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Managing stagflation fears in emerging markets

Macro focus: “Stagflation” (lower growth/higher inflation) are dominating global markets. Growth prospects have turned more challenging across EMs – and more heterogeneous – positive for EM EMEA, mixed in Asia and weaker in LatAm, as the pivotal role that monetary and fiscal policy has played throughout the pandemic is tightening, turning growth tailwinds to headwinds. Meanwhile, upward pressure from higher commodity prices, base effects and reopening reverberations signals that EM inflationary pressures will likely persist, propelling rates even higher.

FX views: The ongoing rise in US yields, lifted both by rising inflation expectations and the ongoing hawkish shift in the outlook for central bank rates, alongside slowing global growth continues to provide headwinds for EM FX performance with our EM FX index trading at the lowest levels since May 2020.

Trading views: The pattern of rates across EMs is becoming increasingly uniform with higher yields nearly everywhere – though spot markets are struggling to see many of the rate hikes as supportive for EM FX.

Week in review: Over the previous week, Poland (40bp to 0.50%) and Romania (25bp to 1.50%) surprised markets with rate hikes given elevated inflationary pressures, and Russian inflation rose further than expected in September.

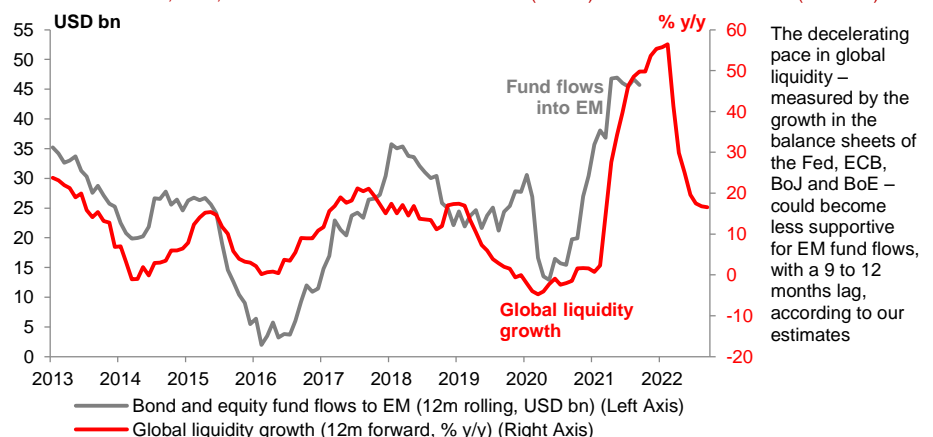
Week ahead and calendar: In the coming week, September inflation data for the Czech Republic, Poland and Romania are all likely to point to higher readings.

Forecasts at a glance: The recovery in EM economies continued at a robust pace during H1 2021 – though peak growth has passed, strong DM growth and the easing of pandemic effects, should support EM recoveries over the remainder of the year.

Core indicators: Despite market jitters surrounding Evergrande and the Fed’s tapering strategy, EM securities attracted USD30bn in September from USD8.9bn in August – a rise in EM bond issuances (USD24bn) lifted debt inflows more than equity.

CHART OF THE WEEK: CENTRAL BANK TAPERING MAY COLLAPSE EM FLOWS

GROWTH OF FED, ECB, BOJ AND BOE BALANCE SHEETS (% Y/Y) VS. EM FUND FLOWS (USD BN)



Source: Bloomberg, G4 Central Banks, IIF, MUFG Research

Macro focus

Managing stagflation fears in emerging markets

Stagflationary concerns are lingering across global markets, with marked EM impacts

The parabolic surge in energy prices, China's slowdown and the prospects for "stagflation" (lower growth/higher inflation) are dominating global markets. As we enter the last quarter of 2021, the emerging market (EM) growth outlook appears more challenging and also more heterogeneous – positive for EM EMEA, mixed in Asia and weaker in LatAm. Monetary and fiscal policy have played a pivotal role in supporting EM growth over onset of the pandemic but as policy is tightened, these tailwinds are turning into headwinds. Inflation has been driven sharply higher across many EMs by a confluence mix of higher commodity prices (energy and food), base effects, re-opening effects and fast-recovering developed markets (DM) demand.

