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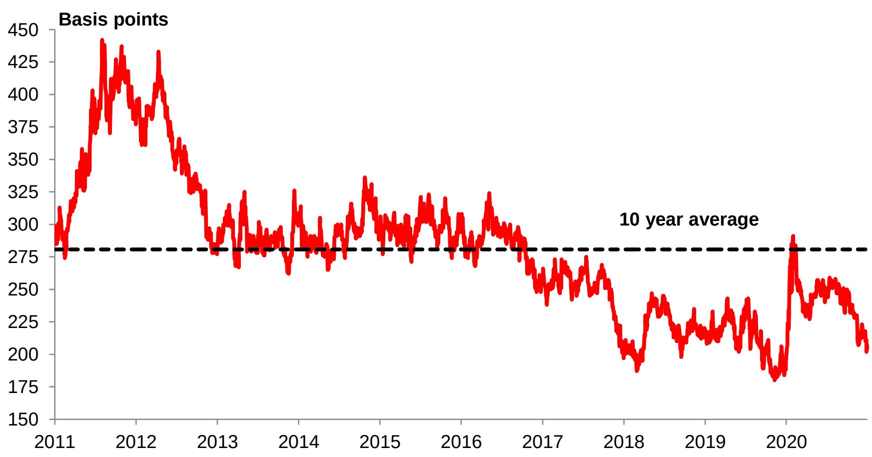
22 February 2021

EM inflation narrative has further to run

CHART OF THE WEEK: RISK COMPENSATION – YIELD PREMIUMS THAT EMERGING MARKET BONDS OFFER OVER US TREASURIES ARE SHRINKING

EM BOND YIELDS SPREADS OVER US 10 YEAR TREASURIES (BASIS POINTS)



Source: Bloomberg, MUFG Research

Macro focus

EM inflation narrative has further to run

EM inflation rhetoric heating up

As the global economy begins to show tentative signs of recovery stemming from vaccine-led enthusiasm, the inflation narrative is increasingly coming into focus in global markets. There are two forces at play. First, commodities are rising fast with a considerable impact on inflation due to the combination of higher pass-through into volatile energy and food components of inflation in most EMs relative to developed markets (DMs), and deep base effects (commodities plunged at the start of the pandemic in early 2020), as well as being further exacerbated by FX depreciation effects in some EMs. Second, the reopening may lead to an adjustment up in some service prices, which have been subdued by the lockdowns. Critically, the inflation narrative feeds on itself. As more investors want to hedge against inflation, they add more commodities (real physical anchored assets) to their portfolio, which, in turn, raises inflation and importantly inflation expectations further. Thus, the prevailing inflation narrative is self-reinforcing. Indeed, we believe that EM inflation apprehensions are only starting out as global markets are unlikely to adjust narratives before reopenings firmly take hold.

Large base effects will deteriorate the optics of headline inflation in H1 2021

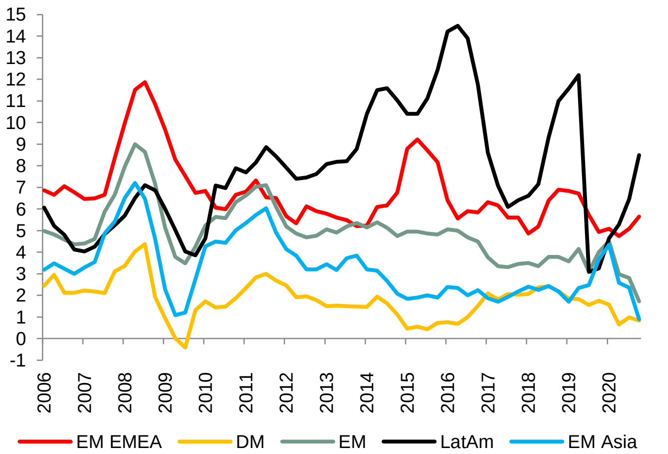
Even if we were fundamentally agnostic about the dynamics of sequential inflation in the next few months, mechanical base effects will push year-on-year headline inflation numbers almost 1pp higher on average towards the end of H1 2021, quickly creating some pretty poor optics for annualised headline inflation and real yields offered in EM local fixed income. Taking 2021 as a whole, notwithstanding idiosyncrasies across EMs, we broadly view 2021 as a year of two halves. Inflation is likely to remain dominant in H1 2021, but is likely to pass the baton to deflationary levels in H2 2021. Indeed, the inflationary impact of oil and agriculture prices as well as EM FX depreciation pass-through is likely peak between April-May in our view, though the subsequent disinflation that we envisage may be initially slow and de-synchronised. Indeed, while the oil and the FX impact should start fading visibly from Q3 onwards, food inflation may remain elevated throughout the summer, with a more pronounced decline likely only in Q4 2021 (see here).

Increasing PPIs will pass-through into CPIs

For EM policymakers, the underlying question the assessment of the magnitude and speed of the producer price inflation (PPI) pressure – stemming from the surge in commodity prices – will translate into higher consumer price inflation (CPI). The hope

INFLATIONARY PRESSURES ARE STARTING TO RISE IN EM EMEA AND LATAM

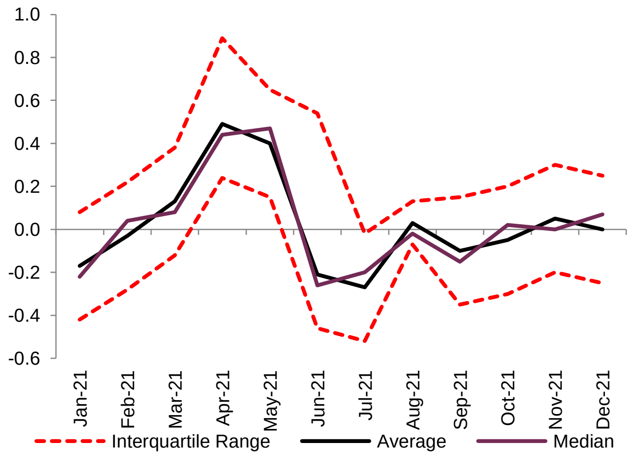
INFLATION (% Y/Y)



Source: EM Statistical Offices, MUFG Research

LARGE BASE EFFECTS IN H1 2021 WILL WORSEN THE OPTICS OF ANNUALISED INFLATION ACROSS MOST EM'S

MONTHLY CHANGE IN EM INFLATION Y/Y (%) DUE TO BASE EFFECTS



Source: EM Statistical Offices, MUFG Research is that the pass-through from PPIs has fallen over time, akin to the pass-through from FX. However, the evidence for a falling sensitivity of CPIs to PPIs is not compelling and the most recent spikes in PPIs have still led to a pickup in CPIs. Indeed, our examination over time homes in on the point and indicates that the ratios of changes of CPIs with respect to PPIs have not fallen as much as expected. Granted, it has recently not been as high as it was in 2007-08, but following that particular episode, the pass-through has been broadly stable in the 20-30% range. As a result, at 20%, that would imply at current PPI levels would signal that CPIs can rise by more than 100bp – which does not factor in the fact that PPIs will keep increasing.

