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WEEKLY INVESTOR RESEARCH

Ashmore

Geopolitical risks spike again

By Gustavo Medeiros and Ben Underhill

- Israel attacked Iran, targeting its nuclear facilities, scientists, and military.
- Oil prices went up. This should have been positive for the dollar…but wasn't.
- US willing to remove some key trade restrictions for access to Chinese rare earth minerals.
- Inflows of USD 3.8bn to EM debt last week (BAML estimate) was fourth largest ever.
- Chinese retail sales buoyant, trade surplus remains solid despite lower US exports.
- South Korea exports already 15% higher than last June.
- Colombian government suspended fiscal rule (max. 7% deficit) for three years.
- Dovish Mexican central bank signalled 50bps cut this month.
- World Bank approved USD 1.5bn loan to South Africa.
- IMF agreed USD 1bn loan increase to Ecuador.
- Turkish opposition party gained support, leading recent polls with 31.2%.

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Last Week Performance and Comments

EM Debt	Yield	Change (bp)	Spread	5 day Change
GBI-EM GD	6.08%	2	–	0.4%
GBI-EM FX Spot	–	–	–	0.4%
ELMI+	5.67%	-15	–	0.5%
EMBI GD	7.71%	0	324 bps	0.5%
EMBI GD ex-default	7.03%	-6	257 bps	0.5%
EMBI GD IG	5.76%	-6	118 bps	0.6%
EMBI GD HY	9.98%	-4	562 bps	0.4%
EMBI HY ex-default	8.25%	-7	390 bps	0.4%
CEMBI BD	6.88%	-6	264 bps	0.4%
CEMBI BD IG	5.69%	-6	145 bps	0.4%
CEMBI BD HY	8.51%	-5	426 bps	0.4%

EM Equity*	PE 1yr BF	5 day Change
MSCI EM	12.6	0.7%
MSCI EM ex-China	13.3	0.8%
MSCI EMEA	10.7	-0.9%
MSCI Latam	9.5	1.1%
MSCI EM Asia	13.4	0.9%
MSCI China	11.3	0.7%
MSCI India	22.5	-1.6%
MSCI EM Growth	16.8	0.8%
MSCI EM Value	9.9	0.6%
MSCI EM Small Cap	15.0	0.7%
MSCI Frontier	9.4	-0.2%

Comments

- EM debt up 0.4% to 0.6% across asset classes.
- EM equity up 0.7%, outperforming the US, led by Latin America as India underperformed.
- Frontier markets underperformed due to Middle East volatility.

Global Debt	Yield	Change (bp)	Spread	5 day Change
2yr UST	3.95%	-9	–	0.2%
5yr UST	4.00%	-12	–	0.5%
10yr UST	4.40%	-11	–	0.8%
30yr UST	4.90%	-7	–	1.1%
10yr Germany	2.54%	-4	–	0.4%
10yr Japan	1.41%	-4	–	0.1%
Global Agg.***	3.58%	-5	33 bps	0.8%
US Agg. IG***	5.20%	-9	81 bps	0.7%
EU Agg. IG***	3.13%	-2	82 bps	0.1%
US Corp HY***	7.42%	-1	308 bps	0.1%
EU Corp HY***	6.01%	2	324 bps	-0.1%

Global Backdrop*	PE 1yr BF	5 day Change
MSCI ACWI	18.6	-0.2%
MSCI World (DM)	19.7	1.4%
S&P 500	21.8	-0.4%
VIX Fut.**	21.3%	2.7%
DXY Index**	98.2	-1.0%
EUR*	1.155	1.4%
JPY*	144.1	0.6%
CRY Index**	309.9	3.0%
Brent**	74.2	11.7%
Gold**	3,432	3.7%
Bitcoin**	105,018	-2.6%

Comments

- UST yields declined after softer data drove good demand on auctions.
- Oil prices surged 12%, gold rose 3.7% after Israel attacked Iran.
- VIX spiked from 16.5% to 22%, but pulled back this morning to 20%.

Source & Notations: See end of document.

Global Macro

Geopolitics:

The rumours of air strikes by Israel against Iran were proven correct. Tel Aviv launched a barrage of at least 300 missiles and drones targeting Iranian nuclear facilities and military infrastructure as well as Iranian scientists and top military. As in the Israeli attacks on Hezbollah, technology and intelligence were successfully deployed. Ali Shamkhani, a close confidant to Supreme Leader Ali Khamenei and former navy commander and secretary of the Supreme National Council, who was overseeing the nuclear talks with the US, was also killed. Reports that the US blocked Israel from killing Khamenei are part of fog of war (and was implicitly denied by Israel's Prime Minister Benjamin Netanyahu on Fox News).

