



May 2021

Emerging Markets Charts & Views

Navigate the cyclical recovery and ride the long-term opportunities in energy transition and Asia

Investment Insights | Market Stories

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Confidence
must be earned

Amundi
ASSET MANAGEMENT

Ride long-term opportunities with eye on green transition



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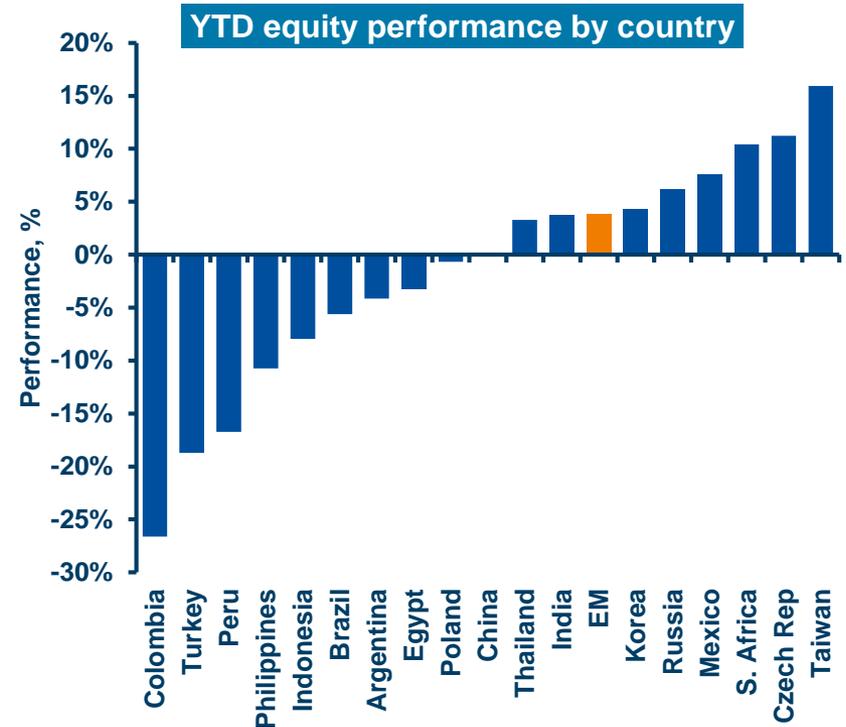
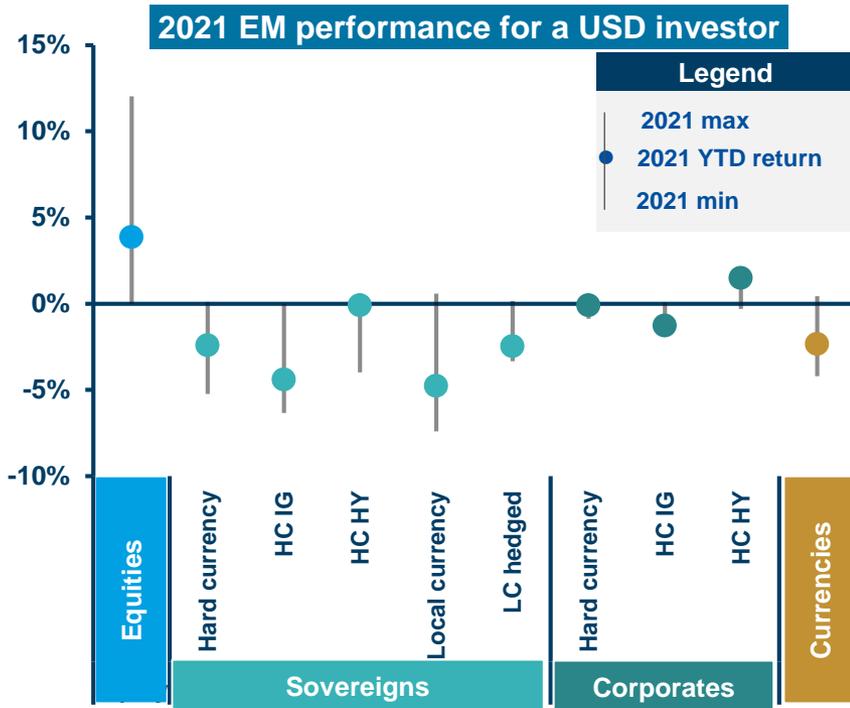
“ *The global economy should rebound strongly this year from its worst economic slump since the 1930s. However, the growth pattern is expected to be uneven across advanced and emerging economies, hinging critically on the virus cycle and the success of vaccine campaigns. Implementation of vaccine programmes is proving quick and effective across advanced economies. Emerging countries are facing structural bottlenecks though. On financial markets, the massive US fiscal stimulus has pushed up inflation expectations amid higher growth projections, steepening the yield curve and strengthening the dollar. More generally, advanced economies have been leading on the fiscal front and divergent DM vs EM paths will remain in place, narrowing the EM-DM growth gap. All in all, emerging economies will face some key challenges this year, though their **fundamentals are better positioned than in 2013**:*

- *They are currently less dependent on easy dollar funding, thanks to improved current account positioning;*
- *Portfolio flows have proved resilient; and*
- *The search-for-yield drive among investors has extended the global demand for emerging assets.*

*Among emerging economies, China stands out for its ability to contain the virus effectively and recover quickly, leading the emerging rebound. As such, Asia – particularly China – looks set to become a core component of global portfolios. In order to ride any opportunity arising from such a scenario, **investors will need to stay active and flexible, embracing a long-term perspective to take advantage of new opportunities.** In this regard, China’s sovereign local debt offers good value in terms of yield and diversification while opportunities could arise in segments such as green bonds, where issuance has been rising strongly across emerging economies. The broad emerging equity outlook remains constructive and frontier markets offer a long-term growth story.*



EM performance in 2021: equity is the bright spot

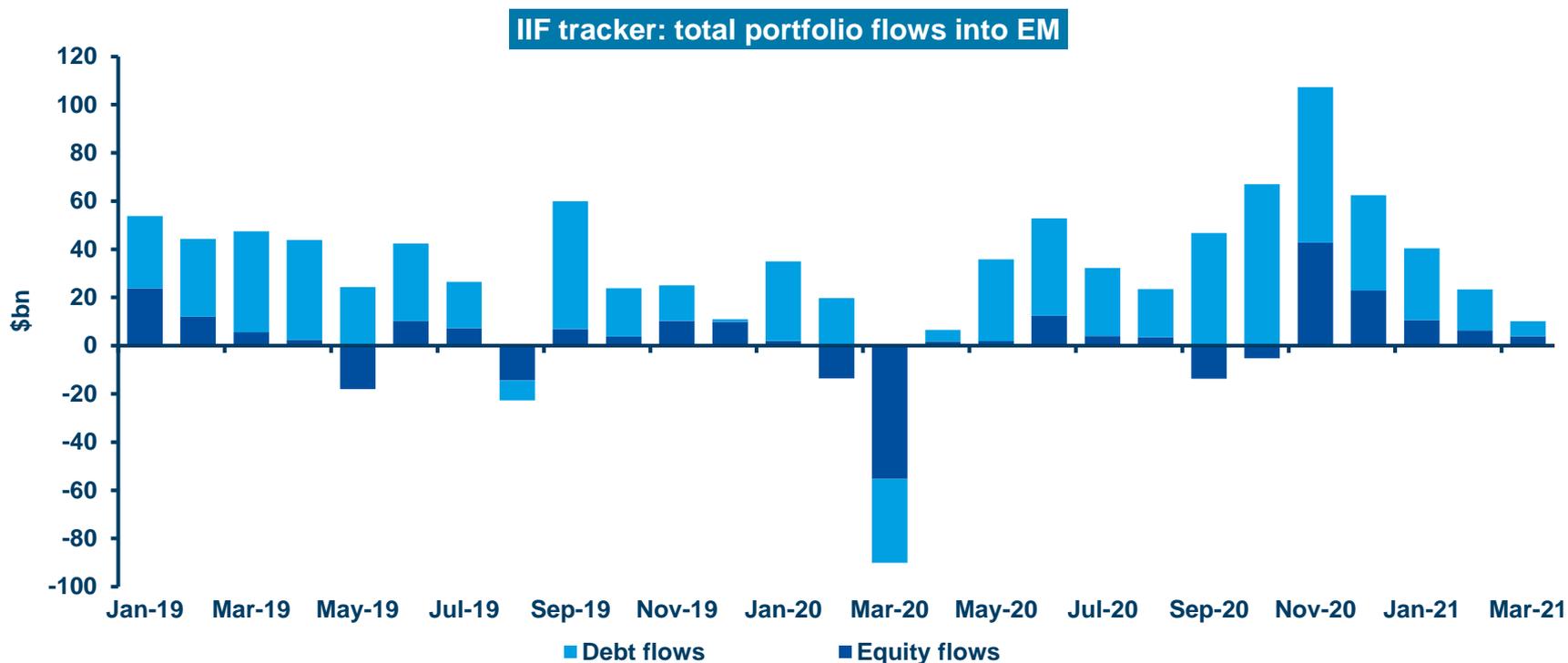


» After having gained positive returns in 2020, only two asset classes have registered YTD gains across the EM spectrum. Bonds have faced two headwinds: a rise in US Treasury yields and dollar strength. Equities have registered varied YTD returns within developing countries and the recovering commodity cycle has benefitted some exporting countries. Colombia and Turkey have been the weakest markets.

Source: Amundi, Bloomberg. Data as of 4 May 2021. **Past performance is no guarantee of future results.**

Source: Amundi, Bloomberg. Data as of 4 May 2021. **Past performance is no guarantee of future results.**

EM flows have softened but remain positive



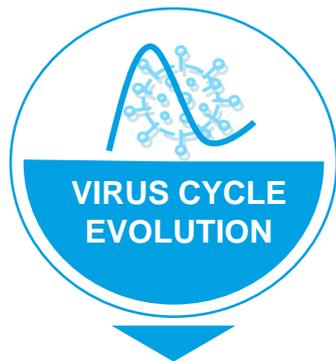
» November 2020 proved the strongest month ever for EM monthly capital inflows (+\$107.4bn). After this, inflows have slowed somewhat, but remained positive overall. March 2021 was the 12th consecutive month of net positive flows to EM. Capital flows to EM should be supported by liquidity and stronger global growth.

Source: Amundi elaborations on IIF data. Data as of 16 April 2021.

01

Main themes for 2021

Main drivers shaping the EM landscape



Divergences in virus containment across EM, with India being hit by an exponentially larger outbreak. Vaccination rollout is progressing at an uneven pace. DM are leading the process while EM are lagging.



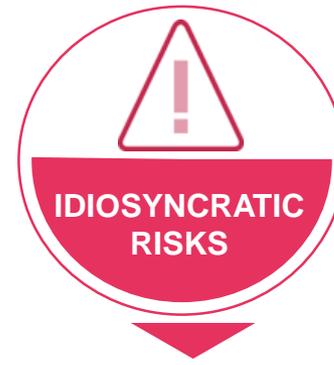
Global economic recovery set to accelerate from mid-2021. The EM-DM growth differential is narrowing, as DM have been leading the accommodative fiscal policy.



Strong dollar and higher US rates are key vulnerabilities for EM. Generally, they are better positioned than in 2013, though, so less exposed to a taper tantrum. A less benign inflation outlook has forced some CB to hike rates. Many lower-income countries should benefit from the IMF's new Special Drawing Rights (SDR) allocations.



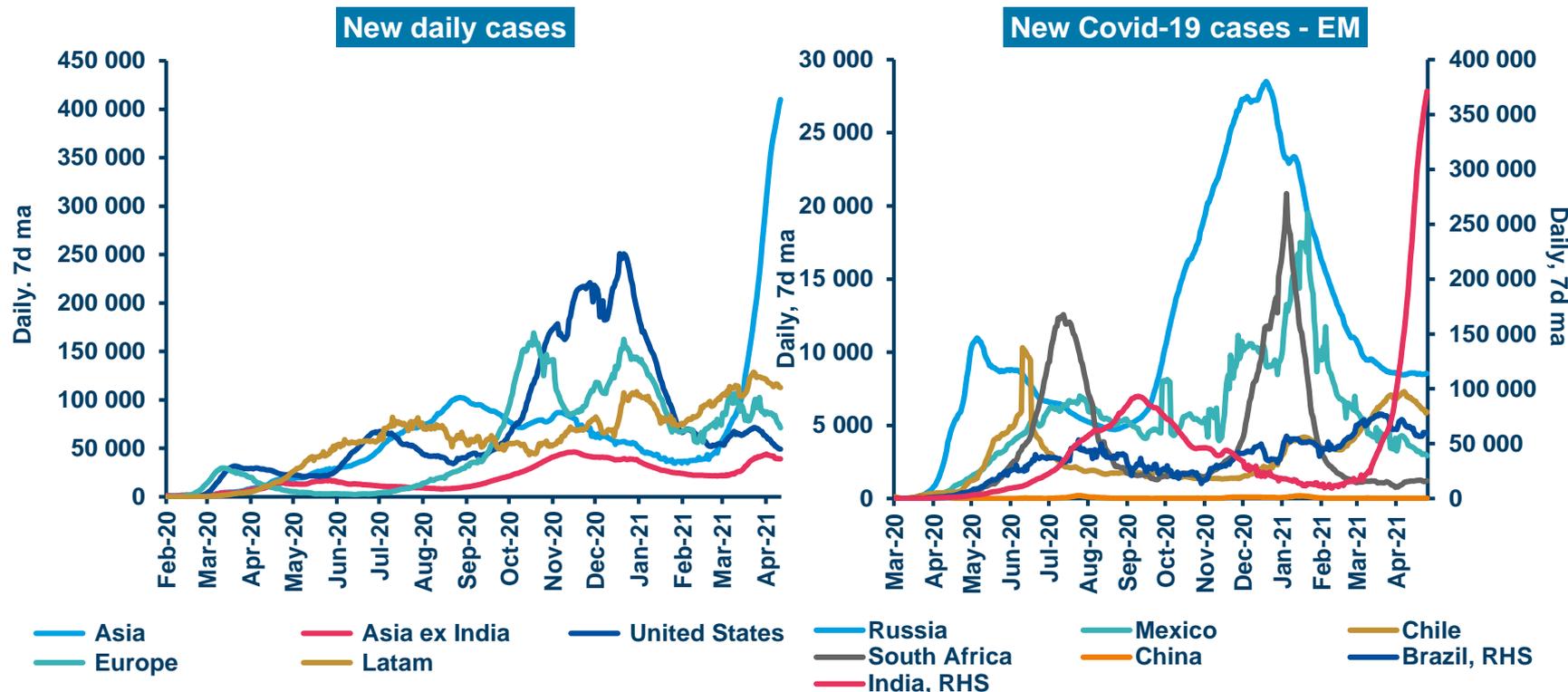
EM growth remains strong overall, with recovery continuing. China is on track to grow by 8.9-9.5% in 2021. This should allow the PBoC to normalise monetary policy in a gradual way, withdrawing from broad credit easing and potentially curtailing any possible leverage increase to calm some possible excesses.



