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# Resilient Emerging Markets in the Great Diversification

*Emerging Markets Charts and Views*

OCTOBER 2025

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# Resilient Emerging Markets in the Great Diversification

*“Emerging markets have demonstrated remarkable resilience, outperforming developed economies with compelling valuations and strong macroeconomic fundamentals.”*

Despite ongoing geopolitical tensions and policy uncertainty, **many emerging markets have demonstrated notable resilience**, as recently noted by the IMF, driving strong year-to-date outperformance in both debt and equity versus developed markets. We believe we have entered an era in which geographic and sector diversification is back in focus amid geopolitical realignment, supply-chain redesign and an intensifying technology race. This combination favours a reallocation to EMs at a time when these markets are supported by clear structural and cyclical drivers.

First, **developing economies continue to grow faster** than developed peers. That growth premium persisted in the first half of the year and looks set to continue, underpinning longer-term return potential. Second, the US Federal Reserve has resumed rate cuts and is expected to keep easing as the US economy slows and inflation recedes, which gives **EM central banks more policy room**. Third, a relatively **weaker US dollar** is helping local currencies, lowering financing costs, improving trade balances, containing imported inflation and supporting domestic consumption. Fourth, a **structural shift towards diversification away from the US dollar** and the elevated policy premium on US assets — which increases volatility, particularly in bonds — makes EM risk-adjusted returns comparatively more attractive.

**Sentiment towards EMs is therefore improving.** In the search for opportunities, **EM fixed income offers attractive yields** — especially local-currency debt, where carry remains supportive. **On the equity side, valuations are compelling, trading at meaningful discounts to developed markets** and to historical averages. EMs remain a heterogeneous opportunity set: geopolitical re-equilibration, tariffs and divergent domestic versus external dynamics mean outcomes will vary by market, with notable **pockets of opportunity in Latin America, Eastern Europe and selected Asian countries.**



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# 01. Macro themes

1

## Tariff resilience differs by market

The **tariff environment is becoming clearer and appears manageable for EMs**, which are adapting by boosting regional interconnection. Current global tariff rates are, on balance, only marginally higher than our initial estimates and their impact is expected to be low, although it will vary significantly by country, putting greater **emphasis on selection across EMs**.



2

## Supportive macro backdrop

Despite ongoing challenges in the economic environment, recent data suggests that underlying **economic activity may be more resilient than anticipated**. The **growth-inflation mix remains appealing for EMs**, characterised by **higher growth** alongside **well-anchored inflation**. This supportive backdrop, together with improving global financial conditions, could continue to benefit EM countries.



3

## EM central banks' independence

**EM central banks have taken an orthodox approach** during the most recent global inflation spike, leading the way in adjusting monetary policy to tame inflation. Demonstrating **a degree of independence from the Federal Reserve**. The Fed's recent shift in narrative does not accelerate or extend the well-advanced easing cycle in EMs.



4

## Broader and strengthened

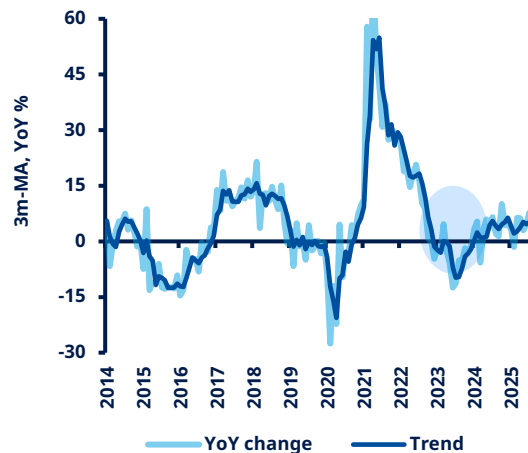
Over recent decades, EMs have made considerable progress in liberalising their financial markets and **strengthening their macroeconomic fundamentals**, showing **increased adaptability and resilience**. Stronger external balances, larger reserve buffers, and enhanced monetary policy effectiveness have reduced EMs' vulnerability to financial shocks.



# EM exports resilient despite tariffs

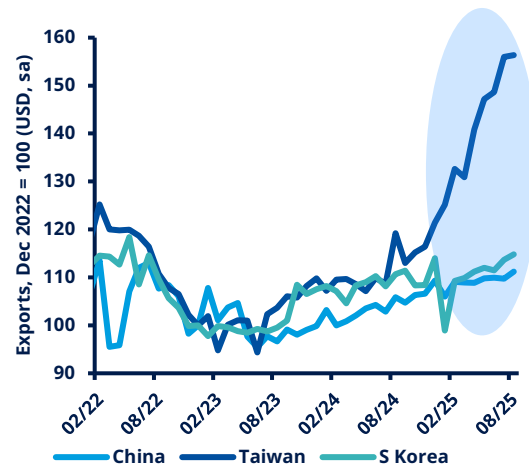
Emerging markets have faced tariff challenges but have demonstrated resilience and agility by adapting their models to boost regional and intra-emerging market trade. This realignment within the Global South is set to continue amid the ongoing era of geopolitical superpower competition.

## EM exports continue to be robust



Source: Amundi Investment Institute, CEIC. Figures as of 16 September 2025. August data represent around 70% of the total.

## East Asia exporters have remained solid, even in 2025



Source: Amundi Investment Institute, CEIC. Monthly and seasonally adjusted data as of August 2025.

# Tariffs manageable overall, pressure on select countries

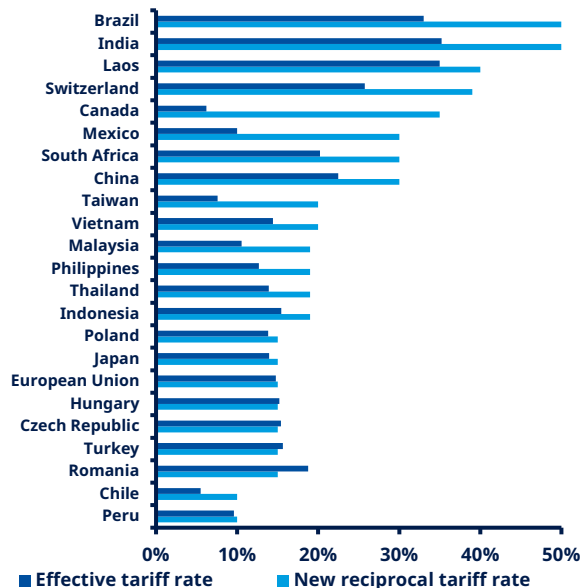
01.1 | Lower tariff uncertainty

New reciprocal tariff rates could bring the **average US tariff rate to around 18%**. While some emerging markets face significantly high tariffs, the **effective rate** – after accounting for sectoral and specific exceptions – is **much lower and appears manageable overall**.

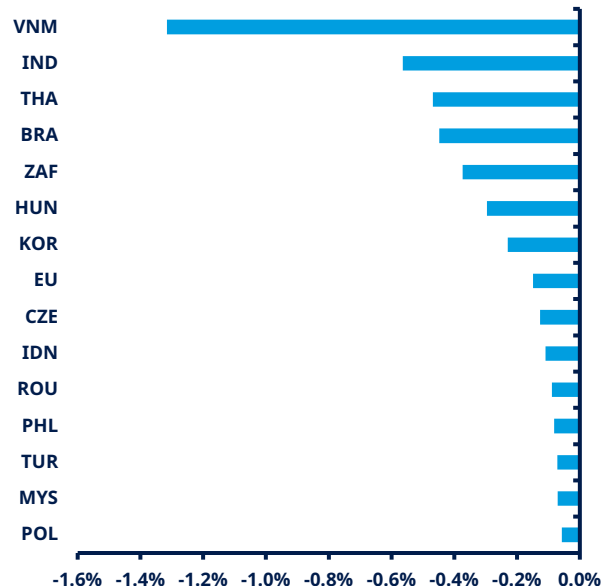
At the global level, on top of our initial base case of a 10% universal tariff, following July/August announcements, we now estimate a **further economic growth drag** of approximately 0.2% on GDP, more muted than the impact on global inflation.

Barring any retaliatory measures or any persistent shock in supply chains, the **inflation impact** on the rest of the world **should be more limited than in the US**.

## Tariffs: reciprocal vs effective rate



## GDP loss from tariffs exceeding 10% over a span of four quarters



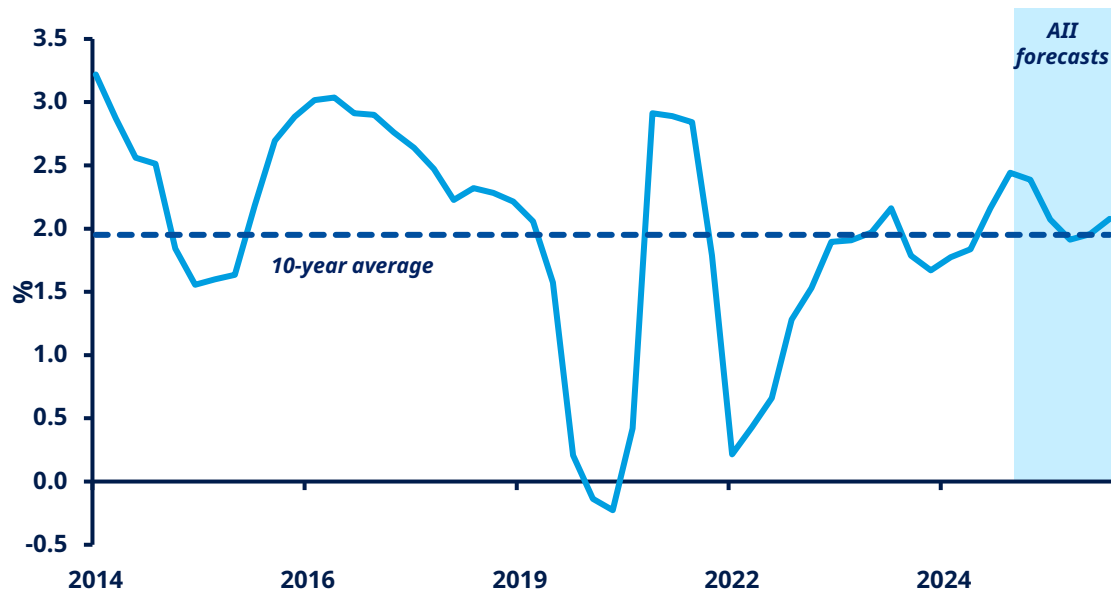
Source: Amundi Investment Institute, internal simulation and updated with latest reciprocal tariffs and estimated exemptions. Data as of September 2025.

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# EM growth premium to stay supportive

01.2 | Supportive macro backdrop

The EM-US GDP gap stands higher than its historical average



Source: Amundi Investment Institute, Bloomberg, CEIC. Data as of 22 October 2025.

In the first half of the year, **developing economies grew at a faster pace than developed economies**, showing resilience despite tariffs.

