EM assets resilient as US stocks enter technical correction

By Gustavo Medeiros and Ben Underhill

- US stocks now in a technical correction, Bessent unfazed.
- ECB officials say uncertainty now higher than during Covid.
- US and Ukraine agreed terms for a 30-day ceasefire proposal, discussion with Russia expected this week.
- Massive anti-authoritarian protests in Eastern Europe.
- Chinese consumption stimulus plans continue to develop.
- Mexico retaliation against US steel and aluminium tariffs delayed until 2 April.
- Moody's revised Romania outlook to negative from stable.
- IMF approved the fourth review of Egypt's EFF programme.
- S&P upgraded Saudi Arabia's credit rating from A to A+.

Contents	Page

Last Week Performance and Comments

EM Debt	Yield	Change (bp)	Spread	5 day Change
GBI-EM GD	6.35%	-1	–	0.3%
GBI-EM FX Spot	–	–	–	0.1%
ELMI+	6.44%	2	–	0.1%
EMBI GD	7.69%	0	334 bps	-0.2%
EMBI GD ex-default	7.04%	10	268 bps	-0.2%
EMBI GD IG	5.74%	5	131 bps	-0.3%
EMBI GD HY	9.97%	5	569 bps	-0.1%
EMBI HY ex-default	8.28%	14	399 bps	-0.1%
CEMBI BD	6.77%	5	254 bps	-0.1%
CEMBI BD IG	5.62%	4	139 bps	-0.1%
CEMBI BD HY	8.33%	6	409 bps	-0.1%

EM Equity*	PE 1yr BF	5 day Change
MSCI EM	12.2	-0.7%
MSCI EM ex-China	12.5	-1.0%
MSCI EMEA	10.7	0.3%
MSCI Latam	8.7	3.3%
MSCI EM Asia	12.9	-1.4%
MSCI China	11.6	-0.1%
MSCI India	19.9	-1.1%
MSCI EM Growth	17.1	-1.2%
MSCI EM Value	9.3	-0.3%
MSCI EM Small Cap	13.3	-1.3%
MSCI Frontier	9.1	-0.4%

Comments

- EM local currency bonds outperformed global bonds for another week, returning 0.3%.
- EM USD sovereign down 0.2%, corporate -0.1%; both outperforming global benchmarks.
- EM stocks outperformed, but tempered gains by -0.7%, with LatAm stocks returning 3.3%.

Global Debt	Yield	Change (bp)	Spread	5 day Change
2yr UST	4.01%	13	–	0.0%
5yr UST	4.08%	11	–	0.1%
10yr UST	4.30%	8	–	0.1%
30yr UST	4.61%	7	–	0.1%
10yr Germany	2.88%	4	–	-1.2%
10yr Japan	1.51%	-7	–	-0.5%
Global Agg.***	3.70%	2	34 bps	-0.2%
US Agg. IG***	5.24%	6	88 bps	-0.1%
EU Agg. IG***	3.40%	6	82 bps	-0.2%
US Corp HY***	7.59%	29	321 bps	-0.7%
EU Corp HY***	6.23%	21	325 bps	-0.5%

Global Backdrop*	PE 1yr BF	5 day Change
MSCI ACWI	17.6	-1.8%
MSCI World (DM)	18.5	-2.0%
S&P 500	20.5	-2.2%
VIX Fut.**	22.4%	-2.6%
DXY Index**	103.8	-0.1%
EUR*	1.088	0.5%
JPY*	148.9	-1.1%
CRY Index**	302.7	-0.1%
Brent**	71.0	2.5%
Gold**	2,991	3.6%
Bitcoin**	82,997	1.4%

Comments

- UST curve bear flattened, with yields rising across the curve.
- US stocks sold off another 2.2% during the week, moving into correction territory.
- Gold rose 3.6%, touching USD3,000 for the first time.

Source & Notations: See end of document.