Inflation surprises are leading inflation levels

Inflation surprises troughed late last year and as such, inflation surprises bottoming typically leads the actual CPIs higher. This was witnessed for 2007-08, 2013, as well as 2014-15, while the moves were more coincident in 2009-10. This finding is also a warning sign for 2021 CPIs in EMs. On a regional basis, so far the upturn is clearest to see in EM EMEA and LatAm.

Romania, Poland and Russia are the most sensitive to commodity prices, whilst Israel, Czech Rep and South Africa are least sensitive

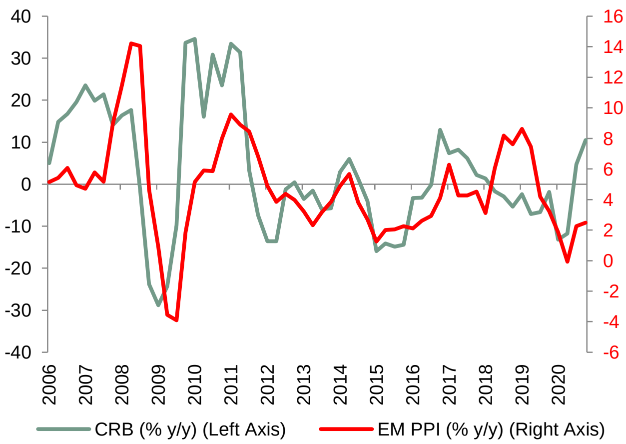
Across EMs, consensus CPI expectations for 2020 decelerated contemporaneously with the broad-based deceleration in inflation in H1 2020, but the trend bottomed and partially reversed in H2 2020. On the other hand, inflation expectations for 2021 have remained broadly unchanged over the last two months, showing that the re-assessment of inflation trajectories across countries has been focused only on very short horizons. Honing in on EM EMEA, Romania, Poland and Russia have the highest overall exposure to commodity prices (energy and food combined), while Israel, the Czech Republic and South Africa are the least sensitive. This differs by commodity group, however, with Poland, Hungary and Romania most sensitive to oil prices, and Romania, Turkey and Russia to food prices. While the outlook for core inflation is more complex, the underlying price pressure should be limited at the global level as output/employment gaps remain large. Domestic price pressures may be stronger, however, in economies where output gaps are small and labour markets strong (eg in CEE, which not so long ago suffered from labour market shortages).

Structural inflation concerns are still a fade, and can provide an opportunity to re-load rate receivers

With many investors still somewhat uncomfortable with the record-low level of yields in EM local rates, we continue to see risks that rate markets in the coming months could trade the possibility that volatile non-core components of inflation may be early signs of a build-up in broad-based inflationary pressures. However, without a deterioration in longer-term inflation expectations and a more substantial erosion of spare capacity buffers, EM core inflation pressures should remain subdued and weakness in rates markets on the back of short-term swings in non-core factors can offer opportunities to re-load rate receivers.

CRB LEADING EM PPI HIGHER …

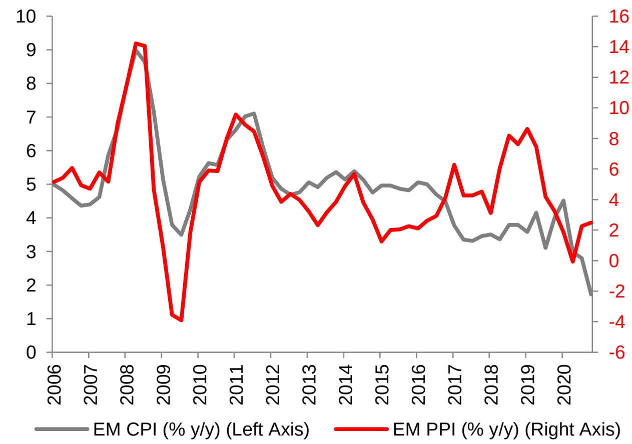
CRB ALL COMMODITIES INDEX AND EM PPI (% Y/Y)



Source: EM Statistical Offices, MUFG Research

… AND EM PPI LEADING EM CPI

MONTHLY CHANGE IN EM INFLATION Y/Y (%) DUE TO BASE EFFECTS



Source: EM Statistical Offices, MUFG Research

FX views

EM FX: MXN & ZAR show highest sensitivity to rising US yields

MXN & ZAR show greatest sensitivity to rising US yields.

EM FX have softened over the past week with only the CLP (+1.6% vs USD), INR (+0.3%), and TWD (+0.2%) recording gains. In contrast, the higher yielding EM currencies of the MXN (-3.1%) and ZAR (-2.5%) have been underperformed notably. Our analysis has shown that USD/MXN and USD/ZAR have the highest correlation between EM FX pairs over the past month at +0.79. The external environment has been made more challenging for EM currencies in the near-term by the ongoing adjustment higher in US yields. The 10-year US Treasury yield has climbed towards 1.4% after starting the year at around 0.9%. More recently even real US yields adjusted for inflation have started to move higher although remain deeply negative.

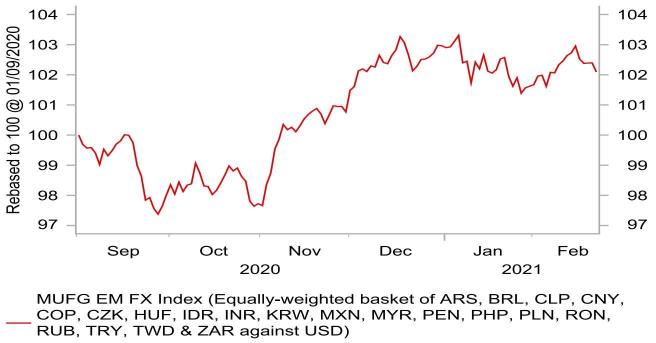
Fed Chair Powell's testimony may not be sufficient to prevent yields from rising further. A development which could more seriously challenge bullish EM FX outlook if not backed up by stronger fundamentals.

