



Emerging Market Debt Indicator

Key takeaways

Market overview

Against a backdrop of rising US Treasury yields, a more hawkish US Federal Reserve and stronger dollar, EM fixed income proved to be resilient.

Top-down positioning

Our risk target has moved to overweight, continuing to favour EM FX over local debt, while moving to an overweight top-down stance in hard currency debt, in reflection of the resilience seen in this market and the more supportive global backdrop.

Africa

Egypt and Côte d'Ivoire made progress with their IMF programmes, while political volatility continued in Senegal. Angola and Ghana reported resilient growth, while copper exports boosted the Zambian economy.

Asia

The fall in oil price made its mark on economies, while emerging currency pressure prompted policy reactions. Exports remain strong across the region, with China's trade surplus surpassing US\$100bn.

Latin America

Market-friendly election results in Colombia and Peru boosted asset prices. Argentina received a credit rating upgrade, with ongoing signs of strength in fiscal dynamics. Inflation data was mixed across the region.

Central and Eastern Europe, Middle East, and South Africa

Falling inflation in Hungary and dovish central bank rhetoric drove a rally in rates and caused the forint to weaken. Inflation was also lower than expected in South Africa, which also saw a sovereign rating upgrade by Fitch to BB-.

EM corporate debt highlights

A positive month for the asset class, with spread tightening driving performance.

Market background

In the US, the US Federal Reserve (Fed) kept rates unchanged at its 17 June meeting, the first chaired by Kevin Warsh, while delivering a more hawkish inflation forecast, with the ‘dot plot’ showing a 50% likelihood of a hike this year. Robust labour-market data reinforced the hawkish tone, though softer-than-expected May PCE data released towards the end of June helped temper inflation fears. Shorter-maturity Treasury yields ended the month higher as markets priced in at least one more rate hike by year end, but longer-dated yields were slightly lower, driving a flattening in the yield curve.

The EM local currency debt market (JPMorgan GBI-EM GD) rose 0.2%, with this driven entirely by bonds (1.3%) while EM currencies weakened (-1.1%) given the broad strength of the US dollar. Within the index, Colombian rates and the peso also had a particularly strong month, with the market responding well to the outcome of the presidential election. Indian rates also performed well, with the sharp fall in the oil price supporting this market given its status as a large oil importer. Negative performers in the index were FX driven given the stronger US dollar, with the Chilean peso and Malaysian ringgit among the most affected.

The hard currency sovereign market (JPMorgan EMBI GD) rose 0.7% in June, with the high-yield segment leading the index at 1.0%, with investment-grade contributing 0.4%, as spreads tightened more in the former. Latin American and European countries led the index.

Top-down views and outlook

Current top-down positioning

	--	-	0	+	++
Overall risk				■	
Hard currency debt				■	
Local rates			■		
FX				■	

For illustrative purposes only. For further information on the investment process, please see the important information section.

Outlook

Emerging market (EM) debt has demonstrated notable resilience this quarter to date. Risk assets have continued to recover, and investor sentiment has improved, supported by robust growth, EM inflows, and positive developments on the US-Iran conflict. Easing EM inflation and declining oil prices reduce the need for further policy tightening, while EM fundamentals remain sound. That said, the impact on inflation is unlikely to be fully transitory and central banks are reacting hawkishly.

Meanwhile, ongoing volatility in developed market (DM) bond markets – where a sharp bear steepening of yield curves reflects increased fiscal and inflation concerns – continues to challenge their traditional safe-haven status, reinforcing the diversification case for EM debt.

Our structural view on EM remains constructive, and we have increased our top-down risk target from neutral to overweight, with a preference for more cyclical assets. We moved to overweight hard currency debt, while maintaining a preference for EM FX (partly funded by a short euro position) over local currency debt.

We have moved to neutral on EM local currency debt, as we expect some rate hikes to be priced out, while real yields remain compelling, and the oil price reprieve provides additional support. That said, we are not expecting the magnitude of cutting cycles priced at the start of the year, and continue to prefer country-specific opportunities where the risk/reward trade-off is attractive.

We retain our overweight position in EM FX, supported by resilient global growth, improving risk appetite, and continued EM inflows. In addition, EM FX remains underpinned by relatively high real rates, with performance increasingly driven by fundamentals. We express this long position largely funded via a short euro position rather than the US dollar, reflecting a view that the Federal Reserve has shifted more hawkishly.

In hard currency debt, we have moved to an overweight top-down stance, continuing to focus on selective high-carry and country-specific opportunities. Spreads have proven resilient and balance sheets should benefit as terms of trade improve with oil moderating. Amid tight valuations, we are selectively targeting relative value while remaining mindful of divergence between commodity exporters and oil importers.

