it forward.

## Central and Eastern Europe

### Economic data

All countries vowed to increase defence spending to 5% of GDP by 2035 to comply with NATO's new direction of travel.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Republic	Repurchase Rate	25-Jun	3.50%	3.50%	3.50%	• Central bank sees little room for further cuts in current climate with higher inflation risks. Likely to hold for some time
	GDP (QoQ)	1Q F	0.7%	0.8%	0.8%	
	GDP (YoY)	1Q F	2.4%	2.2%	2.2%	
Hungary	Central Bank Rate Decision	24-Jun	6.50%	6.50%	6.50%	• 9th month hold, CPI to average 4.7% in '25
Poland	Average Gross Wages (YoY)	May	8.4%	8.9%	9.3%	• Wage growth remains strong, which is supporting resilient retail sales growth. However, weak external demand is weighing on industrial output, while strengthening FX also lowers issues in price competitiveness. PLN has rallied 12% YTD, alongside the Euro.
	Sold Industrial Output (MoM)	May	-2.0%	-1.2%	-3.5%	
	Sold Industrial Output (YoY)	May	3.9%	4.6%	1.2%	
	PPI (MoM)	May	-0.2%	-0.2%	-0.3%	
	PPI (YoY)	May	-1.5%	-1.2%	-1.6%	
	Retail Sales (YoY)	May	4.3%	4.7%	7.9%	
	Unemployment Rate	May	5.0%	5.0%	5.2%	

Source information is at the end of the document.

### Commentary

**Czech Republic:** In a major strategic shift, Prime Minister Petr Fiala announced the country is prepared to boost its defence spending to 5% of its economy by 2035 to meet new NATO requirements. The government is making plans to substantially increase its budget deficit for 2026, a move criticised by the opposition party, which is currently leading in the polls. This sets the stage for a dispute over the country's fiscal policy after the next election. The Czech National Bank kept its main interest rate on hold at 3.50%. Against this backdrop, the central bank's Governor stated that inflation pressures remain too high, and has ruled out any further rate cuts until the situation is under control.

**Kazakhstan:** Germany is to cooperate with Kazakhstan on a major airport construction project designed to create a new transit hub between China and Europe. In the energy sector, Kazakhstan's state oil company signed a deal with China's CNOOC to jointly develop a new oil field, with the Chinese company funding the initial exploration work. In other news, the Ministry of Finance raised USD 2.5bn via Eurobonds. High demand allowed for yields of 5.0% for 7-year bonds and 5.5% for 12-year bonds, citing strong economic growth and low debt.

**Poland:** The government has raised about 75% of its 2025 funding needs through bond sales. This gives it flexibility and may even allow it to start pre-funding its needs for 2026. Poland's central bank announced it has completed a major gold-buying programme and now holds the 12th largest national gold stockpile in the world. For consumers, the government extended a cap on household electricity prices through the end of the year, hoping falling wholesale energy costs will allow for stable or even lower prices in 2026.

**Romania:** Former EU Funds Minister Marcel Bolos warned Romania risks losing EUR 7.8 bn in Recovery and Resilience Facility (RRF) funding due to slow reform implementation and fiscal fragility, despite an extended deadline for investments until August 2026. Despite these challenges, President Nicusor Dan stated Romania agreed to a 5%-of-GDP military spending commitment by 2035, noting that earlier achievement dependent on fiscal consolidation. Public trust in both NATO and the EU remains very high, 70% and 62% respectively, among Romanians.

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## Central and Eastern Europe (continued)

**Türkiye:** President Recep Erdoğan claimed US President Donald Trump supports Türkiye rejoining the F-35 fighter jet programme. Indeed, the US Ambassador has signalled that a resolution could be found by the end of the year. This would mark a fresh start after years of disagreement over Türkiye's purchase of the S400 Russian defence system. On the domestic front, the internal power struggle within the main opposition Republican People's Party (CHP) intensified as former leader Kemal Kilicdaroglu reportedly orchestrated "shadow manoeuvres" amid a judicial threat to the party's control, with a court ruling on the party's congress pending.

**Ukraine:** The country's gross external debt has risen to over 100% of its total economy, driven primarily by government borrowing to fund the war effort. President Volodymyr Zelenskyy firmly stated that Ukraine will not accept any ultimatums from Russia and expressed concern that growing tensions in the Middle East could divert international aid and attention away from Ukraine's fight.