Rising yields provide the backdrop to this week's semi-annual testimony on monetary policy from Fed Chair Powell. We do not expect the Fed to be overly concerned by rising yield at the current in so far as this reflect building optimism over the global growth outlook and rising inflation expectations which the Fed seeks to encourage. More likely, Chair Powell will reiterate a dovish message that the Fed remains long way from its goals and is no hurry to begin tightening policy in the foreseeable future in spite of looser fiscal policy in train. Stimulus discussions will also capture market attention this week with the House expected to vote on the Biden fiscal package on Friday. As a result, dovish Fed rhetoric may not prove sufficient to prevent yields from continuing to move higher. A sharp move higher in US yields especially real yields could increase downside risks for EM FX more broadly if not backed up by stronger fundamentals. For now though our MUFG EM FX index is continuing to consolidate at higher levels so far this year. The main exceptions have been Latam FX (ARS, MXN, COP & BRL) which have all underperformed, and the TRY which has outperformed.

National Budget expected to show some improvement but unlikely to dictate ZAR performance.

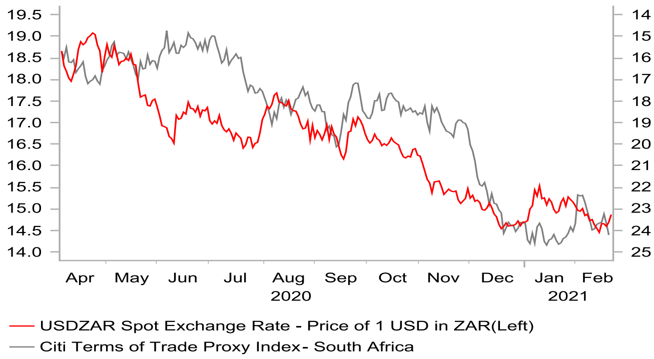
As highlighted above the ZAR has been one of the most sensitive EM FX recently to rising US yields. However, the strengthening outlook for global growth is providing more support for the ZAR as well by lifting commodity prices and improving South Africa's terms of trade. As a result, the negative impact on the ZAR from rising US yields remains muted so far leaving USD/ZAR just above recent lows at around 14.400. Domestic developments will also garner more attention in the week ahead when the National Budget for South Africa is released on Wednesday. It is expected to show downward revisions to the budget deficit forecasts for the coming fiscal years although still elevated at between 8% to 9% of GDP. The budget improvement is unlikely to prove sufficient to trigger a stronger ZAR on its own.

CONSOLIDATING AT HIGHER LEVELS



Source: Bloomberg, Macrobond, MUFG GMR

ZAR SUPPORTED BY HIGHER COMMODITY PRICES



Source: Bloomberg, Macrobond, MUFG GMR

Week in review

Contextualising higher US yields in EMs: a delicate balance

Making sense of higher US yields for EMs

Nominal yields in the US have continued to rise through key support levels last week. This raises the near-term risks for EM credit, with the main threats for spreads stemming when higher US real yields are combined with a stronger USD. Thus, while EM credit should be sheltered by low real yields and contained volatility, the risk-reward value proposition balance is becoming less attractive given tight valuations. While the rise in nominal yields raises the risks to our bullish EM thesis, we are still of the view that real rates will be limited by accommodative Fed policy. The Fed has been cognisant to deny any possibility of policy tightening in the near future, noting in the minutes from January's meeting that it will not be considered until substantial further progress has been made in reaching its employment and inflation goals. In terms of which EMs would be most impacted by increasing US Treasury yields and higher risk premia (elevated VIX), historical experience suggests that investment grade credits such as Mexico, Colombia and Chile tend to have a higher "beta" and suffer the most in a move higher in spreads.

Turkey: CRBT keeps rates on hold in line with our expectations

Turkey maintains rates as expected

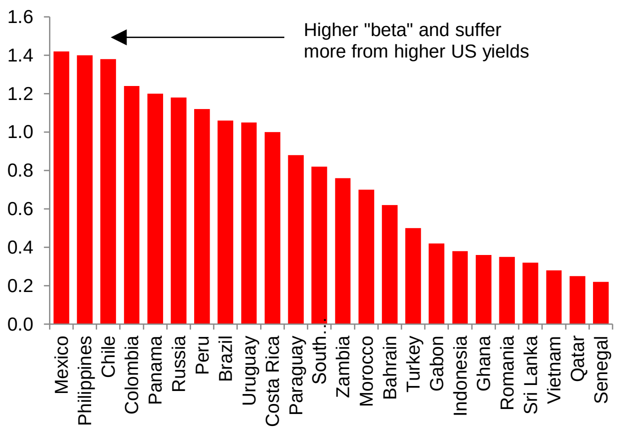
In a widely anticipated move, the Central Bank of Turkey (CBRT) kept its key policy rate – one-week repo rate – unchanged at 17%, in line with our (and consensus) expectations (see here). In the statement complementing the rate decision, the monetary policy committee (MPC) maintained his hawkish rhetoric by emphasising the risks to inflation stemming from robust domestic demand conditions, cost-push pressures and high inflation expectations, in conjunction with increasing non-core volatile food and commodity prices. Against the backdrop, the CBRT repeated its determination to implement further tightening if needed and maintain a conservative policy stance for an extended period until there are strong signs pointing to a permanent deceleration in inflation towards price stability. Indeed on this point, the only notable change in the statement from last month was the view to maintain a strongly disinflationary balance between the policy rate and expected/realised inflation until permanent price stability and the 5% inflation target are reached.

Turkish rate cuts are on the table

Looking ahead, we view that sustaining the current positive momentum and restoring

EM IG CREDITS TEND TO HAVE HIGHER "BETAS" AND SUFFER MORE FROM HIGHER US SPREADS

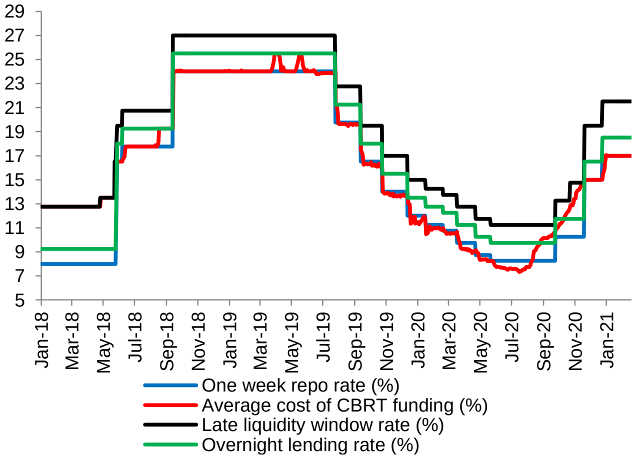
EM BETAS FOR INDIVIDUAL CREDIT TO US TREASURIES DURING PERIOD OF RISING YIELD AND VIX