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Global Macro

After a 2% recovery on Friday, the S&P 500 was still down 2.2% last week, having slipped into technical correction (over 10% below recent highs). Gold passed USD 3,000 for the first time in the same week, illustrative of investors' increasing nerves over stocks and bonds. However, US Treasury Secretary Scott Bessent was unphased. "I've been in the investment business for 35 years, and I can tell you that corrections are healthy. They're normal. What's not healthy is straight up" he told NBC News. "You get these euphoric markets. That's how you get a financial crisis. I'm not worried about the markets. Over the long term, if we put good tax policy in place, deregulation and energy security, the markets will do great." Bessent added the US needed to be weaned off "massive government spending."

In our view, the main driver behind the recent market sell-off was the mismatch between overly optimistic valuations and underpriced negative risks in the US economy. Markets entered 2025 with excessive optimism, evident through elevated S&P valuations, historically high exposure of global investors to US equities, and substantial short positions on volatility by hedge funds. Such positioning left the market vulnerable to uncertainty and headline risks stemming from tariffs, immigration, government policy (DOGE) and geopolitics.

Despite this repricing of negative risks, we believe the DOGE initiative, while likely to slow US economic growth at the margin, will not be disruptive enough to trigger a recession. DOGE is powerful symbolically and is making notable cuts to the government payroll and other areas, however the substantial spending cuts will come through Congress, not through Elon Musk. Additionally, the most aggressive US tariff proposals are unlikely to materialise fully, with the strength of the Mexican peso (MXN) serving as an indicator that markets share this view and are looking through tariff-related noise. Geopolitical anxiety, particularly following the US withdrawal from its traditional stabilising role in Europe, also is contributing significantly to market concerns. However, Europe's policy response – particularly Germany's historic fiscal expansion following internal political shifts – is likely to drive stronger European growth. This increased European spending may ultimately help establish a more balanced and sustainable global equilibrium in the long term. China is also pushing through incremental fiscal stimulus with the leadership signalling more significant measures over the next months. The notable divergence between US and European/Chinese policy (fiscal restraint in the former and expansion in the latter) against a backdrop of very divergent asset prices and positioning (overextended in the US vs. light in Europe/China/EM) justified the price action and suggests more legs to come.

In short, while markets remain sensitive to short-term policy noise and geopolitical uncertainty, coincident economic indicators suggest underlying resilience. DOGE's economic impact should remain moderate, extreme tariff scenarios (25+% tariffs on a broad range of goods from key trade partners) remain unlikely in our view, and still a negotiation mechanism. Europe's newfound fiscal initiatives could eventually offset some geopolitical concerns by fostering a healthier global balance of power.

Last week the US senate passed stopgap funding, preventing a government shutdown. The vote was 54-46 in favour as two Democrats joined all but one Republican for the measure. Senate Minority Leader Chuck Schumer said a shutdown would be worse than passing the six-month GOP bill, giving Donald Trump, Musk and DOGE more power to make government cuts freely.

Trump imposed a 25% tariff on global steel and aluminium imports, with no exemptions. This prompted retaliatory measures, with Canada announcing a 25% tariff on USD29.7bn worth of exports, with Finance Minister Dominic LeBlanc calling tariffs "completely unjustified, unfair and unreasonable."

ECB: The European Central Bank (ECB) Governing Council member Francois Villeroy de Galhau said US crypto support was sowing the seed for a future financial shock. "Financial crises often originate in the United States and spread to the rest of the world. By encouraging crypto-assets and non-bank finance, the American administration is sowing the seeds of future upheavals." Villeroy added that there was no risk of a banking crisis in the EU bloc. Separately, Villeroy said that the euro should take on a more important role internationally and that Europe needs to "build a powerful savings and investment union, capable of attracting international investors to our currency."

ECB Vice-resident Luis Guindos said uncertainty is now higher than during Covid, given US policy. On the economy: "Wages have increased, inflation is declining, interest rates are coming down and financing conditions are better," Guindos said. "But still, the reality is that consumption is not picking up…the possibility of a trade war or wider geopolitical conflict has an impact on consumer confidence."

Global Macro (continued)

Geopolitics:

The US and Ukraine agreed to a 30-day ceasefire proposal, aiming to de-escalate ongoing conflicts, with discussions involving Russia anticipated. Russia is yet to agree. Donald Trump says he and Vladimir Putin will discuss "land" and "power plants" when they hold Ukraine peace talks on Tuesday. "We're already talking about that, dividing up certain assets," he says, and on the chances of ending the war, Trump says: "Maybe we can, maybe we can't. But I think we have a very good chance."