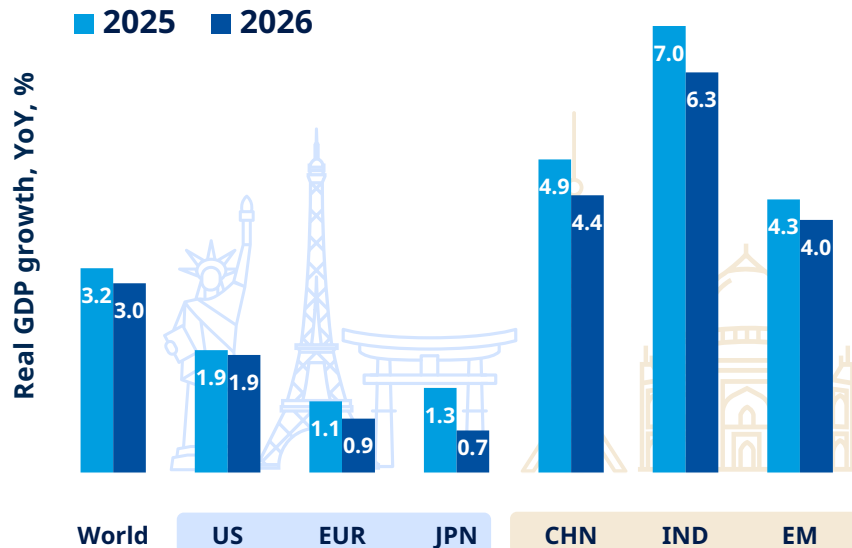
Although some slowdown is expected in **China and India** and overall trade turning in the second half, a slowdown is also anticipated in the US, where domestic demand is showing signs of cooling. We expect **resilient domestic demand and easier financial conditions** in emerging markets to help offset trade weaknesses.

Looking ahead, **the growth premium continues to benefit emerging markets over developed ones**, particularly the US, and is expected to remain above the average of the last 10 years.

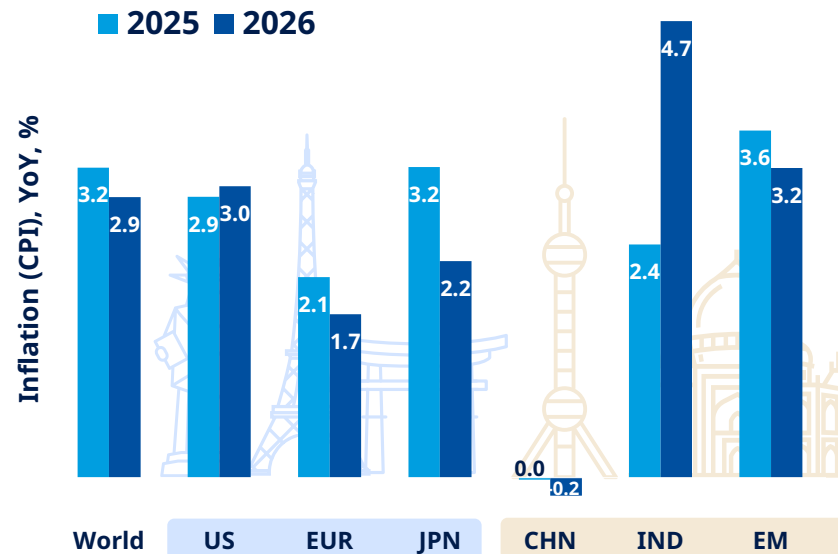
# Global macro picture is positive for EM

01.2 | Supportive macro backdrop

Growth to stay below potential, particularly for DM countries



Headline inflation forecasts show that disinflation is on track in EM



Source: Amundi Investment Institute, IMF, Bloomberg. The table shows reference projections based on information available as of 22 October 2025. Assumptions on tariffs as of 22 October 2025, countries face value tariffs are adjusted with sectoral tariffs (Section 232) and/or exemptions. On India, 25% Universal tariffs and 25% secondary sanctions on Russian Oil Imports; on China 20% Fentanyl and 10% reciprocal. Sectoral tariffs on Canada and Mexico only for non-USMCA-compliant imports.

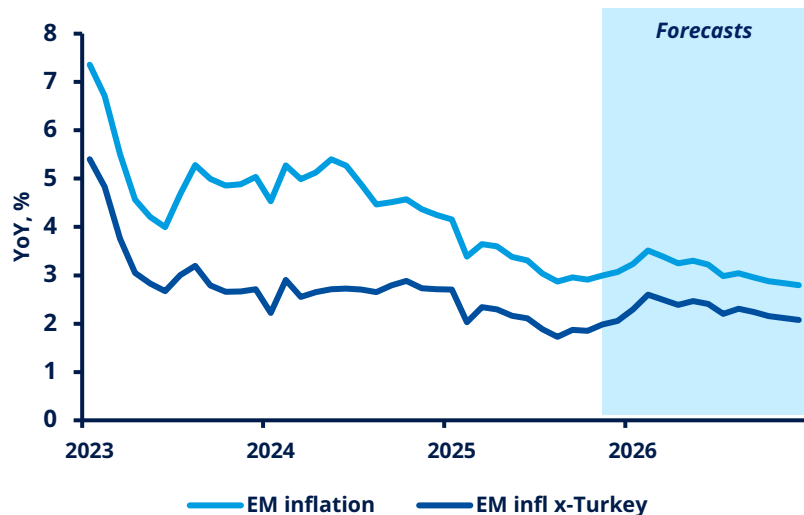


# Well-anchored inflation

01.2 | Supportive macro backdrop

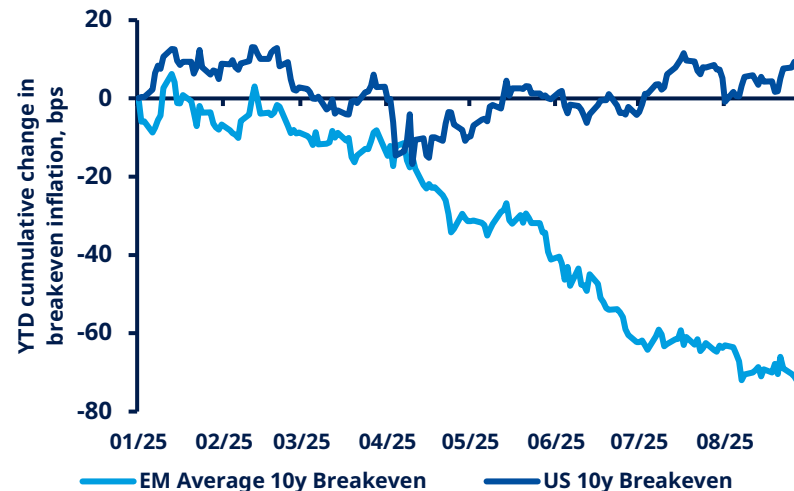
Slowing inflation in Emerging Markets has helped support domestic demand. The inflation outlook for EMs remains benign, as reflected in market inflation expectations: while US expectations have stayed steady, those for emerging markets have sharply declined, indicating a clearer disinflationary trend.

## EM inflation under control



Source: Amundi Investment Institute, CEIC. Monthly data as of August 2025.

## Breakevens divergence



Source: Amundi Investment Institute, JP Morgan. EM average includes South Africa, Poland, Uruguay, Israel, Korea, Brazil, Chile, Mexico and Colombia. Data as of 27 August 2025.

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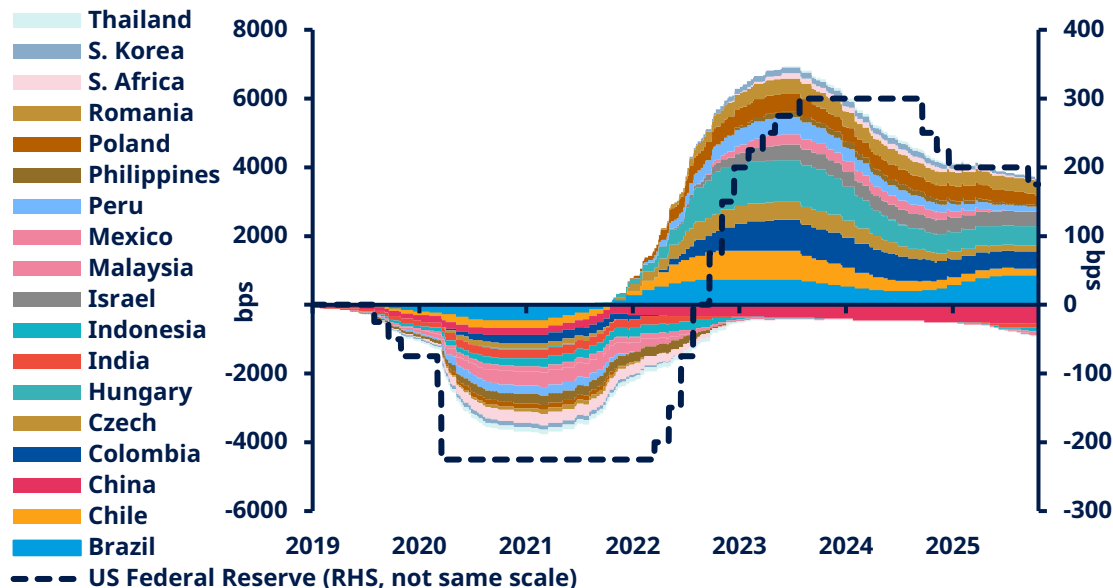
Emerging countries have learned from past crises and have **improved monetary management** and the independence of their central banks.

Most **Emerging Market central banks** have embraced a **gradual and cautious approach to monetary easing**. This comes after they adopted a more advanced and **orthodox stance during the significant inflation spike in 2022**.

With the Fed having resumed interest rate cuts (and more to come), this more **favourable environment provides EM central banks with greater flexibility in their monetary policies**.

## EM central banks' degree of independence from the Fed has improved over time

Orthodox monetary policy: cumulative change in policy rate since end-2018

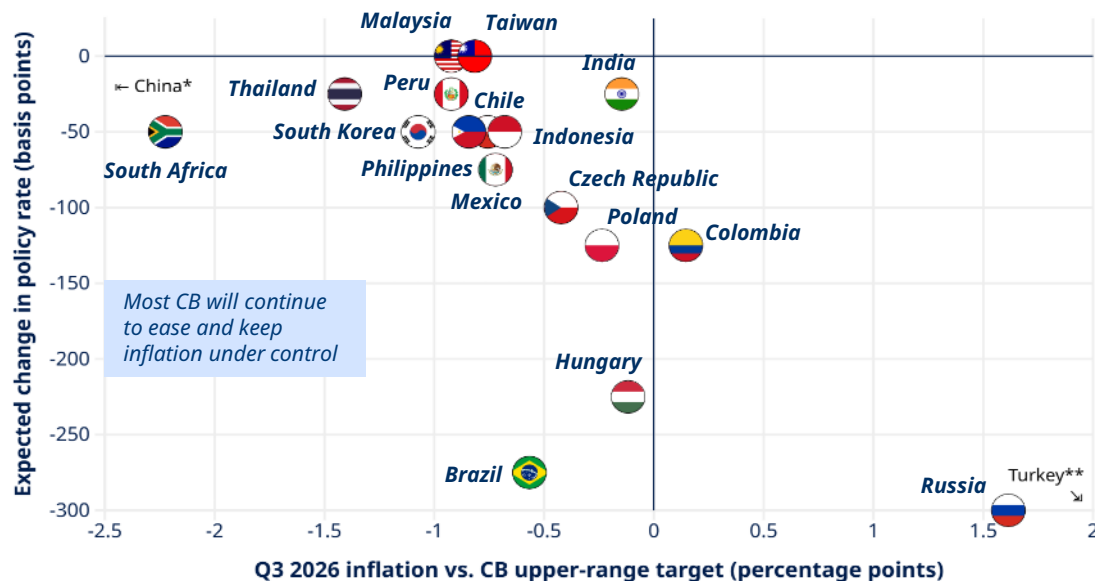


Source: Amundi Investment Institute on Bloomberg Intelligence data. Data is as of 20 October 2025.