Source: Bloomberg, MUFG Research

TURKISH RATES ON HOLD WITH THE CBRT MAINTAINING ITS HAWKISH MONETARY STANCE

TURKEY BENCHMARK RATES AND EFFECTIVE FUNDING RATE (%)



Source: Bloomberg, CBRT, MUFG Research macroeconomic stability would also entail a strong commitment to more orthodox policies, including a rule-based fiscal policy. Having said that, we still expect the CBRT could look to start easing in the second half of 2021, though the start of the expected easing cycle will be conditional on evidence of weakening demand pressure, diminishing inflationary expectations, a robust pickup in de-dollarisation and TRY stability. Given Turkey's still elevated risk premium and large external financing requirements, progress in circumnavigating challenges pertaining to (i) inflationary pressures; (ii) requirements to bolster reserves and replenish capital inflows; as well as (iii) pivot residents' portfolio choice in favour of TRY-denominated assets to ensure a durable de-dollarisation strategy, will all require not only an appropriate risk adjusted return but also a sustainable track record. This would, in turn necessitate maintaining a conservative monetary policy stance and to provide robust forward guidance to markets on the CBRT's commitment to undertake additional tightening – which given the challenging inflation outlook, which we envisage peaking in March-April at ~15-16% y/y, and only meaningfully declining by the last quarter of this year when base effects take hold – may be required if there are no further meaningful declines in the risk premium over the near-term. What we believe markets would welcome is the further restoration of macroeconomic stability through a carefully calibrated and credible CBRT strategy to bolster FX reserves.

South Africa: inflation increased less than expected in January

A weaker than expected inflation reading will likely push the timing of a rate cut in South Africa to H2 2021

South Africa headline inflation rose by less than expected in January to 3.2% y/y from 3.1% y/y in December. Food inflation moderated in annual and sequential terms, although this was slightly more than offset by higher petrol inflation. Within core inflation, alcohol and tobacco prices especially moderated. Factoring in our considerably higher oil price forecasts (see here) into our estimates, we raise our average headline inflation forecast from 3.6% to 3.9% for 2021, but maintain our forecast for a decline in core inflation to 2.8% unchanged. As we recently catalogued (see here), we view that the sharp projected uptick in headline inflation will cause the South African Reserve Bank (SARB) to keep rates on hold though risks are skewed on the downside. That said, we think that the inflation and economic growth backdrop ultimately argues for the next move in rates to be lower rather than higher, which we reflect in our forecast with a projected 25bp rate cut in the back half of this year.

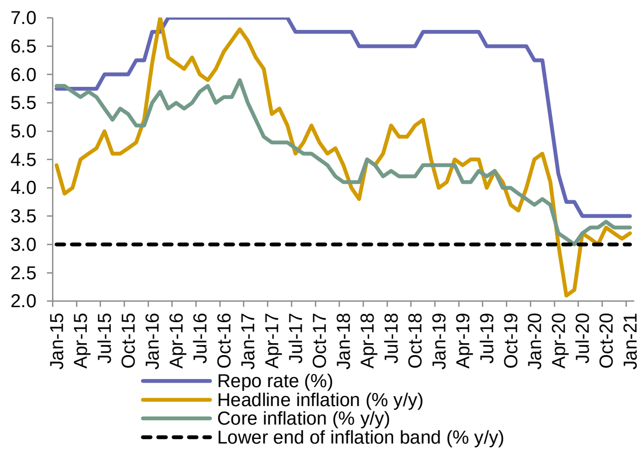
Kenya: IMF and Eurobond bolsters twin deficit financing

Kenya breathes a little easier

A 38 month USD2.4bn IMF package under the extended fund facility (EFF) and

SOUTH AFRICA INFLAITON ROSE LESS THAN EXPECTED, WITH THE NEXT SARB MOVE PUSHED TO H2 2021

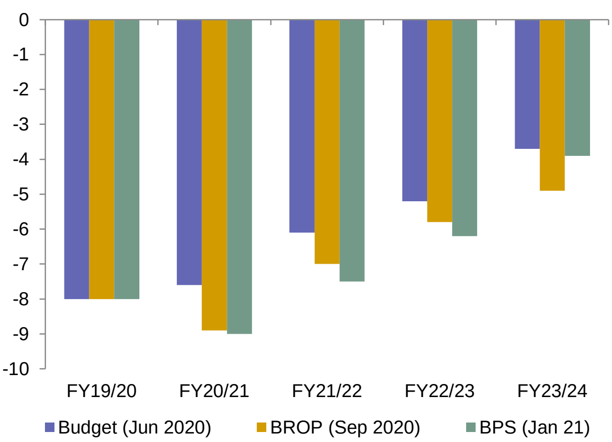
SOUTH AFRICA POLICY RATES (%) AND INFLATION (% Y/Y)



Source: Bloomberg, StatsSA, MUFG Research

KENYAN FISCAL OUTLOOK REMAINS BLEAK WITH DEFICITS EXPECTED TO REMAIN LARGE

% OF GDP



Source: Kenyan National Treasury, MUFG Research extended credit facility (ECF) arrangements was announced on 15 February by the Kenyan authorities. According to the IMF, the funding will provide support for a reform programme to correct certain structural imbalances. This is the second IMF loan to Kenya in less than a year, following the USD0.7bn rapid credit facility (RCF) approved in 2020 to combat COVID-19. In tandem with this new IMF programme, Kenya is looking to tap capital markets for funding, notably given the improvement in global liquidity conditions and improved risk sentiment – the recent Budget Policy Statement stated that it had planned USD1.1bn in external issuance in each of the current and next fiscal years to ease fiscal and external financing pressures. Whilst we take comfort with the financing raised (and to be raised), policy execution under the EEF and ECF will be pivotal to achieve macroeconomic stability.

Kenya's large fiscal and external imbalances should ease with a IMF funding package and a Eurobond issuance

Israel: GDP marches on with a robust Q4 reading despite lockdowns

The Israeli economy grew at a seasonally adjusted, annualised rate of 6.3% q/q (much stronger than the consensus (and our) forecast of -3.7% q/q annualised. All categories except for net exports contributed positively to the sequential growth rate. The positive reading is consistent with the pattern of increased economic resilience to lockdown measures observed in other low-yielders in the region. For 2020 as a whole, the contraction in imports (-8.1% y/y), the increase in government spending (3.0% y/y) and to a smaller extent the pickup in exports (0.6% y/y) limited the contraction in GDP as mainly household consumption (-9.4% y/y) and, to a smaller extent, capital formation (-1.4% y/y) dragged GDP growth into negative territory. Looking ahead, our expectations is for GDP growth to register an outstanding reading. The vaccination campaign has been nothing short of remarkable with the authorities signalling that various restrictions will be lifted for those who have been vaccinated or those who have negative COVID-19 tests taken within the last 48 hours. We view this will enable a robust spring loaded robust rebound, providing a burst to growth, spurred also by strong base effects. We expect GDP growth to be 6.7% y/y in 2021 as a whole (slightly higher than the 6.3% y/y estimate of the Bank of Israel).