Oil prices rose USD 2 per barrel after the US conducted airstrikes against Yemen's Houthi rebels in response to attacks on shipping routes.

Massive protests in Budapest and Belgrade yesterday. In Budapest, tens of thousands rallied against Prime Minister Viktor Orbán's 15-year rule, supporting the opposition Tisza Party led by Péter Magyar, who advocates for Hungary's integration into a strong Europe and challenges Orbán's stance against EU membership for Ukraine. Belgrade witnessed one of its largest ever anti-corruption rallies, with over 100k participants demanding accountability following a deadly train station canopy collapse in Novi Sad, attributed to government negligence and corruption. A common theme in both protests is public dissent against perceived corruption and authoritarianism, with demonstrators advocating for greater transparency, democratic reforms, and alignment with European standards.

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EM Asia

Economic data

India's CPI declined as industrial production rose.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
China	Money Supply M2 (YoY)	Feb	7.0%	7.0%	7.0%	• Loan growth at a record low, due to weak demand. Money supply growth still sluggish.
	FDI YTD (YoY) (CNY)	Feb	-20.4%	–	-13.4%	
India	Industrial Production (YoY)	Jan	5.0%	3.5%	3.5%	• CPI below target, with a significant drop in food inflation lowering price pressures.
	CPI (YoY)	Feb	3.6%	4.0%	4.3%	
Malaysia	Industrial Production (YoY)	Jan	2.1%	2.7%	4.6%	
South Korea	Unemployment rate SA	Feb	2.7%	3.0%	2.9%	• Drop on government job support schemes, private sector job market remains fragile.
	Exports 10 Days (YoY)	Mar	2.9%	–	0.8%	
Vietnam	Domestic Vehicle Sales (YoY)	Feb	71.5%	–	-6.1%	• YoY jump on low base effect. Sales subdued.

Source information is at the end of the document.

Commentary

China: Mixed start to 2025: Retail sales suggested a modest boost in consumer spending and industrial production was above consensus. However, the unemployment rate climbed to a two-year high at 5.4%, and the property sector struggles on, with real estate investment down 9.8% in the first two months.

The Chinese government unveiled a plan to "vigorously boost" domestic consumption, focusing on raising incomes, stabilising the housing and stock markets, and improving medical and pension services. This initiative aims to counteract weak consumer confidence and deflationary pressures in the economy. Additionally, ANZ revised its 2025 GDP growth forecast for China upward to 4.8% from 4.3%, citing positive momentum in the official economic data from the first two months of the year.

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Latin America

Economic data

Inflation still declining in Argentina.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Argentina	National CPI (MoM)	Feb	2.4%	2.3%	2.2%	• Services CPI down to a 3yr low of 3.1% mom, key to limit further ARS REER appreciation.
	National CPI (YoY)	Feb	66.9%	66.8%	84.5%	
Brazil	FGV Inflation IGP-DI (MoM)	Feb	1.0%	1.2%	0.1%	
	Industrial Production (YoY)	Jan	1.4%	2.3%	1.4%	
	IBGE Inflation IPCA (YoY)	Feb	5.1%	5.1%	4.6%	• Electricity prices rose after three monthly declines due to the end of the Itaipu bonuses.
	IBGE Inflation IPCA (MoM)	Feb	1.3%	1.3%	0.2%	
	Total Outstanding Loans (BRL)	Jan	6,462bn	–	6,459bn	• Inflation should gradually slow over the next months, but expectations remain unanchored.
	Net Debt % GDP	Jan	60.8%	61.0%	61.1%	
	Retail Sales (YoY)	Jan	3.1%	3.5%	2.0%	• Below est. but rose in yoy terms for the 20th month, despite three declines in mom terms.
	Retail Sales (MoM)	Jan	-0.1%	0.1%	-0.1%	
Colombia	Retail Sales (YoY)	Jan	10.2%	6.8%	7.8%	• Sales increased yoy for 18 of the 19 categories led by vehicles and consumer electronics.
	Consumer Confidence Index	Feb	-12.00	–	-1.10	
	Manufacturing Production (YoY)	Jan	1.9%	1.5%	1.9%	
Ecuador	CPI (YoY)	Feb	0.3%	–	0.3%	• Inflation still tepid, despite slight rebound in consumption after power cuts ended in Dec.
	Trade Balance	Jan	714.8m	–	672.6m	
Mexico	Industrial Production NSA (YoY)	Jan	-2.9%	-1.7%	-2.7%	• Widespread IP decline with rapid weakening of mining and a slight rebound on construction.
	International Reserves Weekly (USD)	7-Mar	235,940m	–	234,347m	
Peru	Reference Rate	13-Mar	4.75%	4.75%	4.75%	• Easing inflation and high global uncertainty.