Geopolitical risks are rising due to escalating regional tensions that could weigh on financial markets and reshape the global geopolitical landscape. Some countries face internal vulnerabilities that need to be monitored closely.

Source: Amundi as of 5 May 2021. DM: developed markets. EM: emerging markets.

Most countries are controlling the pandemic. India is the new outlier

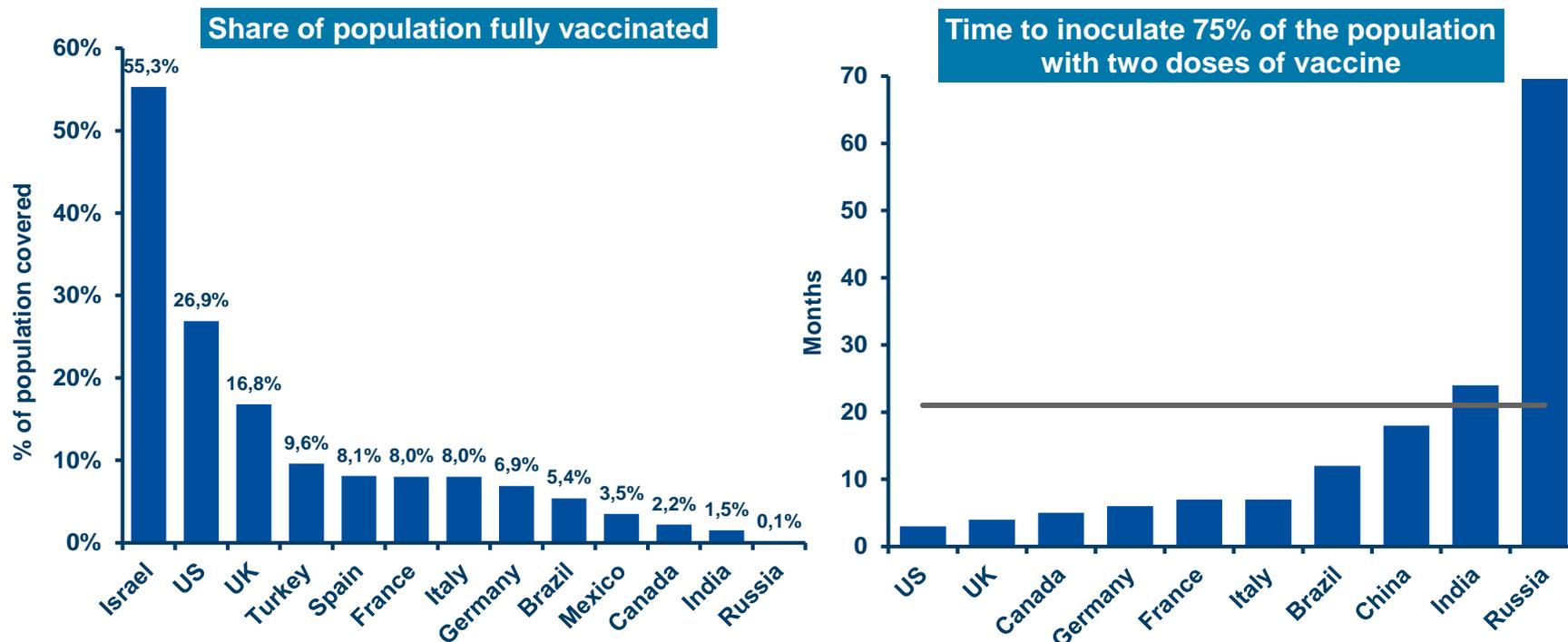


» The pandemic appears to be under control in most EM countries with a few exceptions, the most important and exceptional one being India. Brazil and Chile are seeing resurgences of cases as well. China, for its part, has showcased the ability to contain any outbreak quickly. There is large unevenness in the vaccination programme progress between DM and EM.

Source: Amundi elaborations on Bloomberg data as of 3 May 2021.

Source: Amundi elaborations on Bloomberg data as of 3 May 2021..

Uneven vaccination pace across DM and EM

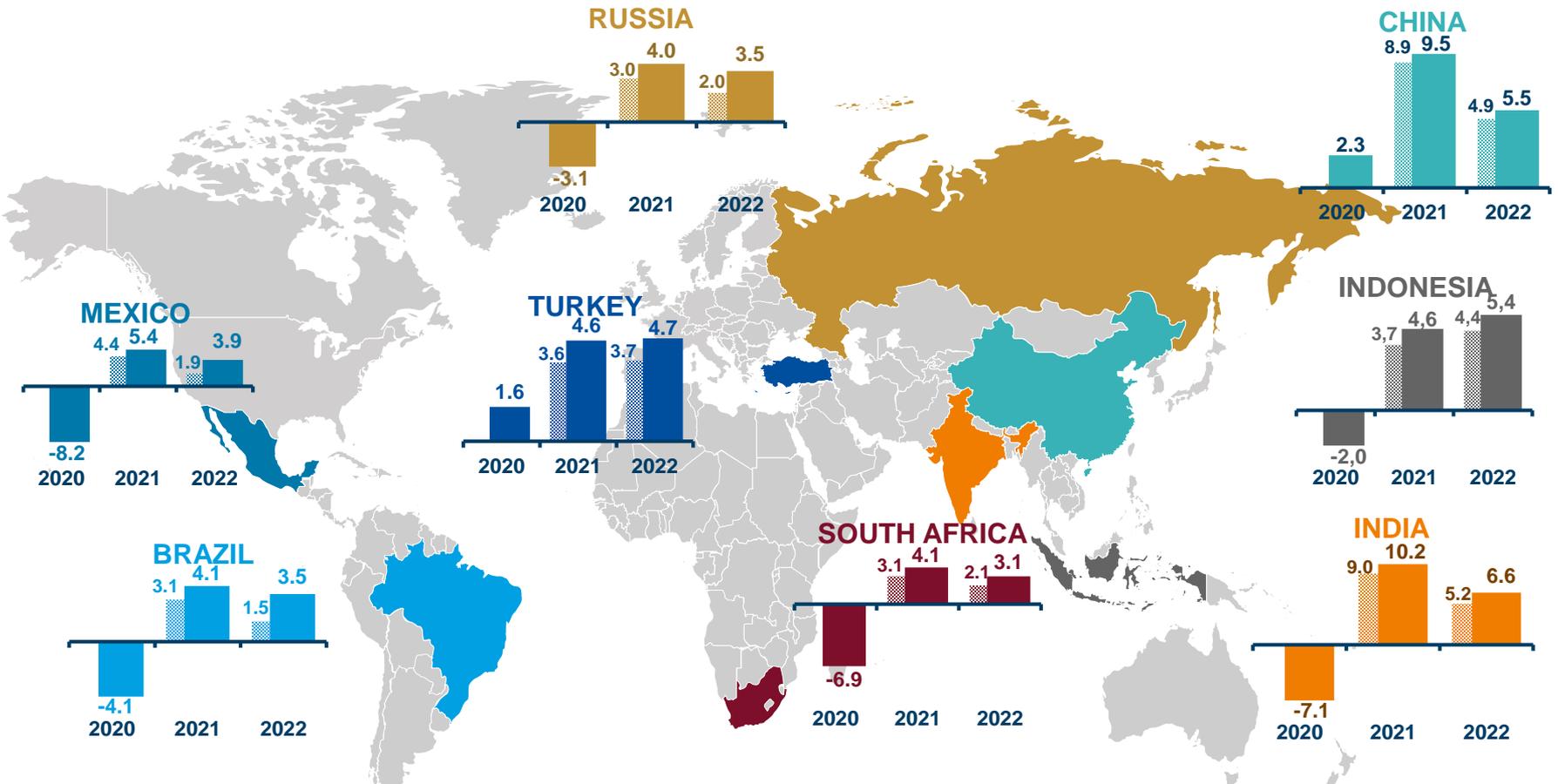


Over 1,16bn doses have been administered across 174 countries, enough to vaccinate 7.6% of the global population. High-income countries are vaccinating more quickly than low-income ones. At the current global daily pace, it would take about 16 months to achieve herd immunity. Russia is lagging behind.

Source: Bloomberg News as of 20 April 2021. Population coverage accounts for the number of doses required for each vaccine. For countries that do not report daily, the last-known average rate is used. Austria reports a calculated number of vaccinated people based on the deliveries of doses to vaccination facilities. Russia reports only the number of people who have received at least one dose and does not break down the total number of doses administered, which would be higher.

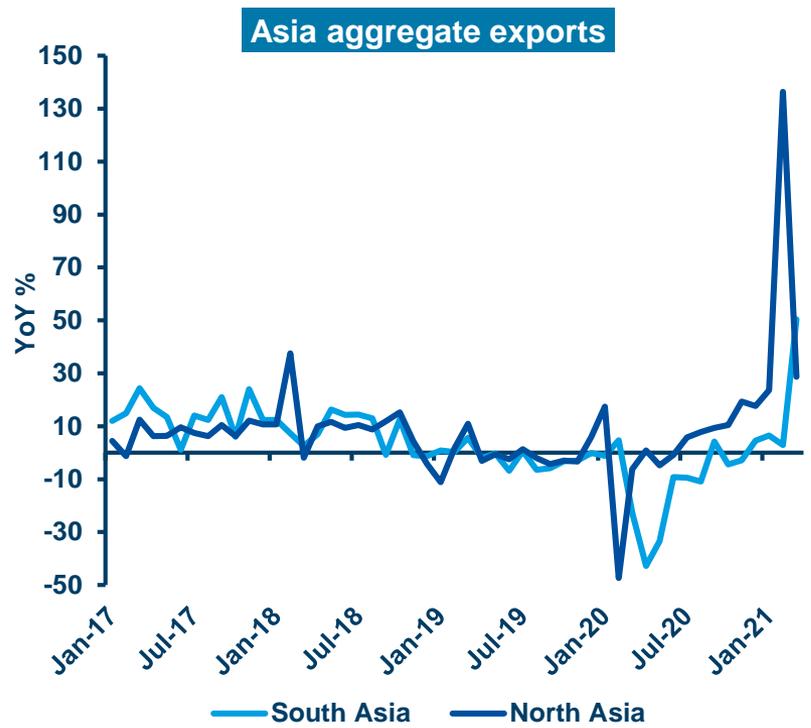
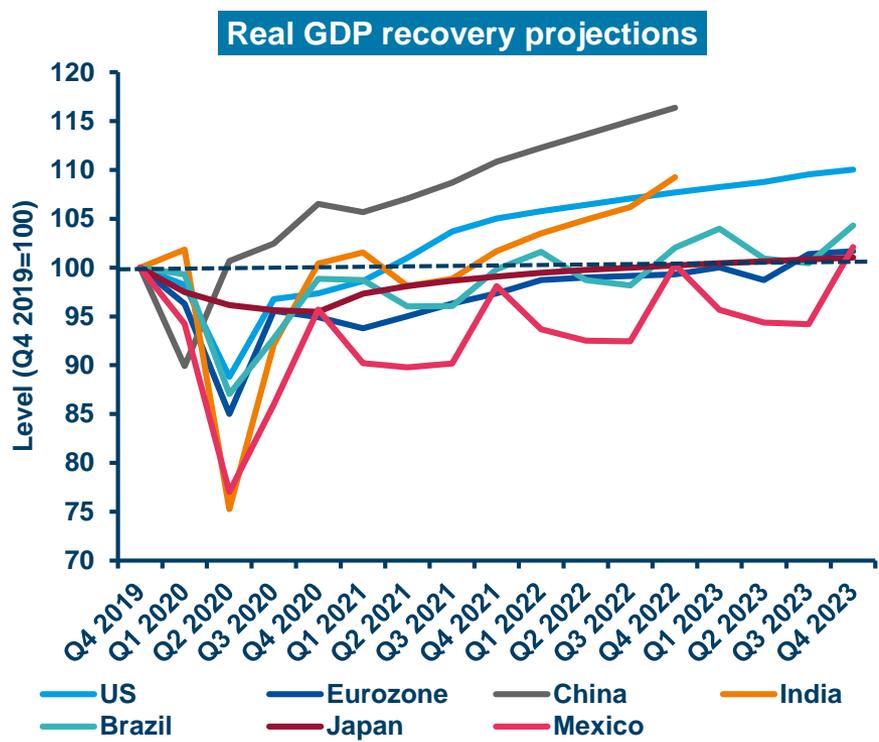
Source: Bloomberg. Data as of 20 April 2021. Immunity calculations takes into account the number of doses required and the current rate of administration for each vaccine type.

Asia is leading the EM recovery



Source: Amundi Research. Latest forecasts are as of 10 May 2021. Bars represent real GDP growth (YoY%) forecast range: solid bars represent the best-case scenario while shaded bars represent the worst-case scenario of the forecasting range. For EM, we assume no new additional fiscal impulse in 2021 vs 2020 according to the national budget laws announced so far. National daily economic activity data and local lockdowns as of end-March 2021 have been included, together with the boost to growth from the above fiscal packages and trade linkages.