Mobility easings continue apace, with economies better adapted to embracing the virus

The EM economic recovery continued at a robust pace during the first half of 2021. Regional differences in lockdown measures – as captured by the Oxford University Stringency Indices – contributed to cross-regional differences in the pace of growth. However, even in economies where stringent lockdown measures were re-imposed, the economic damage in this round was more limited, in part because economies became better adapted to embracing the constraints imposed by COVID-19.

Recovery has not been homogeneous across EMs – positive for EM EMEA, mixed in Asia and weaker in LatAm

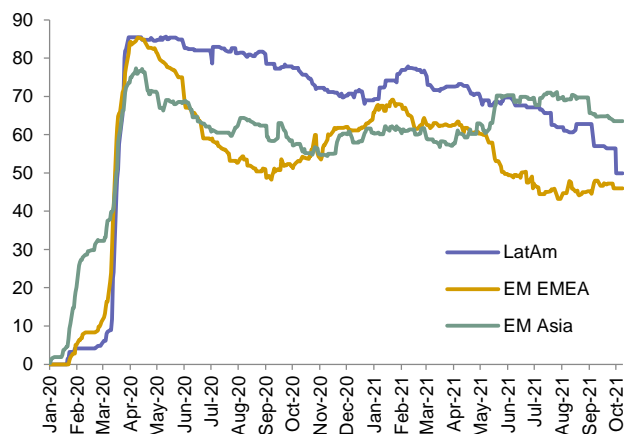
COVID-19 developments continue to vary significantly across countries and across time. However, these variations are taking place against a trend that is gradually improving. Much of this improvement can be attributed to the progress made in EM vaccination programmes – despite widespread concerns earlier this year that vaccine supply would be significantly delayed across EMs, rollouts are already significantly advanced across a number of core EM economies (including China, Brazil, Saudi Arabia, South Korea and Turkey) and are progressing rapidly across the majority of EM economies. As vaccination levels increase, the correlation between new cases and hospitalisations and fatalities is weakening. EM EMEA has benefited most from this improvement and, as a consequence, has seen the largest easing in the lockdown index, and LatAm and EM Asia have also witnessing continuing mobility restrictions.

Real GDP growth peaked in Q2 2021

To garner a better handle on the future EM growth trajectory, we model the ramifications of COVID-19, alongside prospects for financial conditions, commodity

EM MOBILITY RESTRICTIONS CONTINUE TO EASE WITH EM EMEA LEADING, SUPPORTING THE RECOVERY

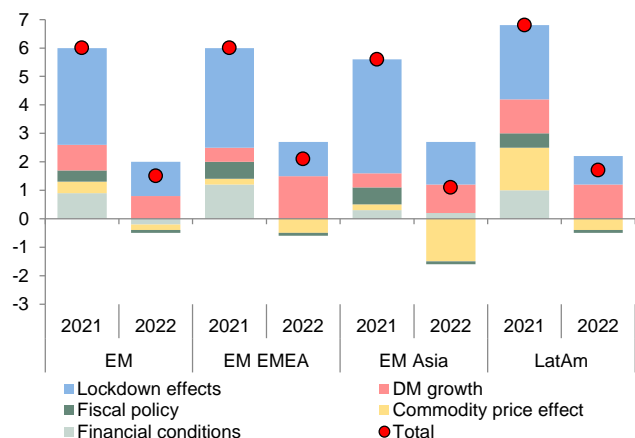
OXFORD UNIVERSITY STRINGENCY INDEX (100 = FULL LOCKDOWN)



