Investment Institute

December 2023 - Emerging Markets Charts and Views

Emerging Markets Outlook 2024: Opportunities in a fragmented world

Trust must be earned

Amundi ASSET MANAGEMENT

Opportunities in a fragmented world

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*Next year, EM growth is expected to decelerate on average to 3.6% from around 4% this year. Importantly the **growth premium in favour of Emerging Markets over Developed Markets is projected to continue widening**.*

***Asia is set to register the strongest contribution to world GDP** once again, despite China's gear reduction resulting in growth below 4% in 2024. India's growth is also expected to slightly decelerate to a range of 6%-6.5%, while remaining above its potential growth rate. The economic perspectives for India remain bright, primarily supported by stronger domestic demand rather than external demand. India's investments cycle, which has been absent for many years, is finally gaining traction thanks to pronounced corporate deleveraging.*

***Beyond the cyclical downturn, there are structural factors at play that support Emerging Markets.** These factors include **incrementally higher global fragmentation** which is set to continue. This fragmentation involves a great reallocation, near/friend shoring, supply chain de-risking as well as the need for specific materials for the net zero transition.*

While world Foreign Direct Investments inflows are generally declining, Emerging Markets are increasing their share relative to Developed Markets.

Although fragmentation is costly, the subdued growth backdrop is expected to limit pressure on inflation. Emerging Markets Central Banks have begun their easing cycles as expected and this group is growing.

*For investors, **there is room for optimism regarding EM equity in 2024**. The asset class is poised to benefit from an improving growth premium and increasing exports, leading to a better earnings outlook. However, divergences at a country level will persist. In the shorter term, with more subdued growth, quality and growth styles, particularly in EMEA and India, are likely to be favoured. As we move further into 2024, recovery in EM growth would favour a shift to valuation styles, with a preference for LatAm.*

***In Fixed Income, EM hard-currency bonds should be favoured**. This is due to tightening in the high yield space, in the context of an improving EM-DM growth gap and less stretched financial conditions. **We hold a slightly positive stance on EM bonds in local currency**, considering the short window for repricing when core yields moved higher. We favour EMEA and LatAm in this regard, as they are expected to benefit from a more rapid reduction in inflation and a more sizable easing. We maintain a cautious stance on EM Asia.*

With a medium-term perspective, investors may look at opportunities linked to the energy transition. Development of sustainable capital markets in EM and Developing economies through blended finance and reforms of international finance institutions will be crucial looking forward.

01

EM economic outlook for 2024

Four macro themes for 2024 EM outlook

EM GROWTH PREMIUM

In a weaker global economic environment, EM look more resilient, but with higher fragmentation and divergences among countries. **EM-DM growth differential to stay wide in 2024, at its highest level in five years.**

EASIER MONETARY POLICIES

The process of disinflation is ongoing in EM. Some **Central Banks have already started their policy easing and there is still room to cut rates**, but the inflation battle is not won yet, in an era of disorderly energy transition and the great reallocation.

ASIA IN FOCUS

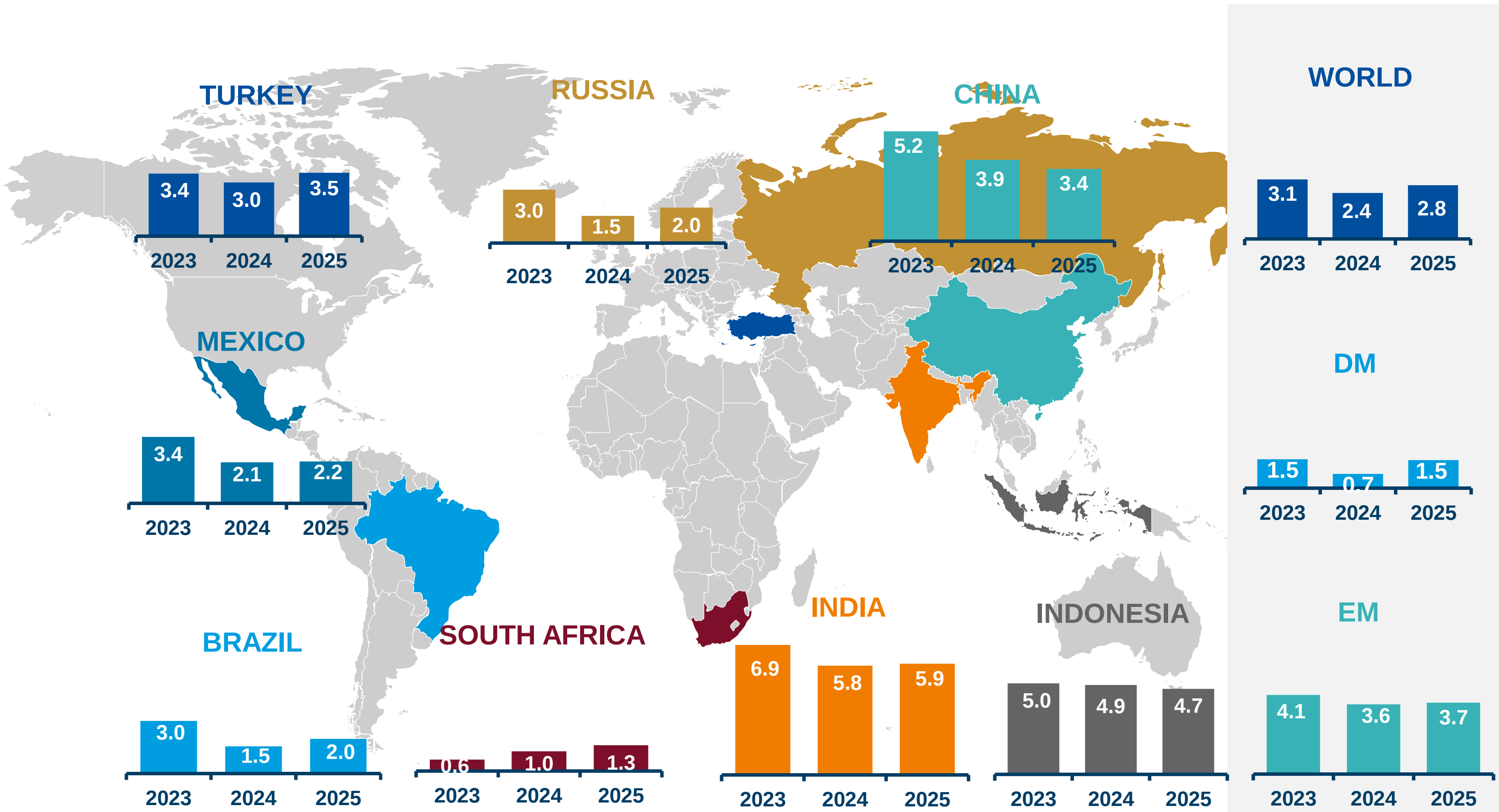
In the great reallocation, Asia may be the winner for investment flows. India's economic prospects remain bright.
In China, the structural shift and deleveraging will go ahead, with GDP growth slowing to 3/3.5% target in 2025.

RISKS TO WATCH

'Higher-for-longer' in US rates, **geopolitical risk and significant elections in 2024 are key risks to watch.** Investors also need to monitor idiosyncratic stories and internal vulnerabilities which could increase EM fragmentation.

Source: Amundi as of November 2023. DM: developed markets. EM: emerging markets. CB: central banks.

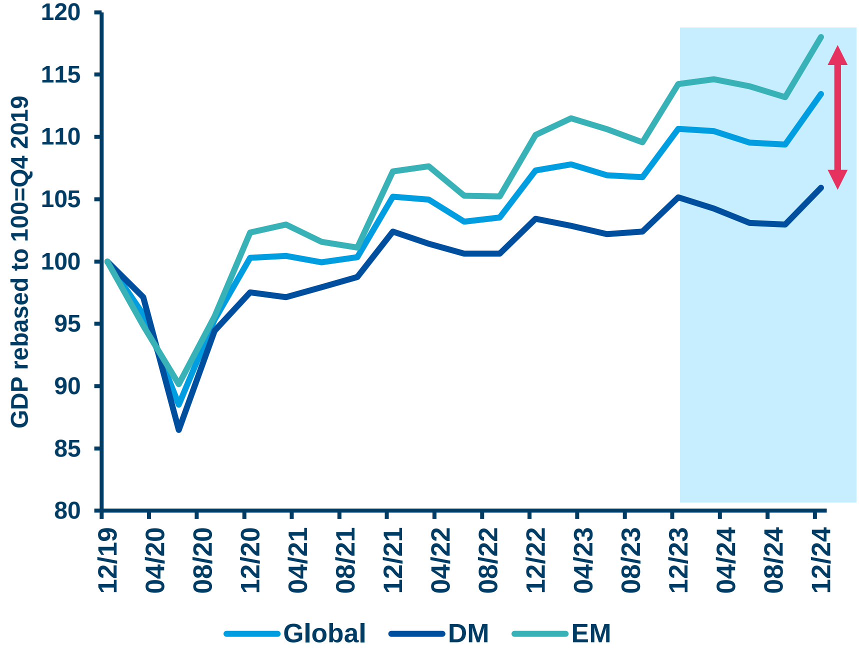
A fragmented growth picture, led by Asia



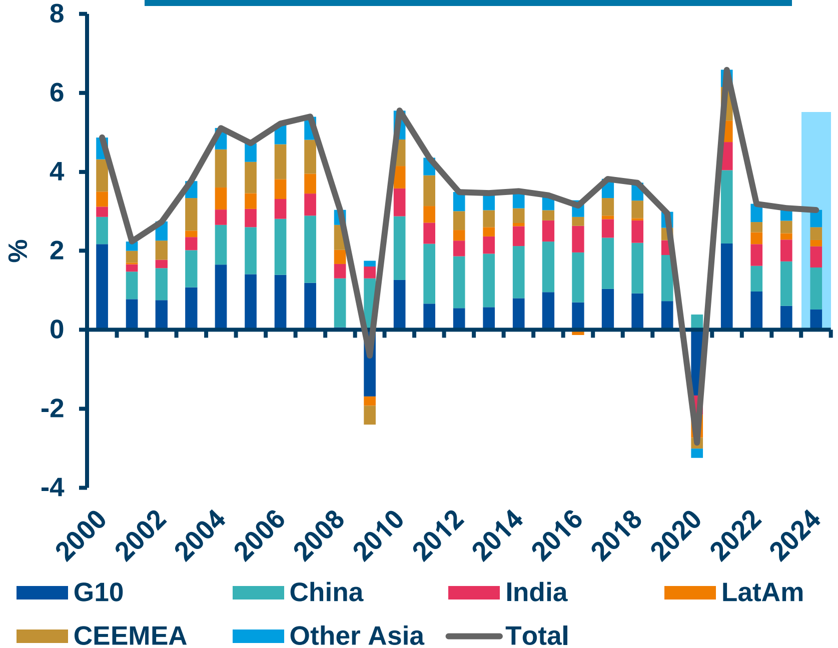
Source: Amundi Investment Institute. Data is as of 5 December 2023. Latest forecasts are as of 30 November 2023.

EM resilience: EM-DM growth gap at its highest in 5 years

EM-DM growth premium



Annual average GDP growth from 2000 to 2024



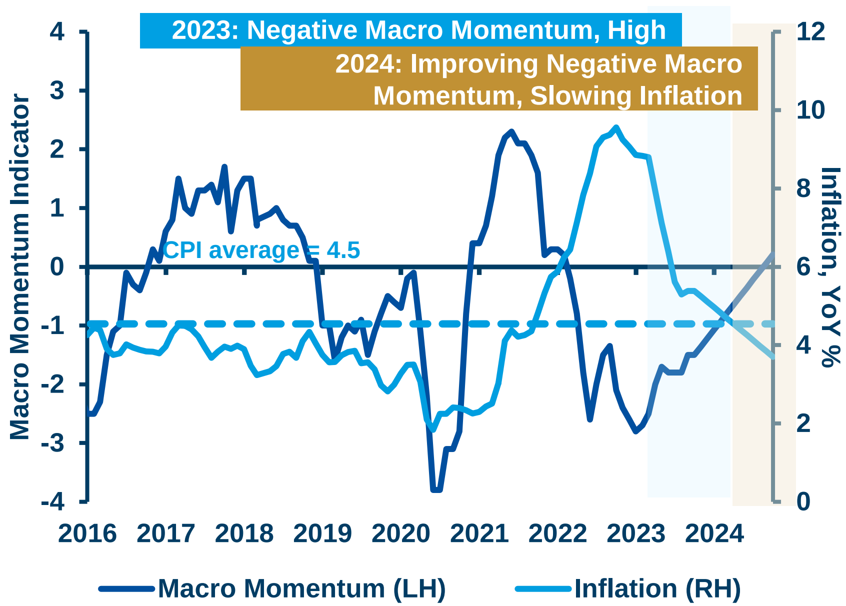
EM-DM growth premium is in favour of EM, widening to its highest gap in 5 years. The downturn in China has been offset by higher forecasts for LatAm (Brazil and Mexico) and India/Indonesia, at the same time the growth outlook for advanced economies is gloomy for 2024.

Source: Amundi Investment Institute. Data is as of 8 November 2023.