**Uzbekistan:** Fitch upgraded Uzbekistan's sovereign rating to BB, from BB- with a stable outlook. The upgrade reflects the country's improved fiscal position, accelerated reform progress and favourable medium-term growth prospects. These include measures to improve the credibility and transmission of monetary policy, advancement of privatisation plans, and enhancing the transparency of public institutions.

## Central Asia, Middle East & Africa

### Economic data

Nigeria current account surplus and Türkiye's tourism arrivals are resilient.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Nigeria	Current Account Balance (USD)	1Q	3.7bn	–	3.8bn	• Driven by lower non-oil imports and higher exports.
South Africa	BER Consumer Confidence	2Q	-10	–	-20	• Soft PPI inflation suggests SARB should be looking to cut rates.
	PPI (YoY)	May	0.10%	0.50%	7.5%	
Türkiye	Foreign Tourist Arrivals (YoY)	May	-1.80%	–	8.0%	• Tourist arrivals softened, but remains close to its historical highs with 5.0m visitors in May boding well for the summer which is likely to peak at c. 7-7.5m visitors in July
	Real Sector Confidence NSA	Jun	100.3	–	101.4	
	Capacity Utilisation	Jun	74.60%	–	75.0%	
	Foreigners Net Stock Invest (USD)	20-Jun	-109m	–	475m	

Source information is at the end of the document.

### Commentary

**Egypt:** Egypt successfully raised USD 1bn by selling an Islamic bond, known as a sukuk, to Kuwait's largest bank. This sale is part of Egypt's strategy to find diverse sources of funding as the proceeds from this new bond will be used to help repay a maturing USD 1.5bn Eurobond, managing the country's debt obligations.

**Gabon:** Fitch has maintained a low CCC rating for the country, pointing to persistent financial challenges and a heavy reliance on volatile oil revenues. Gabon's government pushed back, arguing that the rating agency had overlooked recent political stability and the country's renewed commitment to fiscal reform. Meanwhile, the World Bank also warned of rising fiscal pressures in Gabon due to falling oil revenues and higher government spending.

**Ghana:** The government is set to launch a new "24-hour economy" policy in July, which aims to boost growth and reduce unemployment by improving production and supply chains. Ghana's parliament has approved a debt restructuring deal with its official creditors, which is expected to provide the country with USD 2.8bn in debt relief by 2026, freeing up funds for critical development projects.

**Morocco:** The country has just completed its first deal to package and sell off non-performing loans, creating a new market for what are essentially 'bad' debts. This will allow banks to clean up their balance sheets by offloading risky assets. In other news, the country's central bank surprised markets by keeping its key interest rate on hold, citing global uncertainty but also raising its economic growth forecast for 2025 to a strong 4.6%.

**Nigeria:** The Senate has given state-owned oil company NNPC a 10-day ultimatum to explain enormous discrepancies in its financial accounts, threatening serious consequences if it fails to comply. On the policy front, President Bola Tinubu signed a major tax reform package into law, which includes tax exemptions for low-income individuals and small businesses. He also launched a massive agricultural programme, distributing thousands of pieces of farming equipment with the goal of transforming Nigeria into a global agricultural powerhouse.

**Saudi Arabia:** The International Monetary Fund praised the country for its expanding non-oil sector, low inflation, and record-low unemployment rates among its citizens, all key goals of the Vision 2030 reform plan. The strong labour market is particularly notable for the significant increase in female participation and employment. To further boost its non-oil economy, the government has signed contracts worth nearly USD 600m to privatise cargo terminals at eight of its ports, aiming to attract private investment and enhance its logistics sector.



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## Central Asia, Middle East & Africa (continued)

**Senegal:** The government announced new measures aimed at improving the financial management and governance of its public universities. The goal is to bring more transparency and better budget oversight to the higher education system, hoping to prevent the kind of disruptions that have historically affected the country's academic calendar and social stability.

**South Africa:** The 'Government of National Unity' is showing signs of significant strain. The coalition, formed after the last election, is being tested by deep ideological disagreements. The Democratic Alliance (DA), a key partner, is increasingly challenging the ruling ANC party, and while it has committed to staying in the coalition for now, it is also threatening a no-confidence vote, signalling a period of political instability ahead. In other news, South Africa has secured a USD 1.5bn loan from the World Bank, which will be used for much-needed reforms in the country's struggling energy and logistics sectors.