Source: Oxford University, MUFG Research

EM GROWTH IMPULSES ARE SET TO TURN LESS POSITIVE IN 2022

EM GDP GROWTH CONTRIBUTIONS FROM CORE DRIVERS, % POINTS



Source: Bloomberg, IMF, MUFG Research

prices and fiscal policy. Our findings suggest that annualised growth rates have likely peaked in Q2 2021 across most EMs (reflecting the significant base effects generated by the precipitous decline in GDP during the first COVID-19 wave in spring 2021). However, we are cautiously optimistic that the growth impulse in EM economies will remain positive in Q4 2021 due to both the (i) ongoing unwinding of pandemic effects on GDP through mobility easings; and (ii) from the strength of the recovery in DMs spurring demand for EM exports.

Growth outlook remains challenging

Having said that, the growth outlook is more challenging and also more heterogeneous. First, whilst monetary and fiscal policies have played a key role in supporting growth in EM economies over the last 18 months, this easing is beginning to reverse. This switch from growth support to growth drag appears notably apparent for LatAm, reflecting the acute tightening of financial conditions. Second higher commodity prices are a boost for producers (the GCC region, Brazil, Chile, Russia, South Africa) but a drag for consumers (the CEE region, EM Asia, and Turkey).

Inflation yet to peak across most EMs

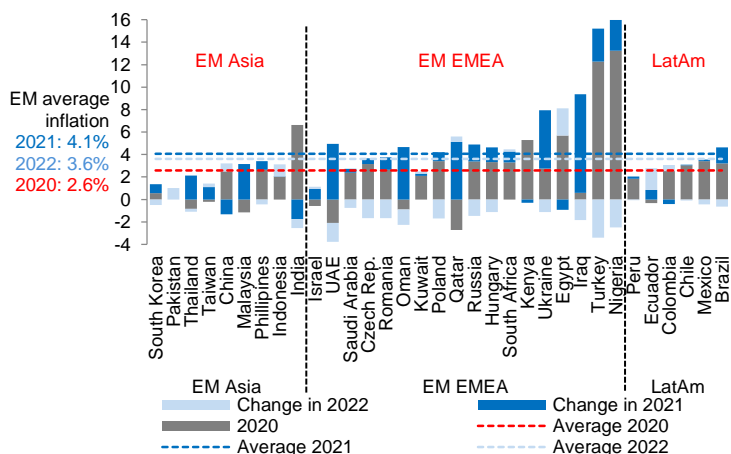
Switching gears, headline inflation rates across EMs have been driven higher this year by a mix of higher commodity prices (both food and energy), base effects and re-opening reverberations (i.e., one-off price increases in sectors that have been affected by mobility restrictions). This development, in tandem with the challenging EM growth outlook, has led to concerns over persistent increases in inflation rates. Whilst we do not expect a long-lasting uptrend in inflation, we acknowledge that headline inflation across major EMs have further to run for the remainder of the year, before stabilising in 2022. Our models suggest that the surge in commodity prices will lead to a pick-up in EM inflation from 3.5% y/y in Q3 to 4.1% y/y in Q4, fading moderately at 3.8% y/y in Q1 2022, and averaging 3.6% y/y next year.

The pace of EM rate hikes is now skewed to the upside

As we catalogued last week, with fundamentals pointing to a bullish Q4 ahead for global commodity prices, alongside historical lessons from previous hiking cycles, we view that EM central banks will stay hawkishly inclined in the face of non-core inflationary pressures, especially given the high commodity-intensity of EM consumer baskets (see [here](#)). Likely candidates to join the tightening group over this period potentially include India and Malaysia. For early hikers, including Brazil, Chile, Czech Republic, Hungary, Russia, South Korea and Ukraine – where the speed of tightening has in some places been in line with or in some cases faster than historical hiking cycles – the commodity surge warrants a re-evaluation of whether further hikes are required to stymie the expected higher inflation readings in the months ahead, which could lead on net to a drag on EM growth on the whole.