The timing of the attack was likely motivated by Israel's superior strategic position after "dealing with" Hamas, Hezbollah, and having significantly damaged Iran's defence capabilities last year. Regime changes in Syria and Lebanon not only eliminated threats but allowed for strategic depth with aircraft refuelling over Syrian territory possible.

The key explicit reasons for the Israeli attack were stopping Iran from acquiring nuclear weapons technology and its reported build-up of long-range missiles. Implicitly, Israel is going for regime change ("could be the result of actions" according to Netanyahu) as the magnitude and sophistication of the attack has cornered the Iranian regime, leaving it with no good options to respond or retaliate.

A nuclear deal is clearly off the table, after Trump walked away from the first nuclear deal and Israel killing a key interlocutor for a second one. There were mixed reports on whether the US knew about or approved the attack. The removal of personnel across embassies, including in Baghdad, suggested the US was aware. Nevertheless, the mixed statements from key US leadership following the attack suggests the magnitude and strategic depth of the operation was unclear to the US. While the attack led to an oil price move that was undesirable for US President Donald Trump, Israel may have calculated the US would still support the Jewish state.

All Arab countries, including the UAE, Saudi Arabia, Qatar, and Türkiye denounced the attacks.

The situation remains fluid, but the most relevant risks seem to be Iran doing something desperate. What can it do to increase bargaining power? In our opinion, the most consequential impact on oil prices would come if Iran tried to close the Strait of Hormuz. Nevertheless, this is a very complex task as the Strait is 55-95km wide and most of it is in Oman, not in Iran. Israeli air superiority and the presence of NATO warships in the canal suggests closing the Strait would be short lived.

The muted reaction across asset prices suggests market participants only care in the short term about the disruption to energy supplies or shipping lanes. It has become well known that geopolitical shocks leading to a short-term increase in volatility should be "faded" most of the time. Hence, medium-term risks (including large immigration flows from Iran), and long-term unknown risks have not been reflected in asset prices. Equity investors are also quick to notice that defence spending overrides budgetary constraints and are unwilling to sell assets unless there is a clear disruption to their investment thesis.

Nevertheless, many questions remain. Does Iran already have a nuclear bomb? Will it test or deploy them for deterrence? Will the US get involved if Iran escalates the conflict regionally (including using Houthi proxies)? Will the US tighten oil sanctions to stop even China importing Iran's oil? If yes, will OPEC+ increase production and can it replace the 1.6m barrels that Iran exports daily today (Fig 1)? Will the Iranian people rise against the regime? When? In the absence of regime change and US involvement, can Israel destroy Iran's nuclear enrichment facilities like Fordow? How long before Iran can acquire nuclear weapons? Does Israel have a game plan for the aftermath across (regime change scenarios?

The Dollar: A higher oil price is good for US terms of trade, even if undesirable for the Trump administration as it would stoke inflation at a time when tariffs are biting (late June). Higher oil prices are not good for Europe and Asia. Against this background, the technical position was getting relatively heavy in a few corners of the market ahead of the attack. In currency markets, the dollar was oversold as speculators added short dollar positions betting on a continuous reallocation of capital away from the US. Given the dollar did not manage to rally against this background is very negative for the greenback.

Deutsche Bank noted that pension funds and insurers are still running near historical lows in foreign exchange (FX) hedge ratios. If these ratios begin to rise, it could further weigh on the dollar. BNP Paribas reported that asset allocators in the Eurozone have started reducing dollar allocations, a trend it says is far from complete. The breakdown in correlations between risk assets and the dollar, rate differentials and the dollar, and now oil prices and the dollar, demonstrates that