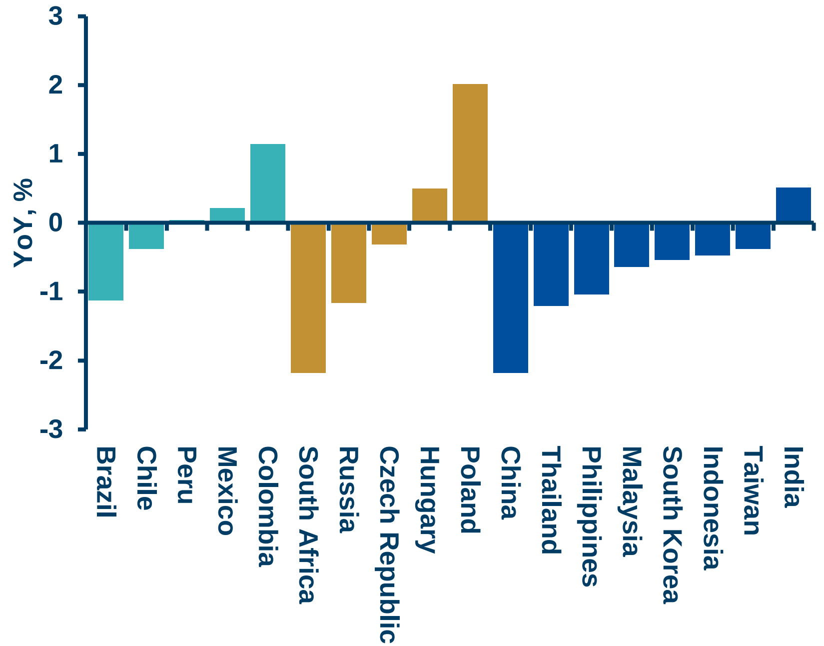
Source: Amundi Investment Institute, IIF. Data is as of 21 November 2023. 2023 and 2024 based on IIF forecasts.

The backdrop is becoming more emerging market-friendly

Emerging markets cycle at a turning point



EM Inflation vs CBs Targets (one year ahead)

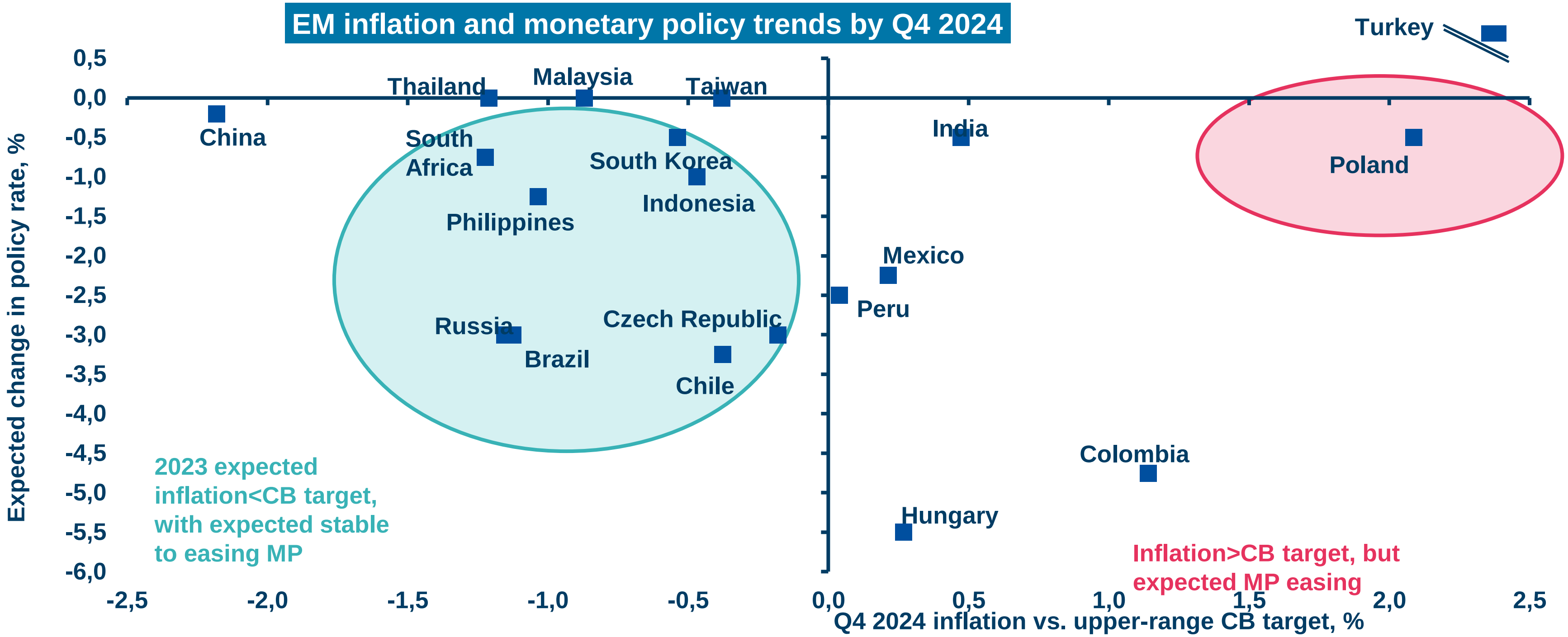


We expect emerging markets to enter a positive backdrop in 2024, as inflation is trending lower allowing for a continuation of the easing cycle by EM Central Banks initiated in 2023. At the same time, macro-economic momentum, while remaining low, is improving.

Source: Amundi Investment Institute, Bloomberg. Monthly data as of 16 October 2023. Data is seasonally adjusted.

Source: Amundi Investment Institute, Bloomberg, CEIC, Last data available is as of end of November 2023.

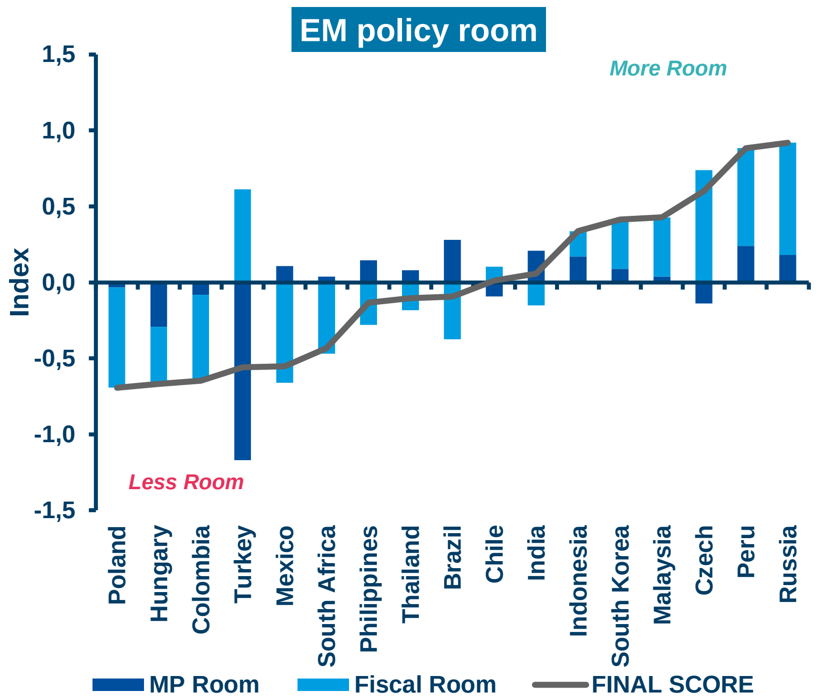
Constructive inflation-monetary policy mix

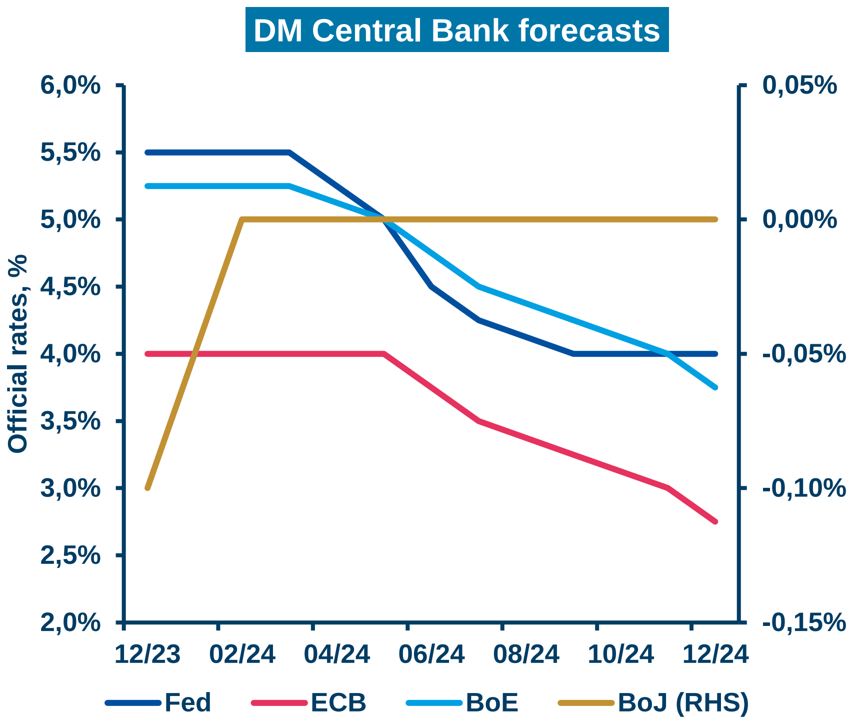


EM picture remains scattered in terms of inflation and monetary policy, reinforcing the view of EM fragmentation. However, some countries are well advanced in their monetary policy normalisation. In this such respect, LatAm has already launched the easing cycle, with Brazil, Chile and Peru cutting rates in recent months amid lower inflation and the decelerating economic cycle.

Source: Amundi Investment Institute on Bloomberg Intelligence data. Data is as of 29 November 2023. EM includes CB from: Brazil, Chile, China, Colombia, Czech, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Peru, Philippines, Poland, Romania, Russia, South Africa, South Korea, Thailand, and Turkey. DM: developed markets. EM: emerging markets. Fed: Federal Reserve. MP: monetary policy. Turkey's inflation is expected at 35,05% in Q4 2024, while Turkey's policy rate is expected to rise by 5000pbs in Q4 2024.

Sound macro-financial conditions should stay





Policy mix is supportive without returning to ultra-lose conditions. The disinflationary path persists in many countries, allowing monetary policy easing to continue in some countries. At the same time fiscal policy is stable or mildly improving, but there are important differences among countries. Finally, we think that the tightening cycle by the Fed is over and monetary policy expectations for the US in 2024 are supportive for EM.

Source: Amundi Investment Institute, Bloomberg. Data as of 29 November 2023.

Source: Amundi Investment Institute, Bloomberg. Data is as of 9 October 2023. For the ECB, rate refers to the deposit facility. CB Forecasts are by Amundi Investment Institute and are as of 8 November 2023.

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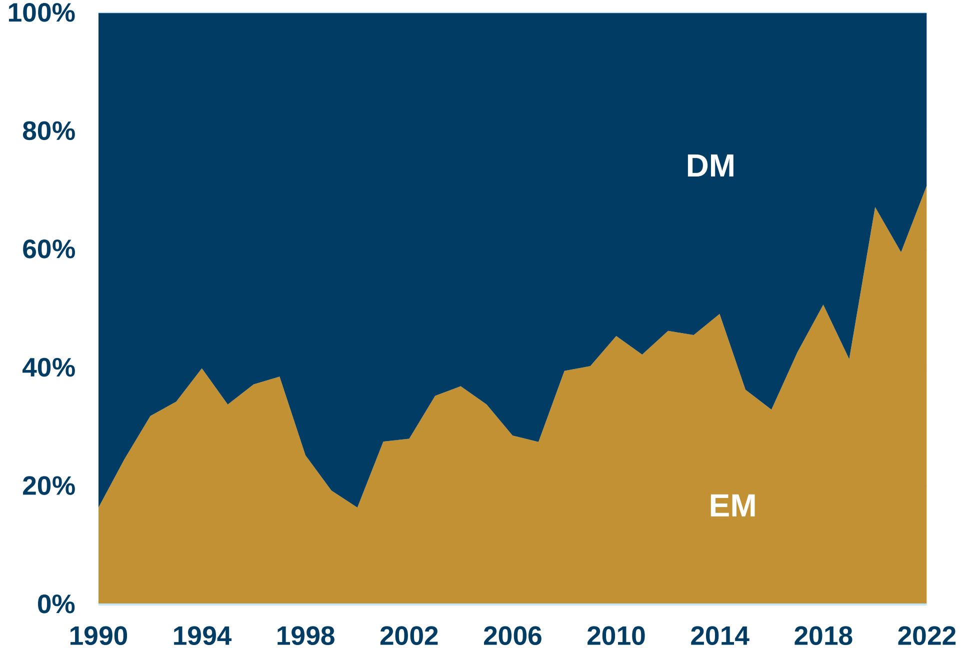
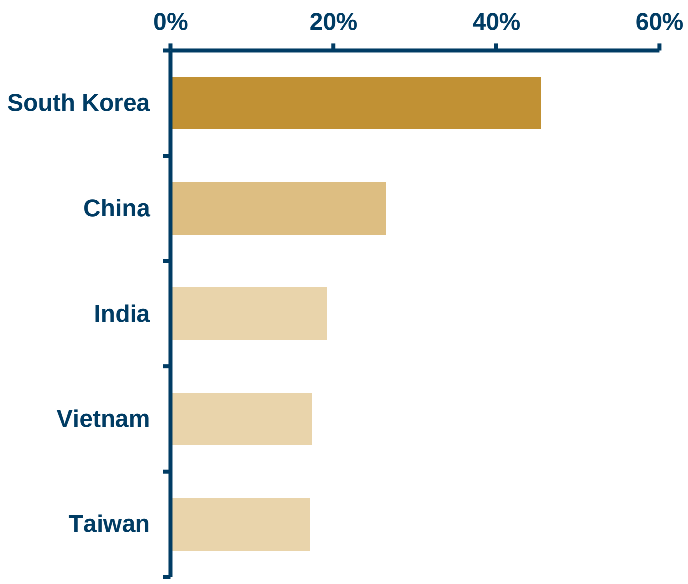
EM winners in a fragmented world, Asia on the spot