2021 WILL WITNESS A PICKUP IN INFLATION IN MOST EM'S BUT 2022 WILL EXPERIENCE A MODERATION

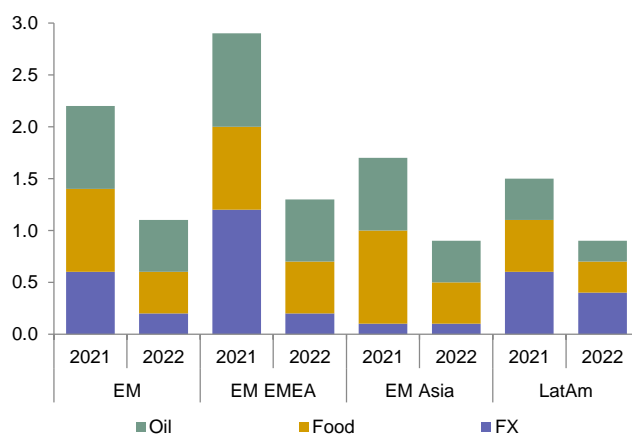
HEADLINE INFLATION IN MAJOR EM'S (% Y/Y)



Source: Bloomberg, EM Central Banks, MUFG Research

STRONGER ENERGY AND FOOD CONTRIBUTIONS TO SPUR OVERALL EM INFLATION HIGHER

EM INFLATION CONTRIBUTIONS FROM CORE DRIVERS, % POINTS



Source: Bloomberg, MUFG Research

FX views

EM FX: Slowing global growth & hawkish shifts in CB policy remain headwinds

EM FX consolidates at weaker levels. RUB continues to outperform supported by rising energy prices.

Emerging market currencies have on the whole consolidated at weaker levels against the USD over the past week. Our EM FX index is continuing to trade at its lowest levels since May 2020 and is just over 2.5% above the record low from April 2020. Over the past week, the RUB has continued to outperform (+0.9% vs USD) alongside the other higher yielding currencies of the ZAR (0.4%) and IDR (+0.2%). In contrast, the worst performing currencies have been the CLP (-2.4%) and HUF (-2.2%). The price action is consistent with our own EM FX momentum indicators which are signalling that the RUB has recently had the most upward momentum against the USD, whereas the CLP, MXN and HUF had had the most relative downward momentum. In our latest FX Weekly ([click here](#)), we closed our short EUR/RUB trade idea after the target was hit. We still believe the pair can continue to fall and move closer towards the 80.000-level encouraged by the higher price of oil ([click here](#)).

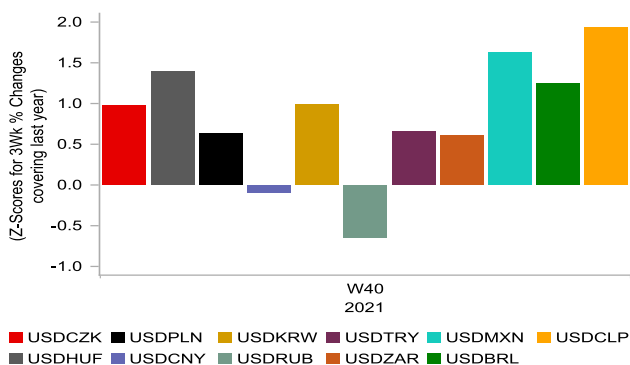
Rising US yields and slowing global growth provide headwinds for EM FX performance.

The ongoing rise in US yields and slowing global growth are providing headwinds for EM FX performance in the near-term. Long-term yields are being lifted both by rising inflation expectations and the ongoing hawkish shift in the outlook for central bank monetary policy. The Fed still appears on course to announce QE tapering plans at their next meeting on 3rd November. US employment growth was likely sufficient to meet the Fed's low bar in September, and US politicians have removed a potential banana skin as well by extending the US debt ceiling to 3rd December. We do not expect the release of the FOMC minutes from 22nd September meeting to alter those expectations in the week ahead. At the same time the BoE has signalled that it will likely be the next G10 central bank to raise rates after the Norges Bank and RBNZ.