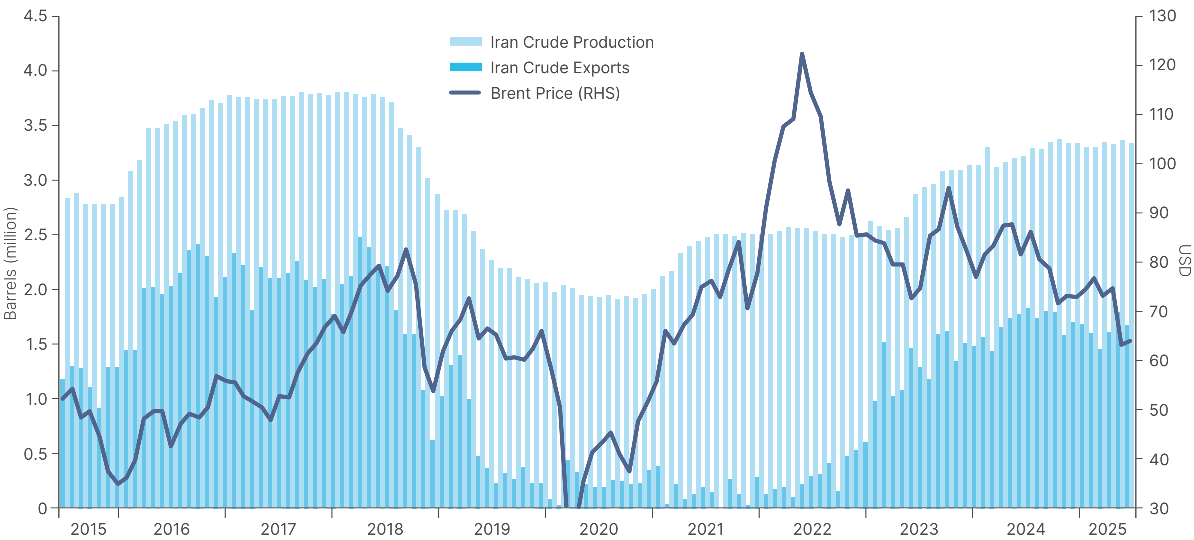
Global Macro (continued)

the USD is no longer just reacting to economic data, commodity prices, or rate expectations, but is entering a new macro regime where unhedged USD assets are quickly losing their appeal.

Commodities: Oil prices spiked 12% last week and are now 15% higher month-to-date, given the now very elevated risk to supply disruptions as conflict between Israel and Iran escalates. Deutsche Bank analysts estimate oil prices at current levels (USD 74) indicate the market is pricing a 50% reduction in Iranian oil output. Iran produces 1.6 million barrels per day of oil but also has the potential to disrupt shipping through the Strait of Hormuz, where around one-third of the global oil and natural gas supply passes through daily. The US implementing further sanctions against Iran could also disrupt supply. However, the current peak of the oil spike at USD 78-70 is relatively benign.

Some analysts estimate that oil could spike to above USD 120 if the Strait of Hormuz was closed, but the risk of this is still considered to be relatively contained. It would be a very difficult operation to carry out and would raise the risk of direct US involvement. The oil market may also, in our view, be discounting a benign outcome where the conflict leads to a regime change in Iran, which in turn leads to a de-escalation of tensions in the Middle East, and a lower geopolitical risk premium. The appetite for the US to implement further sanctions on Iran is also likely low, given the Trump administration's strong wish for low oil prices, and the fact that Iran exports most of its oil to China, with which the US has ongoing trade negotiations. Furthermore, building oil inventories in recent weeks suggests the physical market is now in a surplus, which provides some cushion from the impact of potential supply disruptions.

Fig 1: **Iranian Crude production/exports vs Brent Prices**



Source: Bloomberg.

The European Central Bank (ECB) showed that gold at current levels is now 20% of global FX reserves, overtaking the euro, at 18%.

EM Asia

Economic data

Deflationary pressures remain across Asia, despite solid tech exports and China retail sales.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	PPI (YoY)	May	-3.30%	-3.20%	-2.70%	• PPI deflation deepening points to lower food prices and margin pressures.
	CPI (YoY)	May	-0.10%	-0.20%	-0.10%	
	Exports (YoY)	May	4.8%	6.0%	8.1%	
	Imports (YoY)	May	-3.4%	-0.8%	-0.2%	
	Trade Balance (USD)	May	103.22bn	101.10bn	96.18bn	• Solid trade surplus despite sharp decline in sales to the US. Large increase to South East Asian countries point to re-routing
	Money Supply M2 (YoY)	May	7.9%	8.1%	8.0%	
	Money Supply M1 (YoY)	May	2.3%	1.7%	1.5%	
	Money Supply M0 (YoY)	May	12.1%	–	12.0%	
India	CPI (YoY)	May	2.8%	3.0%	3.2%	• Another downside surprise after large RBI cut.
Indonesia	Foreign Reserves (USD)	May	152.5bn	–	152.5bn	
Malaysia	Foreign Reserves (USD)	30-May	119.6bn	–	119.1bn	• April retail sales down to 15-m low at 3.4% yoy.
	Industrial Production (YoY)	Apr	2.7%	4.0%	3.2%	• IP softer, but manufac. rose 3.2% yoy led by autos.
South Korea	BoP Current Account Balance (USD)	Apr	5,701.7m	–	9,144.6m	• First 10 days of June exports surged by 15% yoy in business days adjusted terms, led by semis.
	Unemployment rate SA	May	2.7%	2.7%	2.7%	
Taiwan	Exports (YoY)	May	38.6%	23.3%	29.9%	• Confirms strong semiconductor momentum
Thailand	Gross International Reserves (USD)	06-Jun	257.7bn	–	257.6bn	
Vietnam	Domestic Vehicle Sales (YoY)	May	4.1%	–	10.2%	

Source information is at the end of the document.