WORLD FDI (EM Share vs DM Share)



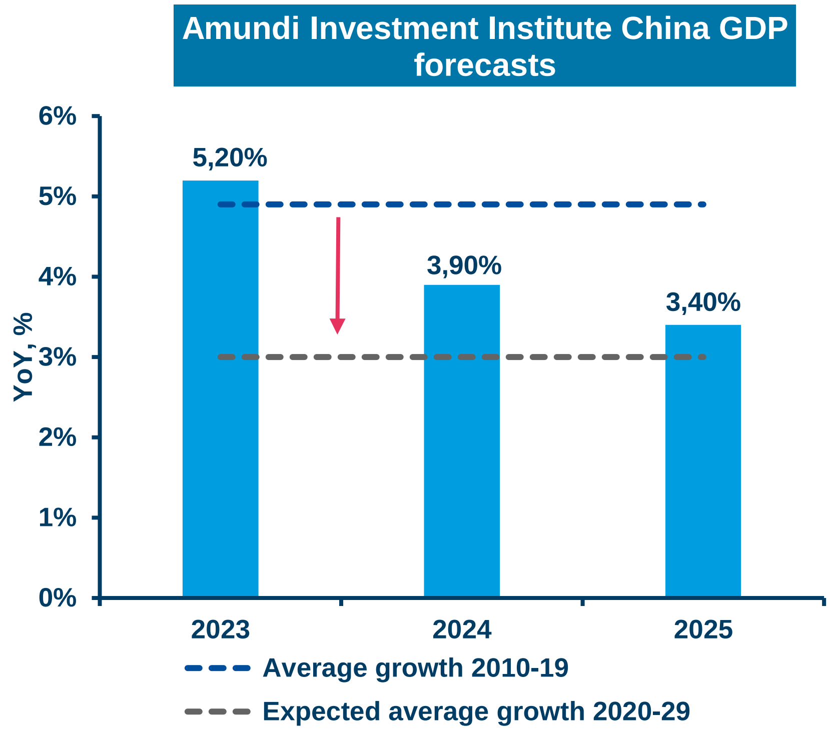
Growth in FDI, 2020-2022 vs 2015-2019 average

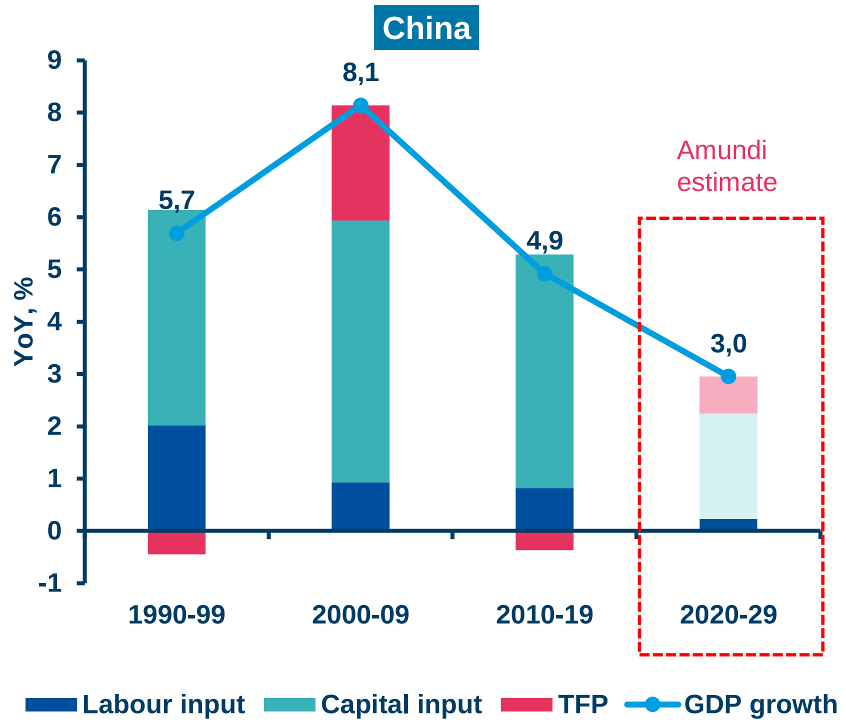


Investments flows to Asia: the ongoing reallocation process, amid supply chain de-risking, as well as the net zero or technological transition/transformation should continue to direct investments towards the region, which should become one of the EM winners in a fragmented world.

Source: Amundi Investment Institute on Unctad FDI World data. Annual data as of end-2021. Right chart shows growth in Foreign Direct Investments for selected EM countries.

China: a new growth paradigm



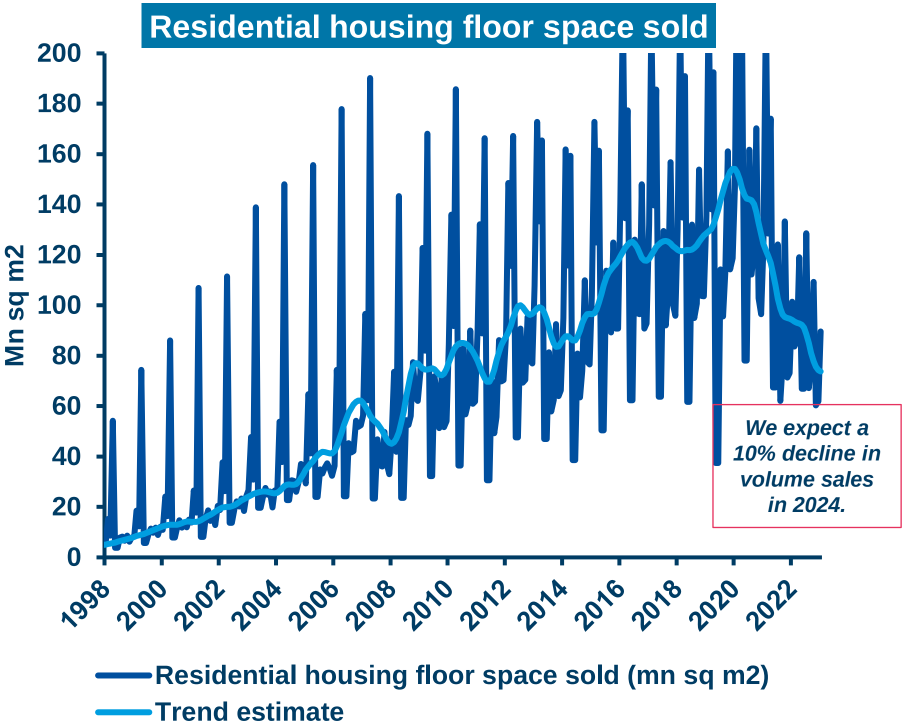


We expect the Chinese economy to move towards lower growth levels impacted by 3 D headwinds: Deleveraging, Demography and Decoupling. The goal of Chinese policymakers is to smoothly manage the economic transition; this suggests deleveraging has become the new priority over the old growth-centric approach. The current 'controlled' downturn could allow its key sectors to recalibrate to a healthier model.

Source: Amundi Investment Institute. Data is as of 25 October 2023. Forecasts are by Amundi Investment Institute as of 24 October 2023.

Source: Amundi Investment Institute. Data is as of 5 October 2023. TFP: Total factor Productivity.

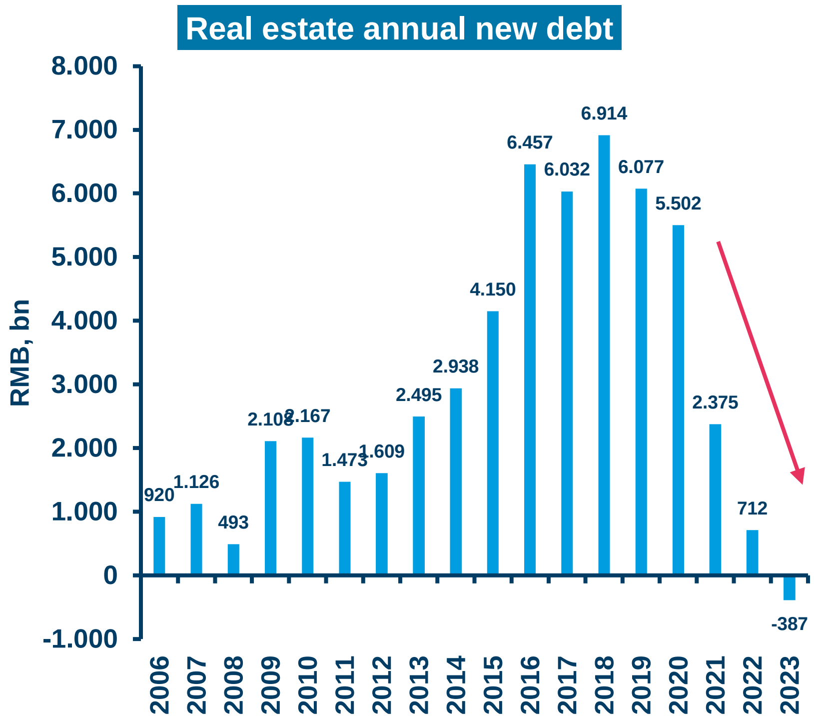
Short-term outlook is still about real estate

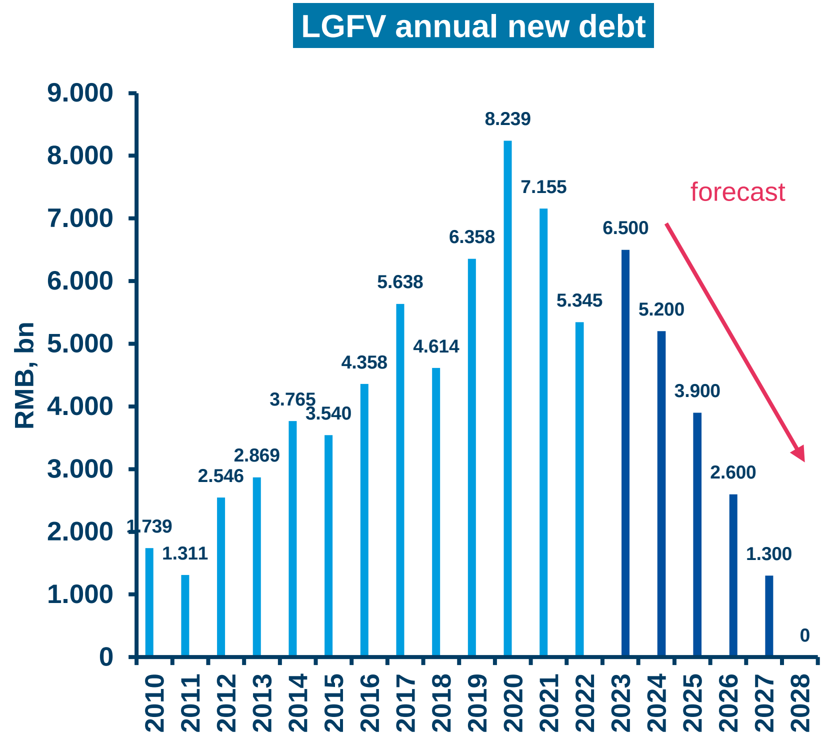


The correction for the real estate sector is not over yet. The ongoing decline in new housing starts signals a weak early-stage construction cycle. Although Chinese officials announced a fiscal stimulus with a supplementary budget, we believe the scale of fiscal easing is not enough to cancel out the drag from ongoing deleveraging in the real estate sector and the new debt discipline imposed on local governments.

Source: Amundi Investment Institute CEIC. Latest available data is as of end of September 2023.