China and India: faster recovery of pre-Covid 19 levels

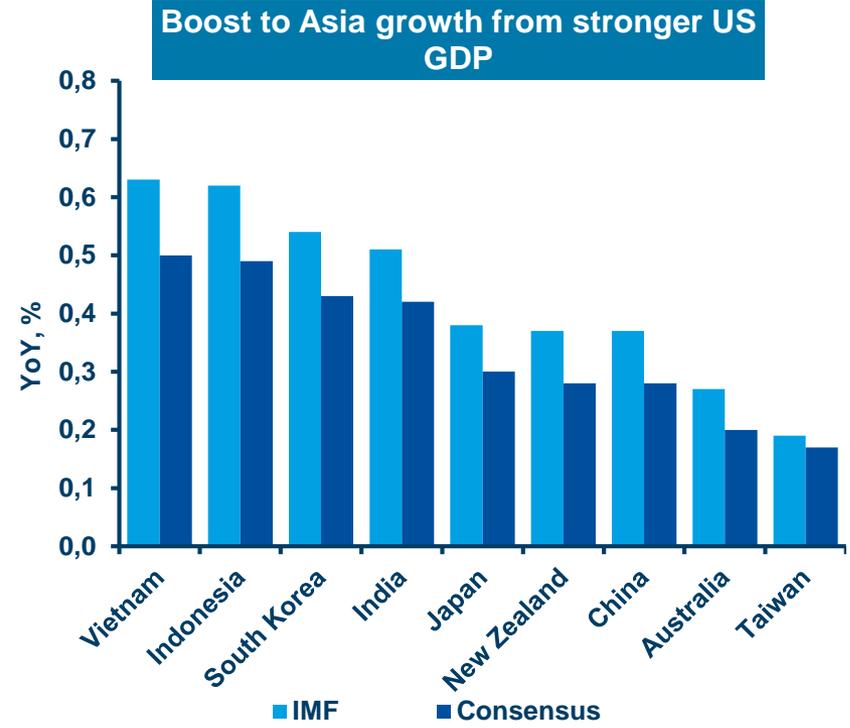
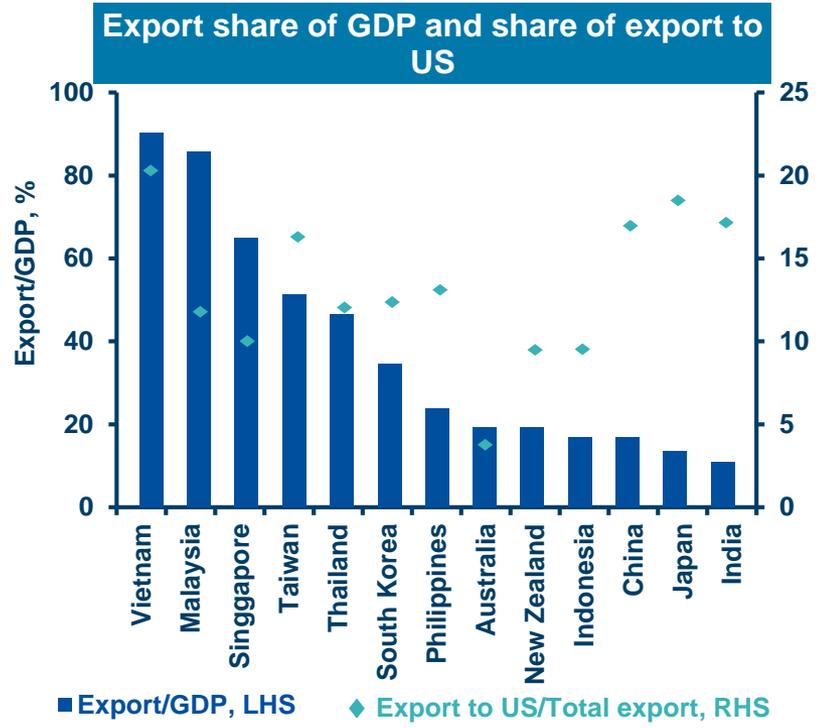


China and India's 2021 growth is projected to be in high single digits. Some EM strongly linked to the US economy could benefit from the US rebound, triggered by the Biden administration's massive fiscal stimulus. Manufacturing exporters have been benefiting from stronger global growth, and North Asian countries have supported by robust external demand.

Source: Amundi Research. Data as of 24 March 2021. China and India forecasts are available up to Q4 2022.

Source: Amundi, CPB World Trade Monitor. Data as of 26 April 2021.

US strength a positive spill-over for EM

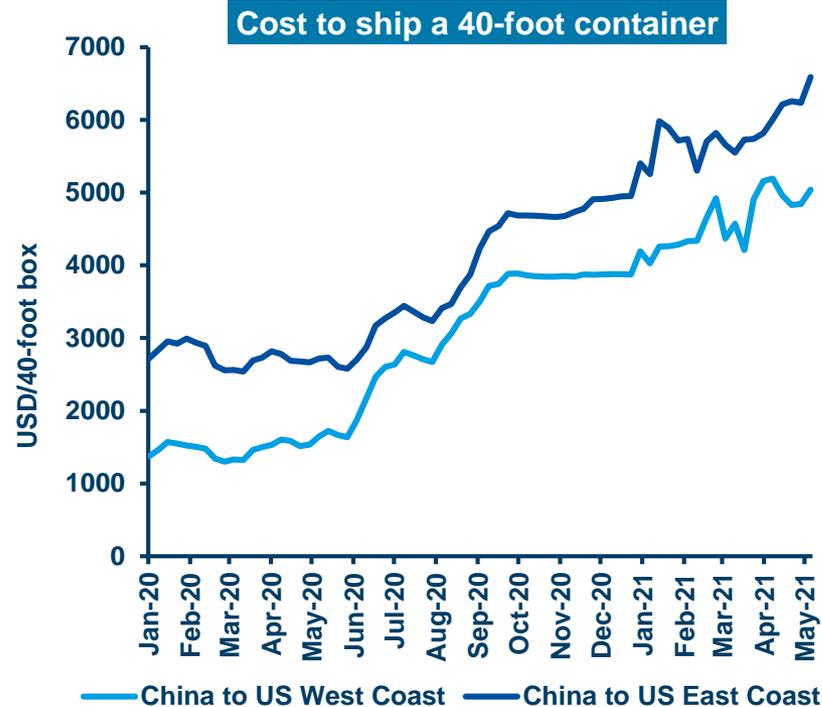
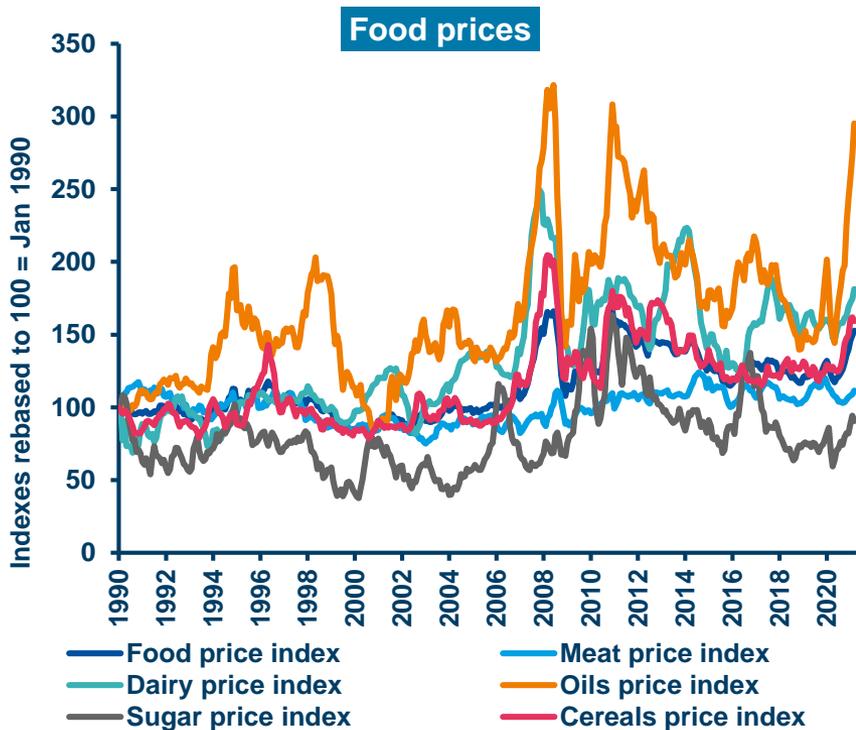


Accelerating 2021 US growth would support Asia and China growth, as rising US demand for goods is positive for Asian exporters. The more export-oriented a country's economy is -- especially to the US -- the higher the boost to GDP.

Source: Amundi elaborations on Bloomberg and IMF. Data as of April 2021.

Source: Amundi elaborations on Bloomberg and IMF data as of April 2021. Chart shows the spill-over impact to Asian countries from the new US economy forecasts. Both IMF and consensus have upgraded their 2021 US GDP projections by 2.5% and 2.0%, respectively. Simulations use NiGEM (National Institute Global Econometric Model, a global macroeconomic model) and take into account direct and indirect spill-overs.

Could rising inflation pressure reverse policy easing?

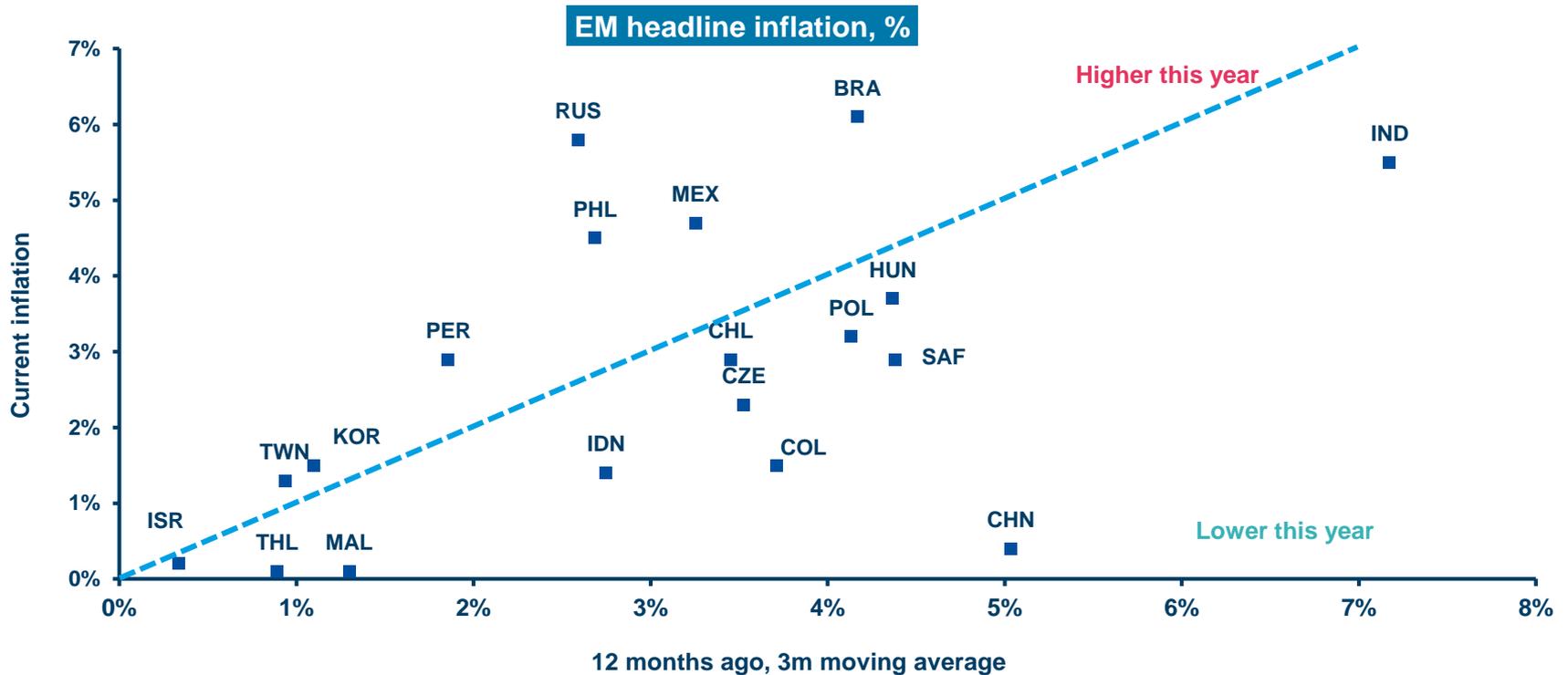


➤ Food inflation has picked up from depressed levels and it is driving up inflation in countries where the food import bill is relevant. In most EM, food represents a large share of the inflation basket. The cost of shipping goods from China to the US has almost tripled since June of 2020, due to a combination of shortages of containers and a recovery in consumer demand. This could boost inflation pressures.

Source: Amundi, FAO. Data as of 23 April 2021.

Source: Amundi, Bloomberg. Data as of 10 May 2021.