Regional highlights

Africa

Egypt benefitted from the decline in the oil price and improving sentiment around the US-Iran ceasefire, with the pound performing well over June. Remittance inflows jumped 41% year-on-year to US\$4.4 billion in April and net FX reserves continued their upward trajectory. Headline inflation fell to 14.6% in May, while core held steady at 13.8%. In an important step for oil and gas investment into the country, the government cleared its arrears to energy producers. Meanwhile, the Ministry of Finance indicated that the government intends to target US\$4 billion in external market financing for the 2026/27 fiscal year, while the new budget seeks to reduce the debt-to-GDP ratio to 78% by June 2027. In a positive development, the review of the IMF programme saw a staff-level agreement reached, paving the way for a disbursement.

Politics remains in focus in **Senegal**, following the announcement of the new government led by Prime Minister Lo. In a move that should make IMF negotiations more straightforward, the finance and economy ministries were merged. Separately, the National Assembly approved constitutional amendments that would shift more power towards the government and away from the president. Q1 GDP came in at 5.8% year-on-year, while the Q1 fiscal deficit came in at 1.4% of GDP, with lower-than-expected revenue compensated by expenditure restraint. Coupons on Eurobonds were paid early, ahead of the IMF mission, which concluded with the IMF noting that talks were open and constructive while highlighting that actions to complete the debt misreporting case remain pending.

Inflation in **Ghana** rose slightly to 3.7% year-on-year in May, driven by higher food prices, while growth was strong in the first quarter at 6.4% year-on-year. The World Bank approved US\$500 million in financing for road connectivity.

In **Nigeria**, inflation rose to 15.9%, slightly below expectations, driven by higher food and transport prices. The first-quarter current account surplus surged 256% to US\$5 billion, reflecting higher oil and gas exports alongside reduced petroleum product imports.

Zambia launched a buyback of its 2053 hard currency bonds totalling US\$1.36 billion, partially financed by a US\$600 million loan from the African Development Bank, with participation above 75%. Copper production rose 3.6% year-on-year in April, supporting the country's terms of trade as copper prices remain elevated.

GDP grew 5.3% year-on-year in **Angola**, supported by stronger oil output and services. CPI slowed to 10.9% year-on-year in May, and Q1 current account surplus improved to US\$1.5 billion, reflecting a rebound in external trade dynamics.

In **Kenya**, inflation fell in June to 6.4% versus expectations of 6.7%, remaining within the central bank's target range. The central bank kept rates on hold at 8.75% and cut its growth forecast for 2026 amid global uncertainties. The World Bank approved a US\$750 million loan to provide budget support.

In **Uganda**, workers' remittances rose 14.8% year-on-year over the January to April period, while inflation came in at 3.7% in June, up from 3.2% in May. The Islamic Development Bank approved EUR 650 million of financing for a railway project.

Inflation in **Côte d'Ivoire** rose to 1.6% year-on-year in May, given higher fuel prices. The budget deficit shrank by 69.3% year-on-year over January to April, while the 12-month trade surplus surged to 10.2%

of GDP, and the country redeemed US\$132 million of its 2032 bonds. The IMF approved the reviews of both the Extended Fund Facility and Extended Credit Facility arrangements, disbursing US\$833 million, while Fitch affirmed the rating at BB with a stable outlook.

Asia

The significant fall in the oil price is supportive for much of Asia, given the region's reliance on imports from the Middle East. While it seems that the worst of the terms-of-trade shock has passed, a stronger US dollar and a more hawkish Fed are likely to pose new challenges for the region's currencies.

In **China**, macro data continued to point to resilient exports alongside soft domestic demand. Activity data for May was lacklustre, with retail sales contracting 0.6% year-on-year and both property prices and fixed asset investment disappointing, although industrial production rose 4.5% year-on-year, in line with expectations. Both PMI readings came in modestly better than expected and remained above 50, though the market response was muted. The trade surplus climbed above US\$100 billion, as exports beat expectations, driven by technology, green energy and commodities. Consumer price inflation was marginally softer than anticipated at 1.2% year-on-year, against expectations of 1.3%. On the monetary policy front, the authorities narrowed the interest rate corridor to 25bps on either side, which the market interpreted as dovish.