Deleveraging has already started, but a long way still to go



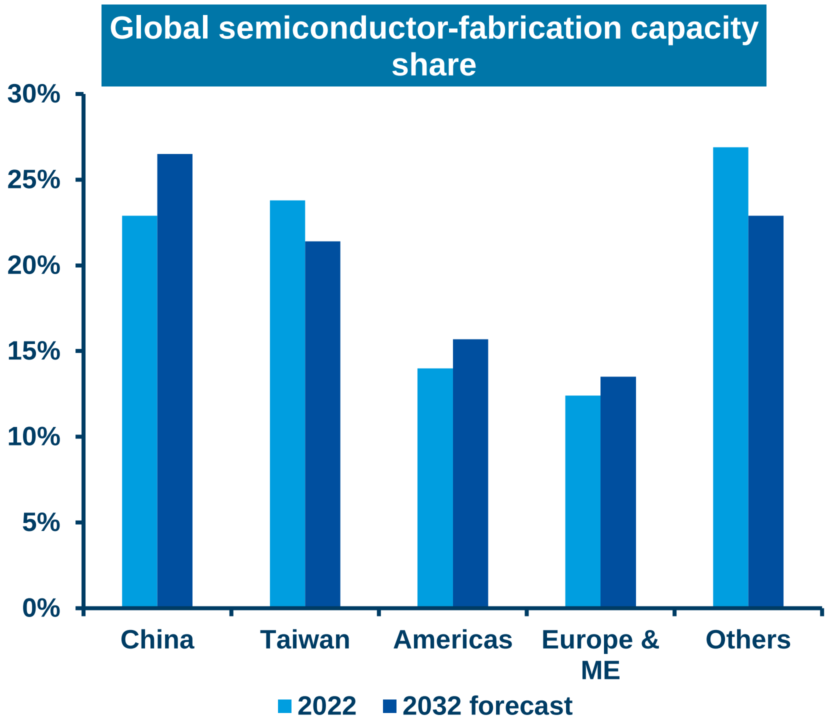


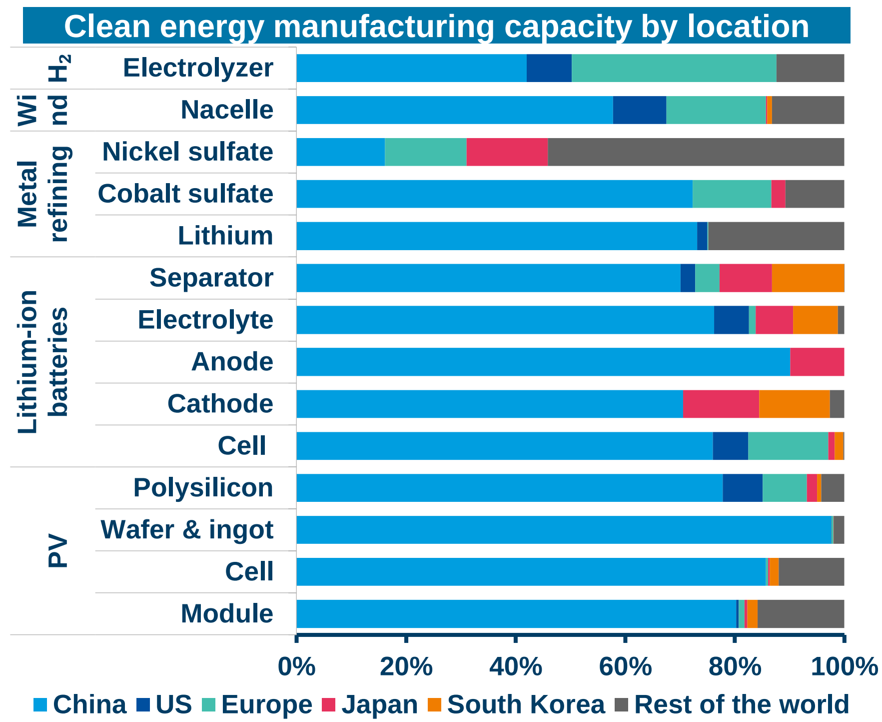
Deleveraging in the real estate sector and the new debt discipline imposed on local governments have already started. However, high levels of private debt in the sector could complicate the transformation into a new growth model that is more sustainable and less reliant on one specific sector or debt.

Source: Amundi Investment Institute Wind. Real estate bank loans and bonds. Shadow banking not included. Data is as of October 2023.

Source: Amundi Investment Institute Wind. Available data only. Data is as of October 2023. LGFV=Local Government Financing Vehicles

In the medium term, China leads some key technologies



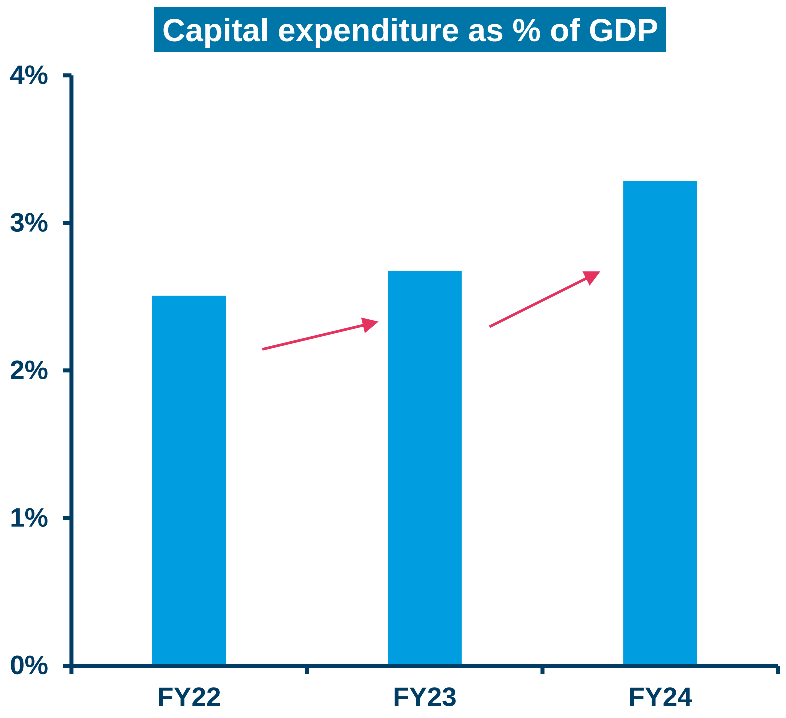


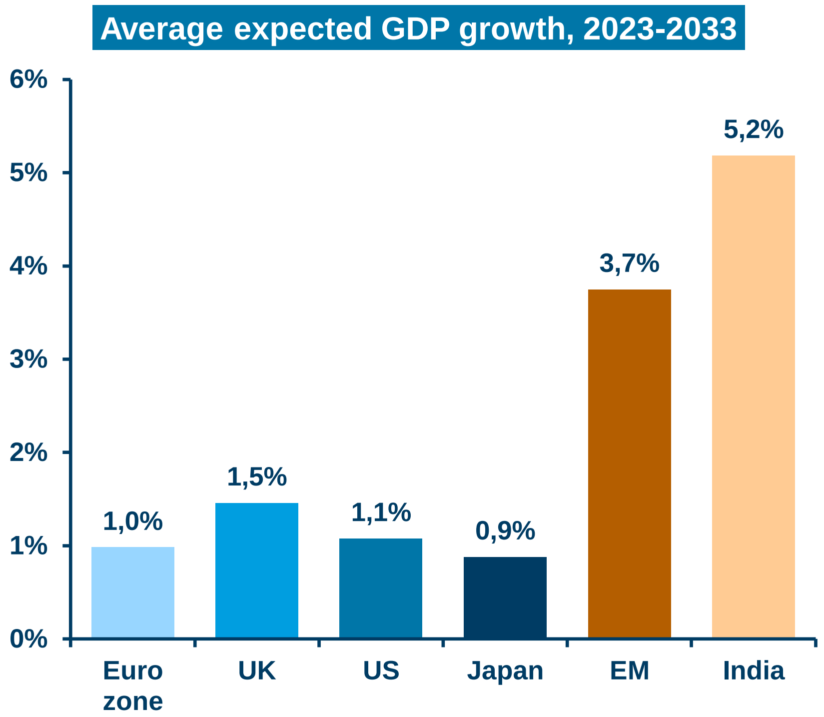
China has already achieved global leadership in some key areas, such as clean energy, AI, semiconductors, EVs and digitalisation. With respect to semiconductors, China could lead the global semiconductor industry by 2032 thanks to its internal production capacity, and its growing market size.

Source: Amundi Investment Institute, Bloomberg Intelligence. Data is as of 3 November 2023. Forecasts are by Bloomberg Intelligence and are as of 3 November 2023.

Source: Amundi Investment Institute, BloombergNEF. Data is as of 26 October 2023 Data as October 2023, except electrolysers which refer to a 2021 and nacelle data which are for 2020..

India: the emerging power



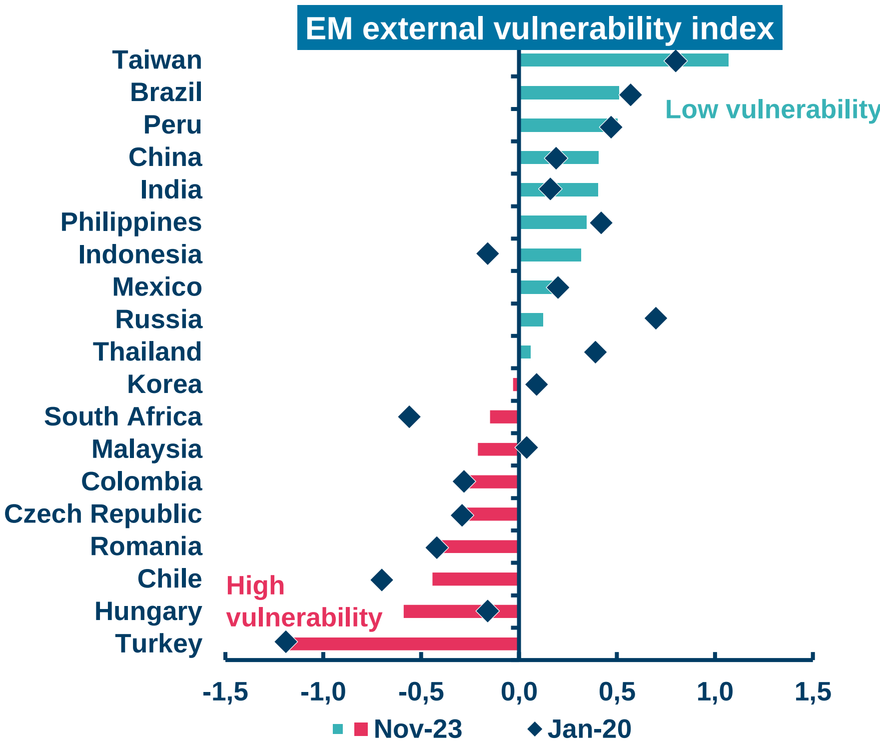


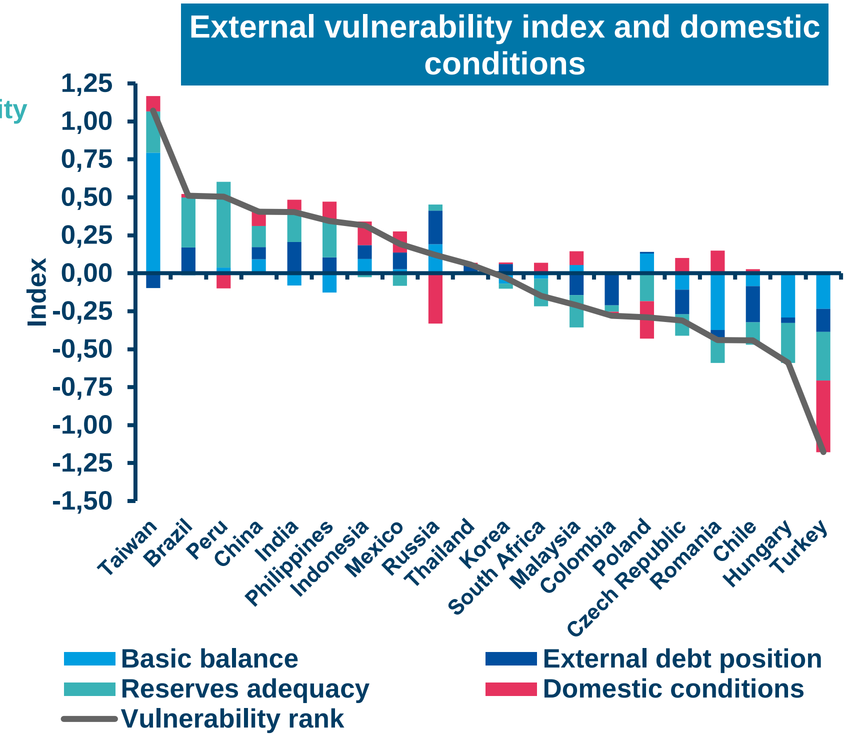
India's economy is gaining momentum boosted by government and private capital spending and remains one of the fastest growing emerging economies. We expect almost 6% economic growth for the next fiscal year. On a long-term basis, India’s strong demographics and rising middle class make it an appealing market.

Source: Amundi Investment Institute, Bloomberg and Ministry of Finance. Data is as of 26 October 2023.

Source: Amundi Investment Institute central scenario forecasts as of 3 May 2023.