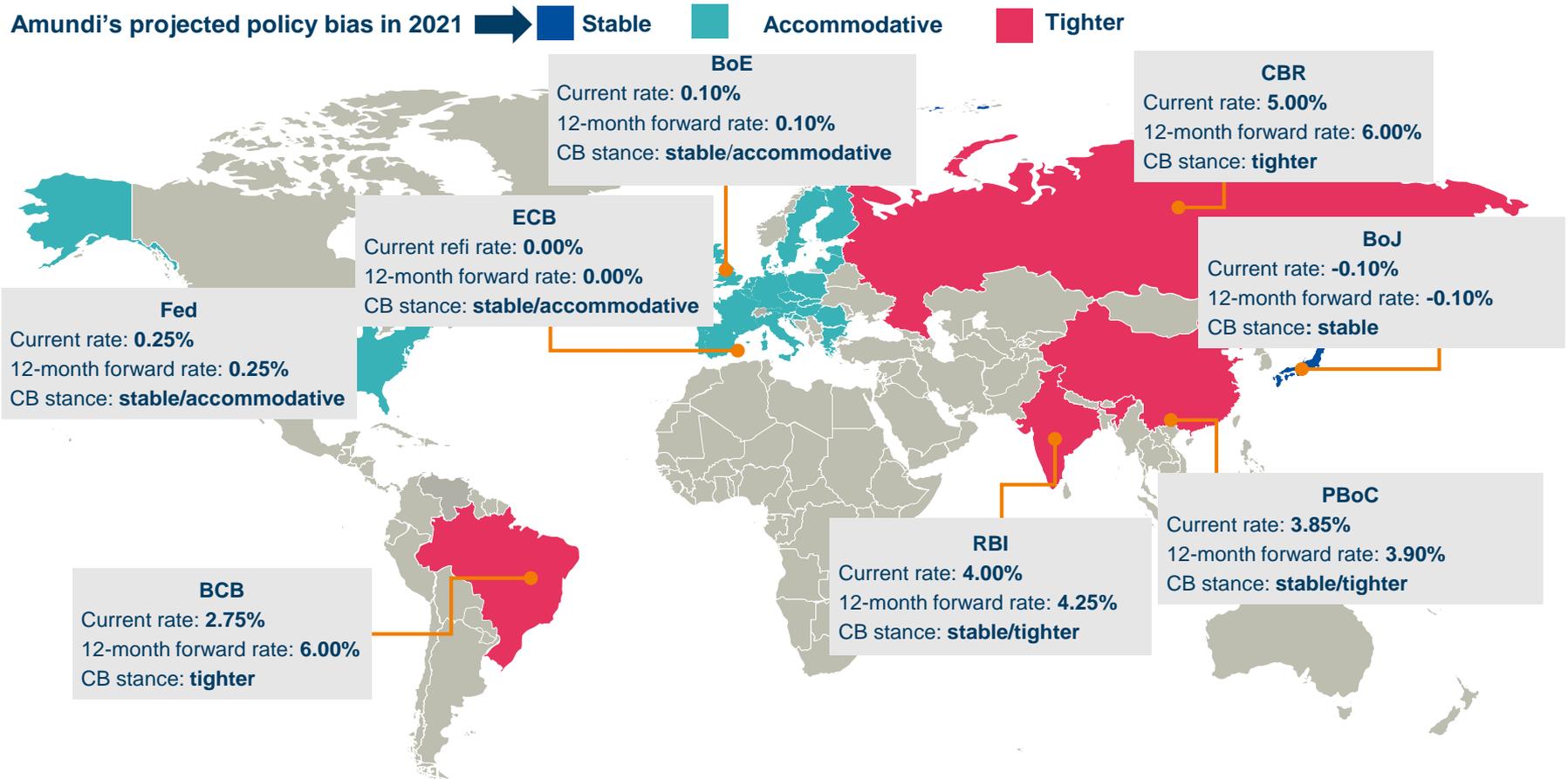
Many countries have been experiencing high inflation rates



» Inflation risk is uneven across EM. Some countries are experiencing rising inflation pressure due to a mix of higher food and commodity prices and currency depreciation while domestic demand remains subdued. Some CB have tried to tame inflation by raising interest rates, including Turkey, Russia and Brazil.

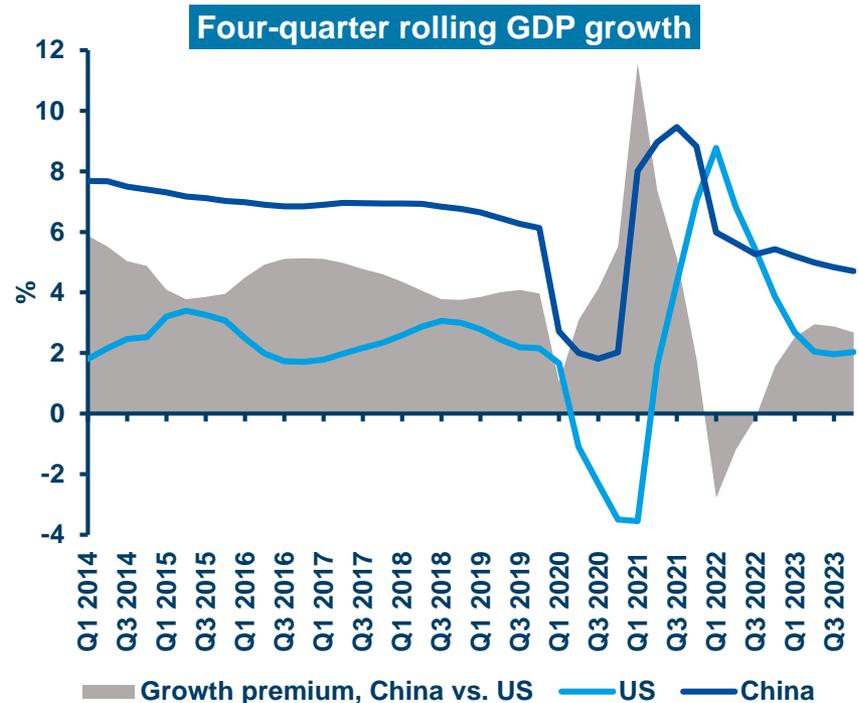
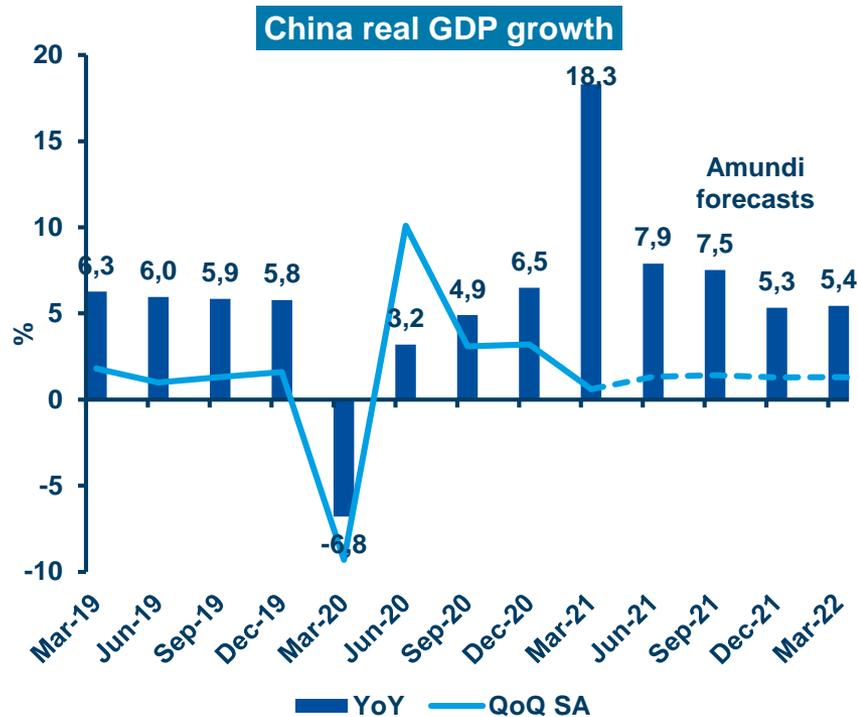
Source: Amundi Research. Data as of 16 April 2021. CB: central banks. Current data refers to CPI headline inflation as of March 2021, except for South Africa, for which data are as of February 2021. CPI 12 months ago refers to the median of December 2019, January 2020 and February 2020. Note: Turkey is not included in the chart (inflation picked up from 12.1% to 16.2% YoY).

Some EM CB are hiking rates to limit inflation pressures



Source: Amundi Research as of 10 May 2021. Illustrative map for monetary policies. Central bank stance refers to expected changes on QE or unconventional tools position throughout 2021. Fed: Federal Reserve; BoE: Bank of England; PBoC: People's Bank of China; BoJ: Bank of Japan; BCB: Central Bank of Brazil; CBR: Central Bank of Russia; ECB: European Central Bank; RBI: Reserve Bank of India.

China's growth outlook is stabilising after Q1 base effect

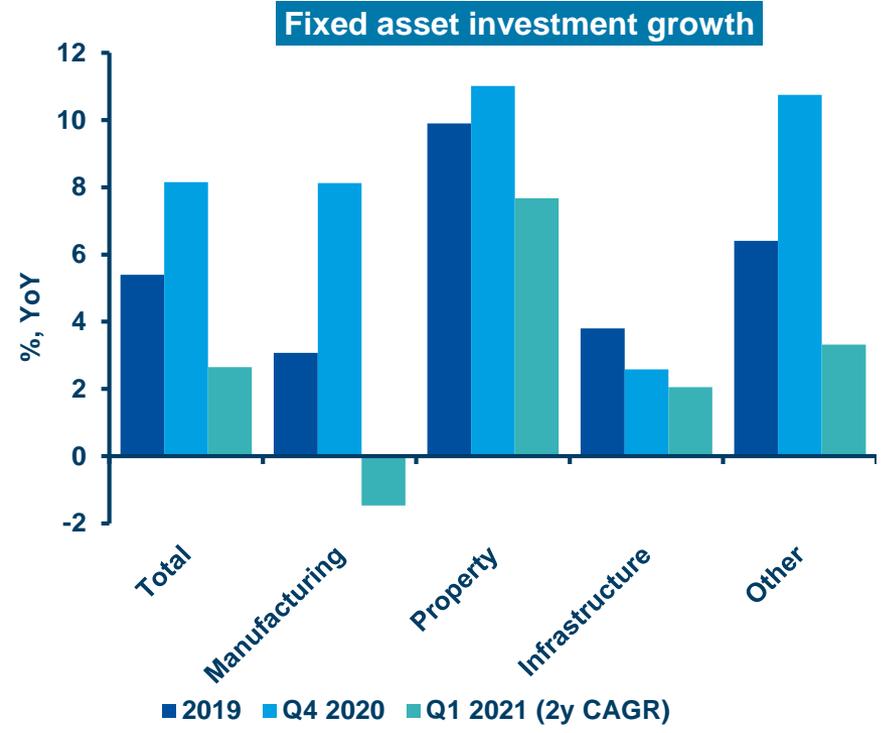
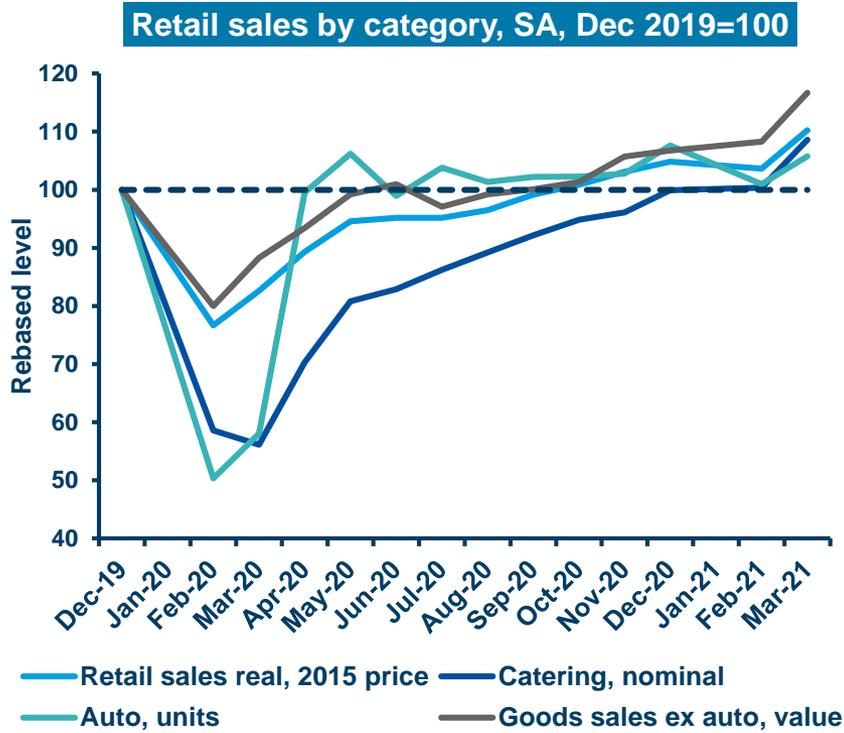


» We expect China to grow 8.9-9.5% in 2021, up from 2.3% in 2020. Sequential growth eased in Q1, due to slower construction and services activities. With vaccination programmes accelerating and the pandemic under control, we expect the services sector to pick up and drive the overall economy throughout the rest of 2021. China's growth premium over the United States is expected to stabilise at around 2% in the next couple of years.

Source: Amundi Research, Datastream, CEIC. Data as of April 2021. Amundi forecasts are from Q2 2021.

Source: Datastream, CEIC, Amundi Research. Data as of March 2021.

China's domestic consumption and housing are bright spots

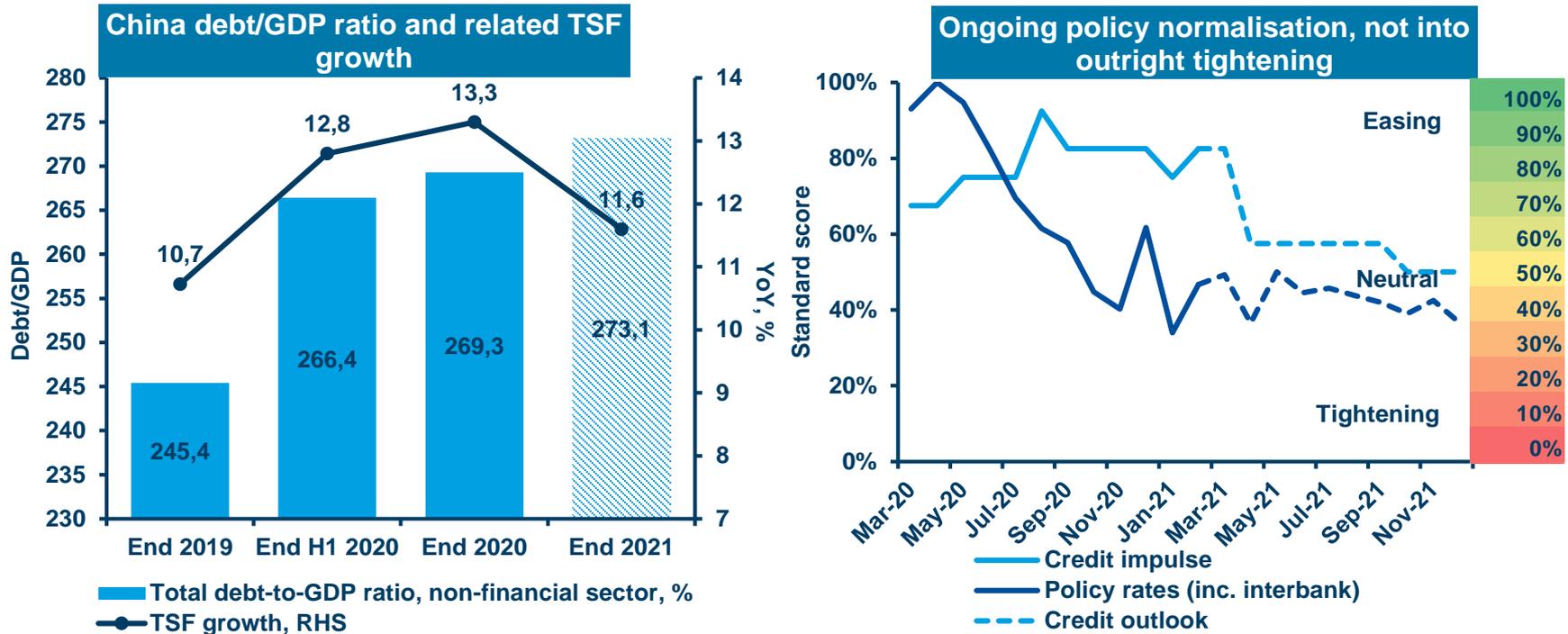


» Total fixed asset investments were supported by property investments while manufacturing and infrastructure investments weakened. Retail sales growth weakened compared to 4Q20, due to weak auto components, but are well above pre-crisis levels.