Source information is at the end of the document.

Commentary

Argentina: Ex-President Mauricio Macri restated his support of the government after large anti-austerity protests, particularly as pensioners' payments have not matched inflation. The demonstration led by football ultras turned into a chaotic clash with the police. Macri said he suffered a similar orchestrated attack at the end of 2017 that failed to put an early end to his government, but still did immense damage. Macri said there is a clear modus operandi in which hired rioters attack the police with sticks and stones and then play victim once there is a proportional response. In other news, Rio Tinto said construction of USD 2.5bn lithium projects begins mid-2025. The first production is expected by 2028.

Brazil: President Lula said his income tax reform would be sent to Congress next Tuesday. The reform would raise the exemption threshold to incomes below BRL 5k. The plan is for lost revenue to be offset by higher tax for those earning above BRL 50k per month. Beyond the need to present credible revenue estimates, the government is also expected to face some challenges in Congress, as lawmakers have already signalled resistance to increasing taxes on higher-income earners.

Chile: Finance Minister Mario Marcel said the upcoming gross domestic product (GDP) reading for February will appear weaker than current market expectations. Analysts surveyed had anticipated a 1.0% year-over-year growth for February. However, Marcel noted that the market is underestimating the negative impact from two specific factors: the leap-year effect (an extra day in February 2024 inflating last year's baseline) and disruptions caused by the February 2025 blackout. February represents the peak of these negative calendar effects, but Marcel clarified that the overall calendar impact will turn positive for the remainder of 2025.

Latin America (continued)

El Salvador: The opposition warned that El Salvador's agreement with the International Monetary Fund (IMF) is at risk due to ongoing Bitcoin purchases by the government. President Nayib Bukele has reaffirmed that the country will continue these Bitcoin acquisitions as part of its strategic reserves. However, IMF Communications Director Julie Kozack stated that the Salvadoran government had previously committed not to accumulate Bitcoins at the broader public sector level. Kozack also mentioned that Salvadoran authorities have confirmed their actions remain aligned with the conditionalities agreed upon in the IMF programme. The IMF is expected to further address this issue during scheduled quarterly reviews.

Mexico: Bank of Mexico Deputy Governor Omar Mejía said the central bank is factoring US tariffs into its monetary policy decisions. He described tariffs as a negotiating tool and questioned whether their impact would be lasting, noting that Mexico's official response is still uncertain. Mejía maintained an optimistic outlook, expecting the Mexican economy to grow in 2025 in line with the central bank's GDP forecast of 0.6%.

Meanwhile, the Mexican government will delay retaliatory measures against US steel and aluminium tariffs until 2 April, opting instead to negotiate directly with the US administration. Meetings with the US Commerce Secretary are anticipated, although President Claudia Sheinbaum has warned that reciprocity will be applied.

In other news, nominal wages in Mexico rose 7.8% year-over-year in February, continuing a strong upward trend. This sustained growth in wages suggests that the fundamentals driving private consumption remain robust, potentially bolstering economic resilience.

Regarding Mexico's Supreme Court, all leading candidates for the presidency of the court have ties to the ruling MORENA Party. Justice Yasmín Esquivel currently leads voting intentions with 15%, though her position is weakened by past allegations of thesis plagiarism – an issue that could resurface if she distances herself from the administration. Another loyalist, Lenia Batres, ranks second with 12%. A significant 38% of respondents have indicated either uncertainty or unwillingness to support any candidate.