External vulnerability rank: EM space is not a single block



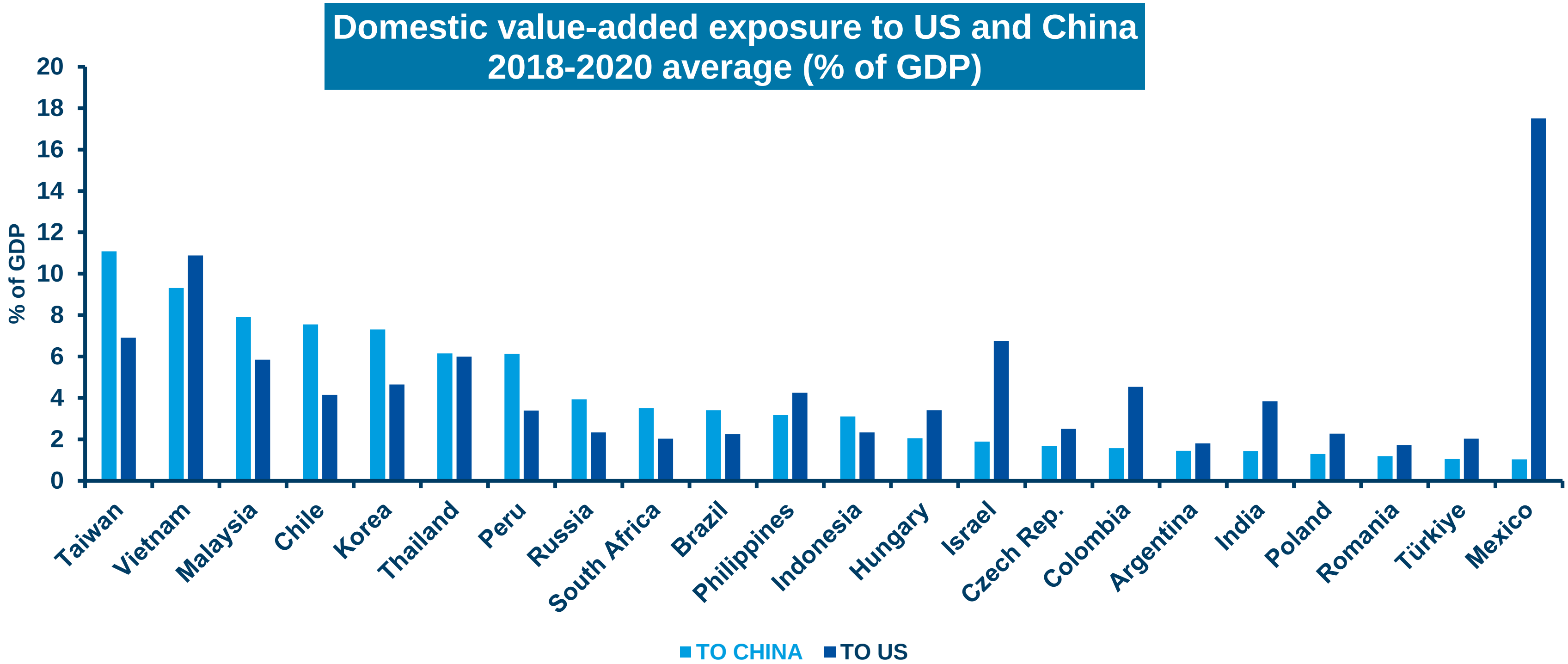


The fragmentation within the EM space remains high amid the continuation of geopolitical tensions and conflicts, and different economic dynamics across regions and countries. The vulnerability ranking shows Eastern European countries as the most vulnerable area while LatAm and Asia are more resilient.

Source: Amundi Institute's external vulnerability rank. Source: Amundi Institute, CEIC, IMF, WTO. Data is as of 8 November 2023.

Source: Amundi Institute's external vulnerability rank. Source: Amundi Institute, CEIC, IMF, WTO. Data is as of 8 November 2023.

To watch: EM links to China and US economy



China's weakening trade activities could impact some Asian countries as well as other commodity-exporting emerging markets, as reflected by the domestic value-added exposure chart. Meanwhile, other countries, such as Mexico, with its close ties to the US, could benefit from the near shoring trend, but be exposed to vulnerabilities in the case of a harder-than-expected US downturn.

Source: Amundi Investment Institute, OECD. Data is as of 7 September 2023.

02

Investment opportunities in EM

EM high-conviction ideas

Main convictions 2024 | **Mid-to-long-term perspective**

EM debt: a source of income with appealing yields

EM **Hard Currency bonds** (HC) now **offer a more attractive yield** profile than in the previous years.
On the back of a potential dovish pivot by the Fed we are **positive on EM bonds and FX**, with a selective approach and focusing on countries that have been successful in anchoring inflation and are in an advanced position regards the easing cycle.

Room for optimism for EM equity in 2024

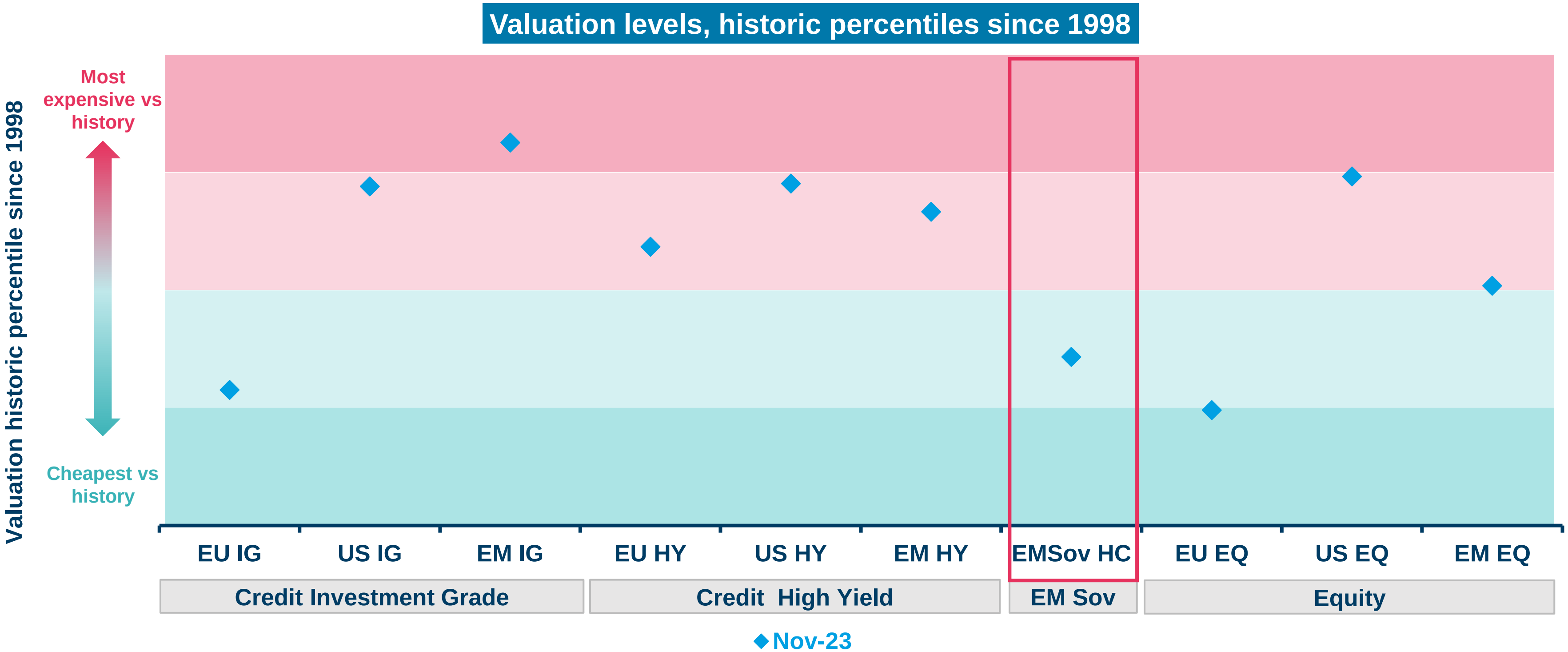
We are **positive on the asset class**, some factors are supportive: **growth premium** more in favour of EM vs DM, **capex cycle** should be in favour of EM, **valuations remain attractive** in absolute and relative terms, and **earnings cycle is also recovering.**

The rise of ESG themes in emerging markets

Growing investor demand for green, social and sustainability-linked bonds could help achieve a green transition in EM and low-income countries, where the effects of climate change are among the most visible worldwide. **The sustainable bond market is rising globally and becoming crucial for EM.**

Source: Amundi Institute as of 17 November 2023. EM: Emerging Markets. HC: Hard Currency. LC: Local Currency.

Attractive valuations in EM space

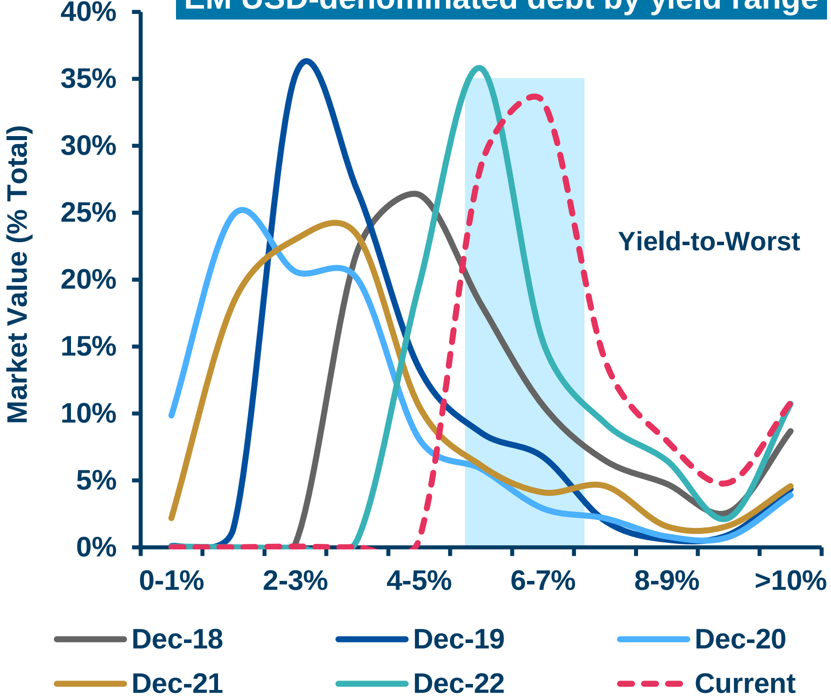


EM assets offer compelling valuations in absolute and relative terms, especially EM sovereigns trading at reasonably cheap valuations. Moreover, the asset class has attractive relative growth prospects in 2024.

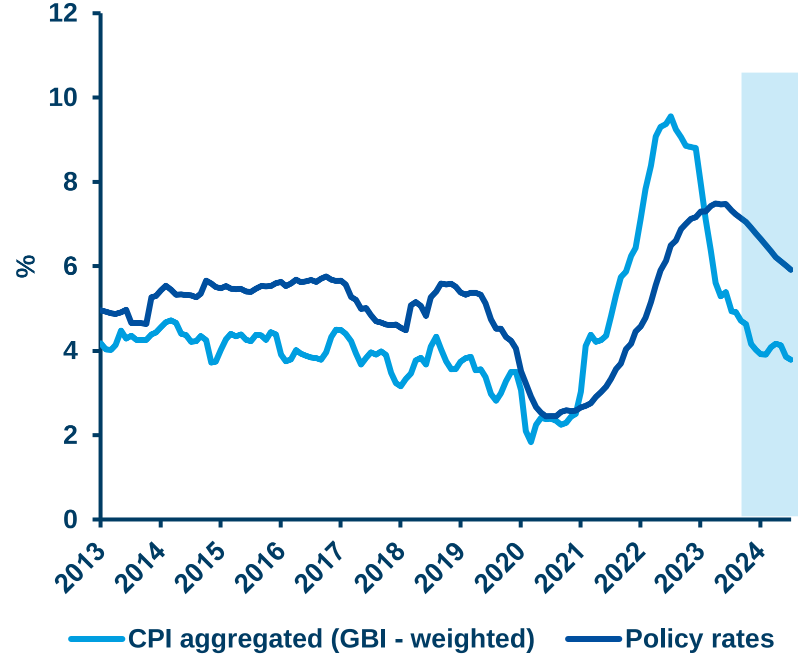
Source: Amundi Investment Institute, Bloomberg, Datastream, latest monthly data as of 27 November 2023. EU IG, US IG, EM IG, EU HY, US HY, EM HY are ICE BofA corporate bond indices. IG: investment grade. HY: high yield. EM Sov HC: JP Morgan EMBI Global Diversified. EU EQ, US EQ, EM EQ are MSCI indices for equity markets. All indices refer to a specific region (EU: Europe, US: United States, EM: emerging markets. Analysis is based on spreads for bond indices and on twelve-month forward PE ratio for equity indices. Valuation are in historic percentile since 1998. Cheapest means is in the first quartile, Most expensive is in the fourth quartile.