**United Arab Emirates:** The credit rating agency Fitch affirmed the country's AA- rating with a stable outlook, a high-grade rating that reflects international confidence. Fitch cited the UAE's low government debt, external asset position, and high income per person as key strengths, even as it noted the country's continued dependence on oil and gas revenues.

**Zambia:** The economy continues to show several positive signs. Zanaco Bank is projecting economic growth of 5.0-5.5% for 2025, driven by slowing inflation, a stabilising currency, and good performance in the key mining and agriculture sectors. Inflation fell in June, though it remains above the central bank's target. The government is also benefiting from a new mineral royalty system, which has reportedly caused its earnings from mining companies to surge. However, the severe energy crisis has not been resolved, with the state-owned power utility implementing extreme 'load shedding', cutting electricity to residential customers to just five hours a day due to a power plant shutdown.

## Developed Markets

### Economic data

US data remains soft overall, but hard data came in better than expected.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
<b>Eurozone</b>	Consumer Confidence	Jun F	-15.3	-15.3	-15.3	
<b>Japan</b>	Jobless Rate	May	2.5%	2.5%	2.5%	
	Job-To-Applicant Ratio	May	1.24	1.26	1.26	
	Tokyo CPI (YoY)	Jun	3.1%	3.3%	3.4%	• Softer Tokyo CPI led to lower expectations of rate hikes by the BOJ during the week.
	Tokyo CPI Ex-Fresh Food (YoY)	Jun	3.1%	3.3%	3.6%	
	Retail Sales (YoY)	May	2.20%	2.50%	3.50%	
<b>United States</b>	Existing Home Sales	May	4.03m	3.95m	4.00m	• Housing market softened further with weak prices and volumes across surveys, driven by elevated mortgage rates and house prices.
	FHFA House Price Index (MoM)	Apr	-0.4%	0.0%	0.0%	
	Building Permits	May F	1,394k	1,393k	1,393k	
	New Home Sales	May	623k	693k	722k	
	Pending Home Sales (MoM)	May	1.8%	0.1%	-6.3%	
	Richmond Fed Manufact. Index	Jun	-7	-10	-9	• Manufacturing and consumer surveys softer, but investors are questioning their usefulness due to extreme partisan responses.
	Conf. Board Consumer Confidence	Jun	93	99.8	98.4	
	Chicago Fed Nat Activity Index	May	-0.28	-0.13	-0.36	
	Current Account Balance (USD)	1Q	-450.2bn	-445.5bn	-312.0bn	
	GDP Annualised (QoQ)	1Q T	-0.5%	-0.2%	-0.2%	
	Personal Consumption	1Q T	0.5%	1.2%	1.2%	
	GDP Price Index	1Q T	3.8%	3.7%	3.7%	
	Core PCE Price Index (QoQ)	1Q T	3.5%	3.4%	3.4%	
	Wholesale Inventories (MoM)	May P	-0.30%	0.20%	0.10%	
	Durable Goods Orders	May P	16.4%	8.5%	-6.6%	
	Durables Ex Transportation	May P	0.5%	0.0%	0.0%	
	Initial Jobless Claims	21-Jun	236k	243k	246k	• Labour market still softening, but remains at comfortable levels.
	Continuing Claims	14-Jun	1,974k	1,950k	1,937k	
	Personal Income	May	-0.4%	0.3%	0.7%	
	Personal Spending	May	-0.1%	0.1%	0.2%	
	PCE Price Index (YoY)	May	2.3%	2.3%	2.2%	• Core PCE a bit higher than expected kept Fed hawkish stance.
	Core PCE Price Index (MoM)	May	0.20%	0.10%	0.10%	
	Core PCE Price Index (YoY)	May	2.7%	2.6%	2.6%	
	U. of Mich. Sentiment	Jun F	60.7	60.5	60.5	

Source information is at the end of the document.

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## Developed Markets (continued)

### Commentary

**United States:** US Federal Reserve (Fed) Chair Jerome Powell declined to commit to a July rate cut despite multiple chances during House testimony. He reiterated the Federal Open Market Committee (FOMC) is in no rush to adjust policy, as the US economy remains strong enough to wait for more clarity, stressing the tariff impact is a key uncertainty. Powell has, therefore, contradicted dovish signals from fellow FOMC members Christopher Waller and Michelle Bowman, who are open to cuts in July. Nevertheless, Powell also acknowledged rate cuts could happen “sooner rather than later” if inflation remains contained. His comments, alongside softer data, led the market to price more than 50 basis points (bps) in 2025. There is also increasing pressure from the Trump administration to cut rates as the president recently suggested the Treasury should stop issuing long term debt over the next nine months.