Week ahead

South Africa: little room for surprises on budget as labour negotiations linger

South Africa wage negotiations have achieve little progress

South African Finance Minister Mboweni will present the 2021 Budget Statement to Parliament on 24 February, following the October Medium-Term Budget Policy Statement (MTBPS), which increased the role of public wage growth limits in stabilising the national debt. As the wage negotiations between government and the public sector have achieved little progress, expectations are for minimal adjustments in this budget. In general, South Africa's fiscal outlook looks likely to be fundamentally driven by the political interactions between the government and the public sector labour unions. Upcoming negotiations will determine the extent to which the envisaged wage-led consolidation will be enacted. While we do not expect the National Treasury to achieve their budgeted target of a 0.8% nominal wage bill increase, a likely settlement in the range of 1-2% is conceivable in light of the weaker bargaining power of the civil service during a deep economic recession.

Israel: BoI to keep rates on hold and maintain dovish stance

South Africa wage negotiations have achieve little progress

We expect the Bank of Israel (BoI) to maintain rates at 0.10% in line with consensus) on 22 February. Our anticipation is that the BoI will keep its dovish tone despite the success in vaccine inoculation as the impact of the virus on the labour market is likely to be lengthy. Also, from an FX perspective, whilst the Shekel (ILS) sold off by 4% following the BoI's announcement that it will expand its FX purchases to USD30bn in 2021, this and the record USD6.8bn monthly FX purchases in January only erased a month's worth of appreciation. From this, we view that the ILS strength is warranted by the macroeconomic fundamentals and appreciation pressures will continue throughout this year.

Hungary: MNB to maintain policy stance despite the sharp inflation increase

Despite inflation likely rising in the months ahead, we do not believe Hungary will not turn hawkish

The Central Bank of Hungary (MNB) will meet on 23 February, and in line with consensus expectations, we expect no change in the official policy rate (0.60%), and for the one-week depo rate – which is announced separately – to be maintained at 0.75%. While the economic outlook has remained broadly unchanged since the last meeting, market pricing has significantly moved in the hawkish direction, with more than a full rate hike priced in 12 months (versus no hikes before the last meeting). This follows a broader global repricing for higher rates, but we do not view that the economic backdrop for Hungary warrants such a shift.

Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Israel	22/02/2021	11:00	Manufacturing production, % m/m	Dec	---	---	1.1% m/m	!!
	Israel	22/02/2021	11:00	Unemployment, %	Jan	---	---	4.8%	!!
	Israel	22/02/2021	14:00	Interest rate announcement, %	Feb	0.10%	0.10%	0.10%	!!!
	Poland	23/02/2021	09:00	Unemployment, %	Jan	---	6.5%	6.2%	!!
	South Africa	23/02/2021	09:30	Unemployment, %	Q4 2020	---	32.0%	30.8%	!!
	Hungary	23/02/2021	13:00	Interest rate announcement, %	Feb	0.60%	0.60%	0.60%	!!!
	South Africa	24/02/2021	08:00	National budget speech	---	---	---	---	!!!
	Kenya	26/02/2021	---	CPI, % y/y	Feb	---	5.7% y/y	5.7% y/y	!!
	Turkey	26/02/2021	07:00	Trade balance, USD bn	Jan	---	-USD3.1bn	-USD4.5bn	!!
	Hungary	26/02/2021	08:00	Unemployment, %	Jan	---	4.3%	4.2%	!!
	Poland	26/02/2021	09:00	GDP, % y/y	Q4 2020	---	---	-2.8% y/y	!!

Source: Bloomberg and MUFG Research

Forecasts at a glance

EM EMEA economic growth, fiscal balance and current account balance

	Real GDP (%, y/y)			Fiscal balance (% of GDP)			Current account (% of GDP)		
	Latest	2020	2021	Latest	2020	2021	Latest	2020	2021
Bahrain	-9.24	-3.82	3.51	-10.61	-13.72	-8.54	-2.06	-9.18	-6.73
Czech Rep.	-5.00	-6.50	5.12	0.27	-7.30	-4.29	4.91	-0.68	-0.53
Egypt	-4.26	2.84	3.51	-7.41	-6.90	-6.38	-4.17	-3.82	-3.40
Greece	-11.01	-9.50	4.12	0.57	-8.99	-3.01	-2.73	-7.74	-4.47
Hungary	-4.60	-6.10	3.90	-2.05	-8.28	-3.86	-2.08	-1.57	-0.85
Iraq	4.43	-12.06	2.53	0.86	-17.53	-13.06	1.12	-12.65	-12.06
Israel	-1.50	-5.89	4.87	-3.91	-12.94	-7.05	5.41	3.55	3.50
Jordan	1.96	-5.00	3.40	-5.98	-9.14	-7.37	-8.50	-6.80	-5.68
Kenya	5.37	1.05	4.67	-7.73	-8.39	-8.53	-5.82	-4.90	-5.39
Kuwait	0.43	-5.92	3.74	5.38	-23.20	-15.83	0.08	-2.81	-1.31
Lebanon	-6.90	-25.00	-9.20	-10.50	-16.53	---	-27.45	-16.33	-9.60
Libya	9.89	-66.65	76.02	2.19	-102.94	-43.22	-0.30	-59.76	-22.44
Morocco	-7.20	-6.97	4.92	-4.13	-7.79	-6.02	11.66	-7.28	-5.22
Nigeria	-3.62	-4.28	1.70	-4.76	-6.74	-4.97	-3.45	-3.65	-2.02
Oman	-0.83	-10.00	-0.55	-7.06	-18.71	-16.82	-4.94	-14.57	-12.90
Poland	-1.50	-3.56	4.60	-0.74	-10.46	-4.34	1.16	3.03	1.77
Romania	-5.66	-4.80	4.57	-4.56	-9.59	-8.08	-10.15	-5.27	-4.51
Qatar	-4.50	-4.48	2.52	4.93	3.03	3.33	-27.37	-0.60	2.57
Russia	-2.93	-4.12	2.82	1.92	-5.29	-2.57	0.88	1.17	1.83
Saudi Arabia	-4.60	-4.80	3.40	-4.45	-10.56	-7.75	1.30	-4.80	4.57
South Africa	-6.00	-8.00	3.00	-2.27	-9.32	-6.09	1.40	-1.62	-1.79
Turkey	6.70	-0.90	4.80	-5.65	-7.88	-7.93	0.00	-3.66	-0.89
Ukraine	-3.50	-7.20	3.00	-2.04	-7.81	-5.25	1.76	4.32	-3.02
UAE	1.70	-5.20	4.50	-0.76	-9.90	-5.05	1.92	3.55	7.49