EM bonds set to benefit from a favourable backdrop and the start of the easing cycle

EM USD-denominated debt by yield range



Kick off of EM easing cycle

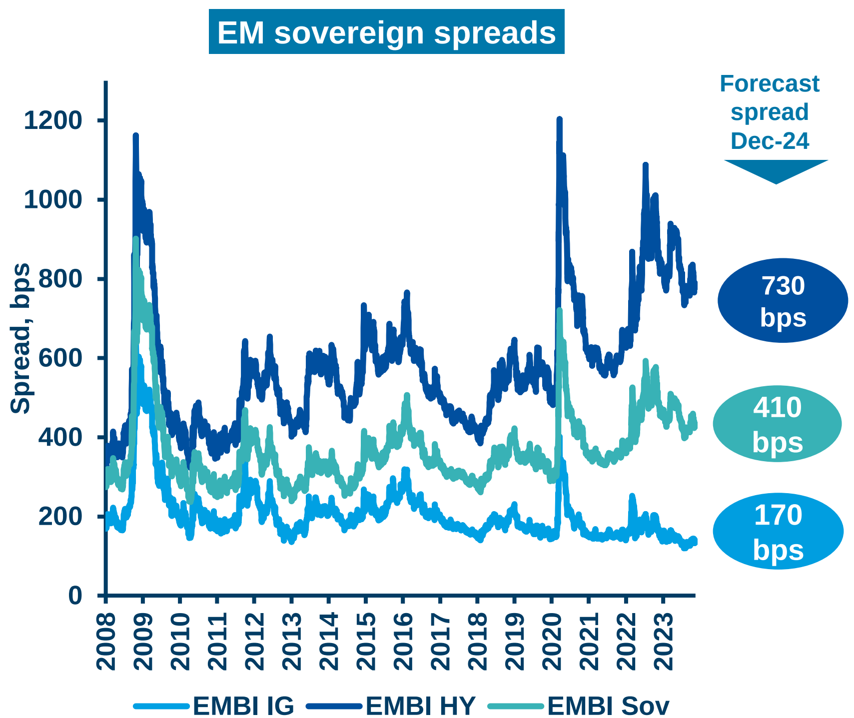


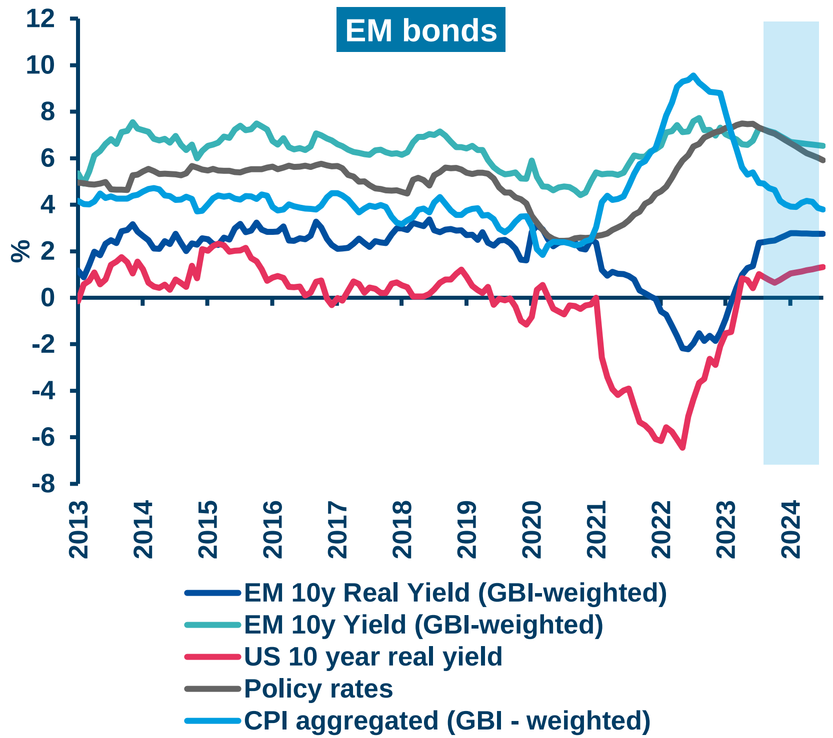
EM monetary policy normalisation is at an advanced stage compared to DM; in this respect some CBs have already started to cut rates in 2023. Moreover, an expectation for a potential dovish pivot by the Fed provides a buying opportunity for EM debt.

Source: Amundi Investment Institute, Bloomberg. Data is as of 13 October 2023 and refers to yield to worst for the Bloomberg Emerging Markets Hard Currency Aggregate Index that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Source: Amundi Investment Institute,. Data is as of 17 October 2023. Forecasts are by Amundi Investment Institute.

Current yields and spreads are appealing





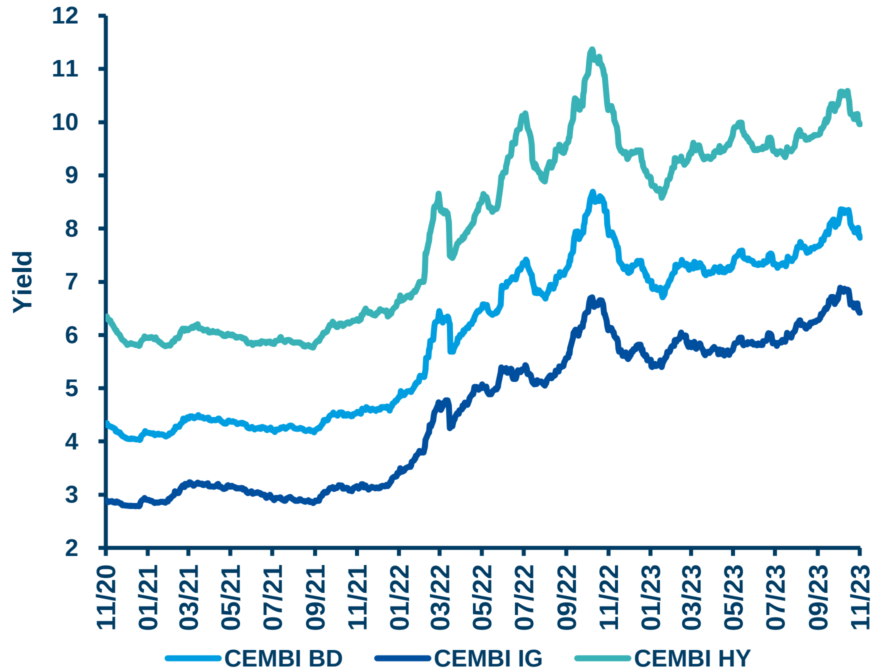
Spreads show compelling entry points, making EM debt an interesting option to consider. At the same time the current carry of EM debt offers a buffer. The preference is for countries where tightening is significant; accurate selection is important.

Source: Amundi Investment Institute, Bloomberg. Data is as of 16 November 2023 and forecasts are as of 23 November 2023. Russia has been excluded from all of JPMorgan's fixed income indices since 31 March 2022, rebalancing all indices. EM: emerging markets.

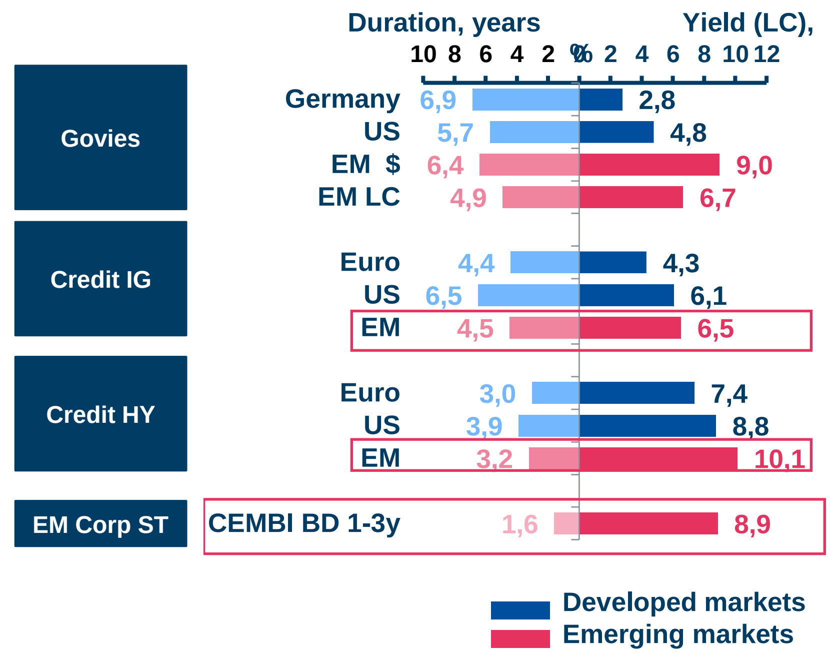
Source: Amundi Investment Institute,. Bloomberg. Data is as of 19 October 2023.

EM corporate bonds: spreads still attractive

Yield on EM corporate indices



Duration and yield, local currency



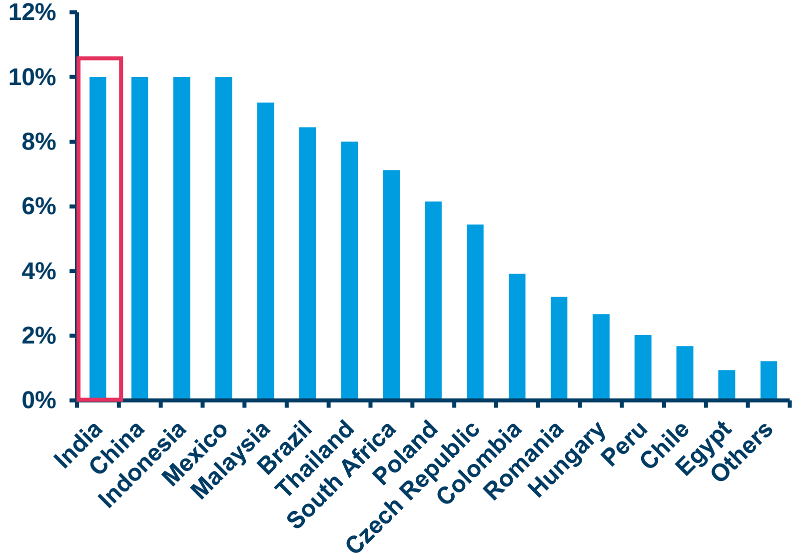
Yields in EM credit markets are also back to appealing levels, mainly due to the great repricing suffered in 2022. Spreads are still constructive, remaining wide versus historical levels.

Source: Amundi Institute, Bloomberg. Data is as of 17 November 2023. Russia has been excluded from all of JPMorgan's fixed income indices since 31 March 2022, rebalancing all indices. EM: emerging markets.

Source: Amundi Investment Institute. Analysis on Bloomberg data. Data is as of 8 November 2023. Government and EM indices are from JP Morgan. Euro and US credit indices are from ICE-BofA. LC: local currency. IG: investment grade. HY: high yield. ST: short-term. Yield for EM Corp ST is JP Morgan CEMBI Broad Diversified 1-3 Year while duration is JP Morgan CEMBI IG+ 1-3 Years.

India’s bond market: inclusion to GBI-EM Index

India is expected to be among the highest weighted countries in the GBI-EM, with a capped weight of 10%



Some key long-term facts about India

Active democracy with political stability

Large and fast-growing economy: with US$3.2tr GDP and a population of 1.4bn people

Demography and demand: one of the biggest workforce suppliers.

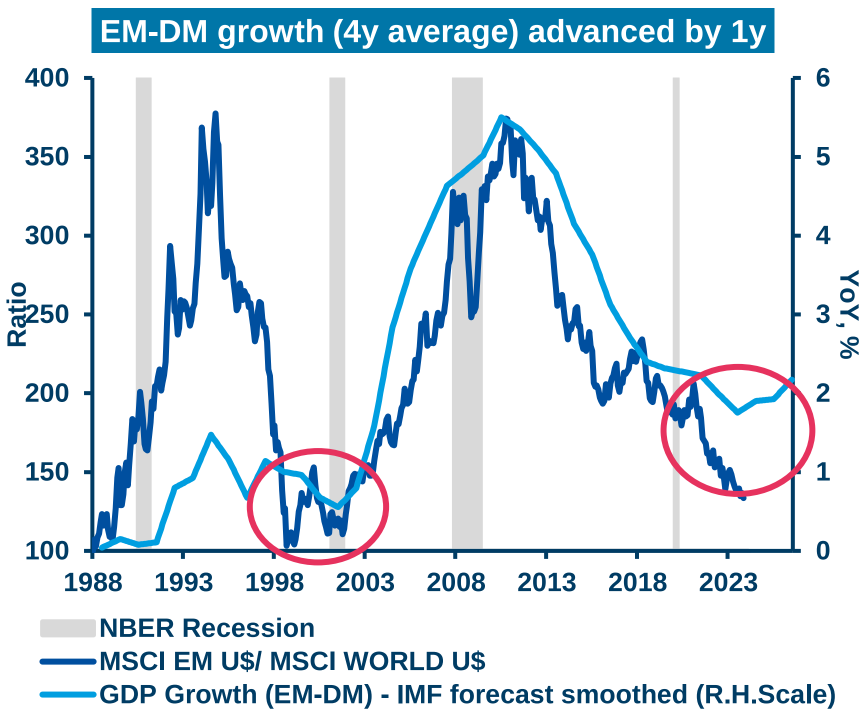
Financialisation of savings: Foreign Institutional Investment and Domestic Institutional Investment flows have been robust.