## Benchmark Performance

Emerging Markets	Month to date	Year to date	1 year	3 years	5 years
MSCI EM	6.5%	15.8%	16.3%	9.0%	6.8%
MSCI EM ex-China	7.3%	14.9%	10.4%	12.3%	11.3%
MSCI EMEA	3.1%	14.8%	19.1%	8.8%	5.5%
MSCI Latam	4.7%	28.2%	11.8%	10.2%	10.9%
MSCI Asia	6.9%	15.4%	18.2%	8.7%	6.5%
MSCI China	4.5%	18.2%	34.7%	2.7%	-0.9%
MSCI India	3.6%	6.6%	1.5%	15.4%	18.0%
MSCI EM Growth	7.4%	16.2%	18.4%	8.2%	4.7%
MSCI EM Value	5.5%	15.3%	13.9%	9.8%	9.0%
MSCI EM Small Cap	5.4%	10.4%	8.9%	12.6%	13.8%
MSCI Frontier	5.2%	19.6%	23.3%	10.4%	9.1%
GBI-EM-GD	2.5%	12.0%	13.9%	8.1%	1.8%
GBI-EM China	0.9%	2.6%	6.5%	2.4%	3.9%
EM FX spot	1.7%	6.4%	4.2%	-0.3%	-1.1%
ELMI+ (1-3m NDF)	2.2%	10.4%	11.0%	6.6%	2.7%
EMBI GD	2.1%	5.4%	9.4%	8.3%	1.7%
EMBI GD IG	1.8%	4.7%	5.2%	3.9%	-1.4%
EMBI GD HY	2.5%	6.0%	13.5%	12.8%	5.1%
CEMBI BD	1.3%	3.9%	7.6%	7.4%	3.0%
CEMBI BD IG	1.2%	4.0%	6.7%	5.4%	1.2%
CEMBI BD HY	1.3%	3.8%	8.9%	10.4%	5.4%

Global Backdrop	Month to date	Year to date	1 year	3 years	5 years
MSCI ACWI	4.1%	9.7%	15.5%	16.1%	14.0%
MSCI World (DM)	3.9%	9.0%	15.4%	17.0%	14.9%
S&P 500	4.5%	5.6%	14.1%	18.3%	17.2%
DXY Index**	-1.9%	-10.2%	-8.0%	-2.1%	0.0%
EUR*	3.1%	12.1%	7.5%	1.5%	-0.6%
JPY*	-0.7%	6.8%	6.3%	-6.8%	-8.7%
CRY Index**	3.2%	1.0%	3.2%	1.0%	16.8%
Brent**	6.1%	-9.2%	-21.6%	-16.2%	10.6%
Gold**	-0.5%	24.8%	40.8%	21.5%	13.1%
Bitcoin**	2.7%	14.3%	77%	73.2%	63.7%
1-3yr UST	0.5%	2.8%	5.7%	3.5%	1.3%
3-5yr UST	0.8%	4.2%	6.4%	3.2%	0.1%
7-10yr UST	1.2%	4.9%	5.3%	1.5%	-2.5%
10yr+ UST	1.6%	2.1%	-1.0%	-3.1%	-8.5%
10yr+ Germany	-1.1%	-5.1%	-2.7%	-3.9%	-8.2%
10yr+ Japan	1.3%	-6.4%	-5.6%	-5.7%	-4.9%
Global Agg.***	1.6%	7.0%	8.4%	2.7%	-1.2%
US Agg. IG***	1.2%	3.7%	5.2%	2.8%	-0.8%
EU Agg. IG***	-0.2%	0.8%	4.5%	1.8%	-1.7%
US Corp HY***	1.6%	4.3%	10.1%	9.2%	5.8%
EU Corp HY***	0.2%	2.3%	8.1%	8.6%	4.7%

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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30 June 2025

By Felipe Gomez Bridge, Gustavo Medeiros and Ben Underhill



LatAm was EM's worst performer in 2024, but is rebounding sharply in 2025. Colombia leads YTD gains at 49%, followed by Mexico, Chile, Brazil, and Peru. With elections ahead and market-friendly shifts likely, investors see a cyclical opportunity.

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