Source: Amundi Research on CEIC and NBS. Data as of 20 April 2021.

Source: Amundi Research on CEIC and NBS. Data as of 20 April 2021. SA: seasonally adjusted.

Tighter policy mix on horizon for China, but in gradual way

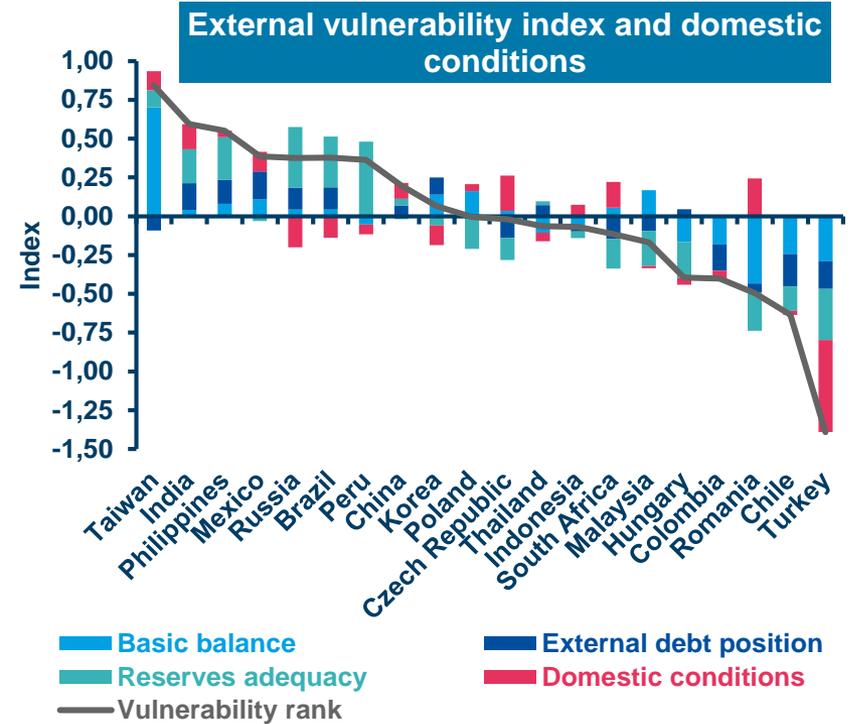
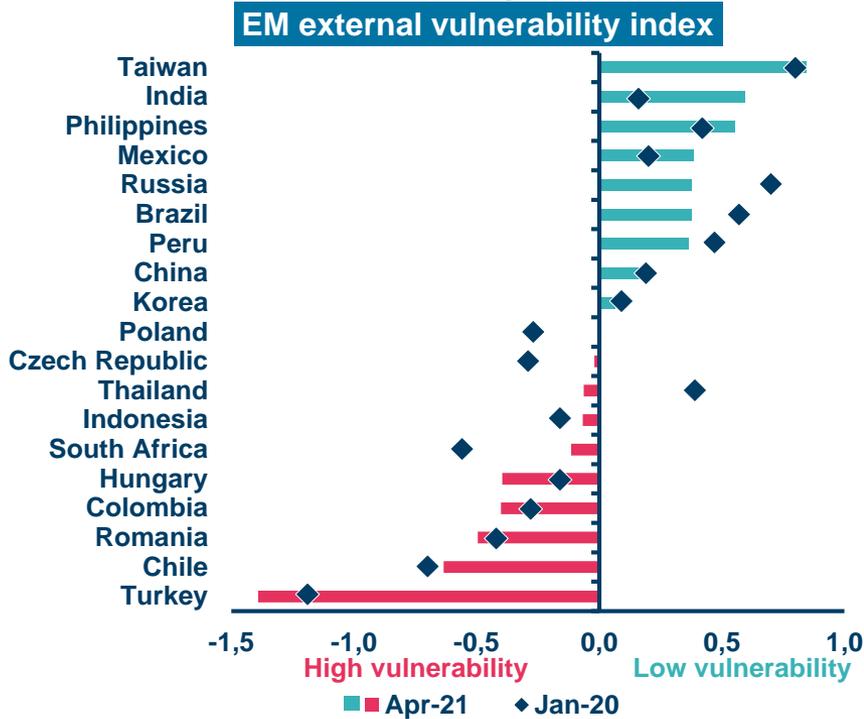


» We expect less monetary and fiscal policy easing this year as authorities try to cool down some excess in the real estate and tech sectors. However, policy normalisation should be much slower this year and more careful compared to what happened in 2013, with the PBoC more likely to be more supportive rather than accelerating its pace of tightening.

Source: Amundi Research on CEIC and China CNBS data. Data as of 18 April 2021. TSF: total social financing.

Source: PBoC, Wind, Amundi Research. Data as of March 2021. Credit impulse and policy rate are standardised based on their latest level compared to 12m and 3y trends. Standardised scores varies between 0% and 100%. 0%: full tightening, 100%: full easing, 50%: neutral stance.

External vulnerability has improved one year after Covid-19 with few exceptions

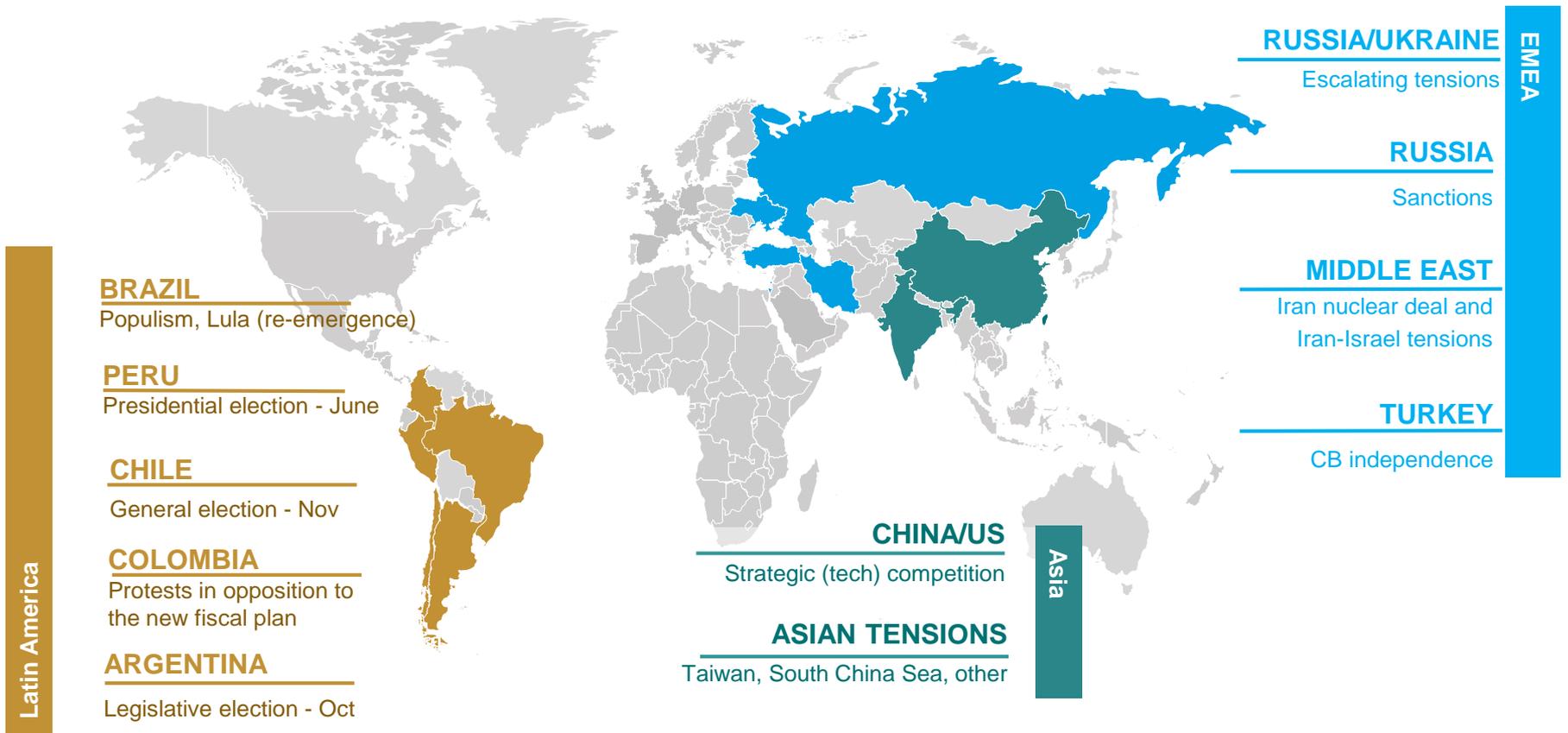


EM Asian manufacturing economies have come out of the Covid-19 crisis reinforced, with the external vulnerability index mostly in positive territory and showing some improvement. Some improvement has also been experienced across Eastern Europe while Turkey remains the most vulnerable country, but that is an idiosyncratic story.

Source Amundi Research's external vulnerability rank. Source: Amundi Research, CEIC, IMF, WTO. Data as of 23 April 2021.

Source Amundi Research's external vulnerability rank. Source: Amundi Research, CEIC, IMF, WTO. Data as of 23 April 2021.

Main (geo) political themes to watch in 2021



Source: Amundi as of 5 May 2021.

02

Convictions for investing in emerging markets

EM high-conviction ideas



EM equity to play earnings recovery



Asia and China at the core



EM bonds as source of income



Play the green transition with EM green bonds



Seek selective opportunities in EM currencies

Economic recovery and **earnings rebound** are the main drivers of EM equities. Valuations look attractive in the current global context. Overall, the outlook remains positive.

We believe Asian equity markets could over-perform on a mid-to-long-term horizon. **China is going to become a core component** of global portfolios.

In a global portfolio, EM bonds are a valuable source of income to be played now with a **cautious view on duration**. **Chinese debt** offers a source of yield and diversification.

Growing investor demand for green bonds could strengthen the potential for **EM green bond** markets, offering additional opportunities to global investors to **play the energy transition**.

The relative dollar strength has been driving some repricing in EM currencies. **Selected currencies could benefit from the reflationary environment and attractive valuations**.

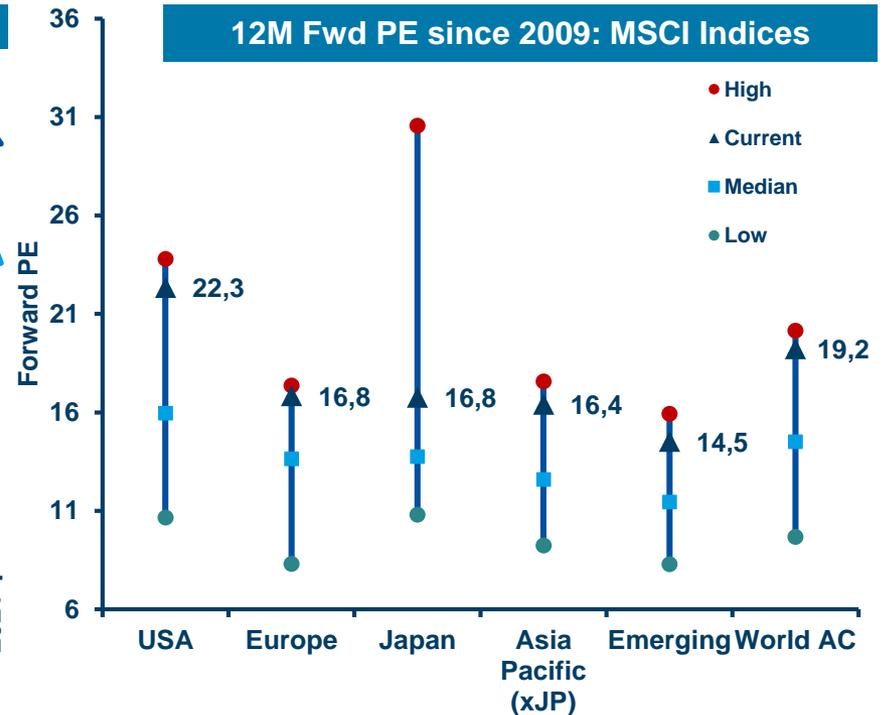
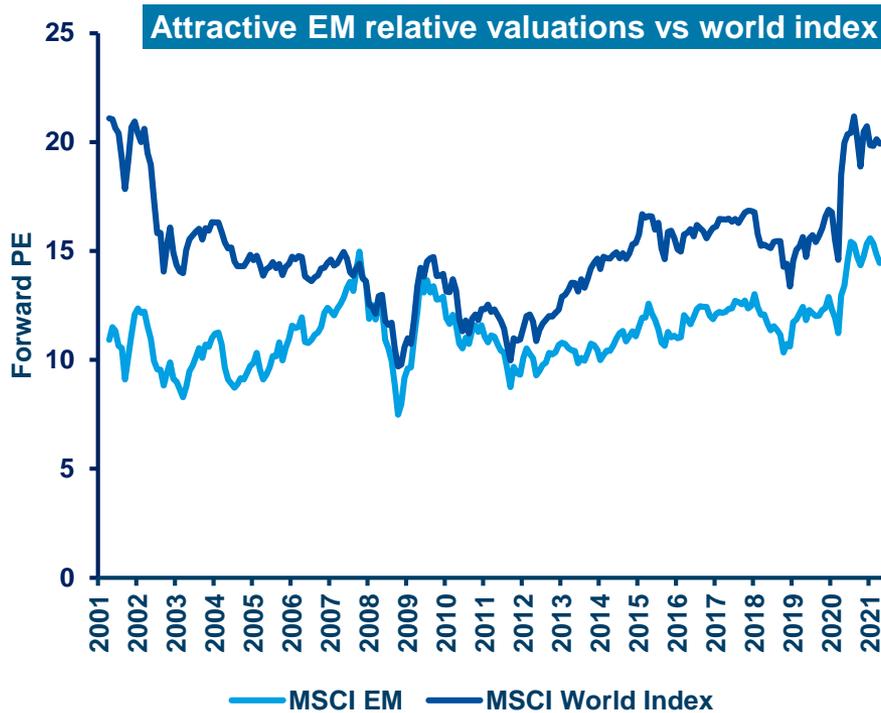
Source: Amundi as of 5 May 2021. LC: local currency.