PLN fails to sustain initial gains after surprise NBP hike. Hardening legal stand-off with EU threatens further financial support for Poland.

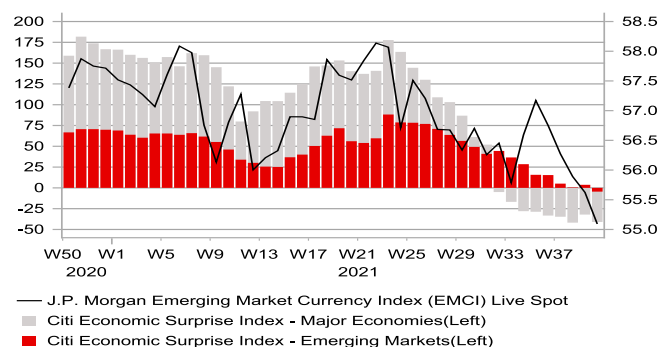
The past week has shown that even when EM central banks tighten policy more aggressively it may not be sufficient to prevent domestic currencies from weakening further in the current challenging environment. The PLN has quickly fallen back towards recent lows after the NBP delivered a hawkish surprise when it hiked rates sooner by 0.40 point to 0.50%. The hawkish impact of the larger hike has been partly offset by more cautious comments over the need for further hikes from Governor Glapinski despite inflation currently running well above target at 5.8% in August. The September CPI report will be released in the week ahead. At the same time, the risk has increased that the EU will not approve Poland's application for EUR36 billion of pandemic recovery funds and freeze other development funds after Poland's top court ruled elements of EU law are incompatible with Poland's constitution.

EM FX MOMENTUM INDICATOR



Source: Bloomberg, Macrobond & MUFG Research

SLOWING GLOBAL GROWTH AS HEADWIND FOR EM FX



Source: Bloomberg, Macrobond & MUFG Research

Trading views

Disclaimer: "Trading views" offers an overview of what our professional traders and desk analysts are watching in the markets, their commentary and views are theirs alone and are not intended to be construed as investment advice. This material is intended to be of general interest only and should not be considered a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region or market.

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Trading views: When is a rate hike positive for a currency

Again last week we had trouble navigating the moves in spot FX levels. However the pattern in rates was much clearer with higher yields nearly everywhere.

The trend for higher local rates continued last week with Poland not only surprising the market but also highlighting that there are still CBs out there that don't mind surprising markets when the facts change. While Polish yields screamed higher the currency has struggled to follow suit. In part this is due to the fact that there is significant (small but rising) risk building in Poland over EU attachment and a potential "Polexit". However it is not the only reason. Overall currencies have struggled to match the corresponding move in rates markets.

Spot markets are struggling to see many of the rate hikes as supportive for the currency, we agree.

Korea has been the most hawkish CB in Asia but its currency struggles, while China the country most likely to cut rates in the region is being faced with record highs in its currency basket. BRLZAR is at similar levels to March 2021 in spite of Brazil hiking the cash rate by nearly 600pts over SA in that period. Moving to Europe EURCZK has not made materially new lows after the CZK 75 bps hike. Even in developed mkts GBP is not really seeing any outperformance from increasing rate expectations.

The currency reaction to CB hawkishness has never been as clear in EM as it has for developed markets but nonetheless it is notable how different the reactions are this time around. For a rate hike to be positive for a currency (ignoring times when rate hikes are part of a specific FX defence strategy) it needs to be driven by strong growth closing the output gap. Out of the countries hiking right now it is hard to put most (if any) in this category, Korea's hikes were aimed at financial imbalances while others are more driven out of inflation fears rather than growth outperformance. We do not think the environment is as dire as many of the stagflation headlines suggest but we do think that the market is going back to traditional eco 101, inflation is bad for a currency. As such we are going to be neutral on EM even if we start seeing more of a carry advantage over G10 currencies.