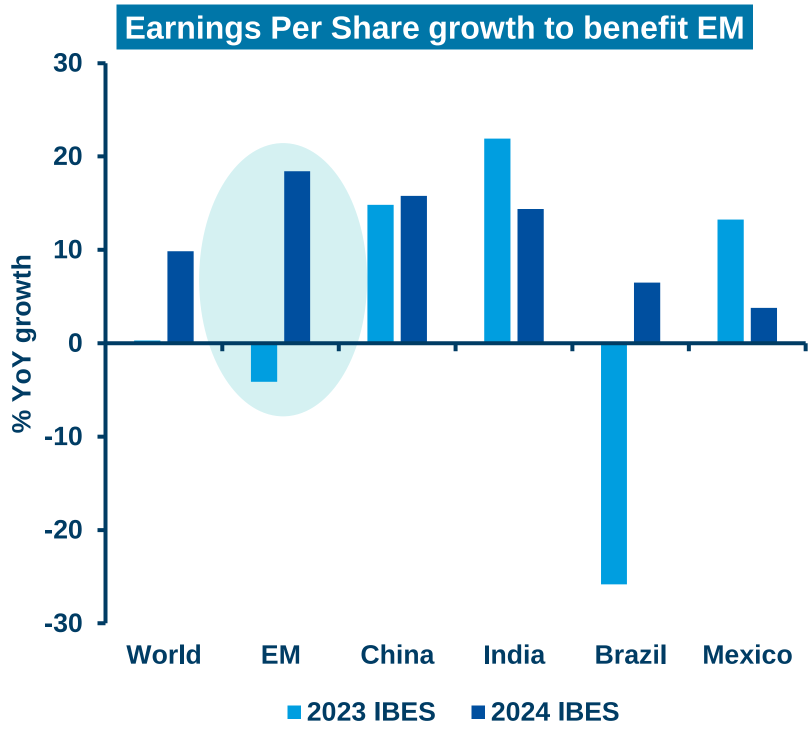
India’s share of world GDP is currently more than 9% but it is still under-represented in indices. At USD1.1trn, India’s government bond market is the second-largest in EM and the only one with an investment grade rating not included in a major bond index. Post inclusion into the GBI-EM Index in June, Indian IGB’s are likely to have 10% weighting and drive upwards of $35-40bn in inflows per annum.

Source: Amundi Investment Institute, Bloomberg and JP Morgan. Data is as of 6 October 2023. EM: emerging markets. GBI-EM: Government Bond Index - Emerging Markets. The index is provided by JP Morgan.

Source: Amundi Investment Institute,. Data is as of 6 October 2023.

EM equity: favoured by growth differential and earnings recovery



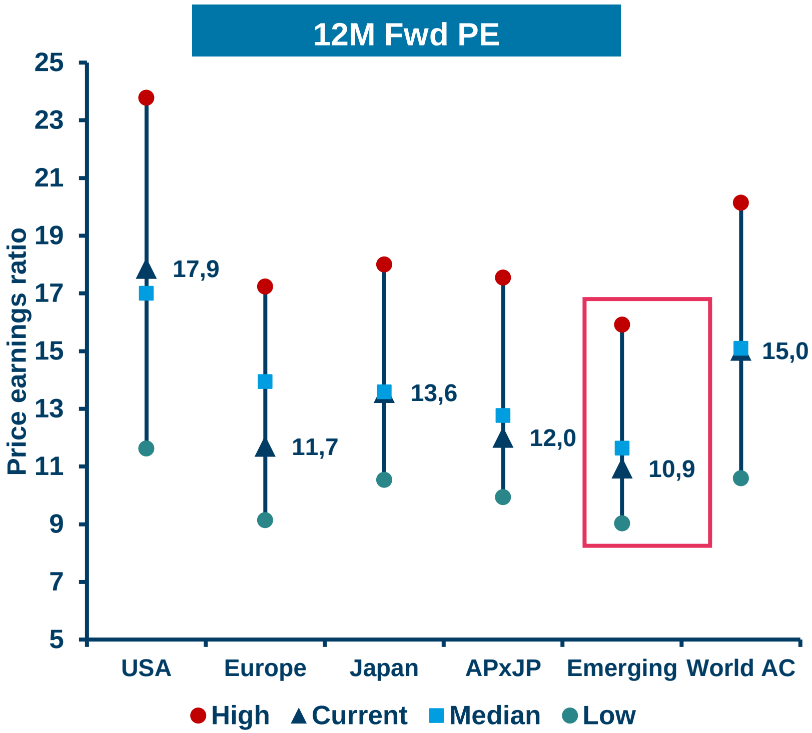


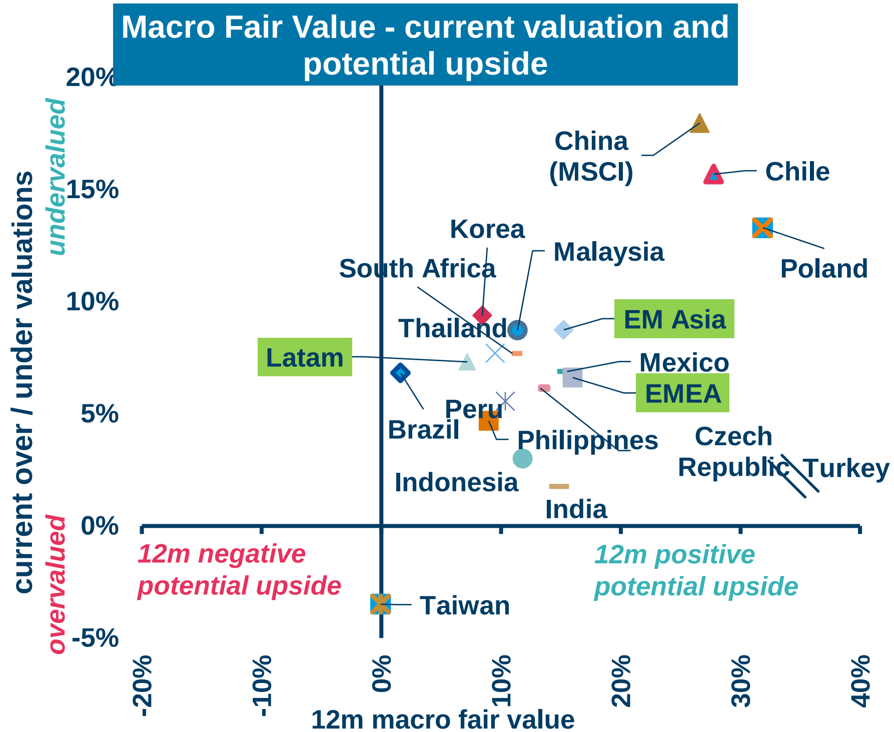
The first point that supports the call for the asset class is the constructive growth differential between EM and DM. The second supportive point is earnings, which have been on a weak trend since H2 2022, but we expect an inflection point and foresee a good recovery for the rest of 2023 and double-digit YoY growth by Q3-24.

Source: Amundi Investment Institute, Datastream. Data is as of 17 November 2023. EM: emerging markets. DM: developed markets.

Source: Amundi Investment Institute, Datastream. IBES forecasts are subject to be reviewed due to earnings season update. Data is as of 13 November 2023.

…with compelling valuations





EM equity markets are at historically cheap levels if you look at the valuation metrics, offering interesting entry points on a standalone basis and relative to DM for global investors. However, a dedicated approach is required in a fragmented EM universe.

Source: Amundi Investment Institute, Datastream. Data as of 9 November 2023.

Source: Amundi Institute. Data is as of 18 October 2023. Turkey's potential upside in 12 month horizon is 71,5% and current under valuation stands at 2,74%.

Equities: opportunities in Asia

1 **China – *neutral***
Remain somewhat constructive (tactically marginally positive) but on an extended time frame and risk-adjusted we are neutral. Magnitude of recovery has been disappointing so far and there is further downside risk to GDP growth; this is offset by significant excess savings accumulated during the Covid period and a policy put (a pro-growth government stance with capacity to further support property and private sector). Valuation attractive after recent pullback, however the longer-term risk-reward appears more attractive for domestic vs offshore markets amid gradual escalation of geopolitical risk.

2 **India – *positive*** Digital transformation, Made in India, financialisation of savings and increasing weight in indices with more IPOs to come in new economy sectors. A robust economic cycle helps mitigate still high valuation, while we still find plenty of value in some sectors (financials/healthcare) and select names.

3 **Taiwan – *neutral***
Turning more constructive on semiconductors (logic and analog chips), with inventories normalising together with a tentative bottoming-out in the earnings cycle after significant cuts, although short term this is offset by a high valuation following the generative AI rally.

4 **South Korea – *neutral***
Turning more constructive on semiconductors (memory chips) due to valuation, with the negative news on pricing and volume mostly priced in for memory prices together with a tentative bottoming-out in the earnings cycle after significant cuts, although short term this is offset by a high valuation following the generative AI rally.

10 **Indonesia – *positive***
Favour domestic names such as banks, as well as green materials-related names.

8 **Hong Kong – *positive***
Focus on reopening plays. Still favour travel-related consumer names.

9 **Vietnam – *positive***
Now the largest in the MSCI Frontier index. It could benefit from an upgrade to EM status in MSCI indices and “China+1” opportunity. Favour banks and real estate.

7 **The Philippines – *cautious***
Cautious on sectors exposed to domestic consumption and property.

6 **Malaysia – *cautious***
Cautious on sectors exposed to domestic consumption and investment; turning more constructive on exporters (IT).

5 **Thailand – *cautious***
Tourism to benefit from earlier-than-expected China reopening. Cautious on banks.

Colours indicate Amundi equity view on the country for Q4 2023

Cautious ***Neutral*** ***Positive***

Source: Amundi Investment Institute. Data is as of 16 November 2023. EM: Emerging Markets.

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Diversification benefit thanks to low correlation

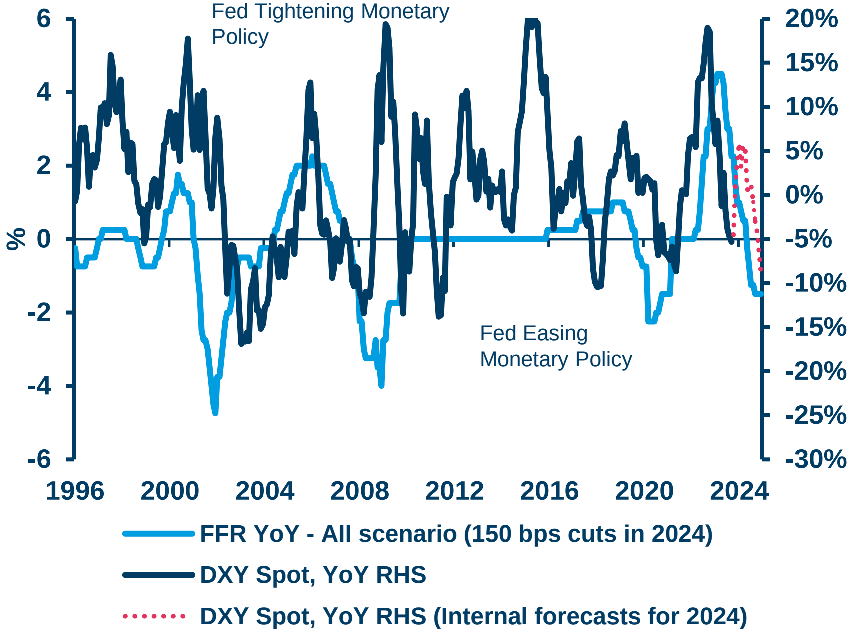
	EM LC Sov	EM HC Sov	MSCI China	MSCI China A	MSCI India	S&P 500	US Treasury	US HY	MSCI EM	EM Corp.	Comm.	Dollar Index	EM FX
EM LC Sov	1,00												
EM HC Sov	0,75	1,00											
MSCI China	0,51	0,41	1,00										
MSCI China A	0,28	0,24	0,64	1,00									
MSCI India	0,48	0,44	0,52	0,24	1,00								
S&P 500	0,52	0,54	0,48	0,30	0,54	1,00							
US Treasury	0,10	0,29	-0,11	-0,05	-0,14	-0,22	1,00						
US HY	0,61	0,76	0,43	0,23	0,51	0,71	0,04	1,00					
MSCI EM	0,75	0,60	0,86	0,50	0,70	0,67	-0,13	0,63	1,00				
EM Corp.	0,67	0,89	0,43	0,26	0,43	0,48	0,24	0,78	0,58	1,00			
Commodities	0,33	0,24	0,28	0,19	0,24	0,28	-0,13	0,30	0,37	0,27	1,00		
Dollar Index	-0,60	-0,39	-0,25	-0,17	-0,19	-0,31	-0,16	-0,35	-0,39	-0,35	-0,34	1,00	
EM FX	0,91	0,62	0,52	0,29	0,47	0,53	-0,03	0,55	0,75	0,57	0,39	-0,68	1,00

One of the key points in EM investing is the diversification benefit. Investors should look at EM assets to increase their portfolio diversification and gain exposure to higher growth regions, at the same time, they have a limited correlation to DM assets.