The Reserve Bank of **India** kept its policy rate unchanged at 5.25%, as expected, and announced a series of measures aimed at attracting inflows and stabilising the currency. These included the removal of various taxes on government bonds for foreign investors and the temporary introduction of subsidised rates for banks and corporates to borrow US dollars. As a result, local bond yields fell. The fiscal position year-to-date has deteriorated relative to recent years, and the government is reportedly considering allowing the deficit to widen beyond the budgeted level. The current account recorded a surplus in the first quarter of 2026, against expectations of a deficit, driven by strong remittance inflows, which grew 31%.

In **Thailand**, CPI eased to 2.8% year-on-year in May. The central bank left rates unchanged at 1%, in line with expectations, and upgraded its growth forecast for the year to 2.3%. The trade deficit came in at US\$5.7 billion for May, slightly wider than the US\$5.5 billion expected, reflecting strong imports. Meanwhile the current account deficit remains wide, though the overall balance of payments is still broadly balanced. S&P maintained its BBB+ rating with a stable outlook, citing expectations of strengthening growth.

In **Indonesia**, the central bank raised rates twice by 25bps in June. The first was an off-cycle hike, while the second was in line with expectations, in a move to support the rupiah and contain inflation. The trade balance swung from a surplus into a deficit of US\$1.6 billion, against an anticipated surplus of US\$1 billion, with imports stronger than expected. The government announced an IDR26.3 trillion economic stimulus package for the second half of the year. FX reserves fell to US\$145 billion at the end of May, down US\$12 billion year-to-date, while June CPI came in at 3.3%, slightly above the 3.2% expected.

In **South Korea**, June inflation printed in line with expectations at 3.2%. The Bank of Korea governor delivered hawkish comments, stressing the need to focus on price stability and to raise rates without delay, increasing the prospects of a hike in July. Q1 GDP was revised up slightly, from 3.6% to 3.8% year-on-year, while nominal GDP printed at 17.1%, the highest in 50 years. June trade data was very strong, with exports up 71% year-on-year and the trade surplus reaching US\$36 billion, against US\$33 billion expected, driven by semiconductors. Despite these large trade numbers, the won remained under pressure due to persistent equity outflows.

In the **Philippines**, the central bank raised rates by 25bps, in line with expectations, though the move was interpreted as more dovish than anticipated. This, combined with falling oil prices, helped local bond yields fall. CPI decelerated to 6.8% year-on-year in May, and the government now expects growth of 3.5–4.5%, down from 6%. The authorities announced plans to increase borrowing through short-term cash management bills. Trade data remained weak, due to strong imports, though these were largely oil-related and have subsequently eased as oil prices have fallen.

In **Taiwan**, both imports and exports rose sharply, surging around 50% year-on-year. In **Malaysia**, the PMI slowed to just below 50, from 51.6, and the prime minister reintroduced a diesel subsidy as the election cycle kicks in, adding to the fiscal burden.

In **Singapore**, non-oil domestic exports were very strong at 38.4%, with electronics up 95% year-on-year. CPI was softer than expected, with core at 1.4% against 1.6% expected, which should make the Monetary Authority of Singapore slightly less hawkish.

Latin America

Argentina's external position continued to strengthen, with gross FX reserves at their highest level since 2019 and net reserves robust, supported by central bank spot purchases and a US\$1 billion Treasury bill sale. S&P upgraded the sovereign rating to B- with a stable outlook, citing easing vulnerabilities, stronger external liquidity and continued fiscal surpluses, bringing it level with Fitch's rating. The World Bank approved a US\$2 billion guarantee package aimed at helping Argentina re-access international markets and reducing funding costs, while a fiscal surplus for May confirmed that fiscal performance remains on track.

In **Colombia**, right-wing presidential candidate Abelardo de la Espriella won a tight run-off that saw a record turnout. The outcome was viewed positively by markets, with fiscal consolidation expected and a shift toward more orthodox policy, as the new president is unlikely to continue large minimum wage increases, which should help the inflation outlook. Colombian assets staged a large rally as a result. May CPI accelerated to 5.8% year-on-year, which led to a larger-than-expected 75bps rate hike at the end June meeting.

Inflation in **Brazil** came in slightly above expectations given higher energy prices. The central bank cut rates 25bps to 14.25%, broadly as expected, but the communication was more hawkish, with the 2026 central bank's inflation forecast revised up to 5.2%. Q1 GDP was in line with expectations at 1.8% year-on-year, while the trade surplus beat expectations at US\$7.8 billion in May, helped by stronger exports, though shipments to the US fell 14% year-on-year under existing tariffs. On politics, the Flavio Bolsonaro scandal lifted Lula's polling through June, which weighed on the Brazilian real along with the rate cut, and broad US dollar strength.