Panama: Cobre Panama has signalled its willingness to suspend arbitration proceedings against the Panamanian government, directing its legal team to meet with government lawyers to find a mutually beneficial resolution. The company seeks an outcome favourable to workers, communities, suppliers, and the broader public. Previously, President Mulino authorised the removal of mineral material from the Donoso plant, stipulating that revenues from copper sales abroad must return to Panama.

In other news, Fitch Ratings warned that Panama could still lose its investment grade rating, indicating that the recent CSS (Caja de Seguro Social) reforms were insufficient. Senior Director Martínez explained that these reforms do not alleviate pressures on public finances, as they fail to reduce the operational deficit. Martínez noted that ongoing disruptive factors continue to negatively affect Panama's credit profile and pose risks to its investment grade status.

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Central and Eastern Europe

Economic data

Inflation remains elevated across CEE.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Czech Republic	CPI (MoM)	Feb F	0.2%	0.2%	0.2%	• Inflation remains stable, with industrial production in negative territory since September 2024.
	CPI (YoY)	Feb F	2.7%	2.7%	2.7%	
	Industrial Output NSA (YoY)	Jan	-0.6%	-1.2%	-2.7%	
Hungary	CPI (MoM)	Feb	0.8%	0.5%	1.5%	• 5th month of acceleration, tight policy to continue. Tied with Romania for highest EU key rate, at 6.50%.
	CPI (YoY)	Feb	5.6%	5.3%	5.5%	
Poland	Poland Base Rate Announcement	12-Mar	5.75%	5.75%	5.75%	• Poland continue to hold, with CPI still above target.
	CPI (MoM)	Feb	0.3%	0.4%	1.0%	
	CPI (YoY)	Feb	4.9%	5.3%	4.9%	
Romania	Trade Balance (EUR)	Jan	-2,738.6m	–	-3,335.6m	
	CPI (MoM)	Feb	0.9%	0.5%	0.9%	• Inflation moved higher due to higher natural gas prices, reinforcing central bank's decisions to hold rates, likely at least till the election in May.
	CPI (YoY)	Feb	5.0%	4.7%	5.0%	
	Industrial Output (YoY)	Jan	2.1%	1.0%	-3.4%	

Source information is at the end of the document.

Commentary

Romania: Moody's revised Romania outlook to negative from stable, and affirmed its Baa3 rating. *"The decision to change the outlook to negative reflects the risk that in the absence of the adoption of additional fiscal consolidation measures, Romania's fiscal strength will significantly weaken in coming years. In our baseline scenario, we expect Romania's fiscal deficit will remain elevated at 7.7% of GDP in 2025 and only gradually improve thereafter, driving the government debt burden to 68.5% of GDP by 2028, while also significantly weakening the government's debt affordability metrics. In the absence of significant improvements to the fiscal outlook, these risks leaving Romania's overall credit profile materially weaker than Baa3-rated peers."*

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Central Asia, Middle East & Africa

Economic data

Egypt CPI plunges.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Egypt	CPI Core (YoY)	Feb	10.0%	–	22.6%	• CPI dropped to 12.8% yoy from 23.9% yoy on base effects and flat mom CPI despite seasonal pressures on the month prior to Ramadan. • Alows for CBE to start easing on 17 April MPC.
South Africa	Manufacturing Prod NSA (YoY)	Jan	-3.3%	-1.9%	-1.2%	• Petroleum: -9.1% yoy; Food & bev. - 3.2% yoy; Auto: -10.1% yoy. Wood & paper +5.6 yoy.
	Manufacturing Prod SA (MoM)	Jan	0.2%	0.9%	-2.2%	
Türkiye	Current Account Balance	Jan	-3.80bn	-3.20bn	-4.65bn	• Goods deficit +27.7% yoy on higher imports Ex-volatile components such as gold & energy narrowed by 37.3% yoy to USD 2.4bn.
	Industrial Production (MoM)	Jan	-2.3%	–	5.0%	
	Industrial Production (YoY)	Jan	1.2%	–	7.0%	

Source information is at the end of the document.