EM equities to play cyclical recovery with focus on Asia



Source: Amundi as of 23 April 2021.

EM equities: valuation not particularly expensive in relative terms

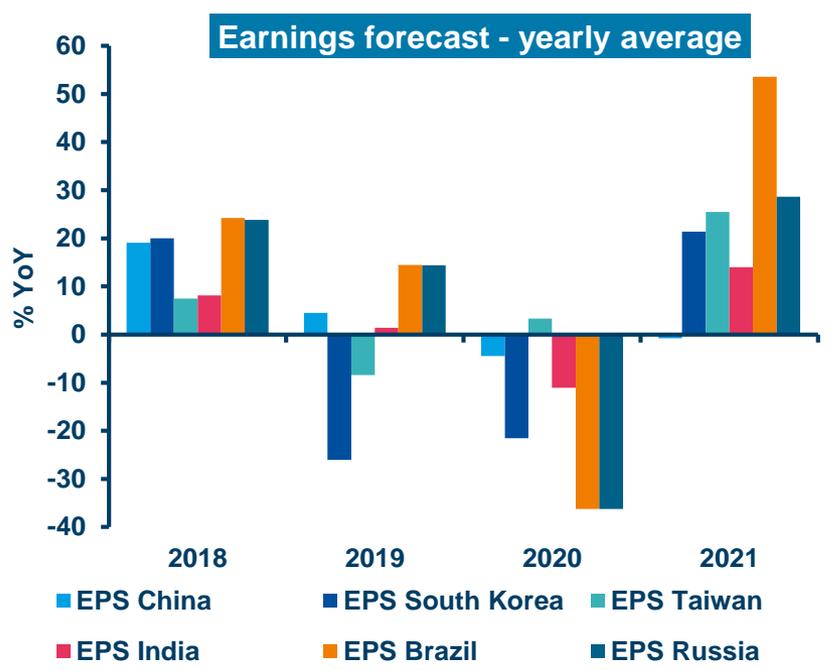
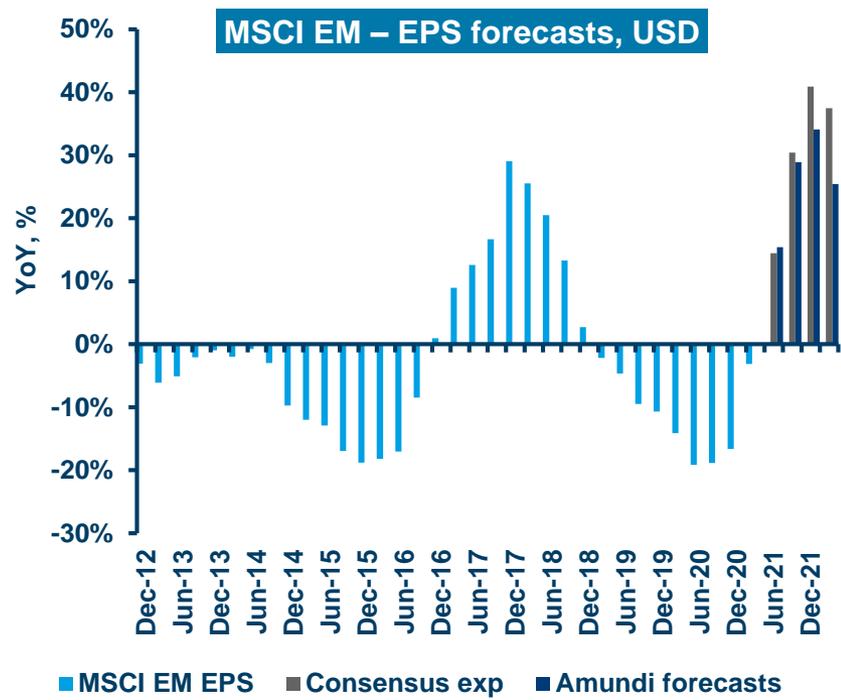


» Despite some concerns over vaccine distribution, EM equity valuations are attractive in the current global context, supported by some improvement in earnings and by the economic recovery.

Source: Amundi Research, Datastream. Data as of 30 April 2021.

Source: Amundi Research, Datastream. Data as of 28 April 2021.

EM profits to recover sharply in 2021 and then normalise



Our conviction is that profit growth for MSCI EM EPS in USD will increase in the first half of 2021 and be more concentrated in Emerging Asia while in H2 2021 we foresee an upward trend in the earnings recovery also including EMEA and, later, Latam.

Source: Amundi Research. Data as of 30 April 2021. EPS: earnings per share.

Source: Amundi Research. Data as of 30 April 2021. EPS: earnings per share.

Go granular in EM exposure: look for country-specific stories, India and China to diversify equity exposure

	MSCI EM	MSCI China	MSCI China onshore	MSCI India	S&P 500 Index	MSCI Europe	MSCI World
MSCI EM	1,00						
MSCI China	0,87	1,00					
MSCI China onshore	0,53	0,68	1,00				
MSCI India	0,68	0,46	0,25	1,00			
S&P 500 Index	0,74	0,60	0,40	0,61	1,00		
MSCI Europe	0,62	0,48	0,33	0,57	0,81	1,00	
MSCI World	0,86	0,70	0,44	0,67	0,96	0,84	1,00

» EM indices are very different in terms of index composition and sector exposure. The China A-shares market shows the lowest correlation with both EM and DM indices. Also, Indian equities have limited correlation to DM equities. Investors could gain exposure to country-specific stories and internal demand growth.

Source: Amundi on Bloomberg data. Calculations are based on monthly data for the 10 years to April 2021. The correlations are with local-currency indices.

Equity opportunities in EM Asia

1 China – *neutral*
Positive economic outlook but very high valuations (ie, health care, consumer staples and new technology). Preference for companies in the renewables, gaming and leisure sectors (domestic demand story). Cautious on some value sectors.

10 Indonesia – *positive*
Strong cyclical rebound, stronger exports, with rising commodity prices and volumes, a good external balance, moderate inflation, and continued fiscal and monetary stimulus.

9 Vietnam – *positive*
Now the largest in MSCI Frontier, which MSCI could put on the watch list for upgrade to EM status. Valuations are attractive vs the rest of the EM universe.

2 India – *positive*
Domestic demand, Made in India, financialisation of savings and budget for reflation are long-term positives, but short term, this is offset by high valuations in cyclical sectors and a rising second wave of Covid.



8 Hong Kong – *positive*
Valuations not cheap, but improving outlook for insurance, gaming and real estate due to reopening not fully priced in yet.

7 The Philippines – *cautious*
One of our main concerns continues to be the currency, which we view as relatively expensive and also very sensitive to commodities or energy prices.

3 Taiwan – *cautious*
Quite elevated valuations within the region and less cyclical exposure. Cautious on financials and positive on tech and industrials.

4 South Korea – *positive*
Limited impact of Covid-19, healthy exports, attractive valuations, mostly in the still-dominant technology sector.

5 Thailand – *cautious*
We are cautious and prefer companies that are less reliant on tourism sector (14% of GDP, hit by pandemic), limited fiscal and monetary space.

6 Malaysia – *cautious*
Cautious on sectors exposed to domestic consumption and investment (banks, construction, property, telecoms, consumers); more constructive on exporters (IT, commodities) and selectively on REITs and utilities.

Source: Amundi Research. Data as of 21 April 2021.

Colours indicate Amundi equity view on the country for 2021

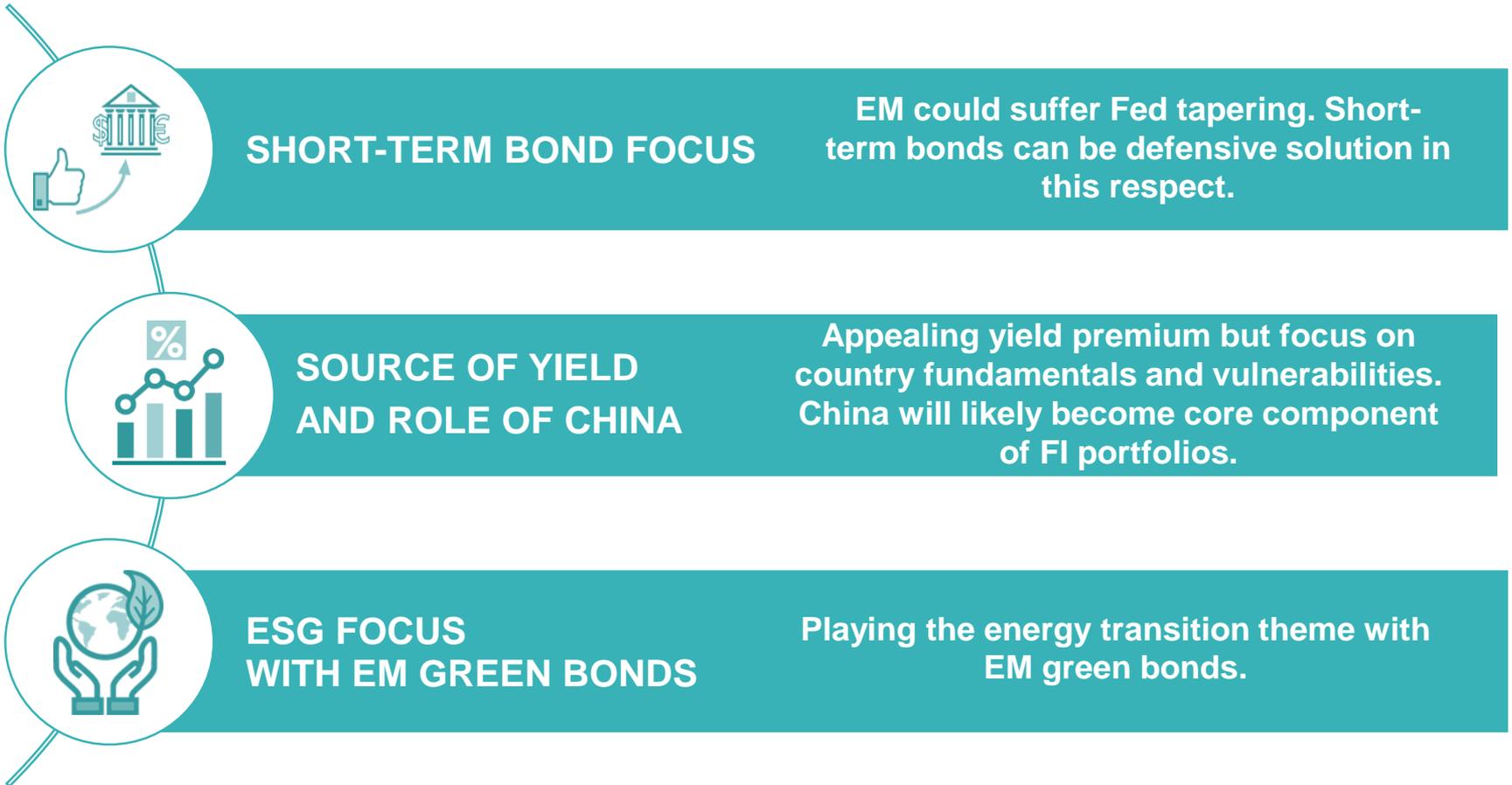


Major investment convictions in EM equities

	Positive on Asia, the engine of EM growth	China – Korea – Hong Kong – India
	Constructive on countries able to benefit from the commodity cycle and exports	Russia – Indonesia
	Long-term growth story, such as frontier markets supported by China and SDR (IMF)	Vietnam – New Silk Road
	Defensive on countries with possible idiosyncratic stories or elevated valuations	Saudi Arabia – Thailand – Malaysia – Chile – South Africa

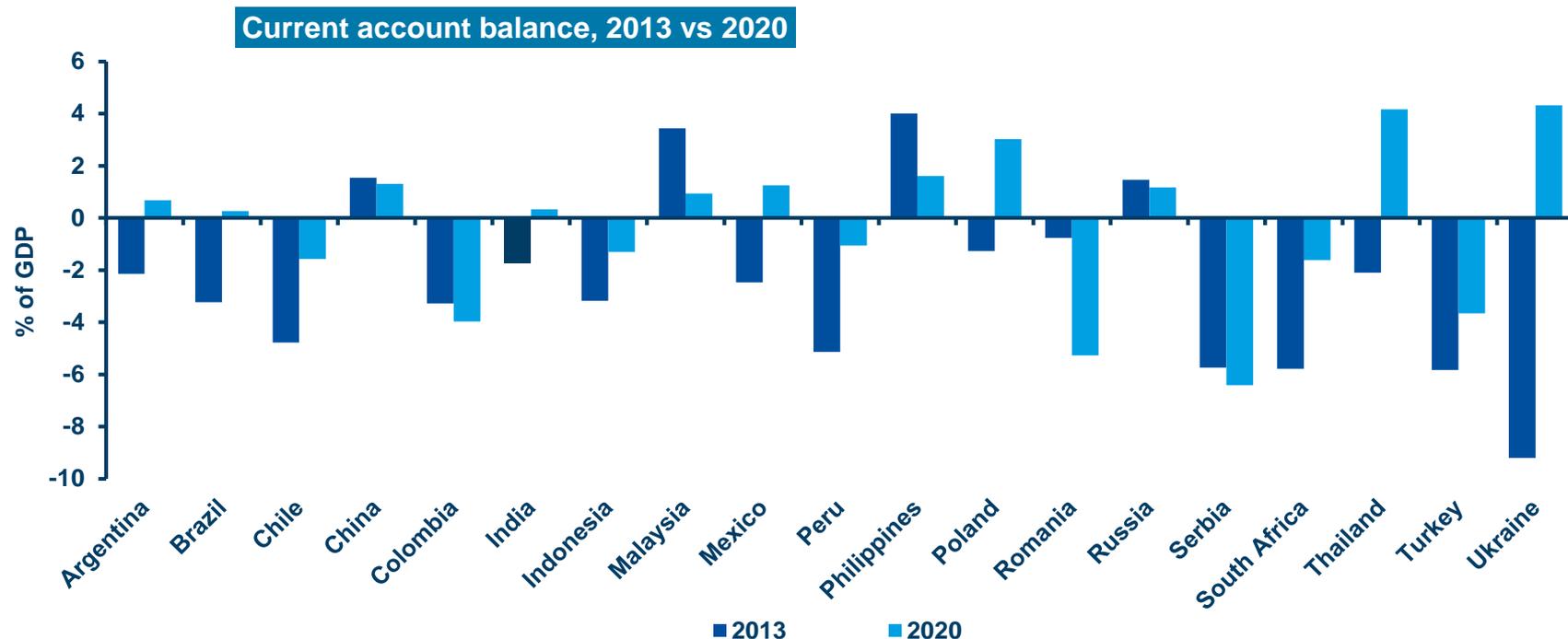
Source: Amundi as of 6 May 2020.