EM EMEA inflation, interest rates and FX

	Inflation (% y/y, average)			Policy interest rates (%)			FX (against USD)		
	Latest	2020	2021	Latest	End-2021	End-2022	Latest	End-2021	End-2022
Bahrain	-1.60	2.80	2.30	2.25	2.25	2.25	0.377	0.377	0.377
Czech Rep.	2.20	2.40	2.20	0.25	0.25	0.25	25.735	19.840	20.100
Egypt	4.30	6.18	7.89	8.25	8.25	8.25	0.064	15.590	16.520
Greece	-1.96	0.69	0.88	0.00	0.00	0.00	1.212	1.280	1.2600
Hungary	2.70	3.39	3.04	0.60	0.60	0.60	295.710	277.300	285.70
Iraq	3.20	1.00	1.50	4.00	4.00	4.00	1460.000	1460.000	1460.000
Israel	-0.40	0.17	0.50	0.10	0.10	0.50	3.252	3.240	3.200
Jordan	-0.35	1.41	6.50	3.25	3.25	3.25	0.709	0.709	0.709
Kenya	5.70	5.00	5.00	7.00	7.00	7.00	109.450	116.330	115.400
Kuwait	2.95	2.30	2.50	1.50	1.50	1.50	0.302	0.303	0.302
Lebanon	145.84	85.45	32.30	2.75	2.75	2.75	1507.000	1512.000	1520.000
Libya	4.56	15.12	15.12	3.00	3.00	3.00	4.449	4.472	4.434
Morocco	-0.30	0.80	1.20	1.50	1.50	1.50	8.945	8.700	8.800
Nigeria	16.50	12.69	11.15	11.50	11.50	11.50	381.000	398.000	405.200
Oman	-1.42	3.40	3.00	0.95	0.95	0.95	0.385	0.385	0.385
Poland	2.70	2.27	1.91	0.10	0.10	0.10	3.711	3.461	3.4900
Romania	2.99	2.50	2.67	1.25	1.25	1.25	4.022	3.992	4.0700
Qatar	-1.29	1.81	2.88	1.00	1.00	1.00	3.641	3.641	3.642
Russia	5.19	3.25	3.20	4.25	4.25	4.25	73.706	68.830	68.000
Saudi Arabia	5.70	3.70	2.01	0.50	0.50	0.50	3.751	3.751	3.752
South Africa	3.20	3.88	4.30	3.50	3.50	3.50	14.548	14.800	15.800
Turkey	14.97	11.93	11.37	17.00	17.00	18.00	0.142	7.400	8.2000
Ukraine	6.10	5.98	5.70	6.00	6.00	6.00	27.938	29.950	28.900
UAE	-2.09	1.50	2.00	0.60	0.60	0.60	3.673	3.673	3.673

Core indicators

EM EMEA sovereign bond yields (%)

	Maturity	22-Jan	29-Jan	05-Feb	12-Feb	19-Feb	Change in yield (basis points) Week	MTD	YTD
Bahrain	10 years	2.86	2.83	2.54	2.51	2.59	8.01	-24.23	-38.29
Czech Rep.	10 years	1.04	1.11	1.20	1.21	1.29	7.19	17.37	26.25
Egypt	9 years	5.12	5.12	4.93	4.94	5.10	16.34	-1.67	15.23
Greece	8 years	0.58	0.57	0.55	0.53	0.68	14.44	11.11	16.25
Hungary	8 years	1.72	1.72	1.77	1.78	1.89	11.07	17.11	21.43
Israel	8 years	0.13	0.13	0.12	0.11	0.18	6.44	4.94	3.87
Jordan	5 years	3.65	3.49	3.40	3.53	3.74	21.18	25.18	11.67
Kenya	7 years	5.25	5.21	4.85	4.91	5.19	28.00	-1.93	4.70
Kuwait	6 years	1.27	1.24	1.26	1.29	1.38	9.60	14.20	25.19
Lebanon	9 years	52.63	53.61	52.04	52.00	52.82	82.03	-79.25	301.22
Morocco	11 years	1.66	1.61	1.57	1.65	1.73	7.72	12.02	-0.32
Nigeria	9 years	5.98	6.08	5.80	5.89	6.00	11.39	-7.95	3.24
Oman	9 years	5.53	5.24	4.90	5.02	5.25	23.15	1.03	-22.69
Poland	8 years	-0.13	-0.14	-0.14	-0.14	-0.09	4.96	4.50	4.38
Romania	7 years	1.12	1.08	1.03	0.98	1.11	12.84	2.70	-0.54
Qatar	9 years	1.77	1.72	1.75	1.73	2.01	27.67	28.80	37.28
Russia	5 years	1.79	1.74	1.73	1.70	1.72	1.63	-1.76	-0.51
Saudi Arabia	8 years	2.07	2.03	2.00	2.00	2.06	5.57	2.41	15.63
South Africa	9 years	4.49	4.52	4.25	4.29	4.67	38.11	15.17	0.54
Turkey	7 years	5.14	4.92	4.73	4.76	4.83	6.27	-8.86	-4.59
Ukraine	8 years	6.09	6.19	5.74	5.89	6.18	29.53	-1.18	0.23
Abu Dhabi	7 years	1.29	1.29	1.28	1.30	1.39	9.33	10.17	14.62
Dubai	8 years	2.54	2.45	2.40	2.45	2.54	8.95	8.24	-5.89

EM EMEA equity market (index)