Commentary

Egypt: The IMF approved the fourth review of Egypt's Extended Fund Facility (EFF) programme and endorsed a separate USD 1.3bn Resilience and Sustainability Facility (RSF). The approval of the fourth review releases a USD 1.2bn tranche, expected to arrive within days. The IMF acknowledged that Egypt maintained macroeconomic stability but highlighted mixed progress on structural reforms. The IMF also urged Egypt to enhance domestic revenue mobilisation, improve its business environment, accelerate divestments, and boost governance and transparency efforts.

Kenya: The IMF and Kenyan authorities have agreed that the ninth review under Kenya's current EFF and Extended Credit Facility programmes will not proceed. IMF mission chief Haimanot Teferra confirmed this decision following a recent mission to Nairobi. Instead, the IMF and Kenya plan to discuss a new lending programme. Kenya's existing IMF programme, launched in April 2021, is scheduled to expire next month. Its implementation has been challenged by violent anti-tax protests last year and disagreements over new borrowing from the United Arab Emirates (UAE).

Morocco: Manufacturing output growth slowed to 5.0% year-over-year in the fourth quarter of 2024. Meanwhile, extractive industries output increased by 9.2%, and electricity production rose by 6% during the same period. On an annual basis, extractive industries grew significantly by 21.0%, manufacturing expanded by 5.4%, and electricity production maintained positive growth.

Saudi Arabia: S&P upgraded Saudi Arabia's credit rating to A+ from A, assigning a stable outlook. The ratings agency highlighted government measures designed to stimulate investment and consumption, supporting robust non-oil growth over the medium term. While expecting wider fiscal deficits partly due to lower oil revenues, S&P believes the recalibration of some large infrastructure spending will help maintain Saudi Arabia's strong sovereign balance sheet and external financial position.

South Africa: In an unprecedented move, the US expelled South African Ambassador Ebrahim Rasool after US Secretary of State Marco Rubio labelled him a "race-baiting politician" and declared him "persona non grata". The decision came after Rasool accused Trump of leveraging supremacist rhetoric for political support. South Africa's presidency described the expulsion as regrettable but reaffirmed its commitment to maintaining positive relations with the US.

South Africa's fiscal consolidation remains on track following a compromise budget. The ANC is trying to strike a compromise with its coalition party Democratic Alliance by moderating the proposed VAT increase to a cumulative 1% instead of the initial 2%. Fiscal consolidation continues to target a deficit of 3.3% of GDP, though now delayed by one year, expected to be reached in 2027/28. The budget allocates an additional ZAR 46.7bn toward critical infrastructure

Central Asia, Middle East & Africa (continued)

projects in the medium term, and funds wage increases and social relief of distress (SRD) grant adjustments. The budget projects achieving a primary surplus of 0.9% of GDP, stabilising public debt at 76.2% of GDP.

United Arab Emirates: GDP expanded by 3.8% year-over-year during the first nine months of 2024. Non-oil sectors continued to drive growth, now representing 75% of total GDP.

Türkiye: President Recep Tayyip Erdoğan urged US President Donald Trump to reconsider the sanctions imposed on Türkiye's defence industry. Erdoğan specifically requested the removal of CAATSA sanctions implemented in 2020 after Türkiye purchased Russia's S-400 missile defence system. Erdoğan also expressed the expectation for Türkiye to be reinstated into the multinational F-35 fighter jet programme, from which Türkiye was excluded due to US security concerns. Additionally, Erdoğan asked Trump to finalise the sale of F-16 fighter jets to Türkiye and voiced support for Trump's mediation efforts in the Russia-Ukraine conflict.

Separately, the national statistics agency was issued with a court order to release withheld inflation basket data within 15 days. This decision will significantly impact pension adjustments for retirees, civil servants, and workers nationwide. Compliance with the court's order could expose past discrepancies in inflation calculations, potentially requiring retrospective adjustments to pensions and wages. Non-compliance would further undermine investor and public trust. The order is positive for investors and individuals to regain trust in Türkiye's key institutions.

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Developed Markets

Economic data

Softer US inflation, but details less encouraging.