Three key themes for EM bonds



Source: Amundi as of 6 May 2021.

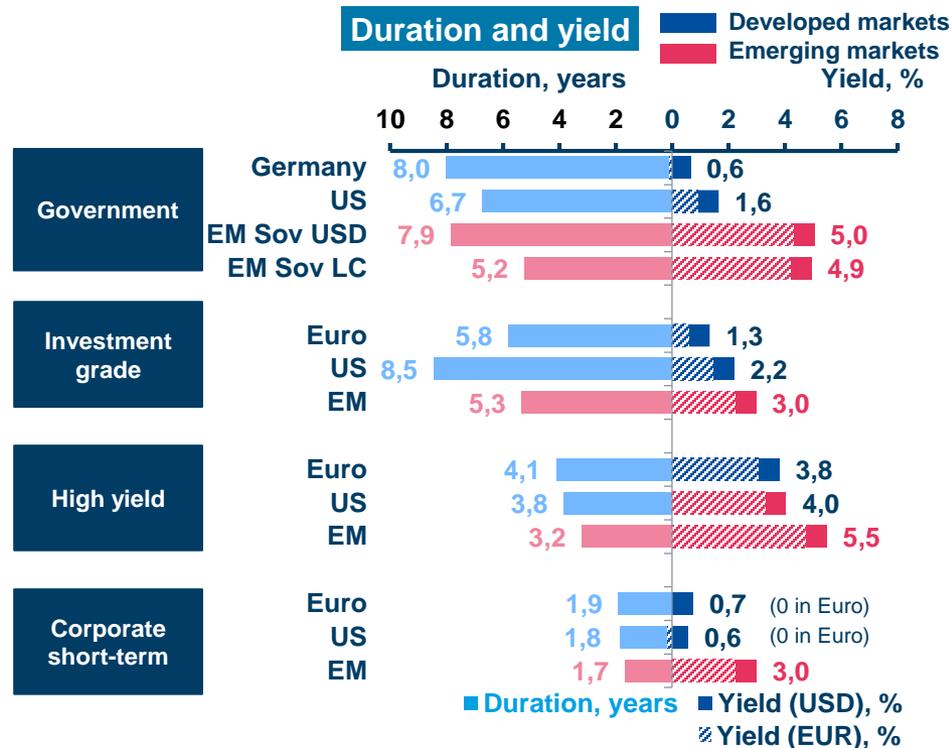
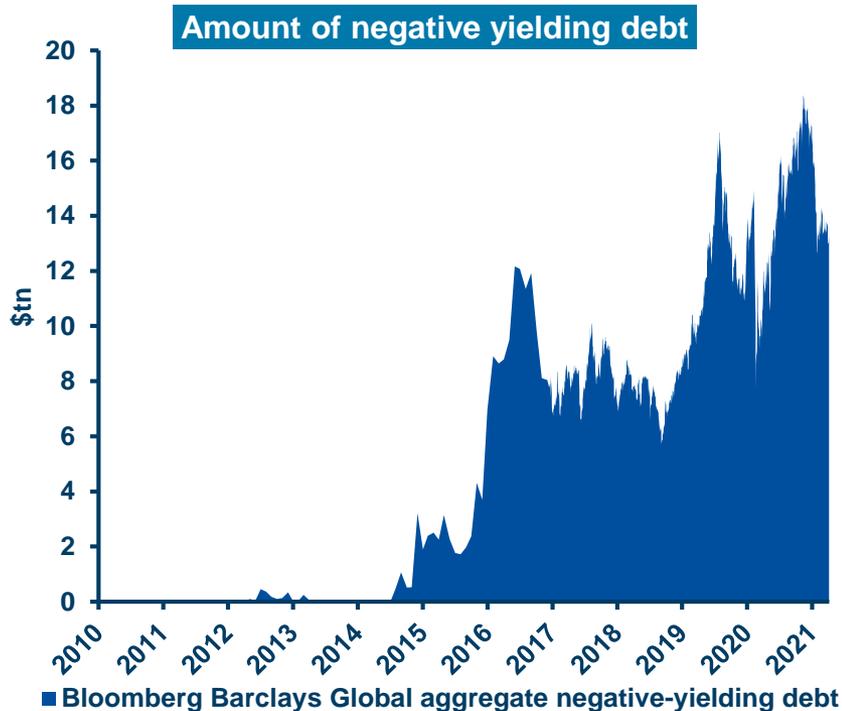
When the Fed starts to taper, EM assets could face some headwinds, but overall are in better shape than 2013



▶ We do not expect a repeat of the 2013 taper tantrum. The current EM backdrop should mean countries can avoid the same type of moves: current account balances have generally improved across EM.

Source: Amundi analysis on Bloomberg data as of 2 March 2021. 2020 data are as per IMF estimates.

EM bonds: potential source of income but selection is paramount

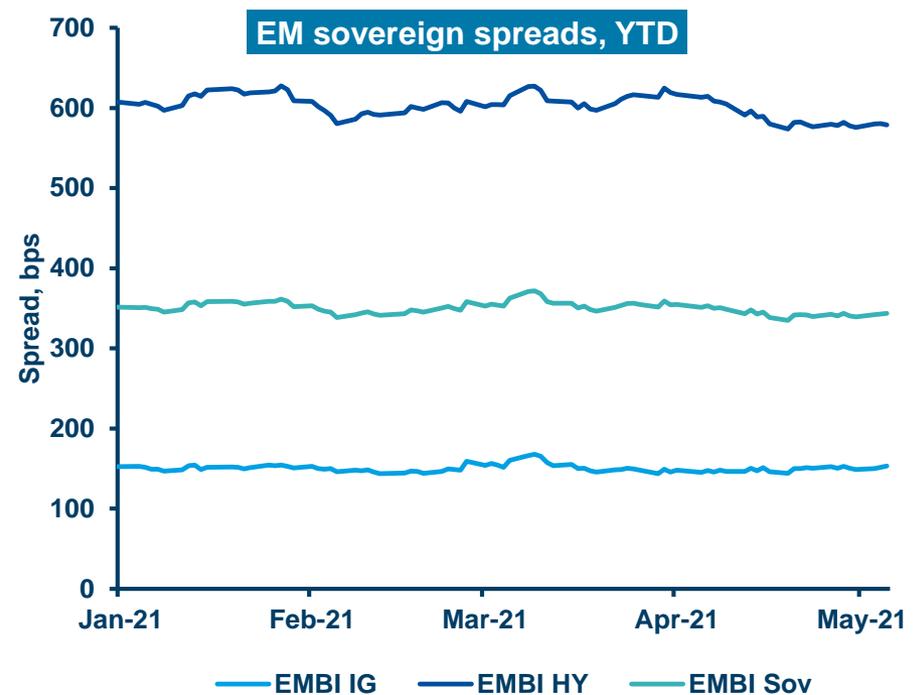
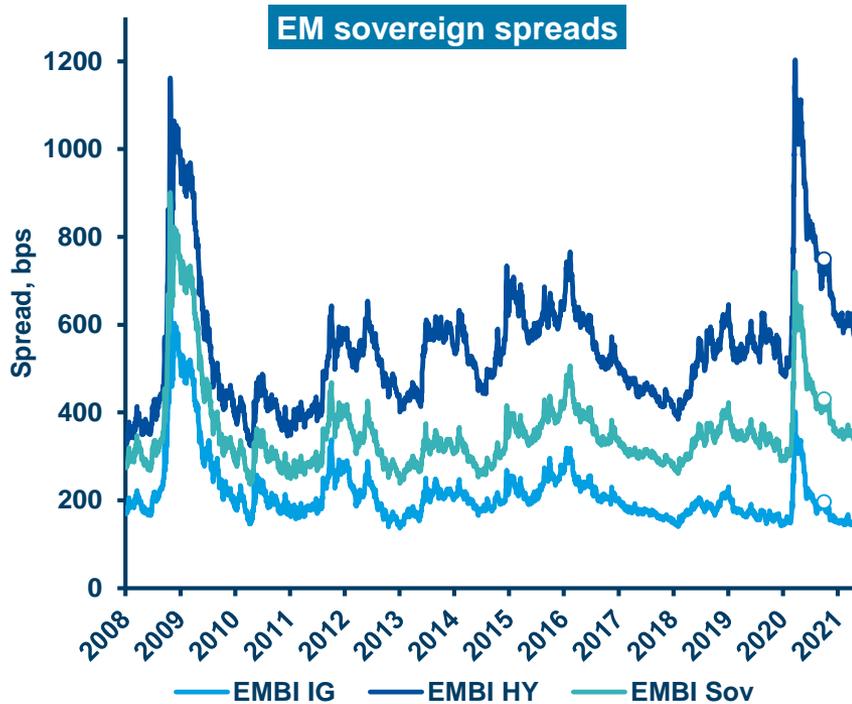


» EM bonds play a cornerstone role in generating income when global rates are low. However, risks linked to the speed of US rate increases have to be followed and require an active and balanced implementation of any duration strategy. Selectivity is crucial in order to avoid any potential idiosyncratic risks.

Source: Amundi analysis on Bloomberg data as of 6 May 2021.

Source: Amundi analysis on Bloomberg data as of 30 April 2021.

EM spreads to stay resilient, with some compression in HY

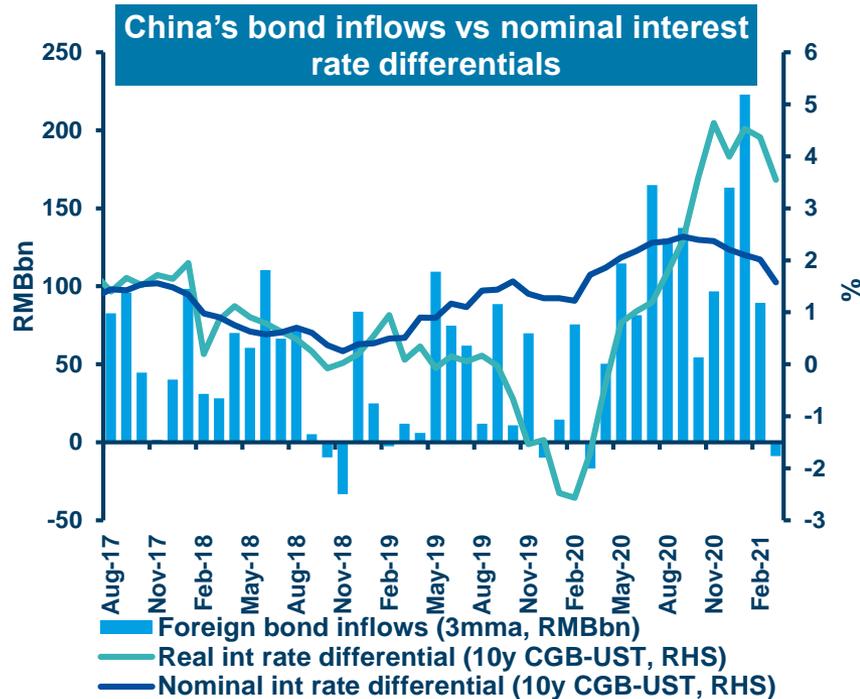


EM credit spread remain higher than prior to the Covid crisis in HY, still some opportunities to spread compression but selection remains important. Overall, good resilience amid rising US yields.

Source: Amundi, Bloomberg. Data as of 6 May 2021.

Source: Amundi, Bloomberg. Data as of 6 May 2021.