Commentary

China: China's May retail sales were boosted to 6.4% year-over-year by an earlier-than-usual 'online shopping festival', which pulled some demand forward from June to May. Service sector sales were more stable. Infrastructure investment and industrial production were broadly in line with expectations, but housing data disappointed. Deutsche Bank's high-frequency data points to resilience in services and consumption. Investment is expected to rebound on fiscal support, while industrial production may soften The property sector shows renewed weakness, though the government's idle land buyback scheme has accelerated. Exports to the US are set to rebound in June as tariffs have stabilised, for now.

Pakistan: The 2025–26 budget targets a 2.4% primary surplus of GDP, above both last year's 2.2% and the International Monetary Fund (IMF's) forecast of 1.6%. The overall deficit (primary spending balance plus interest costs) is projected to shrink to 3.9% of GDP, helped by a 1.5% drop in interest costs, while revenues are expected to remain largely flat. The budget emphasises revenue mobilisation and spending cuts, including a 14% cut in subsidies, while increasing defence spending by 16.9%.

Philippines: Vice President Sara Duterte is facing an impeachment trial in the Senate. Net foreign direct investment (FDI) inflows contracted 27.8% year-on-year (y/y) in March.

South Korea: Exports rose 15.0% y/y in early June, driven by semiconductors. Strong corporate profitability boosted April tax revenues by 20.1%. President Lee Jae-myung is pushing a pro-business agenda, including deregulation and a dividend tax cut. The Bank of Korea signalled a cautious easing path, warning against over-reliance on stimulus amid a growth slowdown.

EM Asia (continued)

Sri Lanka: Electricity tariffs were raised by 15% to meet IMF cost-recovery requirements, which are essential to unlocking the next loan tranche.

Taiwan: May exports surged 38.6% y/y, up from 29.9% in April and far above the 23.3% consensus. The trade surplus hit USD 12.6bn as imports rose 25.0%. Technology exports soared 60.6% y/y, while non-tech export growth slowed to 0.4%. US-bound exports jumped 87.4% y/y, ASEAN-bound 52.3%. Export growth was driven by frontloaded orders during the tariff reprieve and concerns over further tech restrictions on China. The recent TWD appreciation may begin to weigh on non-tech exports.

Latin America

Economic data

Softer inflation in Argentina, Brazil, and Colombia. Temporarily higher in Mexico.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	National CPI (MoM)	May	1.5%	2.0%	2.8%	• Lowest inflation in five years, led by transport and food, equivalent to 19.5% yoy. Consolidates Milei's popularity.
	National CPI (YoY)	May	43.5%	44.6%	47.3%	
Brazil	FGV CPI IPC-S	07-Jun	0.4%	–	0.3%	• 2nd consecutive month of softer than est. inflation.
	IBGE Inflation IPCA (YoY)	May	5.32%	5.39%	5.53%	• Leaves real policy rates close to 10%. Decline in sales of items sensitive to rates suggests end of tightening cycle.
	IBGE Inflation IPCA (MoM)	May	0.26%	0.32%	0.43%	
	Retail Sales (MoM)	Apr	-0.4%	-0.5%	0.8%	• Led by clothing, food, pharma, furniture & white goods.
	Retail Sales (YoY)	Apr	4.8%	3.6%	-0.8%	• Broad retail sales (+vehicles, construction) -1.7% yoy.
Chile	Trade Balance (USD)	May	1,517m	1,600m	1,923m	
Colombia	CPI (MoM)	May	0.32%	0.39%	0.66%	• Softer inflation supports further moderate easing.
	CPI (YoY)	May	5.05%	5.12%	5.16%	• Main concern remains fiscal policy dynamics.
	Consumer Confidence Index	May	-3.8	-8.2	-8.6	
	Retail Sales (YoY)	Apr	11.4%	8.4%	12.7%	
	Manufacturing Production (YoY)	Apr	-3.3%	-0.8%	4.9%	
Mexico	CPI (MoM)	May	0.28%	0.24%	0.33%	• Modest upside surprise on inflation unlikely to change monetary policy direction of travel. Nevertheless, economists expect inflation to decline again within the next months.
	CPI Core (MoM)	May	0.30%	0.27%	0.49%	
	CPI (YoY)	May	4.42%	4.38%	3.93%	
	Bi-Weekly CPI	31-May	0.19%	0.11%	0.09%	
	Bi-Weekly Core CPI	31-May	0.15%	0.10%	0.16%	
	Bi-Weekly CPI (YoY)	31-May	4.62%	4.53%	4.22%	
	International Reserves Weekly (USD)	06-Jun	240,443m	–	239,982m	
	Industrial Production NSA (YoY)	Apr	-4.0%	-3.5%	1.9%	
Peru	Reference Rate	12-Jun	4.5%	4.5%	4.5%	• Board moved to a data dependent stance.