# EM central banks still on easing trend

01.3 | EM Central Banks' independence

## Emerging markets' inflation and monetary policy trends by Q3 2026



Given that **disinflation is expected to continue** its trend, and the Fed has already started its monetary policy relaxation, we expect further easing ahead.

With the **dollar expected to remain relatively weak**, the central banks of emerging countries have room to **continue monetary easing**.

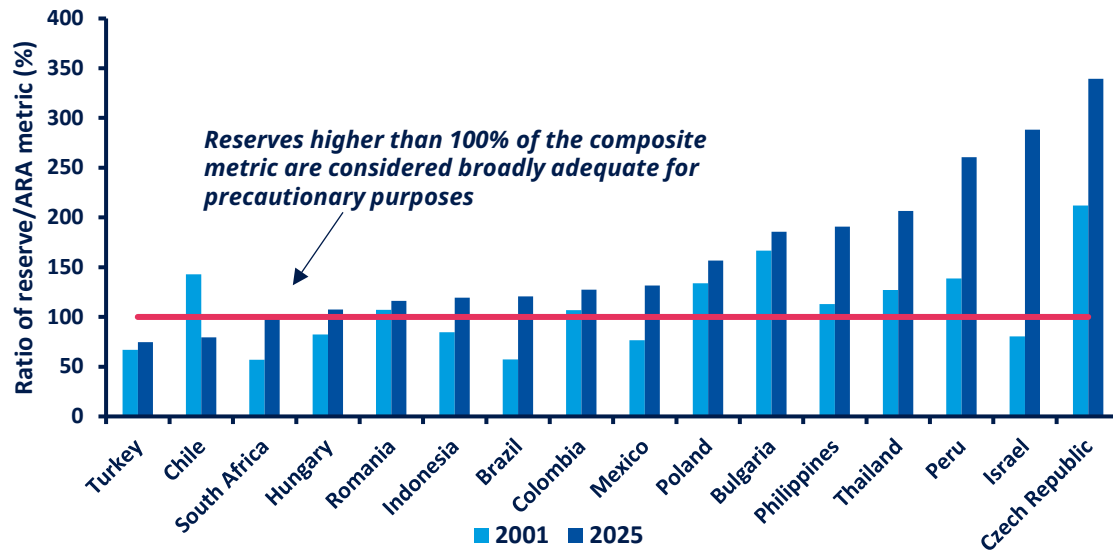
However, not all countries are in the same situation; inflation will need to be monitored, particularly in CEE.

Source: Amundi Investment Institute on Bloomberg Intelligence data. Data is as of 2 October 2025. 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. MP: monetary policy. Turkey's inflation is expected at 22.37% in Q2 2026, while Turkey's policy rate is expected to cut by 1100pbs in 1 year horizon. China's Q3 2026 inflation vs. upper PBoC target range is at minus 3.61%. Russia's policy rate is expected to cut by 300pbs in 1 year horizon. CEE = Central Eastern Europe.

# Growing reserves strengthen EM risk profiles

01.4 | Supportive macro backdrop

## Improved external positions with higher reserve buffers



Source: Amundi Investment Institute, IMF - Assessing Reserve Adequacy – ARA, as of April 2025. The ARA EM Metric by the IMF is a key tool used to measure reserves adequacy for EM. It helps assess whether a country's foreign exchange reserves are sufficient to cover potential external shocks. It comprises four components reflecting potential drains on the balance of payments: export income, broad money, short-term debt and other liabilities. Reserves in the range of 100-150 percent of the composite metric are considered broadly adequate for precautionary purposes.

**EMs are less vulnerable to financial shocks.** Over recent decades, EMs have made substantial progress, driven by the liberalisation of financial markets and the strengthening of their macroeconomic metrics.

**Stronger external balances, larger reserve buffers,** and more effective monetary policies indicate that most EMs are now better equipped to withstand global financial shocks.



# Broadening EM debt universe, with rising local currency share

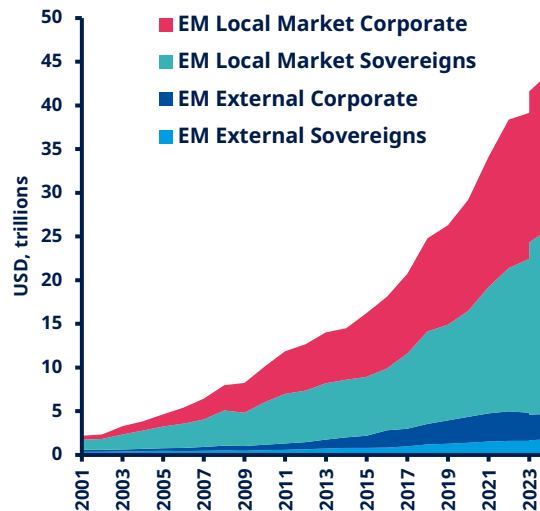
01.4 | Supportive macro backdrop

Although the EM external sovereign hard currency market has more than doubled over the past decade, the most significant change has been the **shift from external to local currency-denominated issuance**. As a result, **countries are now less vulnerable to exchange rate depreciation** than they were in the past.

The **EM corporate universe** (including both external and local debt) has **more than doubled**, reaching nearly \$21 trillion, with a wider range of sectors and issuers.

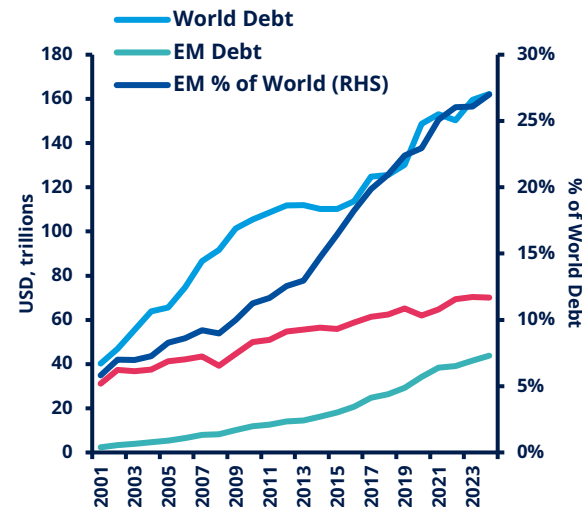
The share of emerging markets in global bond markets has rapidly increased to nearly 30%. However, **EMs remain underrepresented in global investor allocations**.

## Total EMD outstanding



Source: Amundi Investment Institute, BofA Global Research, BIS, Bloomberg. Note: GEM tradable debt also includes tradable loans, local/regional government tradable debt, treasury bills, central bank bills and other short-term debt. Data as of September 2025.

## EMD in absolute and relative terms



Source: Amundi Investment Institute, BofA Global Research, BIS, Bloomberg. EMD: Emerging Market Debt. Data as of September 2025.

## 02. Investments convictions across EM space

### 1 | EM debt

**Positive cyclical outlook for EM debt:**

With the Fed having resumed interest rate cuts last month and the US dollar expected to remain relatively weak, central banks in EM countries have room to continue monetary easing. This creates opportunities in fixed income, especially in debt issued in local currency.

**Appealing yields:** EM sovereign debt offers better relative value compared to DM. The combination of yield and duration is highly attractive for investors seeking income.

**Structural growth:** A broader market with strengthened stability is set to attract higher investor interest amid rising demand for diversification away from US Treasuries.



### 2 | EM equity

**Supportive environment:** The growth premium favours EM over DM, and a weak dollar should support EM equities. However, EM is not a single bloc; at this stage we prioritise Latin America, Eastern Europe and India for their differentiated fundamentals and attractive valuations.

**Earnings and valuations:** Corporate earnings are forecast to remain well supported, with valuations trading at a significant discount compared to developed markets and historical averages.

**Structural diversification case:** Amid higher geopolitical uncertainty and stretched US valuations, there is a strong structural case for diversification into EM equities.



### 3 | EM FX

**Currency appreciation and confidence:** Most EM currencies have appreciated against the US dollar in 2025, reflecting renewed confidence in EM and concerns about US fiscal discipline.

**Dollar pressure and demand for diversification:** Ongoing challenges in the US economy are expected to weigh on the dollar. Against this backdrop, we continue to favour high-beta currencies, particularly in some Latin American countries.



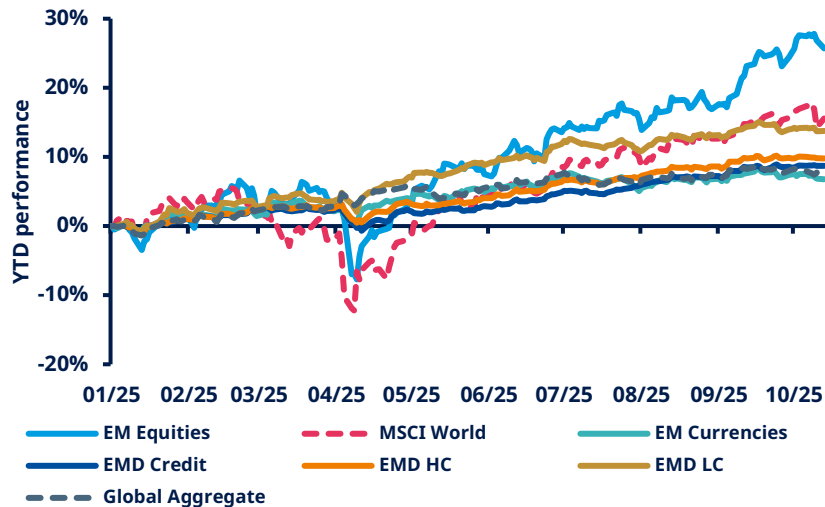
Source: Amundi Investment Institute, as of 15 October 2025.

# Rising demand fuelled by strong performance

02 | Investment convictions

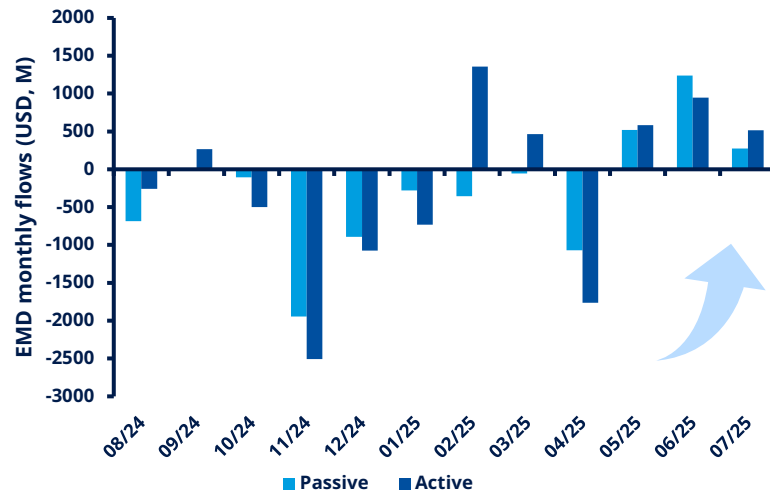
EMs have been outperforming year-to-date, and there is room for the trend to continue: market sentiment is positive, and many investors remain underweight.