	15-Jan	22-Jan	29-Jan	05-Feb	12-Feb	19-Feb	Change (%) Week	MTD	YTD
Bahrain	1,459	1,453	1,457	1,461	1,463	1,486	1.59	1.59	-0.26
Czech Rep.	123,481	118,329	118,883	119,261	118,435	118,431	0.00	2.92	-0.49
Egypt	11,453	11,655	11,579	11,599	11,545	11,426	-1.03	-1.04	5.35
Greece	794	797	754	761	763	781	2.44	4.26	-3.41
Hungary	44,876	44,250	43,552	44,226	43,951	44,069	0.27	1.27	4.81
Israel	1,594	1,613	1,599	1,601	1,619	1,602	-1.05	1.79	6.86
Jordan	1,722	1,708	1,718	1,725	1,734	1,760	1.46	1.90	6.18
Kenya	158	156	157	158	159	166	4.38	6.40	8.84
Kuwait	5,656	5,687	5,748	5,694	5,701	5,690	-0.19	-1.55	2.60
Lebanon	658	658	658	658	658	658	0.00	2.64	2.99
Morocco	9,226	9,383	9,503	9,573	9,425	9,341	-0.89	-1.47	1.64
Nigeria	40,963	41,099	42,169	41,786	40,696	40,187	-1.25	-5.25	-0.21
Oman	3,639	3,748	3,649	3,606	3,560	3,566	0.17	-2.39	-2.54
Poland	2,032	1,953	1,988	1,927	1,918	1,985	3.53	1.91	0.07
Romania	10,309	10,313	10,308	10,505	10,578	10,346	-2.19	0.38	5.51
Qatar	10,914	10,736	10,545	10,431	10,529	10,267	-2.49	-1.98	-1.62
Russia	3,491	3,423	3,342	3,372	3,400	3,446	1.37	5.16	4.78
Saudi Arabia	8,899	8,876	8,807	8,618	8,902	9,086	2.07	4.41	4.56
South Africa	58,736	58,969	58,084	58,494	60,638	62,105	2.42	8.36	14.21
Turkey	1,547	1,552	1,498	1,535	1,547	1,560	0.86	5.90	5.66
Ukraine	499	499	514	521	521	521	0.00	1.46	4.27
Abu Dhabi	5,267	5,611	5,642	5,664	5,667	5,657	-0.18	1.13	12.12
Dubai	2,702	2,736	2,697	2,671	2,632	2,568	-2.42	-3.24	3.05

EM EMEA FX against USD*

	15-Jan	22-Jan	29-Jan	05-Feb	12-Feb	19-Feb	Change (%) Week	MTD	YTD
USD Index	90.239	90.238	90.584	91.529	90.480	90.364	-0.13	-0.24	0.47
Bahrain**	0.379	0.379	0.379	0.378	0.378	0.378	-0.05	0.11	0.13
Czech Rep.	21.662	21.450	21.465	21.402	21.239	21.367	0.61	0.46	0.50
Egypt	15.649	15.723	15.723	15.699	15.625	15.649	0.16	-0.47	-0.63
Greece***	1.208	1.217	1.214	1.205	1.212	1.212	-0.01	-0.14	-0.79
Hungary	298.390	293.750	294.540	296.490	295.710	295.900	0.06	-0.46	0.35
Israel	3.265	3.272	3.284	3.289	3.252	3.273	0.64	0.33	-1.83
Jordan**	0.709	0.709	0.709	0.709	0.710	0.709	-0.06	0.00	-0.06
Kenya	109.890	109.890	0.009	0.009	0.009	0.009	0.00	0.00	1.10
Kuwait	0.303	0.303	0.303	0.303	0.302	0.302	0.03	0.15	0.28
Lebanon	1,517.50	1,516.00	1,508.00	1,512.00	1,507.00	1,518.50	0.76	-0.69	-0.23
Morocco	8.925	8.930	8.947	8.986	8.945	8.913	-0.36	0.38	-0.04
Nigeria	381.880	381.500	381.000	381.000	381.000	381.000	0.00	0.00	4.41
Oman**	0.388	0.388	0.388	0.388	0.388	0.388	-0.03	0.10	0.15
Poland	3.753	3.753	3.753	3.753	3.753	3.752	-0.01	0.02	0.04
Romania	4.035	4.006	4.016	4.047	4.022	4.024	0.04	-0.19	-1.14
Qatar**	3.670	3.664	3.664	3.667	3.665	3.674	0.25	-0.26	0.63
Russia	73.760	75.296	75.746	74.651	73.706	74.124	0.57	2.19	0.39
Saudi Arabia**	3.753	3.753	3.753	3.753	3.753	3.752	-0.01	0.02	0.04
South Africa	15.093	15.148	15.161	14.844	14.548	14.694	1.01	3.18	0.00
Turkey	7.473	7.417	7.308	7.058	7.035	6.965	-0.99	4.91	6.82
Ukraine	3.752	3.751	3.751	3.751	3.751	3.751	-0.01	0.01	0.03
UAE**	3.675	3.675	3.675	3.675	3.675	3.675	0.00	0.01	0.01

Note: * Exchange rate quoted as amount of USD per currency in line with market convention, other exchange rates are amount per USD; ** 12 month forward given pegged against USD; *** EUR per USD

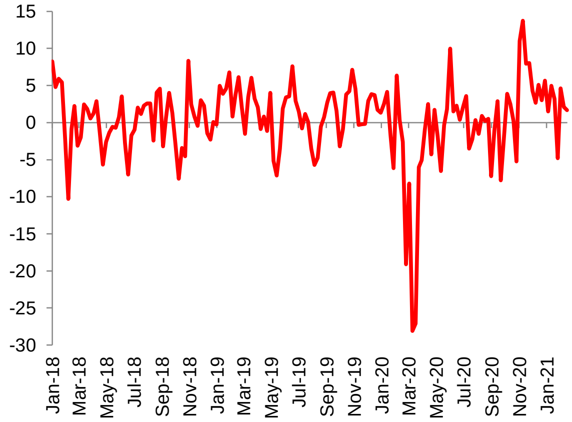
EM EMEA 5 year CDS spreads (basis points)