Source information is at the end of the document.

Commentary

Argentina: Core inflation in May eased to 2.2% month-on-month (m/m) from 3.2% in the prior two months. Regulated prices rose 1.3%, seasonal goods prices fell 2.7%, and key items like transport (+0.4%) and food (+0.5%) showed subdued price gains. Housing rose 2.4%. The Supreme Court upheld Cristina Kirchner's six-year prison sentence and lifetime political ban; she has requested house arrest. The government is offering ARS bonds to offshore investors to boost FX reserves, while removing minimum stay periods for non-residents buying six-month+ Treasury notes in primary auctions. The IMF is expected to approve a USD 2bn disbursement despite missed targets.

Brazil: Revenue boosting measures proposed by the government are seen as inadequate to meet fiscal targets, increasing friction between the executive branch and Congress, which is blocking any tax hikes, and pushing for spending cuts. The 2025 harvest forecast was revised up to a record 13.6% annual growth. Former President Jair Bolsonaro adopted a more conciliatory tone during his first Supreme Court hearing related to the alleged 2022 coup plot.

Colombia: The government suspended the fiscal rule for three years, allowing the 2025 deficit to exceed 7% of GDP, raising the risk of a credit rating downgrade. President Gustavo Petro escalated political tensions, threatening to call a

Latin America (continued)

Constituent Assembly if Congress blocks his reform agenda. Security risks are rising after a wave of deadly terrorist attacks by FARC dissidents in the southwest.

Ecuador: IMF staff agreed to increase financial assistance by USD 1bn. Further multilateral support is expected once the IMF board gives formal approval.

Mexico: Dovish Banxico board members are leaning toward a 50 basis points (bps) rate cut on 26 June, despite a higher May inflation print and dissent from hawkish members. Governor Victoria Rodríguez and members Galia Borja Gómez and José García are seen as backing the move. Deputy Governor Jonathan Heath opposes the cut, warning of the absence of a clear disinflation trend at this stage, and doubts convergence to the 3.0% consumer price index (CPI) inflation target by Q3 2026. Heath may be the lone dissent in a 4-1 vote. The government is close to a deal with the US on a volume-based exemption from the 50% tariff on Mexican steel. However, tensions remain over US demands to prosecute cartel-linked politicians, which Mexico denies.

Panama: President José Raúl Mulino ordered security forces to lift road blockades by striking banana workers in Bocas del Toro after a legislative agreement was reached with union leaders.

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Central and Eastern Europe

Economic data

Romania data points to severe challenges ahead.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Republic	CPI (MoM)	May F	0.5%	0.5%	0.5%	
	CPI (YoY)	May F	2.4%	2.4%	2.4%	
	Current Account Monthly (CZK)	Apr	14.40bn	31.00bn	33.02bn	• Good surplus led CA lower to 1.6% of GDP.
Hungary	CPI (MoM)	May	0.20%	0.00%	0.20%	
	CPI (YoY)	May	4.4%	4.3%	4.2%	
Poland	CPI (MoM)	May F	-0.2%	–	-0.2%	• Fuel price declined 11.4% yoy.
	CPI (YoY)	May F	4.0%	–	4.1%	• Trade balance swung to EUR 941m deficit in April from EUR 745m surplus on the prior year.
	Current Account Balance (EUR)	Apr	-374m	-835m	-1,419m	
Romania	Trade Balance (EUR)	Apr	-3,141.0m	–	-2,845.8m	• Export slowdown drove a 21% yoy increase on trade deficit.
	CPI (MoM)	May	0.5%	0.4%	0.1%	
	CPI (YoY)	May	5.5%	5.3%	4.9%	• Weaker RON pressured food inflation.
	Industrial Output (YoY)	Apr	-2.4%	-4.6%	-6.3%	• External debt rose by EUR 3.7bn (+1.8%) to EUR 209bn (55% GDP) in April.
	Current Account (YTD) (EUR)	Apr	-10,103m	–	-7,656m	

Source information is at the end of the document.