## Strong returns year-to-date



Source: Amundi Investment Institute, Bloomberg. Equity index is MSCI EM, EMD, Global Aggregate and currency indices are from Bloomberg, and all indices are in USD. Data as of 13 October 2025.

## EMD inflows have accelerated amid a constructive outlook



Source: Amundi Investment Institute, Amundi Business Intelligence. The scope is funds sales AuM in Europe, including Bonds EM, Bonds EM Local Currency, Bonds EM Corporate, and Fund of Funds Bonds EM. Data as of August 2025.

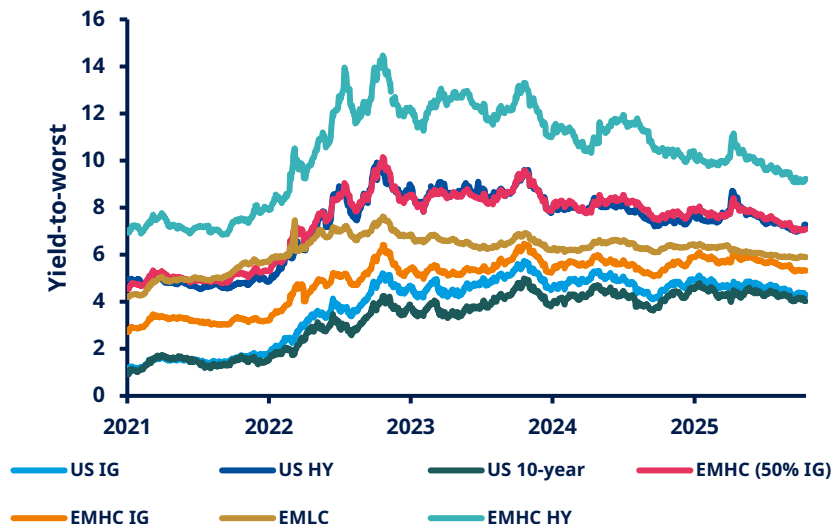
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# Yields are attractive in absolute and relative terms

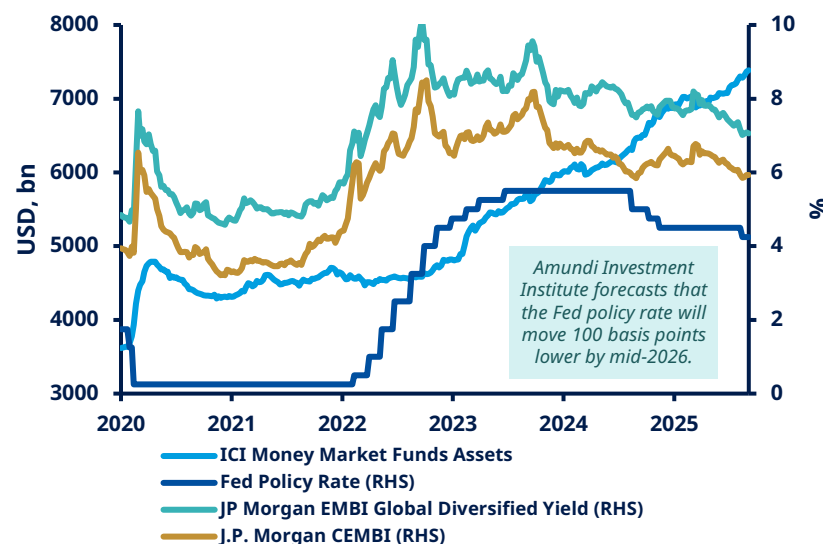
02.1 | EM Debt

Liquidity parked in money market funds exceeds \$7 trillion — a record high. As yields in developed markets fall with the Fed expected to cut rates further, demand for income should rise. In that search, EM bonds look particularly attractive because they offer higher, more appealing yields.

## Attractive yields in absolute and relative terms



## Tailwinds: Fed easing, carry and favourable technicals



Source: Amundi Investment Institute, Bloomberg. EM bond indices are from JPMorgan; US corporate bond indices are from Bloomberg. All indices are in USD. Data as of 14 of October 2025.

Source: Amundi Investment Institute, Bloomberg. Fed Policy Rate refers to upper bound. Data as of 8 October 2025.

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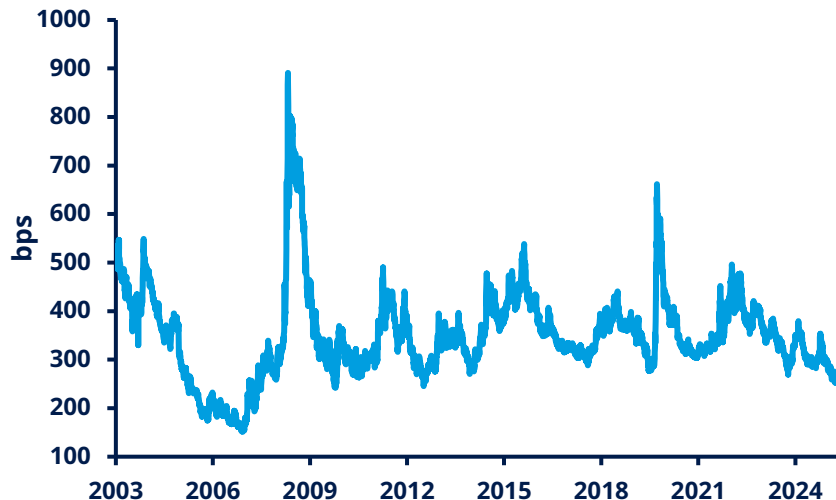


# Spreads and volatility reflect the strong fundamentals

02.1 | EM Debt

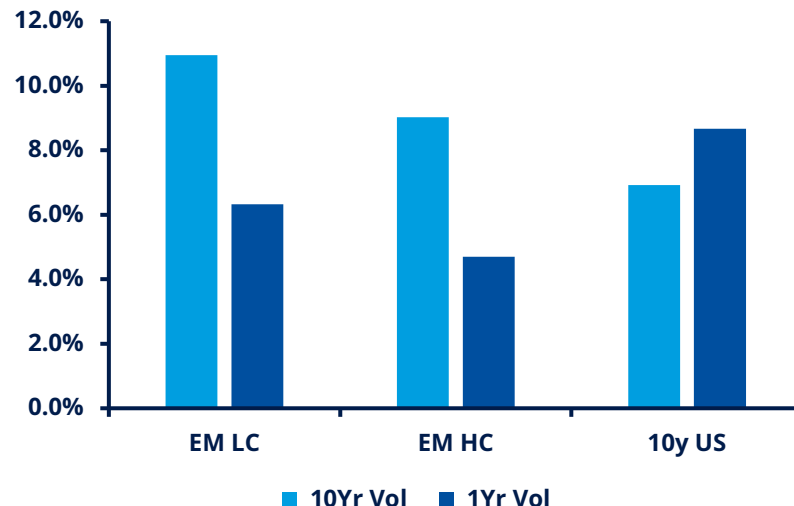
Emerging-market debt has matured: improving fundamentals, tighter spreads and reduced volatility. As EMs converge with developed markets, EM debt is becoming an attractive allocation for global investors seeking yield and diversification.

## EM bond spread is at its tightest level since 2013



Source: Amundi Investment Institute, Bloomberg. The index refers to JP Morgan EMBI Global Spread. Data as of 10 October 2025.

## Policy premium: EM vs US bond volatility



Source: Amundi Investment Institute, Bloomberg, internal elaboration. Data as of 29 September 2025.

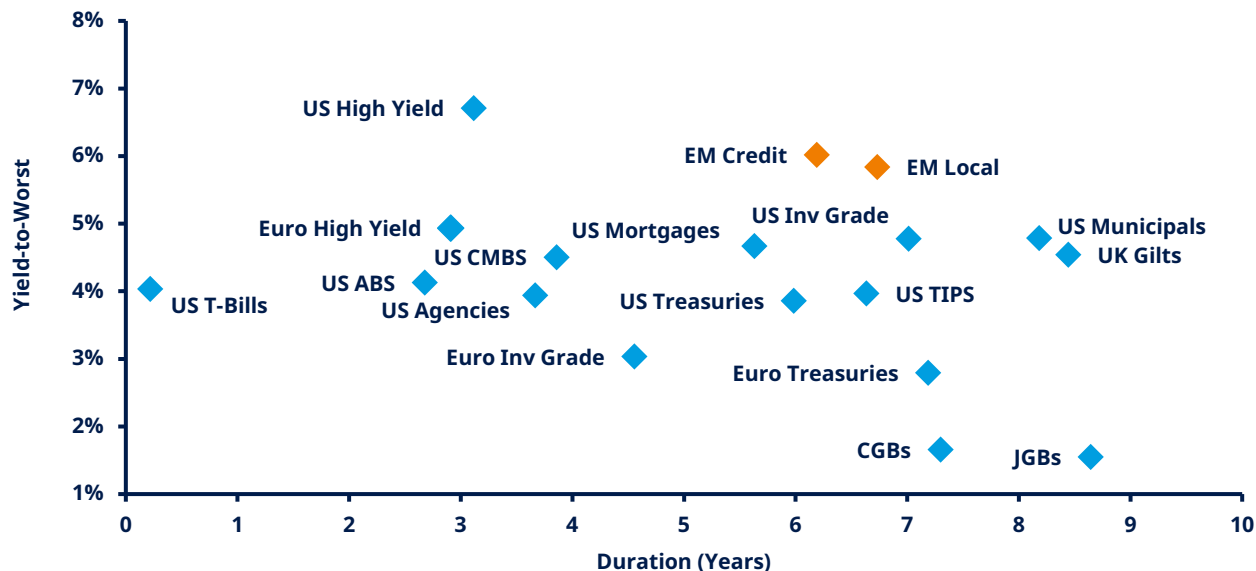
# Appealing opportunities for income-seeking investors

02.1 | EM Debt

Emerging-market credit and local-government debt are among the highest-yielding asset classes globally.

With relatively long durations, these assets are positioned to benefit significantly, especially as a dovish Fed is boosting duration-driven gains in emerging-market debt, a trend likely to persist as markets increasingly price in broader global monetary easing.

## Yield-to-Worst vs. Duration: EMD stands out



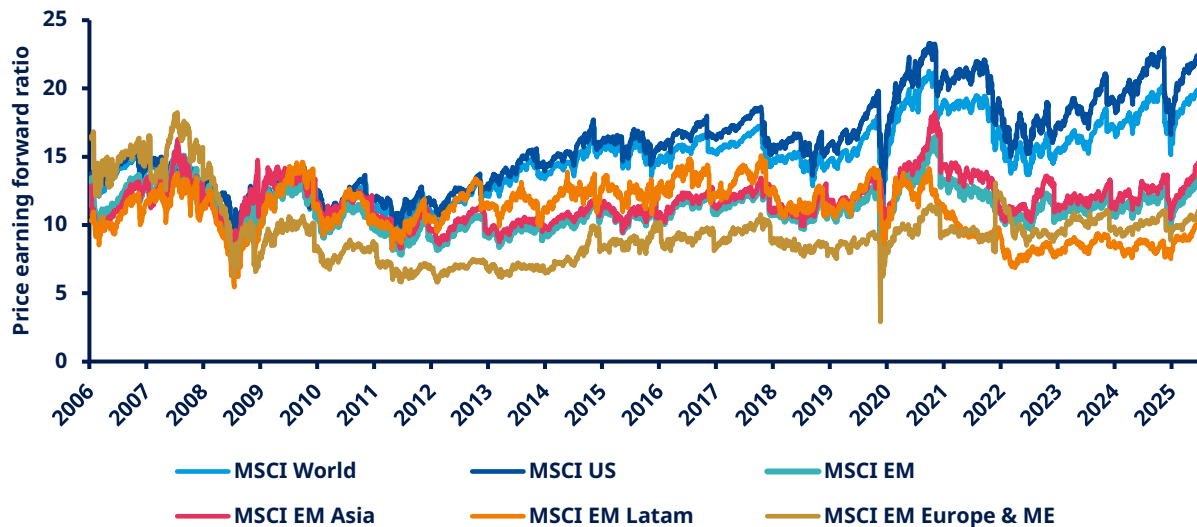
Source: Amundi Investment Institute, Bloomberg Intelligence. Data as of 12 September 2025.