Country	Event	Period	Actual	Survey	Prior/Revised	Comments
Japan	GDP SA (QoQ)	4Q F	0.6%	0.7%	0.7%	• Growth weakened slightly in 4Q but this is unlikely to throw the BOJ off their hiking course.
	GDP Annualised SA (QoQ)	4Q F	2.2%	2.8%	2.8%	
	Money Stock M2 (YoY)	Feb	1.2%	–	1.3%	
	PPI (YoY)	Feb	4.0%	4.0%	4.2%	
UK	Industrial Production (YoY)	Jan	-1.5%	-0.6%	-1.9%	
	Manufacturing Production (MoM)	Jan	-1.1%	0.0%	0.7%	
United States	MBA Mortgage Applications	7-Mar	11.2%	–	20.4%	
	CPI (MoM)	Feb	0.2%	0.3%	0.5%	• CPI surprised to the downside, with core services inflation dropping the most.
	CPI Ex Food and Energy (MoM)	Feb	0.2%	0.3%	0.4%	
	CPI (YoY)	Feb	2.8%	2.9%	3.0%	• Based on CPI and PPI, Bloomberg estimates core PCE up 0.35% mom (vs. 0.28% prior) in Feb. or 2.76% yoy (vs. 2.65% prior).
	CPI Ex Food and Energy (YoY)	Feb	3.1%	3.2%	3.3%	
	Federal Budget Deficit (USD)	Feb	307bn	308bn	296.3bn	The 3m & 6m core PCE mov. averages likely rose to 3.4% (vs. 2.4% prior), and 3.0% (vs. 2.6% prior), respectively.
	PPI Final Demand (MoM)	Feb	0.0%	0.3%	0.6%	
	PPI Ex Food and Energy (MoM)	Feb	-0.1%	0.3%	0.5%	
	PPI Final Demand (YoY)	Feb	3.2%	3.3%	3.7%	
	PPI Ex Food and Energy (YoY)	Feb	3.4%	3.5%	3.8%	
	Initial Jobless Claims	8-Mar	220k	225k	222k	• US Jobs market remains steady, with JOLTS quits rate and openings rise a sign of resilience.
	Continuing Claims	1-Mar	1,870k	1,888k	1,897k	
	U. of Mich. Sentiment	Mar P	57.9	63.0	64.7	• U of Michigan sentiment at lowest level since Oct-2022 as soft data still dropping hard.
	JOLTS Job Openings	Jan	7,740k	7,600k	7,508k	
	JOLTS Job Openings Rate	Jan	4.6%	4.5%	4.5%	
	JOLTS Quits Level	Jan	3,266k	3,176k	3,095k	
	JOLTS Quits Rate	Jan	2.1%	–	1.9%	
	JOLTS Layoffs Level	Jan	1,635k	1,806k	1,669k	

Source information is at the end of the document.

Commentary

France: Fitch affirmed France's sovereign credit rating at AA- with a negative outlook, noting a significant deterioration in the fiscal situation. France's budget deficit increased to 6.0% of GDP in 2024, substantially higher than the original target of 4.4%, and more than double the median for other AA-rated countries. Nearly two-thirds of this deficit increase compared to 2023 was led by government expenditure, despite achieving savings by phasing out pandemic-related spending. As a result, France's expenditure-to-GDP ratio rose to 57.4%, the highest among both AA-rated and eurozone sovereigns. Key factors driving this growth included inflation-indexed social spending, increased local government expenditures, and higher interest payments. Meanwhile, tax revenues rebounded less strongly than anticipated. Fitch notes that France's revised 2025 budget includes only modest fiscal consolidation, projecting a deficit reduction to 5.5% of GDP in 2025, mainly due to lower economic growth forecasts (0.6% instead of the previously expected 0.9%).