Commentary

Czech Republic: The main opposition party triggered a no-confidence vote against the government, but the ruling coalition is expected to survive the motion.

Poland: A member of the central bank's monetary policy committee signalled the likely start of an easing cycle, suggesting a 25bps rate cut in July or September, as inflation has surprised to the downside in recent readings.

Romania: Inflation accelerated to 5.45% y/y in May, above expectations, which will likely keep the central bank on hold. Governor Mugur Isărescu has warned on rising debt sustainability risks. Gross external debt rose 1.8% m/m in April, driven by public sector borrowing.

Ashmore

Central Asia, Middle East & Africa

Economic data

Türkiye's softer activity shows tight policy bite.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Saudi Arabia	GDP Constant Prices (YoY)	1Q F	3.4%	–	3.4%	
	Manufacturing Prod NSA (YoY)	Apr	-6.3%	-4.5%	-1.2%	
	Manufacturing Prod SA (MoM)	Apr	1.9%	0.9%	-2.5%	
Türkiye	Industrial Production (MoM)	Apr	-3.1%	–	3.4%	• Seasonally ajusted IP weak, driven by durable consumer goods, which is more affected by elevated interest rates.
	Industrial Production (YoY)	Apr	3.3%	–	7.5%	
	Foreigners Net Stock Invest (USD)	05-Jun	51m	–	93m	

Source information is at the end of the document.

Commentary

Egypt: Remittances surged 55% y/y to a record USD 3.4bn in March following the March FX liberalisation. Foreign holdings of Egyptian T-bills climbed to USD 38.5bn by end-March.

Kenya: The central bank cut the benchmark rate to 9.75%, slightly above the consensus estimate of 9.50%.

Morocco: Q1 manufacturing output rose 3.2% y/y, led by autos (+12.7%) and mining (+10.8%).

Nigeria: A proposed USD 5bn oil-backed loan from Saudi Aramco faces hurdles after crude prices fell, raising repayment concerns. The Q1 trade surplus reached NGN 5.2trn amid lower imports and stronger exports, but oil dependence remains high. President Bola Tinubu is consolidating political power as opposition defections continue.

Saudi Arabia: India has launched construction of a USD 5.5bn, 1,700km undersea power cable to Saudi Arabia, strengthening bilateral energy ties.

South Africa: The World Bank approved a USD 1.5bn budget support loan to help address the energy and logistics infrastructure crisis. Moody's affirmed the Ba2 credit rating, but expects only modest reform progress in the medium term amid political and structural challenges.

Türkiye: Finance Minister Mehmet Şimşek celebrated the smooth unwinding of the FX-protected deposit (KKM) scheme. Opposition party CHP is leading the polls at 31.2%, as dissatisfaction with the government's moves against Istanbul municipality grows. Türkiye secured a USD 10bn defence export deal with Indonesia for 48 Kaan fighter jets.

United Arab Emirates: Abu Dhabi's luxury real estate market continues to boom, with USD 1.7bn in sales through April driven by branded residence demand.