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The **growth premium** continues to benefit emerging markets over developed markets, and **the dollar is expected to remain relatively weak**; all of this creates a favourable environment for EM equities.

Forecasts indicate that corporate **earnings will remain well supported** and **valuations remain attractive**, as they trade at a significant discount compared to developed markets and historical averages.

## Valuations of EM equity vs DM still structurally cheap



Source: Amundi Investment Institute, Bloomberg. The indices are Estimated P/E Next Year aggregate calculated as Last Price divided by Index Est Earnings Next Year. Data as of 15 October 2025.

# There is room for the current positive trend to continue

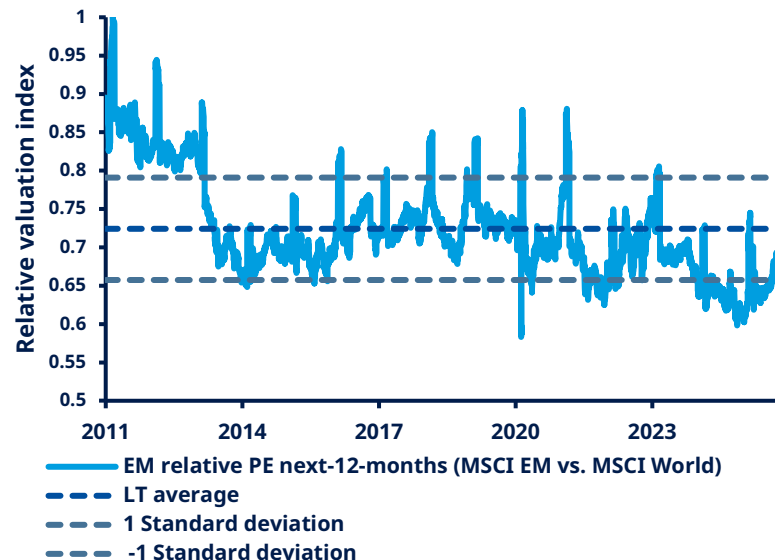
02.2 | EM Equity

Sentiment toward emerging markets has turned — and with cause. EMs have shown resilience in the face of tariffs, better policy discipline and more compelling relative valuations. Together, these factors are powering a renewed rally in EM equities.

## EM outperforms US, other DM don't



## Appealing long-term valuations vs RoW



Source: Amundi Investment Institute, Bloomberg. DM ex US index is FTSE Developed ex US Index. Data as of 14 October 2025.

Source: Amundi Investment Institute, Bloomberg. Data as of 14 October 2025.

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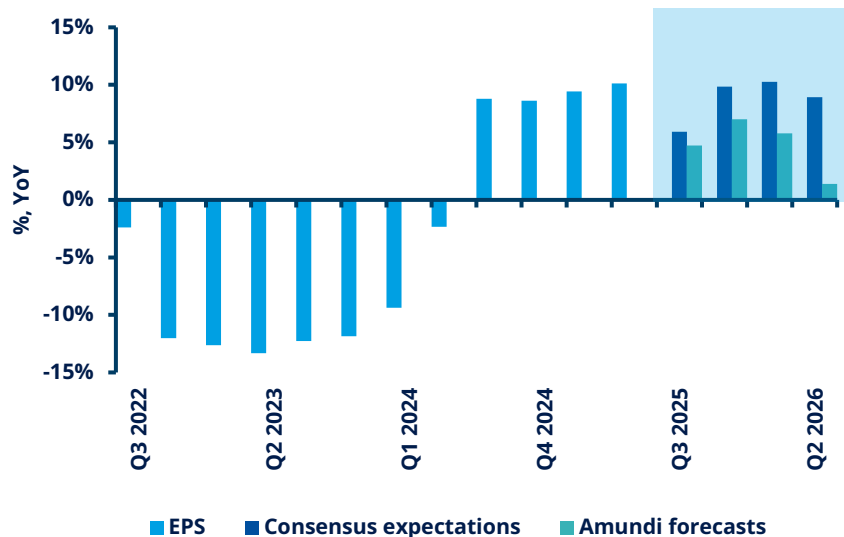


# A supportive earnings outlook

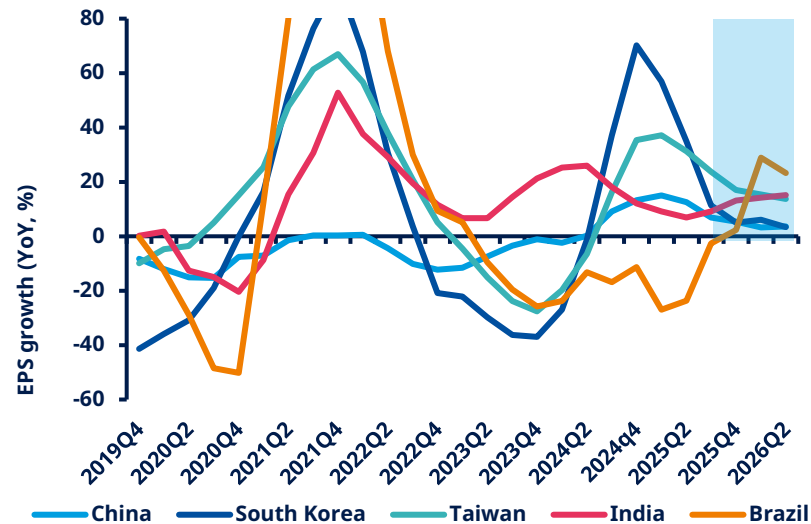
02.2 | EM Equity

We expect continued positive earnings growth in H2 2025 and H1 2026. At a country level, Brazil, India and Taiwan are projected to be the fastest-growing markets for EPS.

## Earnings momentum positive in the near term...



## ...with regional divergences



Source: Amundi Investment Institute, FactSet, as of 1 September 2025. Quarterly data for MSCI Emerging Markets Index in USD. Shaded portion shows forecasts.

Source: Amundi Investment Institute, FactSet, as of 1 September 2025. Quarterly data for MSCI Emerging Markets Index in USD. Shaded portion shows forecasts.

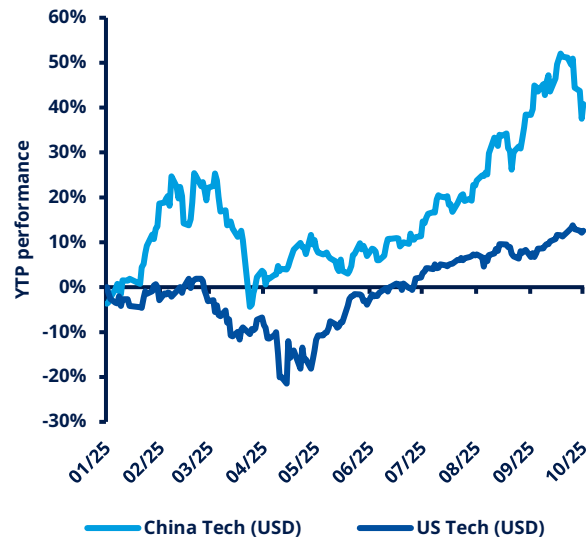
# Tech sector plays a pivotal role in EM equity

02.2 | EM Equity

The tech sector has grown significantly within the MSCI EM Index. Initially, EM was more dominated by commodities, financials, and industrials, but the **rise of technology companies, especially from countries like China, Korea and Taiwan** has shifted the sector composition.

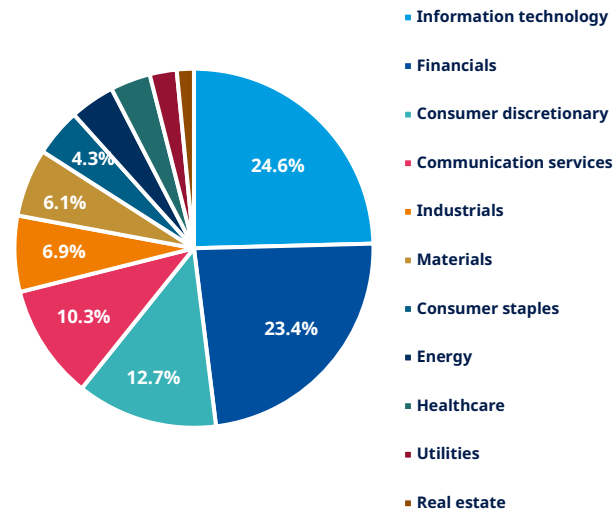
Tech remains a **key growth driver for the EM index** overall.

## China tech has outperformed US tech YTD



Source: Amundi Investment Institute, Bloomberg. China tech is represented by FTSE China incl A 25% Technology Capped Index and US Tech is represented by Nasdaq-100 Index. Both indices are in US dollar. Data as of 14 October 2025.

## MSCI EM: sector weight



Source: Amundi Investment Institute, MSCI EM in US dollar Index Factsheet, as of 29 August 2025.

# EM countries poised to capitalise on new global trends

02.2 | EM Equity

## EM countries which are positioned to benefit from evolving global trends

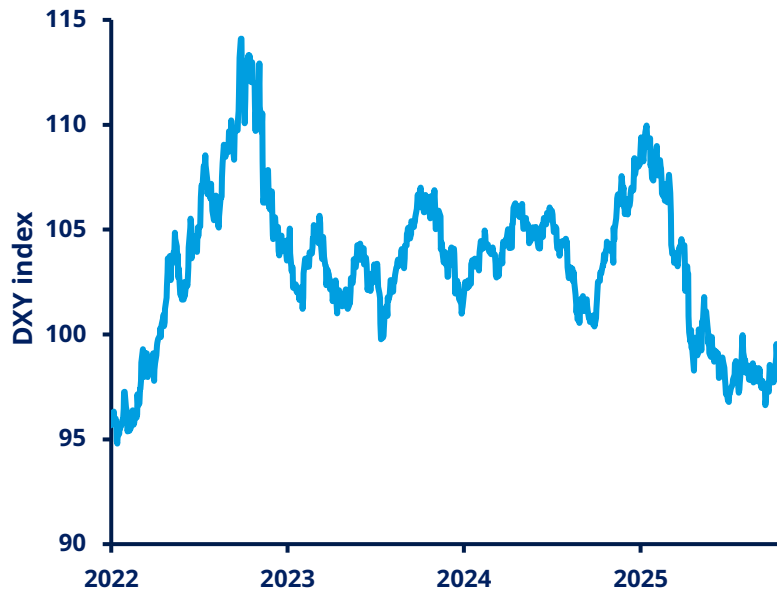
	FDI beneficiaries					Technology owners			Natural resources owners	
	<ul style="list-style-type: none"> <li>• Ability to leverage large domestic market and produce at scale</li> <li>• Competitive cost advantage to service largest global markets</li> </ul>					<ul style="list-style-type: none"> <li>• Supply chain diversification and substitution from China</li> </ul>			<ul style="list-style-type: none"> <li>• Access to a wide range of commodities becoming critical</li> </ul>	
	Mexico	India	Indonesia	Turkey	Eastern Europe	Asean	Korea	Taiwan	Brazil	Middle East
Large domestic economy	★★	★★★★	★★	★★	★	★	★		★★	★
Proximity to end markets	★★★★		★	★★	★★★★	★				
Low geopolitical risk	★★★★	★★	★★★★	★★	★	★			★★★★	
Ease of doing business	★★	★	★	★★	★★	★★★★	★★★★	★★★★		★★
Structural reform		★★★★	★		★		★		★	★★
Commodity independence	★★	★	★★						★★★★	★★
Technological leadership		★					★★★★	★★★★	★	
Total	12	11	10	8	8	6	8	6	10	7

Source: Amundi, internal elaboration. Data as of September 2025.