Activity data in **Chile** disappointed, with industrial production below expectations and weak retail sales, although CPI eased to 3.9% year-on-year, which was less than consensus. The central bank held rates at 4.5%, as widely expected, shifting communication to a more neutral stance. The goods trade surplus widened, supported by strong mining exports and favourable terms of trade. The Finance Ministry kept its fiscal debt anchor at 45% of GDP, which was a positive surprise, but softened the consolidation path to a 1.5% structural deficit by 2030 rather than 0%.

In **Mexico**, CPI slowed more than expected to 3.9%, returning within the central bank's tolerance band, though core inflation stayed elevated. The US opted against a long-term renewal of the USMCA trade pact, and has shifted to annual reviews, a move which adds fresh trade uncertainty for Mexico's relationship with its largest trading partner.

In **Peru**, conservative candidate Keiko Fujimori won the presidential election, bringing some clarity to the political backdrop, which was received positively by markets. June CPI printed above expectations at 4.0% year-on-year, while April activity data came in slightly ahead of forecasts, pointing to a steady underlying growth picture.

In the **Dominican Republic**, CPI rose to 5.4% year-on-year in May, above the central bank's target range, driven primarily by transport and fuel costs. The Senate passed a package of government-proposed tax measures intended to help offset some of the fiscal cost associated with fuel subsidies.

Central and Eastern Europe, the Middle East, and South Africa

Inflation in **Czechia** was lower than expected in May, with CPI falling back towards target. However, core and services inflation remained elevated, prompting the Czech National Bank (CNB) to raise rates by 25bps. The move was accompanied by commentary from the CNB deputy governor, which reinforced a hawkish outlook. The domestic economy continued to perform well, supported by strong activity data: industrial production came in better than expected, and construction output was particularly robust, while Q1 GDP data showed the economy expanding 2.2% year-on-year. The trade balance, however, was lower than expected.

In **Poland**, the central bank left rates on hold at 3.75%, in line with expectations, reflecting uncertainty surrounding the US-Iran conflict at the time. The accompanying press conference struck a dovish tone, with policymakers comfortable with the current level of rates following better-than-expected

inflation. Flash inflation came in at 2.5% year-on-year, down from 2.7% in May, while broader growth data was more mixed. The zloty weakened on the back of the softer inflation print, as expectations for further rate hikes were priced out.

In **Hungary**, inflation was lower than expected at 1.8% year-on-year in May versus expectations of 2.2%. Subsequently, the central bank cut rates by 25bps, in line with expectations, though the accompanying tone was more dovish than anticipated, with guidance pointing to two further cuts in July and August. The forint weakened, while rates rallied, even though wage growth remained strong. On the political front, parliament passed an anti-corruption law, a necessary step to unlock EU disbursements. The prime minister acknowledged that the 2026 budget deficit, largely inherited from previous President Orban, would likely exceed 7% of GDP, and the government announced it would present a supplementary budget for 2026 by the end of August. S&P maintained its negative watch on the BBB- rating, citing continued uncertainty around the budget, while Fitch held its BBB- rating with a negative outlook.

The political crisis continued in **Romania**, with three prime minister-designates stepping down and efforts to form a government still struggling to gain traction. On the data front, PPI accelerated sharply to 10.3% year-on-year in April, up from 7% in March, while CPI came in broadly in line with expectations at 10.9% year-on-year in May. However, inflation is expected to fall sharply over the summer given base effects, as the impact of last year's tax hikes rolls over. Meanwhile, the economy has slowed markedly as a result of the sharp fiscal consolidation undertaken so far.

South Africa's trade balance came in broadly in line with expectations, underpinned by record precious metals exports. Activity indicators were mixed: PMIs weakened over the period, slipping below the 50 mark and into contractionary territory in May. The broader dataset, however, was encouraging – both the current account and mining production came in above expectations, and retail sales were stronger than anticipated on a month-on-month basis. Inflation was also lower than expected, with CPI at 4.5% against expectations of 4.7%. S&P maintained its positive outlook, while Fitch upgraded the sovereign to BB- with a stable outlook. Against this constructive fundamental picture, and progress on the US-Iran ceasefire, domestic bond yields fell in June.

Turkey's Q1 GDP came in below expectations at 2.5%. The inflation picture stabilised, with headline inflation slowing on a month-on-month basis in May, while industrial production was notably strong, rising 6% month-on-month. However, not all data was positive, as retail trade dropped sharply in April, and house prices continue to fall in real terms. Looking ahead, Turkey should benefit from lower oil prices given its position as a net energy importer – a theme reinforced at meetings we attended in London, where the minister of finance and central bank governor told investors that disinflation remains the key policy objective and that the decline in oil prices are a supportive tailwind.