Ashmore

Developed Markets

Economic data

Softer data in the US.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Japan	GDP SA (QoQ)	1Q F	0.0%	-0.2%	-0.2%	
	GDP Annualised SA (QoQ)	1Q F	-0.2%	-0.7%	-0.7%	
	GDP Deflator (YoY)	1Q F	3.3%	3.3%	3.3%	
	BoP Current Account Balance (JPY)	Apr	2,258.0bn	2,596.4bn	3,678.1bn	
	PPI (YoY)	May	3.2%	3.50%	4.1%	• Lower PPI and economic activity keeps Bank of Japan dovish stance in play, lead to postponed hikes.
	Industrial Production (MoM)	Apr F	-1.1%	–	-0.9%	
	Industrial Production (YoY)	Apr F	0.5%	–	0.7%	
	Tertiary Industry Index (MoM)	Apr	0.3%	0.2%	-1.0%	
UK	Average Weekly Earnings (3M/YoY)	Apr	5.3%	5.5%	5.6%	
	ILO Unemployment Rate 3Mths	Apr	4.6%	4.6%	4.5%	
	Claimant Count Rate	May	4.5%	–	4.4%	
	Jobless Claims Change	May	33.1k	–	-21.2k	• UK payrolls at negative levels since Nov-'24 (7-mths).
	Industrial Production (MoM)	Apr	-0.6%	-0.5%	-0.7%	• Some economists point out to companies increasing outsourced workers/jobs in lieu of formal employment.
	Industrial Production (YoY)	Apr	-0.3%	-0.2%	-0.7%	
	Manufacturing Production (MoM)	Apr	-0.9%	-0.7%	-0.8%	
United States	Wholesale Inventories (MoM)	Apr F	0.2%	0.0%	0.0%	
	MBA Mortgage Applications	6-Jun	12.5%	–	-3.9%	
	CPI (MoM)	May	0.1%	0.2%	0.2%	• Softer PPI and CPI bodes well for the Core PCE.
	CPI Ex Food and Energy (MoM)	May	0.1%	0.3%	0.2%	• Both CPI and PPI below 2% on a 3-month moving avg. basis.
	CPI (YoY)	May	2.4%	2.4%	2.3%	
	CPI Ex Food and Energy (YoY)	May	2.8%	2.9%	2.8%	
	PPI Final Demand (MoM)	May	0.1%	0.2%	-0.2%	
	PPI Final Demand (YoY)	May	2.6%	2.6%	2.5%	
	PPI Ex Food and Energy (YoY)	May	3.0%	3.1%	3.2%	
	Federal Budget Balance	May	-316bn	-314bn	-347.1bn	
	Initial Jobless Claims	07-Jun	248k	242k	248k	• Employment data still softening, but not fast enough to ignite recession fears.
	Continuing Claims	31-May	1,956k	1,910k	1,902k	
	U. of Mich. Sentiment	Jun P	60.5	53.6	52.2	

Source information is at the end of the document.

Commentary

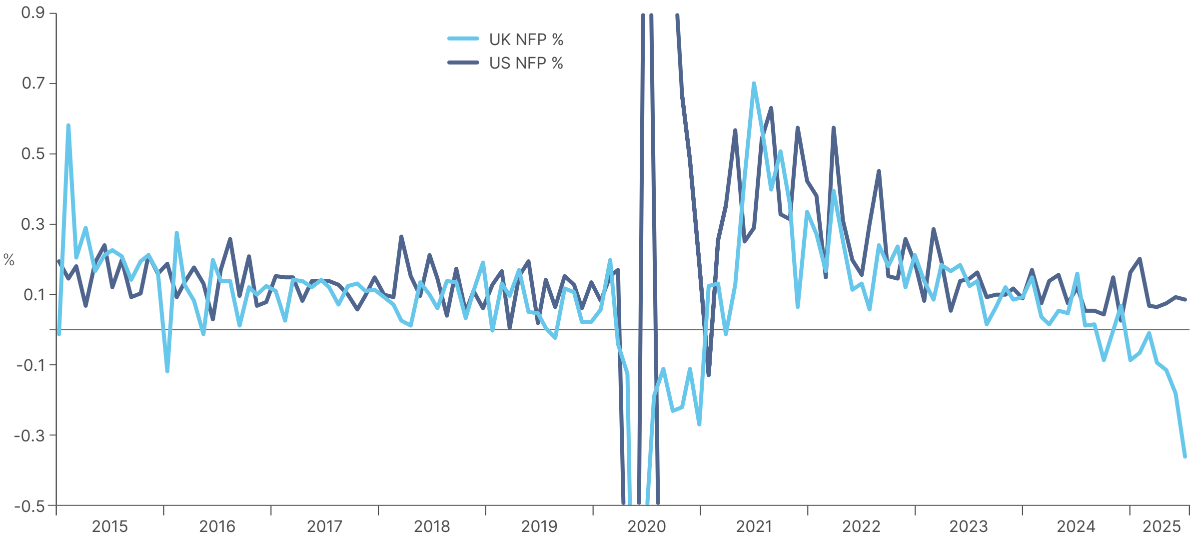
Japan: Confusion arose after Reuters reported the government might buy back super-long Japanese Government Bonds (JGBs), later denied. Volatility in JGBs is currently high, with rising yields and weak auction demand. 30-year and 40-year JGBs have hit decade highs as life insurers and banks pull back and the Bank of Japan (BOJ) tapers purchases. Japan's Finance Minister Katsunobu Kato will consult with bond market participants on 20 and 23 June, after the next BOJ meeting, to align any debt management strategy with investor expectations. Limited buybacks could begin in July, but

Developed Markets (continued)

regular or large-scale operations would need extra budget approval. Domestic investors still prefer JGBs over foreign bonds, while USD-hedged yields on 30-year JGBs at 7.0% are now at attractive levels for foreign investors.