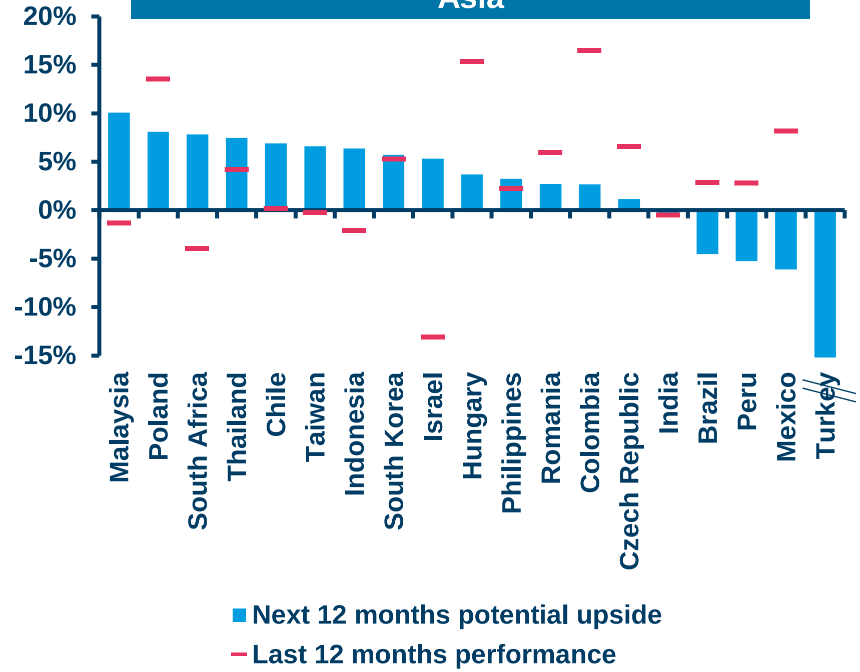
Source: Amundi on Bloomberg data. Calculations are based on correlation of weekly returns from January 2010 to 16 November 2023. All indices are USD denominated. DM: developed markets., EM: emerging markets.

USD to weaken over 12m horizon, supportive for EM-FX

2024 will see a shift in monetary policy and we see it as headwind for the USD



Recovery expected mainly in EMEA and EM Asia



We expect a weaker dollar in the last part of the year to offer interesting opportunities across EM FX, based on relative growth-inflation outlooks in EM.

Source: Bloomberg, Amundi Investment Institute. Data as of October 30 2023. DXY: US Dollar Index. FFR: Fed fund rates. *Policy easing* (*Policy tightening*) if FFR YoY negative (positive).

Source: Amundi Investment Institute, Bloomberg. Data is as of 30 October 2023. Potential upside is based on fair value, including our 12-month scenario: Oil at 87.6, 10Y US Treasury at 3.7, USD at 1.16, and all the CPI forecasts by country. Turkey's figures (not fully included above) are -33.61% (last 12 months) and -50.34% (next 12 months potential upside).

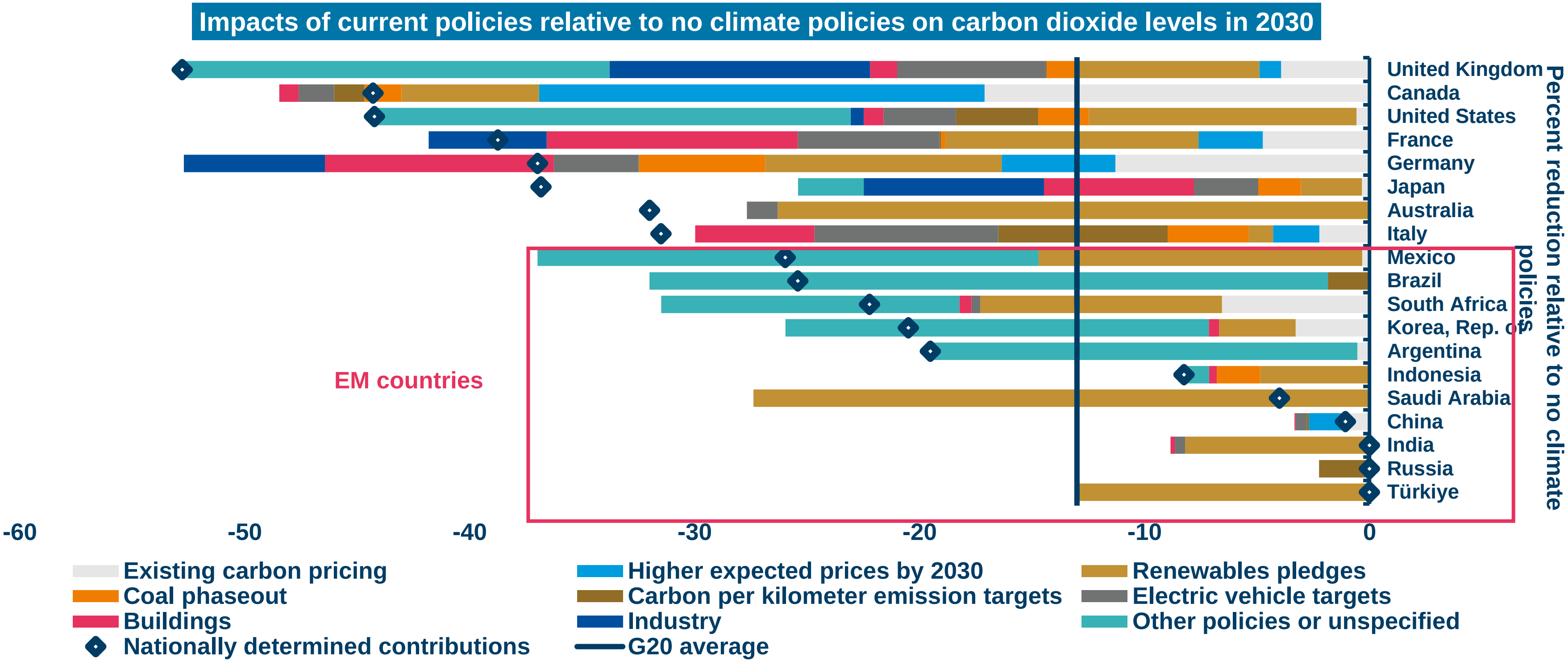
To sum up: EM top convictions

	DEBT	LC DEBT	EM EQUITIES	EM FX
Overall stance	+	= +	+	= +
	Slightly positive on HC debt with preference for HY over IG given current spread levels.	Positive on LC debt with focus on areas of attractive real yields.	Positive on EM equities, with focus on areas with attractive valuations. We favour value over growth. Moving further into 2024, a recovery in EM growth would favour a shift to valuation styles.	We are more constructive on EM FX, with preference for high-carry currencies.
Regional preference	▪ LatAm (Brazil, Mexico, Argentina); ▪ Indonesia; ▪ South Africa;	▪ LatAm: supported by quality of carry, Brazil, Mexico; ▪ Indonesia; ▪ South Africa; ▪ Romania; ▪ India.	▪ India; ▪ Indonesia; ▪ Vietnam (largest member in the MSCI Frontier Index). ▪ LatAm, especially Brazil (moving further into 2024).	▪ EM Asia currencies: ▪ Indonesian Rupee; ▪ Indian Rupee. ▪ EMEA currencies.

Source: Amundi Investment Institute 30 November 2023. EM: Emerging Markets; HC: Hard Currency; LC: Local Currency.

EM are lagging behind in the shift to greener energy

ESG



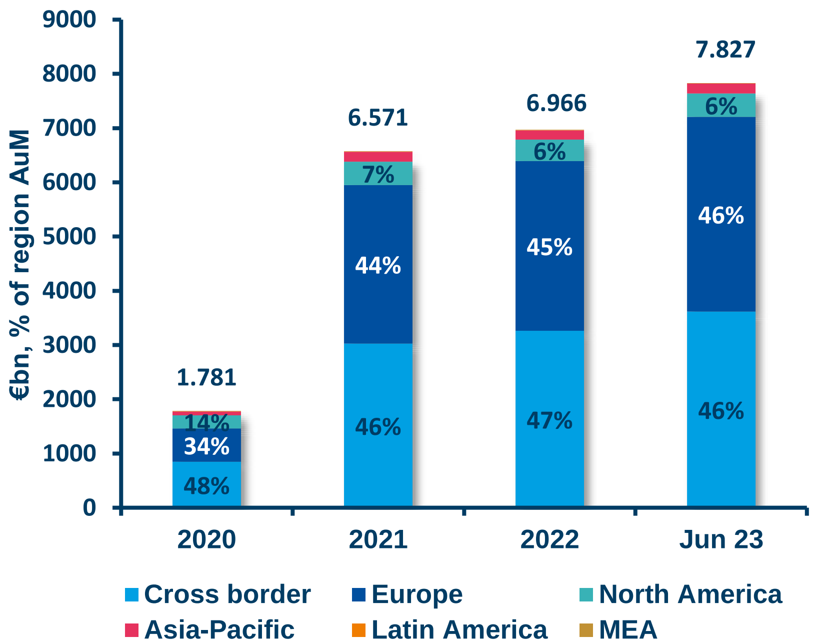
EM countries are key for the development of the energy transition to contain global warming. However, some of them face difficulties such as higher interest rates or high government debt that complicate the transition to low-carbon energy sources. The collaboration between public and private actors will be crucial to some efforts for tackling climate change.

Source: Amundi Investment Institute, IMF Fiscal Monitor as of October 2023. IMF staff estimates using the IMF–World Bank Climate Policy Assessment Tool. The figure includes estimates of emission reductions from the power and industry sectors under the US Inflation Reduction Act.

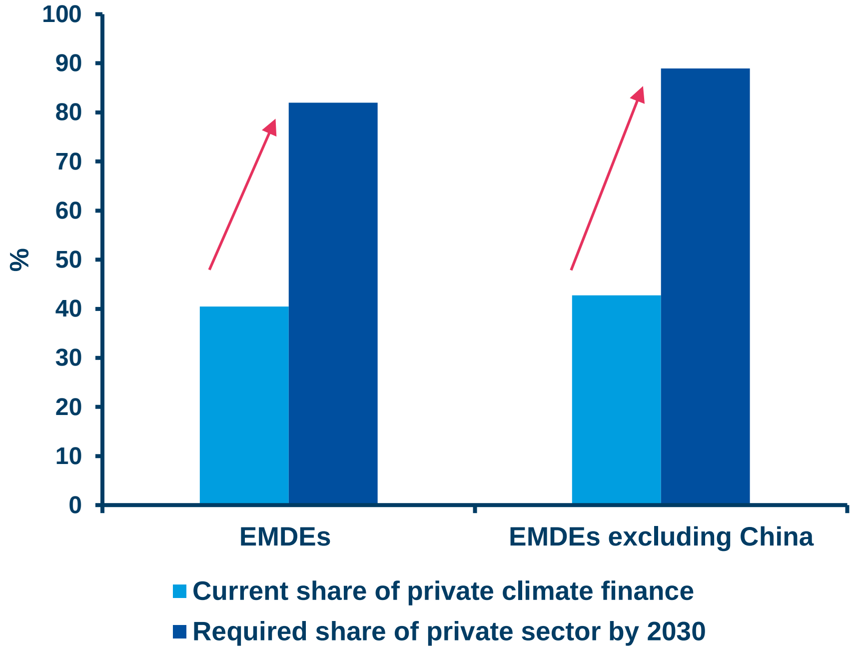
Huge private investment is needed to achieve net zero

ESG

Responsible investment funds - Worldwide AuM (June 2023)



Necessary to increase role of private sector for EM climate goals



Development of sustainable capital markets in EM and Developing economies through blended finance and reforms of international finance institutions will be crucial looking forward. According to the IMF, the share of private sector climate finance in those economies will have to rise significantly to reach the net zero transition.

Source: Amundi business intelligence based on Broadridge data. Data is as of June 2023.

Source: Amundi Investment Institute, IMF and IEA on Climate Policy Initiative with staff calculations. The estimation share of private climate finance to achieve net-zero emissions by 2050 is based on public climate financing share in total public investment that increases by a factor of 1.5 until 2030. Bloomberg. Data is as of 30 October 2023. EMDEs: Emerging Markets and Developing Economies.

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Indices reference and definitions

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.
- **Default rate**: The share of issuers that failed to make interest or principal payments in the prior twelve months. Default rate based on BofA indices. Universe consists of issuers in the corresponding index twelve months prior to the date of default. Indices considered for corporate market are ICE BofA.
- **Diversification**: Diversification is a strategy that mixes a variety of investments within a portfolio, in an attempt at limiting exposure to any single asset or risk.
- **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.
- **EPS (Earnings per share)**: This is a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.
- **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.
- **Green bonds:** A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.
- **Investment grade**: Refers to securities issued by an issuer of negotiable debt securities (Treasury bonds…) or bonds for which the Standard & Poor’s rating is greater than or equal to BBB-. 'Investment grade' bonds are considered by the various rating agencies as having a low risk of non-repayment.
- **High yield**: High yield paying bond with a low credit rating due to the high risk of default of the issuer.
- **P/E ratio**: The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS).
- **Quasi sovereign**: companies wholly or partially owned by the government.
- **Social bonds**: Social bonds are use-of-proceeds bonds that raise funds for new and existing projects with positive social outcomes.
- **Spread**: the difference between two prices or interest rates.
- **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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