Asian and Chinese assets will likely become core in global portfolios

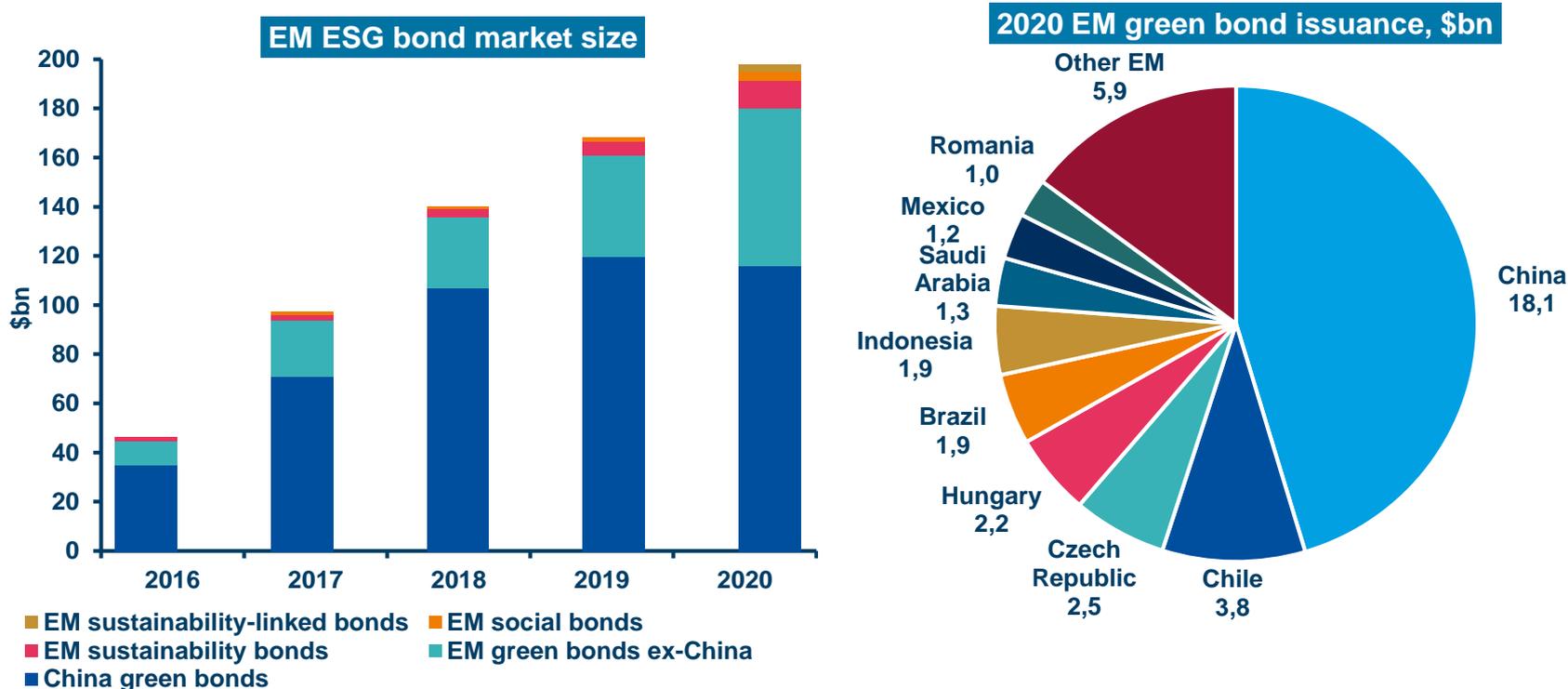


» In a world of ongoing low yields, China's real and nominal rates are appealing in a global fixed income portfolio. Moreover, China is among the few countries not to have embraced unconventional monetary policies. The country is also targeting an ordered slowdown of credit growth. CNY could also become a reference currency for Asia, and its internationalisation will likely go ahead, along with the role of China in the global landscape.

Source: Amundi Research on CEIC and Fed data. Data as of April 2021.

Source: Amundi on Bloomberg data. Data as of 26 April 2021.

EM green bonds: a growing segment



» While EM green bond issuance is much smaller than that of DM, the former looks to have the potential to develop into a credible asset class to manage the green transition. Unsurprisingly, China is the leader in this segment. However, 43 EM have issued green bonds since 2012. Projected 2021-23 EM green bond issuance is larger than EM green bond stock up to 2020.

Source: Amundi elaborations on IFC, Bloomberg, Environmental Finance, Climate Bonds Initiative. Data as of 22 April 2021.

Many countries improved EM green bond scores

Determinants of potential for Green bonds market growth				
	SBN Score Overall	Green Bond Momentum		Improvement from 2019
		Green Bond Issuance/ Total Bond Issuance	Sovereign Green Issuance: Total & Planned	
China				
Indonesia				↑
Malaysia				
Philippines				
Thailand				↑
Vietnam				
Czech Republic				↑
Estonia				
Lithuania				
Poland				
Turkey				↑
Ukraine				↑
Argentina				
Brazil				↑
Chile				
Colombia				
Mexico				↑
Paraguay				↑
Peru				
Uruguay				
Egypt				↑
Iraq				
Morocco				
UAE				
India				
Pakistan				↑
Kenya				
Nigeria				
South Africa				↑

The SBN Score is based on the Sustainable Banking Network (SBN) measurement framework assessing national sustainable finance policies. Countries that are not SBN members are indicated in the lightest shade of blue.

Green Bond Issuance/Total Bond Issuance is the percent of green bond issuance out of total bond issuance over 2017-20.

Sovereign Green Bond Issuance is based on whether the sovereign has already issued green bonds and whether it has announced plans to do so.

Countries are scored from 0 to 5 on each of the components, with 5 being the highest on a relative basis, according to available data.

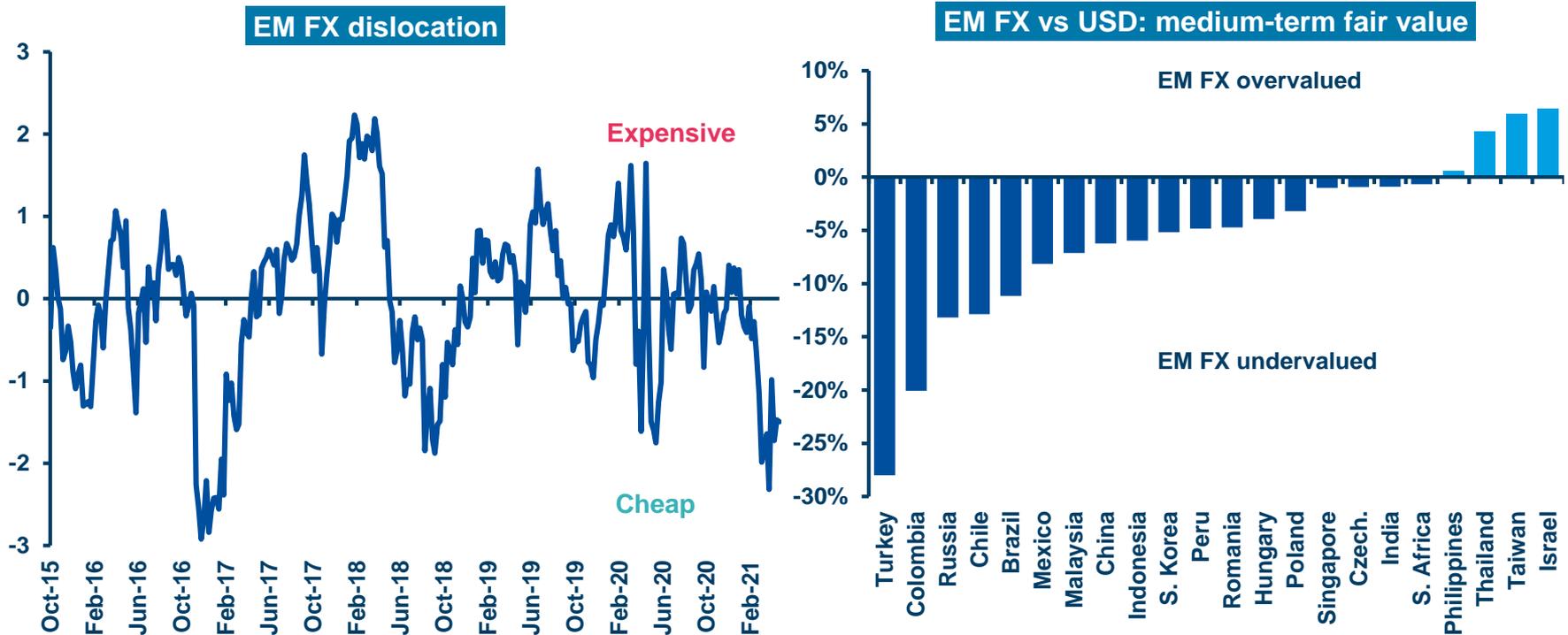


» The green bonds market looks set to provide significant opportunities for emerging countries in terms of funding needs. Investors could benefit from a large variety of issuers. A significant number of countries have improved their SBN score since 2019.

Source: IFC Global Macro & Market Research. From Amundi EMERGING MARKET GREEN BONDS - REPORT 20.



EM currencies are looking attractive



EM currencies have repriced due to the strong dollar and are now more attractive. Thanks to improved EM macro and commodity momentum and to lower volatility, some currencies are undervalued and the current scenario suggests some upside on the mid-term horizon. Commodity-exporting country should benefit from the recovery cycle.

Source: Amundi Research on Bloomberg, FactSet, Datastream and CEIC data. Data as of 26 April 2021. Analysis dislocation is calculated regressing EM asset classes on internal EM macro momentum, US ten-year Treasury yields, commodities, VIX and CPI, as GBI-weighted and all-country averages.

Source: Bloomberg, Amundi Research. Data as of 22 April 2021. Fair value calculated as an average of different measures (productivity, purchasing power parity, real effective exchange rate).

Major investment convictions in EM bonds and FX

SOV	Constructive on a medium-term basis within the hard currency space	Indonesia – Mexico – Romania – Argentina
LOC	More discerning view with a reflationary cycle and attractive valuations in selective currencies	China – South Africa – Indonesia – Brazil (inflation linked bonds) – Serbia
CORP	Supported by improving earnings, attractive valuations vs DM credit	Chinese Real Estate – Mexican Energy – Indonesian quasi-sovereign
FX	Upswing in commodity prices favours some EM currencies, valuations are supportive	RUB – BRL – IDR – MXN – ZAR

Source: Amundi as of 6 May 2021.

Key takeaways

EMERGING MARKETS

EM EQUITIES

- Play the global cyclical recovery theme, the earnings re-acceleration, the focus on domestic consumption and Asia

KEY THEMES

HOW TO PLAY?

- **Global:** diversify and continue to increase value/cyclicals over growth, with focus on domestic growth an interesting valuations
- **Asia:** the main area to be invested in EM, thanks to its global traction. Some countries are expensive. Selective approach remains important
- **Frontier markets opportunity:** invest in long-term growth story, supported by China and the new SDR disbursements
- **New Silk Road:** play the new role of China in the geopolitical landscape

EM BONDS

- Source of yield in a world of low rates
- Short duration bias, flexible and active approach with an eye on rate movements
- **EM short-term bonds** are an attractive and defensive opportunity
- **Aggregate:** opportunity to address market volatility with flexible solutions and not constrained by traditional benchmarks
- **Corporates:** attractive carry compared to alternative options, supported by cyclical recovery
- **Green bonds:** strong growth market, diversifying rapidly across sectors and countries

Explore cross asset opportunities in EM

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Recent EM publications

Available at the Amundi Research Center: <http://research-center.amundi.com/>

Date	Title
19 Apr 21	Emerging Market Green Bonds - report 2020
6 Apr 21	Why investors should look Indian assets
3 Mar 21	China and EM: growth and policy Q&A
8 Feb 21	EM investment opportunities for 2021
4 Dec 20	Emerging Markets Charts & Views - 2021 outlook and beyond
23 Nov 20	2021 Investment Outlook - Market rotations in an uneven recovery
4 Nov 20	Addressing the legacy of the crisis in the EM: the right policy mix in an uneven recovery
13 Oct 20	Emerging Markets Charts & Views Market opportunities looking into 2021

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Indices reference & definition

Bond Indices (JPMorgan)

Sov. HC HY = JPM EMBI Global Diversified High Yield; Sov. HC = JPM EMBI Global Diversified Composite; Sov. HC IG = JPM EMBI Global Diversified Inv. Grade; Local FX = JPM GBI-EM Global Diversified FX Return; Local HC = JPM GBI-EM Global Diversified Composite Unhedged USD; Local Euro = JPM GBI-EM Global Diversified FX Return in EUR; Local Rates = JPM GBI-EM Global Diversified Composite LOC; Corp. HC HY = JPM Corporate Broad EMBI Diversified High Yield; Corp. HC = JPM Corporate EMBI Broad Diversified Composite; Corp. HC IG = JPM Corporate Broad EMBI Diversified High Grade.

Equity Indices (MSCI)

Argentina = MSCI Argentina Net Total Return; Brazil = MSCI Brazil Net Total Return; China = MSCI China Net Total Return; Czech Republic = MSCI Czech Republic Net Total Return; Colombia = MSCI Colombia Net Total Return; Egypt = MSCI Egypt Net Total Return; India = MSCI India Net Total Return; Indonesia = MSCI Indonesia Net Total Return; Mexico = MSCI Mexico Net Total Return; Peru = MSCI Peru Net Total Return; Philippines = MSCI Philippines Net Total Return; Poland = MSCI Poland Net Total Return; Russia = MSCI Russia Net Total Return; South Africa = MSCI South Africa Net Total Return; South Korea = MSCI Korea Net Total Return; Taiwan = MSCI Taiwan Net Total Return; Thailand = MSCI Thailand Net Total Return; Turkey = MSCI Turkey Net Total Return; Emerging Markets = MSCI Emerging Net Total Return.

Yield & Duration Indices

German Govt Bonds = JP Morgan GBI Germany Index; US Govt Bonds = JPMorgan GBI US Index; Euro IG Bonds = Bloomberg Barclays Pan European Aggregate Corporate; US IG Bonds = Bloomberg Barclays US Aggregate Credit; Euro HY bonds = Bloomberg Barclays Pan-European High Yield ISMA; US HY Bonds = Bloomberg Barclays US Corporate High Yield; EMBI Div = JPMorgan EMBI Global Diversified Blended; CEMBI BD = JPMorgan CEMBI Div Broad Composite Blended; CEMBI BD HY = JPMorgan CEMBI Broad Div High Yield; Euro Corp Short Term = Bloomberg Barclays Euro Corporate 1-3Yr; US Corp Short Term = Bloomberg Barclays US Corporate 1-3Yr; EMBI Short Term = JPMorgan EMBIG Diversified 1-3Yr.

Definitions

- **Basis points:** one basis point is a unit of measure equal to one one-hundredth of one percentage point (0.01%).
- **Carry:** the carry of an asset is the return obtained from holding it.
- **Correlation:** the degree of association between two variables; in finance, it is the degree to which assets or asset class prices have moved in relation to each other. Correlation is expressed by a correlation coefficient that ranges from -1 (perfectly negative correlated) through 0 (absolutely independent) to 1 (perfectly positive correlated).
- **Credit spread:** differential between the yield on a credit bond and the Treasury yield. The option-adjusted spread is a measure of the spread adjusted to take into consideration possible embedded options.
- **Duration:** a measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates, expressed as a number of years.
- **External vulnerability index:** this index is built by aggregating five different indicators that can monitor a country's dependence on overseas economies and capital flows.
- **FX:** FX markets refer to the foreign exchange markets where participants are able to buy and sell currencies.
- **Spread:** the difference between two prices or interest rates.
- **VIX:** the CBOE volatility index. The VIX index is a measure of market expectations of near-term volatility on the S&P 500 (US equity).
- **Volatility** is a statistical measure of the dispersion of returns for a given security or market index. Usually, the higher the volatility, the riskier the security/market.

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