	15-Jan	22-Jan	29-Jan	05-Feb	12-Feb	19-Feb	Change in yield (basis points) Week	MTD	YTD
Bahrain	242.54	239.68	247.41	237.10	239.27	238.26	-1.01	-9.15	-2.56
Czech Rep.	36.20	35.38	35.30	35.24	35.23	35.15	-0.08	-0.15	-0.59
Egypt	322.23	321.06	339.44	325.39	320.49	311.09	-9.40	-28.35	-27.95
Greece	97.82	97.41	95.84	88.68	81.82	76.90	-4.91	-18.94	-24.51
Hungary	60.21	60.21	60.20	59.77	59.77	60.19	0.42	-0.01	-0.03
Israel	46.29	42.13	41.22	40.36	40.37	41.69	1.32	0.47	-4.53
Kenya	323.47	323.91	326.94	314.45	304.04	307.11	3.07	-19.84	-34.17
Kuwait	45.23	45.23	45.73	45.73	44.23	45.22	0.99	-0.51	0.99
Morocco	112.63	105.00	113.41	109.03	109.04	109.45	0.42	-3.96	-2.87
Nigeria	309.39	309.35	310.96	329.43	329.57	329.57	0.00	18.61	-6.57
Oman	362.95	334.29	335.75	338.99	341.21	336.98	-4.23	1.10	-24.63
Poland	58.61	50.47	48.11	48.93	48.25	48.45	0.21	0.35	-9.44
Romania	87.09	83.90	83.90	82.89	82.90	82.90	0.00	-1.01	-1.99
Qatar	45.09	45.01	44.66	41.37	41.05	42.20	1.15	-2.46	3.78
Russia	89.49	95.49	95.96	83.31	85.64	83.16	-2.48	-12.80	-2.76
Saudi Arabia	68.32	68.39	67.14	62.09	62.57	61.22	-1.35	-5.93	-4.19
South Africa	229.66	228.65	227.69	203.14	208.18	215.25	7.07	-12.44	11.08
Turkey	331.58	330.23	310.96	285.96	290.74	284.48	-6.26	-26.48	-19.91
Ukraine	379.58	372.68	377.61	354.07	367.61	388.85	21.24	11.24	0.22
Abu Dhabi	44.90	44.93	44.64	41.22	41.34	41.84	0.50	-2.79	3.47
Dubai	110.00	114.81	114.35	109.15	100.99	107.08	6.10	-7.27	-4.98

EM capital flows

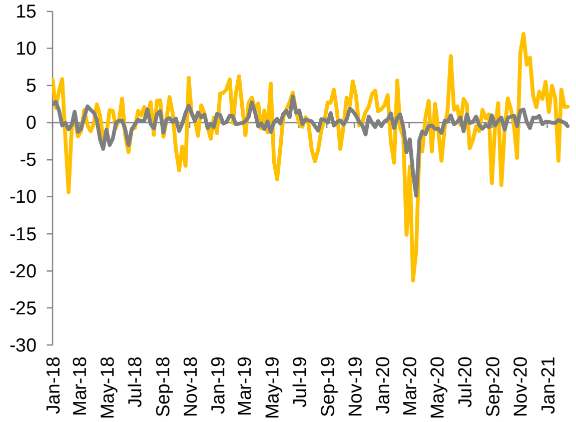
WEEKLY TOTAL EM INFLOWS OF USD1.7BN – 19 FEBRUARY

TOTAL WEEKLY PORTFOLIO FLOWS (DEBT AND EQUITY) (USD BN)



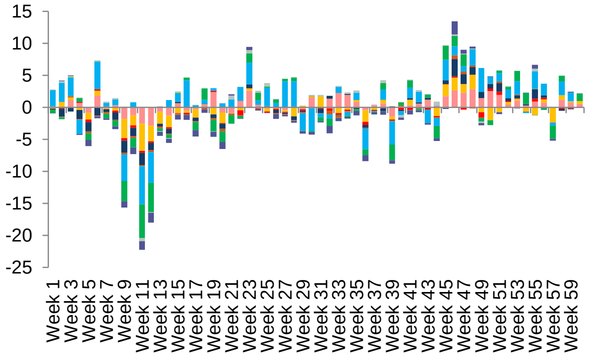
WEEKLY EM INFLOWS FROM EQUITY (USD2.2BN) WHILST DEBT OUTFLOWS (USD0.5BN) – 19 FEBRUARY

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



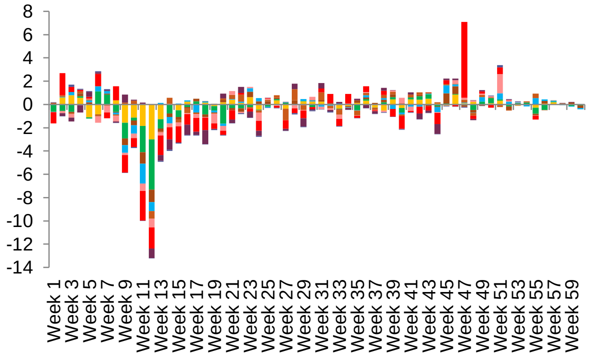
TAIWAN (USD1.1BN) AND INDIA (USD0.6BN) LED WEEKLY EQUITY INFLOWS – 19 FEBRUARY

WEEKLY PORTFOLIO FLOWS BY COUNTRY SINCE JANUARY 2020 (EQUITY) (USD BN)



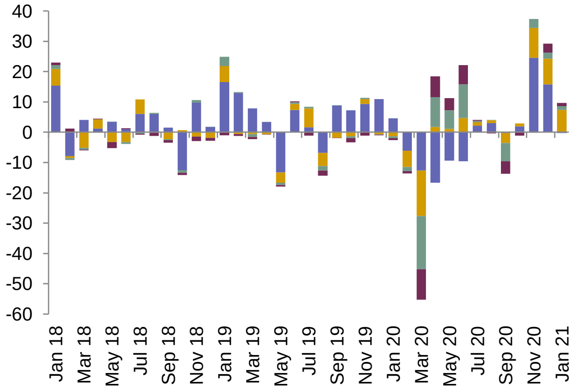
THAILAND (USD0.2BN) AND SOUTH AFRICA (USD0.1BN) LED WEEKLY DEBT OUTFLOWS – 19 FEBRUARY

WEEKLY PORTFOLIO FLOWS BY COUNTRY SINCE JANUARY 2020 (DEBT) (USD BN)



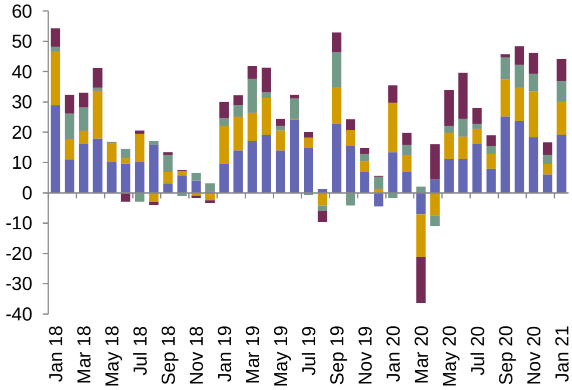
LATIN AMERICA LED (USD7.5BN) EQUITY FLOWS FOLLOWED BY EM EUROPE (USD1.3BN) – JANUARY

MONTHLY PORTFOLIO FLOWS BY COUNTRY (EQUITY) (USD BN)



EMERGING ASIA LED (USD19.2BN) DEBT FLOWS FOLLOWED BY LATAM (USD10.8BN) – JANUARY

MONTHLY PORTFOLIO FLOWS BY COUNTRY (DEBT) (USD BN)



Source: Bloomberg, IIF, MUFG Research

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