# A weak dollar is a catalyst for EM currencies

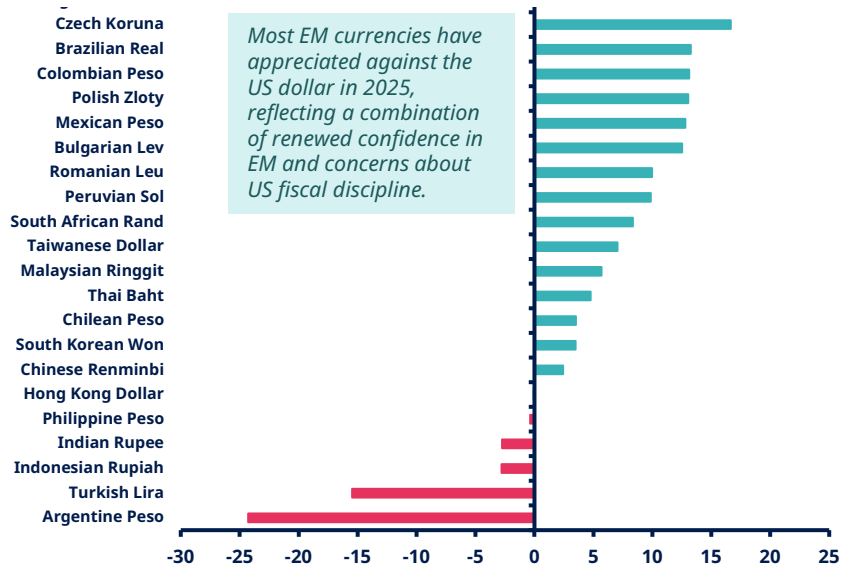
02.3 | EM FX

## The dollar dropped to its lowest level since 2022



Source: Amundi Investment Institute, Bloomberg. Data is as of 20 October 2025.

## EM currencies have outperformed the US dollar YTD



Source: Amundi Investment Institute, Bloomberg. Data as of 15 October 2025.

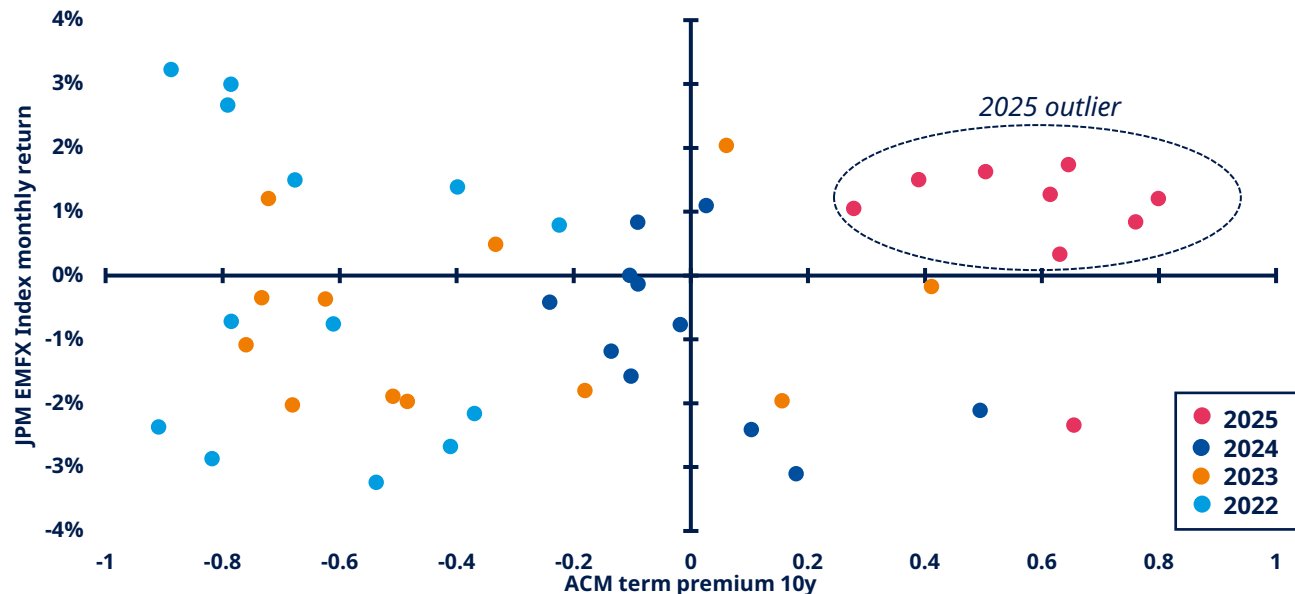
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# A regime shift in EM currencies behaviour

02.3 | EM FX

In 2025, EM currencies have been gaining strength despite increasing US yields, which goes against historical trends. Over the past twenty years, the typical pattern has been that rising US yields lead to weaker EMFX returns, and vice versa.

EMFX returns vs US term premium



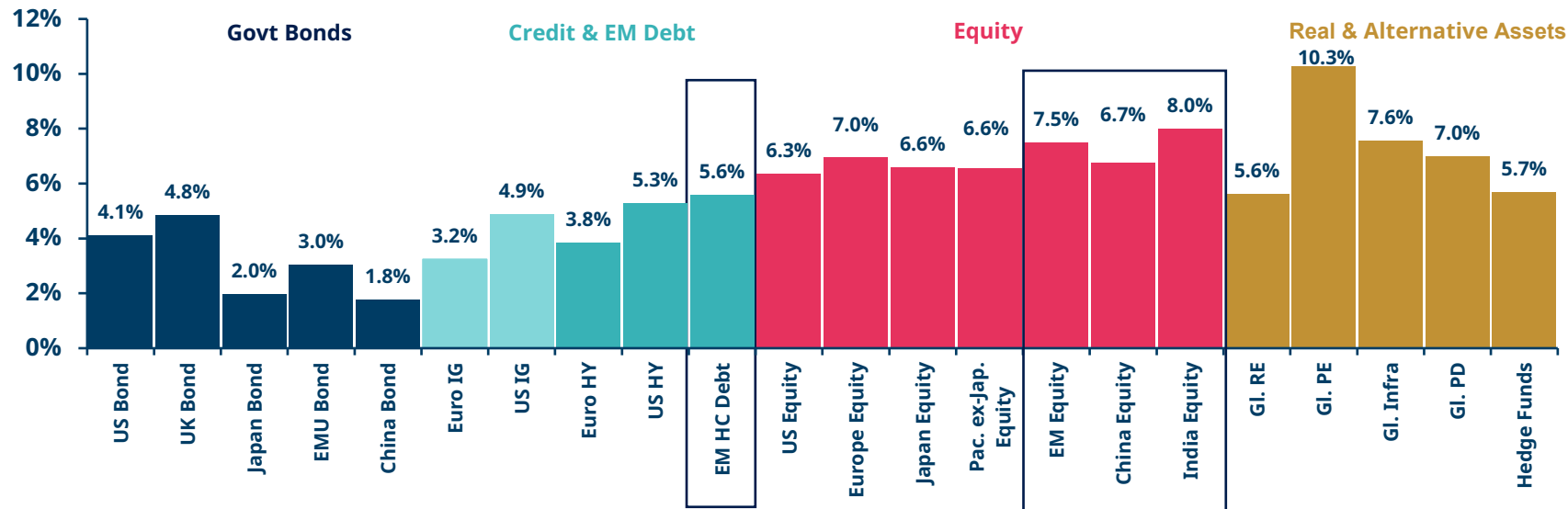
Source: Amundi Investment Institute, Bloomberg, IIF. US term premium is based on Adrian Crump & Moench 10 Year Treasury Term Premium. Monthly data as of September 2025.

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# High expected returns over the next decade

## 10-year expected returns in local currency, excluding alpha



Source: Amundi CASM Model. Simulation starting date is 31 July 2025. For additional information see 'Sources and Assumptions' at the end of this document. The forecast returns are not necessarily indicative of future performance, which could differ substantially. Returns are nominal and gross of fees, except private equity which is net of fees. EM HC debt, global infrastructure and hedge funds are in USD, all other indices are in local currency. The expected returns consider the market beta and the alternative assets risk premium. The alpha return component generated by portfolio management, strategy selection or specific value creation programs – that can be significant above all for real and alternative assets – is not considered in any form.

# EM in asset allocation

## Diversification benefit

02 | Investment convictions

### Asset class correlation matrix (20 years)

	EM LC	EM HC	S&P 500	US Treasury	US HY	MSCI EM	EM Corp	Comm	Dollar Index	EM FX
EM LC	1.00									
EM HC	0.81	1.00								
S&P 500	0.59	0.63	1.00							
US Treasury	0.20	0.31	-0.06	1.00						
US HY	0.65	0.79	0.74	-0.04	1.00					
MSCI EM	0.81	0.71	0.73	-0.03	0.73	1.00				
EM Corp	0.74	0.92	0.60	0.21	0.79	0.70	1.00			
Comm	0.44	0.35	0.40	-0.21	0.48	0.53	0.43	1.00		
Dollar Index	-0.81	-0.62	-0.52	-0.21	-0.54	-0.71	-0.56	-0.51	1.00	
EM FX	0.93	0.70	0.60	0.10	0.60	0.83	0.66	0.52	-0.88	1.00

Source: Amundi Investment Institute, Bloomberg. Calculations are based on correlation of monthly returns without constraints from September 2005 to September 2025. All indices are USD denominated.