Inflation in **Kazakhstan** continued to ease, which should give the central bank greater scope to begin its rate-cutting cycle. In the **Middle East**, a ceasefire was agreed between Iran and the US, and oil prices tumbled as a result, while Bahrain's FX reserves fell to their lowest level since 2018.

EM corporate debt highlights

The EM corporate debt market (JPMorgan CEMBI BD) returned 0.4%, led by high-yield issuers which returned 0.6%, with investment-grade companies posting a 0.3% gain. Spread tightening was the primary driver of returns, with spreads tightening more in the high yield segment. All regions delivered positive returns, with bonds in Colombia topping the index; domestic issuers benefitted from the positive presidential election result.

General risks: The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth. Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments. **Specific risks:** Emerging market (inc. China): These markets carry a higher risk of

financial loss than more developed markets as they may have less developed legal, political, economic or other systems.

Australia

Level 28 Suite 3
Chifley Tower
2 Chifley Square
Sydney, NSW 2000
Telephone: +61 2 9160 8400
australia@ninetyone.com

Hong Kong

Suites 1201 – 1206, 12/F,
One Pacific Place
88 Queensway, Admiralty
Telephone: +852 2861 6888
hongkong@ninetyone.com

South Africa

36 Hans Strijdom Avenue
Foreshore
Cape Town, 8001
Telephone: +27 (0)21 901 1000
enquiries@ninetyone.com

United States

65 E 55th St, 30th Floor
New York, 10022
US Toll Free: +1 800 434 5623
usa@ninetyone.com

Botswana

Plot 64289, First floor,
Tlokeng Road, Fairgrounds
Gaborone
PO Box 49
Botswana
Telephone: +267 318 0112
botswanaclientservice@ninetyone.com

Luxembourg

2-4, Avenue Marie-Thérèse
L-2132 Luxembourg
Telephone: +352 28 12 77 20
enquiries@ninetyone.com

Sweden

Västra Trädgårdsgatan 15,
111 53, Stockholm
Telephone: +46 709 550 449

Telephone calls may be recorded for training, monitoring and regulatory purposes and to confirm investors' instructions. Please note that this communication is not necessarily approved for distribution in all of the above jurisdictions. For more details please visit www.ninetyone.com/contactus

Channel Islands

PO Box 250, St Peter Port
Guernsey, GY1 3QH
Telephone: +44 (0)1481 710 404
enquiries@ninetyone.com

Namibia

Am Weinberg Estate
Winterhoek Building
1st Floor, West Office
13 Jan Jonker Avenue
Windhoek
Telephone: +264 (61) 389 500
namibia@ninetyone.com

Switzerland

Dufourstrasse 49
8008 Zürich
Telephone: +41 44 262 00 44
enquiries@ninetyone.com

Germany

Bockenheimer Landstraße 23
60325 Frankfurt am Main
Telephone: +49 (0)69 7158 5900
deutschland@ninetyone.com

Singapore

138 Market Street
CapitaGreen #27-02
Singapore 048946
Telephone: +65 6653 5550
singapore@ninetyone.com

United Kingdom

55 Gresham Street
London, EC2V 7EL
Telephone: +44 (0)20 3938 1900
enquiries@ninetyone.com

Important information

The content of this communication is intended for readers with existing knowledge of financial markets.

This communication is provided for general information only. Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular strategy, security, derivative or investment product. The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. Views and opinions presented herein will be affected by changes in interest rates, general market conditions and other political, social and economic developments. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness. Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Reliance upon information in this material is at the sole discretion of the reader. Investors should consult their own legal, tax and financial advisor prior to any investments. Past performance should not be taken as a guide to the future. Investment involves risks; losses may be made.

Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. © 2026 Ninety One. All rights reserved. Issued by Ninety One, April 2026. In South Africa, Ninety One SA Proprietary is an authorised financial services provider.

Investment Process

Any description or information regarding investment process or strategies is provided for illustrative purposes only, may not be fully indicative of any present or future investments and may be changed at the discretion of the manager without notice. References to specific investments, strategies or investment vehicles are for illustrative purposes only and should not be relied upon as a recommendation to purchase or sell such investments or to engage in any particular Fund. Portfolio data is expected to change and there is no assurance that the actual portfolio will remain as described herein. There is no assurance that the investments presented will be available in the future at the levels presented, with the same characteristics or be available

Emerging Market Debt Indicator

at all. Past performance is no guarantee of future results and has no bearing upon the ability of Manager to construct the illustrative portfolio and implement its investment strategy or investment objective.