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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	2.1%	4.5%	4.5%	9.3%	4.7%	7.2%
MSCI EM ex-China	0.2%	-1.5%	-1.5%	-1.8%	2.7%	10.4%
MSCI EMEA	2.6%	7.9%	7.9%	12.8%	2.8%	7.2%
MSCI Latam	6.2%	14.1%	14.1%	-11.8%	3.0%	8.2%
MSCI Asia	1.6%	3.5%	3.5%	12.1%	5.0%	6.8%
MSCI China	6.4%	20.0%	20.0%	43.6%	10.0%	2.2%
MSCI India	1.9%	-9.6%	-9.6%	-3.2%	6.5%	15.3%
MSCI EM Growth	1.8%	3.8%	3.8%	10.7%	4.0%	5.7%
MSCI EM Value	2.4%	5.2%	5.2%	7.8%	5.5%	8.7%
MSCI EM Small Cap	1.1%	-4.3%	-4.3%	-0.5%	4.4%	13.9%
MSCI Frontier	1.5%	6.6%	6.6%	12.9%	2.3%	8.3%
GBI-EM-GD	2.2%	5.0%	5.0%	3.8%	3.8%	1.4%
GBI-EM China	-0.1%	-0.2%	-0.2%	4.5%	-0.2%	3.0%
EM FX spot	2.0%	2.9%	2.9%	-2.8%	-2.7%	-2.0%
ELMI+ (1-3m NDF)	1.9%	3.8%	3.8%	3.1%	2.4%	1.6%
EMBI GD	-0.5%	2.5%	2.5%	8.4%	4.1%	2.5%
EMBI GD IG	-0.5%	2.4%	2.4%	4.3%	0.4%	-0.6%
EMBI GD HY	-0.5%	2.5%	2.5%	12.4%	8.0%	5.9%
CEMBI BD	-0.2%	2.2%	2.2%	8.1%	4.9%	3.5%
CEMBI BD IG	-0.2%	2.1%	2.1%	6.7%	2.7%	1.5%
CEMBI BD HY	-0.2%	2.3%	2.3%	10.0%	8.1%	6.3%

Global Backdrop	Month to date	Quarter to date	Year to date	1 year	3 years	5 years
MSCI ACWI	-3.0%	-0.4%	-0.4%	9.8%	10.1%	15.0%
MSCI World (DM)	-3.6%	-0.9%	-0.9%	9.9%	10.8%	16.0%
S&P 500	-5.2%	-3.9%	-3.9%	11.0%	12.3%	17.6%
DXY Index**	-3.6%	-4.4%	-4.4%	0.3%	1.9%	0.8%
EUR*	4.6%	4.8%	4.8%	-1.5%	-2.5%	-1.6%
JPY*	1.0%	5.0%	5.0%	-4.5%	-11.5%	-9.0%
CRY Index**	0.3%	2.0%	2.0%	6.3%	1.4%	18.4%
Brent**	-3.0%	-4.9%	-4.9%	-16.8%	-12.7%	19.8%
Gold**	4.6%	14.0%	14.0%	38.5%	15.5%	14.3%
Bitcoin**	-0.7%	-11.7%	-11.7%	21%	26.7%	72.8%
1-3yr UST	0.1%	1.2%	1.2%	5.3%	2.5%	1.2%
3-5yr UST	-0.1%	1.9%	1.9%	5.3%	1.2%	0.1%
7-10yr UST	-0.6%	2.8%	2.8%	4.6%	-1.7%	-2.2%
10yr+ UST	-1.9%	3.6%	3.6%	2.2%	-7.5%	-7.3%
10yr+ Germany	-7.6%	-8.3%	-8.3%	-6.1%	-11.2%	-9.5%
10yr+ Japan	-3.1%	-5.2%	-5.2%	-9.6%	-6.8%	-5.1%
Global Agg.***	0.3%	2.3%	2.3%	2.9%	-1.8%	-1.6%
US Agg. IG***	-0.6%	2.1%	2.1%	5.1%	0.2%	-0.4%
EU Agg. IG***	-2.4%	-1.7%	-1.7%	1.9%	-2.1%	-2.1%
US Corp HY***	-0.9%	1.1%	1.1%	8.4%	5.6%	6.4%
EU Corp HY***	-1.2%	0.5%	0.5%	7.4%	5.1%	5.4%

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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25 February 2025
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Head office

Ashmore Investment Management Limited, 61 Aldwych, London, WC2B 4AE T: +44 (0)20 3077 6000

Local offices

Bogota
T: +57 1 316 2070

Dubai
T: +971 440 195 86

Dublin
T: +353 1588 1300

Jakarta
T: +6221 2953 9000

Mumbai
T: +9122 6269 0000

New York
T: +1 212 661 0061

Riyadh
T: +966 11 483 9100

Singapore
T: +65 6580 8288

Tokyo
T: +81 03 6860 3777

Lima
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