## 02 | Investment convictions

## Risks & triggers

<b>Duration</b>						◆			We keep a neutral duration with a steepening bias on the US curve. US Treasuries are rangebound, and the Fed is data-dependent.	Tariff uncertainty Pressure on the Fed Geopolitical tensions
<b>EM corp.</b>							◆		Primary market activity continues, and inflows keep technicals solid. Heading into the final quarter, we're slightly cautious and shifting research toward quality, idiosyncratic ideas to generate alpha. We've trimmed our HY constructive view, added select IG where valuations are attractive, and remain selective on primary issuance.	Change in default expectations Geopolitical tensions Commodity prices
<b>EM LC</b>								◆	Positive view supported by stronger EM FX, lower US yields, and dovish EM growth and inflation outlook. We expect momentum from EM easing, no major downturn, Fed cuts, and a weaker USD. Regional preferences: favouring LatAm and high-yield frontier markets.	Global rate sell off Curve steepening Inflationary pressure from tariffs
<b>EM HC</b>							◆		We remain constructive on EM HC bonds, which offer attractive yields. Technicals remain supportive, notwithstanding flows recently turning positive. With tight spreads, we retain a preference for HY over IG, with selective positioning across LatAm, Europe and Sub-Saharan Africa.	Fiscal development Trade disruptions Geopolitical shocks
<b>China govies</b>					◆				Anti-involution policies have only modestly eased deflation. We expect stable local rates with a steepening bias. The CNY will fluctuate within the band, with carry remaining in negative territory.	US-China tariff negotiations
<b>India govies</b>							◆		The rate-cutting cycle is expected to continue with an accommodative stance, supporting growth amid global headwinds and easing inflation.	Weaker external demand amid higher tariffs
<b>EM FX</b>					◆				US economic challenges – labour weakness, tariffs, low business confidence, and central bank concerns – are expected to put downward pressure on the dollar, which has already corrected YTD. Our strategy remains long LatAm and high-beta currencies, with short positions in select Asian FX.	Tariff uncertainty Weaker growth

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## Amundi convictions on EM equity

## 02 | Investment convictions

Positioning by asset class					=					Comment on Views	Risks & triggers
EM						◆				Equity valuations should attract more investors as recent trade and geopolitical tensions ease but not disappear, supporting geographic diversification, including EMs. EM equities benefit from asset diversification amid uncertainties from Trump's unpredictability, geopolitical risks, and economic challenges. We have a reduced exposure to the energy sector due to rising OPEC production and lower expected global demand growth.	DXY Global growth
EM Asia						◆				Post US/China tentative "rapprochement". We continue to hold a smaller position in Taiwan ex-Tech on valuations grounds and because of some growth uncertainty.	Trade negotiations US tech policy
Latin America							◆			Investors should continue to anticipate a change of leadership in Brazil in October 2026 with a moderate slowdown in the meantime. Mexico will need an acceleration of USMCA renegotiations to make up for a marked slowdown of investments.	Lula's popularity USCMCA renegotiations
Emerging Europe, Middle East and Africa (EMEA)							◆			In this region, the rebound is also quite advanced. Altogether, Europe should continue to benefit from diversification. Retain preference for Emerging Europe vs. Middle East and Africa, but European growth expectations may be increasingly challenged.	Idiosyncratic risks
EM ex-China						◆				Structurally benefits from lower geopolitical risk as well as supportive valuations for currencies and equities overall.	DXY Global growth
China					◆					Keeping neutral stance given the equity rebound pre and post easing of US/China tension. Earnings outlook still uncertain due to overcapacity in many industries, and real estate data improving very slowly. Anti-involution drive should take time to positively impact earnings.	Tensions with US Exports momentum
India						◆				The country's positive long-term outlook is blurred short-term by disappointing capex and 50% US tariffs. Valuations remain elevated. Greater economic cooperation with China, along with normalised US-China relations, would be positive for markets.	US tariffs Rapprochement with China

Source: Summary of views expressed at the most recent global investment committee (GIC) held **22 October 2025**. This table represents the view for a euro-based investor. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future asset allocation or portfolio of any Amundi product.

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### 03. Regional focus

China



India



Brazil



Mexico



Eastern Europe



Turkey



# Anti-involution policies: supply discipline to revive profitability

03 | Regional focus

China

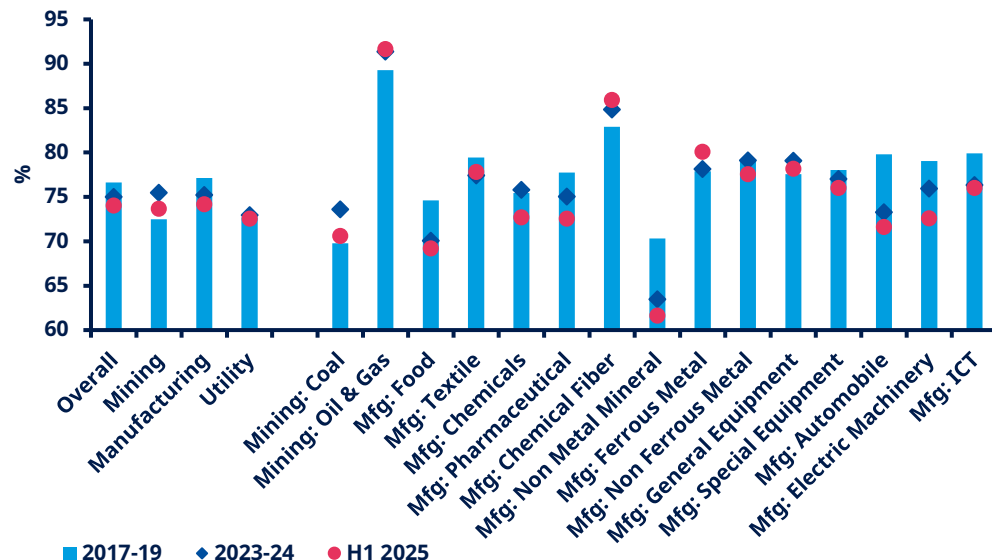
## Key points

Manufacturing capacity utilisation keeps declining, especially in key emerging sectors like EVs and solar panels, facing severe **overcapacity and intense competition**, leading to price wars and **shrinking profitability**.

Since mid-2025, Beijing has launched a top-down **anti-involution campaign to address deflation and overcapacity**.

The campaign targeted solar, with officials urging key players to curb price cuts, improve quality, and promote new equipment, while similar efforts spread to other sectors to stabilise market.

## Industrial capacity utilisation rate



Source: Amundi Investment Institute, CEIC. Data as of September 2025.

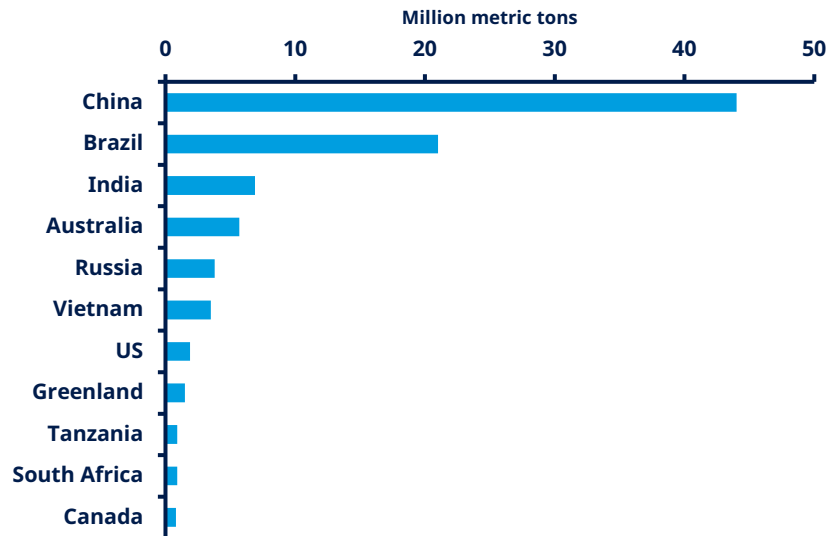


# China is winning the rare earths race

03 | Regional focus

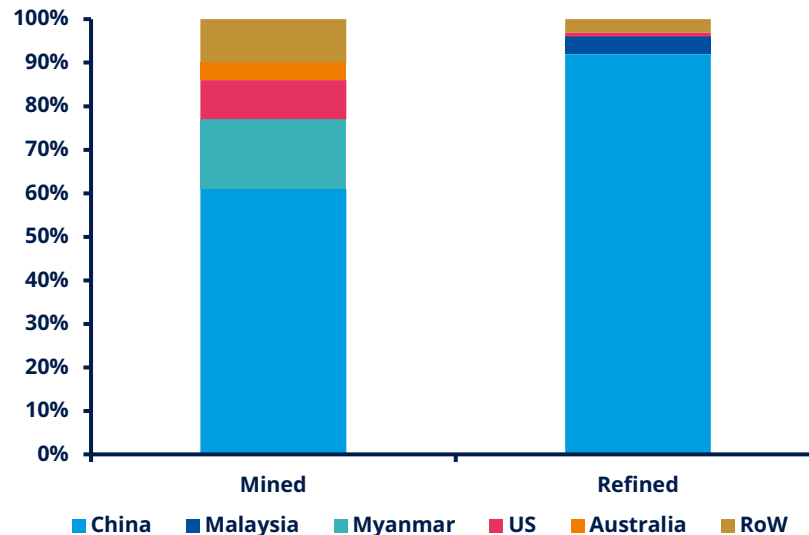
China

## World's largest rare earth reserves



Source: Amundi Investment Institute, Bloomberg based on US Geological Survey, data for Myanmar, Madagascar, Malaysia and Nigeria not available. Data as of June 2025.

## China controls the supply of rare earths



Source: Amundi Investment Institute, Bloomberg based on International Energy Agency. Data as of June 2025.

# Fiscal support to offset external shock

03 | Regional focus

India

## Key points

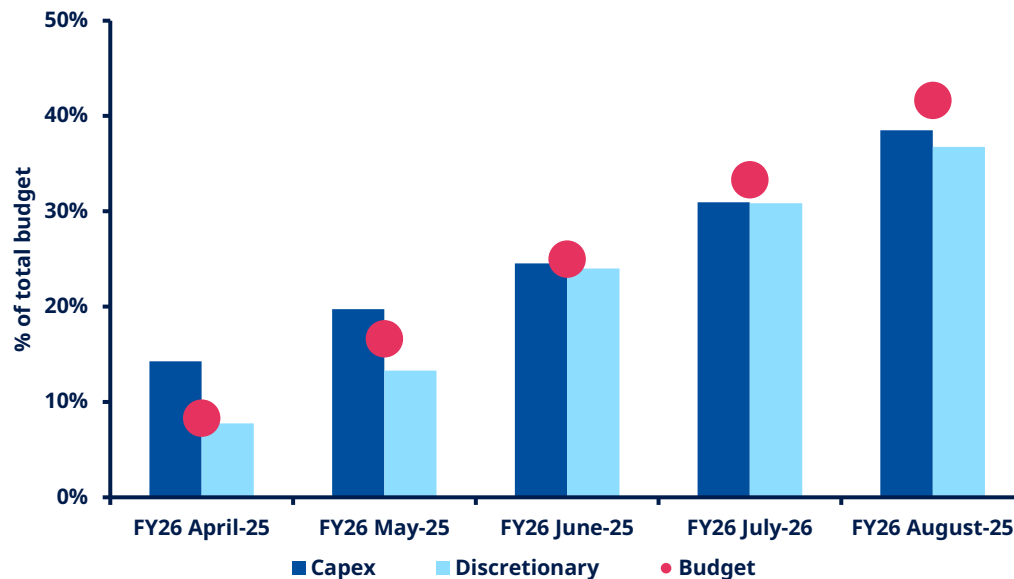
Several government measures are indicating a **shifting priority towards household support**:

- Tax cuts in the FY 26 budget in February
- GST rates revision and reduction.
- Farmer income support with Minimum. Support Prices (MSP) and pulses scheme.

**Fiscal support is becoming more inclusive** than merely capex push. At the same time, historically **low inflation is supporting real income and RBI easing**.