United Kingdom: Payrolls fell by 109k vs. -22k expected, with the prior month revised to -55k. Since October, total job losses amount to 276k (~1% of the workforce). Economists cited tax hikes and non-dom changes as drivers. The historical correlation with US payrolls suggests this trend should be watched closely.

Fig 2: **Payrolls as % of active labour force: US vs. UK**



Source: Bloomberg.

United States: Trump again criticised US Federal Reserve (Fed) Chair Jerome Powell, fuelling speculation about his successor. Fed Governor Adriana Kugler will leave in January 2026, and Powell's term ends in May 2026. Possible replacements include Kevin Warsh, Kevin Hassett, Chris Waller, and Scott Bessent. Markets may react with further curve steepening on expectations of a more dovish successor.

Benchmark Performance

Emerging Markets	Month to date	Year to date	1 year	3 years	5 years
MSCI EM	3.0%	13.4%	13.4%	8.3%	6.4%
MSCI EM ex-China	3.0%	8.2%	8.2%	10.1%	10.4%
MSCI EMEA	0.5%	19.1%	19.1%	7.7%	4.7%
MSCI Latam	2.9%	11.7%	11.7%	8.7%	9.3%
MSCI Asia	3.3%	14.4%	14.4%	8.2%	6.2%
MSCI China	3.1%	29.1%	29.1%	4.8%	-0.5%
MSCI India	-0.2%	-0.1%	-0.1%	13.9%	18.1%
MSCI EM Growth	3.5%	14.6%	14.6%	7.5%	4.5%
MSCI EM Value	2.5%	12.0%	12.0%	9.0%	8.5%
MSCI EM Small Cap	2.5%	6.2%	6.2%	11.1%	13.4%
MSCI Frontier	2.0%	18.4%	18.4%	8.8%	8.6%
GBI-EM-GD	1.2%	12.2%	12.2%	7.9%	1.3%
GBI-EM China	0.5%	6.5%	6.5%	2.2%	3.7%
EM FX spot	1.0%	2.8%	2.8%	-0.5%	-1.5%
ELMI+ (1-3m NDF)	1.1%	9.5%	9.5%	6.5%	2.4%
EMBI GD	1.0%	7.9%	7.9%	7.8%	1.7%
EMBI GD IG	0.9%	4.2%	4.2%	3.8%	-1.3%
EMBI GD HY	1.0%	11.6%	11.6%	12.0%	4.9%
CEMBI BD	0.5%	6.9%	6.9%	6.8%	3.0%
CEMBI BD IG	0.4%	5.9%	5.9%	5.0%	1.2%
CEMBI BD HY	0.6%	8.5%	8.5%	9.3%	5.5%

Global Backdrop	Month to date	Year to date	1 year	3 years	5 years
MSCI ACWI	1.2%	6.6%	12.9%	16.1%	13.3%
MSCI World (DM)	2.1%	7.2%	13.7%	16.0%	14.5%
S&P 500	1.2%	2.2%	11.5%	18.6%	16.2%
DXY Index**	-1.2%	-9.5%	-6.7%	-2.2%	0.2%
EUR*	1.7%	10.6%	5.7%	1.5%	-0.9%
JPY*	-0.2%	7.3%	4.1%	-6.9%	-8.5%
CRY Index**	6.7%	4.4%	5.4%	-0.8%	17.9%
Brent**	16.2%	-0.5%	-10.3%	-15.3%	13.9%
Gold**	4.4%	30.8%	49.3%	23.3%	14.7%
Bitcoin**	0.5%	11.8%	61%	67.2%	62.0%
1-3yr UST	0.0%	2.3%	5.2%	3.5%	1.2%
3-5yr UST	-0.1%	3.3%	5.4%	3.3%	0.0%
7-10yr UST	0.0%	3.7%	3.8%	1.7%	-2.7%
10yr+ UST	0.3%	0.9%	-2.5%	-3.1%	-8.4%
10yr+ Germany	0.1%	-3.9%	-0.6%	-3.8%	-7.7%
10yr+ Japan	1.2%	-6.5%	-7.5%	-6.1%	-5.0%
Global Agg.***	0.7%	6.1%	6.9%	2.8%	-1.4%
US Agg. IG***	0.2%	2.7%	4.0%	2.8%	-0.9%
EU Agg. IG***	-0.1%	0.8%	4.7%	2.1%	-1.6%
US Corp HY***	0.5%	3.2%	8.8%	8.9%	5.5%
EU Corp HY***	0.2%	2.3%	8.1%	7.9%	4.8%

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

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