The new announced pharma tariffs' impact is limited as long as tariffs focus on branded products. Overall, the effective **tariff on India** (short of 35%) should be **partly offset by the pro-consumer measures in place**.

## Budget expenditure



Source: Amundi Investment Institute, CEIC. Data as of September 2025.

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# Will election considerations allow the government to meet fiscal target next year?

03 | Regional focus

Brazil

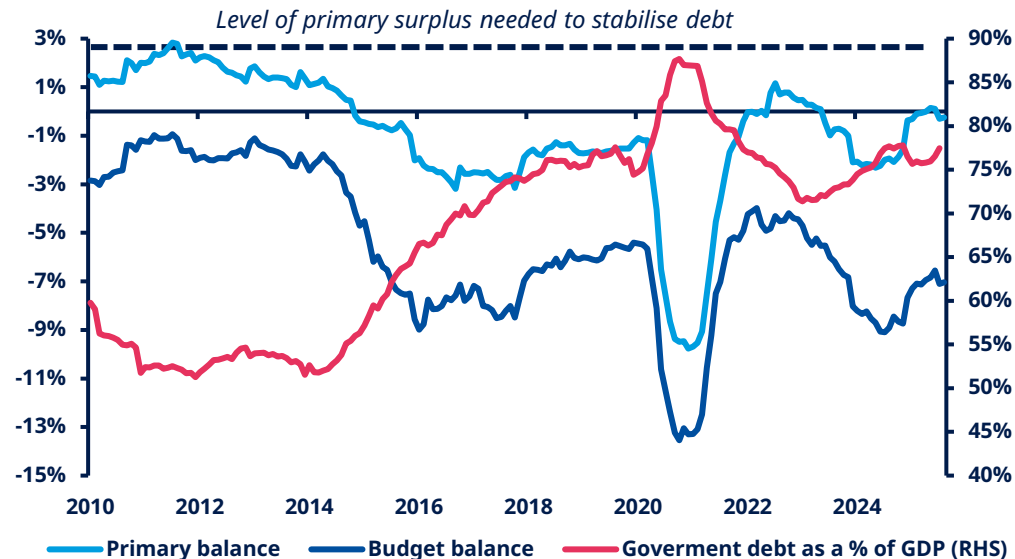
## Key points

The proposed 2026 budget aligns with the fiscal target; however, its success hinges on securing new revenue sources amounting to approximately 0.5% of GDP.

The **upcoming October 2026 elections present a challenge**, as they may prompt the incumbent government to increase spending, complicating fiscal discipline.

**Optimism comes from the expected income tax reform** set for next year, which could boost growth and improve Lula's electoral prospects, despite high financing costs likely pushing public debt higher.

## Central government budget and debt



Source: Amundi Investment Institute, Brazil National Treasury. Monthly data as of August 2025, government debt as of August 2025. Primary balance: the government's fiscal balance excluding net interest payments on public debt; it shows whether current revenues cover non-interest spending. Budget balance: the overall fiscal balance including interest payments; it indicates whether the government runs a surplus or deficit in a given period.

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# Reviewing USMCA and China's presence in Mexico

03 | Regional focus

Mexico

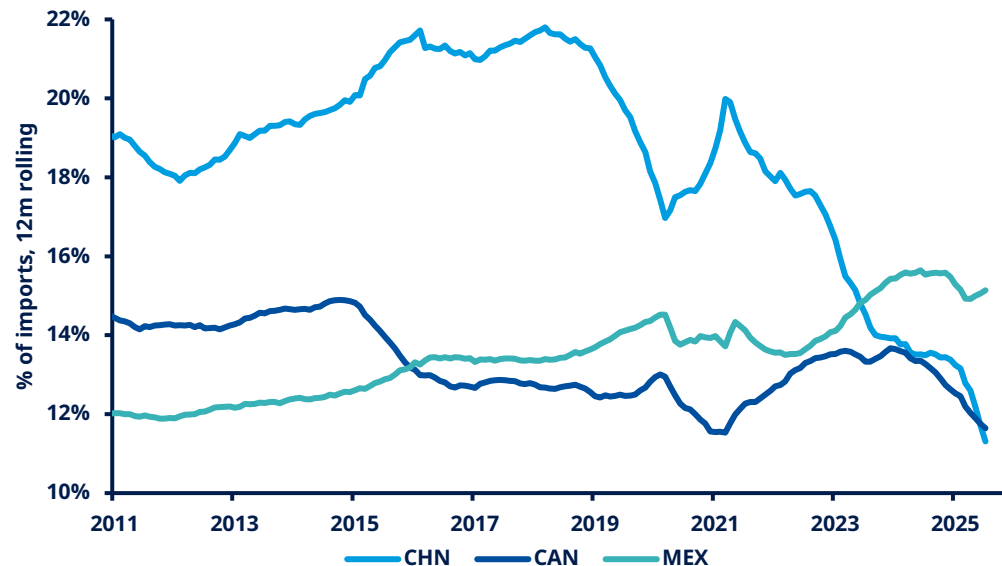
## Key points

**Uncertainty surrounding the upcoming USMCA renegotiations has put nearshoring-related FDI and capex** in general on hold, visibly impacting domestic economic activity.

China's footprint in Mexico is coming under scrutiny, with Mexico imposing its own tariffs on China's exports.

Claudia Sheinbaum's approach not only seeks to appease Trump in the short term and ease trade talks, but also nudges Mexico toward operating like a customs union with the US. Preserving Mexico's comparative advantage versus the rest of the world would lower uncertainty and unlock nearshoring benefits. Still, negotiating a comprehensive trade agreement will be complex and challenging.

## Mexico has surpassed China in the US market share



Source: Amundi Investment Institute, CEIC. Monthly data as of July 2025.

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# Easing monetary policy is not straightforward

03 | Regional focus

Eastern Europe

## Key points

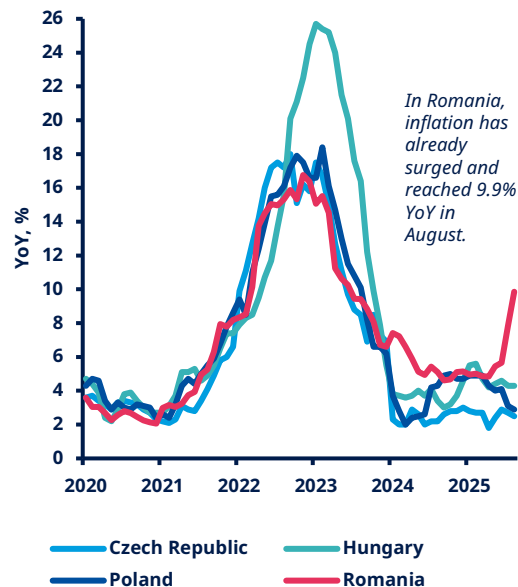
**Q2-25 real GDP showed resilience**, with Czechia steady, Hungary recovering from contraction, and strong growth in Poland and Romania; a continued recovery is expected through 2025, stabilising in 2026 with Hungary rebounding.

**Disinflation is ongoing but decelerating**, with upside risks from recovery, strong wage growth, the end of price caps, and loose fiscal policies; consequently, **rate-cutting space is limited**, leading NBP to cut while CNB, NBH, and NBR remain cautious and on hold.

**Fiscal positions are stretched**, except in Czechia, with elevated deficits - particularly in Poland and in Romania - and increasing debt ratios across all.

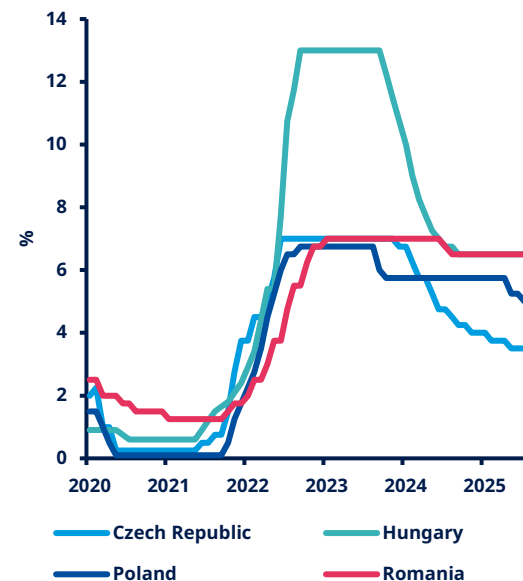
NBP: National Bank of Poland, CNB: Czech National Bank, NBH: National Bank of Hungary, NBR: National Bank of Rumania.

## Headline inflation



Source: Amundi Investment Institute, CEIC. Monthly data as of August 2025.

## Monetary policy



Source: Amundi Investment Institute, CEIC. Monthly data as of August 2025.

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# The need for orthodoxy to continue

03 | Regional focus

Turkey

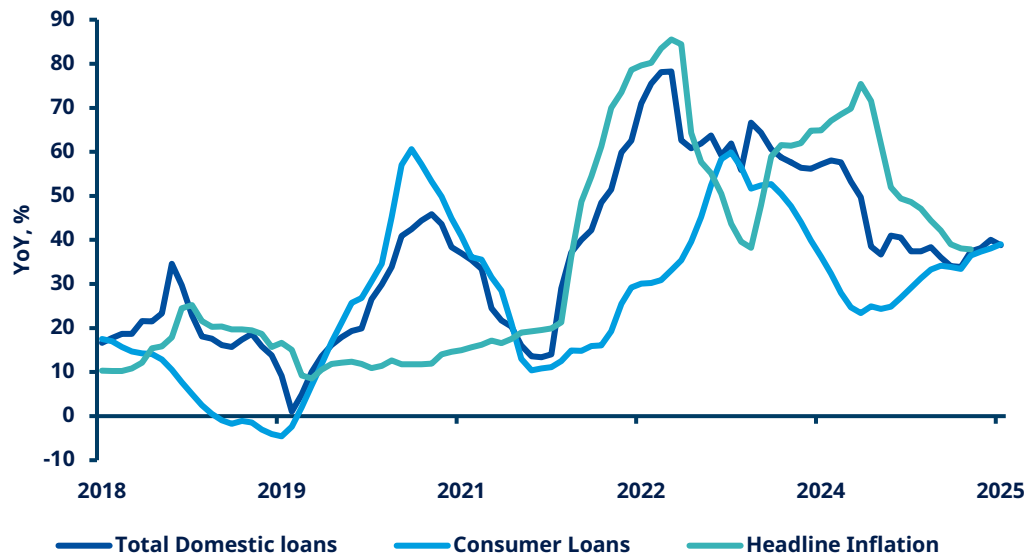
## Key points

Thanks to a more orthodox policy mix, **Turkey's economic imbalances have diminished**. Inflation has slowed, public and current account deficits have narrowed, foreign currency deposits have stabilised, and foreign exchange reserves have increased.

Q2-25 real GDP grew 4.8% YoY (2.6% in Q1) driven mainly by domestic demand despite tighter policies and negative trade impact. Loan growth since mid-2024 supports this resilience. Full-year 2025 growth is forecast at 3.5% YoY, stabilising at 3.6% in 2026.

As inflation is expected to slow further, we anticipate the **CBRT will continue easing gradually** and cautiously due to upside inflation risks and ongoing domestic political volatility.

## Turkey banking sector credit and headline inflation



Source: Amundi Investment Institute, CEIC. Monthly data as of July 2025.

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