Today's announcement from Thailand makes us think about further post covid trades.

As we are typing USDTHB is moving significantly lower on news that Thailand will ease rules for vaccinated visitors to boost tourism. While COVID-19 has been around longer than we expected it does (hopefully) seem that we will be in a new normal of "living with COVID-19" sometime soon. Thailand for us is the prime reopening trade and this headline has made us enter longs especially as BOT seems reluctant to further move on rates. If we are right the market will not only move to reprice Thai prospects it will also look at which other candidates could outperform as we near the end of closed borders. Given the tourism factor for a lot of EM places this could be a rather welcome positive for many.

Week in review

EM capital flows: surge in EM bond issuances in September

Robust EM bond issuances last month helped spur capital back into EM debt flows

According to the IIF, EM securities attracted around USD29.8bn in September 2021 from USD8.9bn in August. However, the breakdown suggests that market jitters surrounding the Evergrande crisis in China alongside the Fed's looming tapering strategy hurt the performance of equity flows into EM at just USD3.6bn last month (USD3.1bn in August). Despite the weak outcome on equities, the high level of EM hard currency sovereign bond issuance during September (~USD24bn) helped to lift the overall performance for debt flows of USD26.2bn last month (USD5.6bn in August). From a country-by-country perspective, IIF data suggests negative flows into China debt and only marginal gains in China equities, which points to increased short-term volatility in the country, likely propagating to other EMs. Finally, from an asset class performance perspective, all metrics are pointing to underperformance year-to-date – a testament that conditions are turning less favourable across the EM complex.

Poland: NBP surprises with a 40bp hike but signals a “wait-and-see” stance

Poland hikes rates by 40bp to 0.5% in a surprise move last week

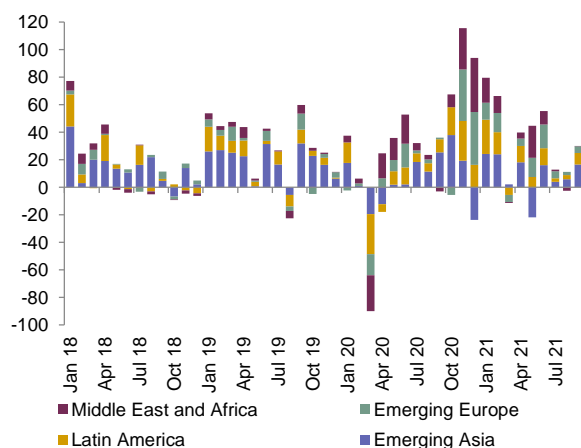
The National Bank of Poland (NBP) hiked the policy rate by 40bps to 0.5% last week, against our (and consensus) expectations for unchanged rates. The Monetary Policy Committee (MPC) stated that the decision was warranted given the confluence of higher commodity prices, supply-side pressures and a strong domestic economic recovery – all signalling that inflation would continue to overshoot the NBP's target of 2.5% for longer than it previously expected. Heading into the meeting, we had catalogued last week that the probability for a rate hike in the November meeting had materially increased following accelerating inflationary levels which hit a 20 year high of 5.8% y/y in September. However, we believed that the MPC would refrain from hiking given the importance that several members have attached to the forthcoming November Inflation Report before warranting a pivot in position. The magnitude of the move also comes as a surprise, as even MPC hawks had signalled that they wanted to tighten policy relatively gradually, with an initial move of 15bp.

Data dependent approach expected

In a scheduled press conference, NBP Governor Glapinski argued that the hike was warranted by the extent of the current inflation overshoot, as well as further inflationary risks arising from commodity prices, and the risks that both of these

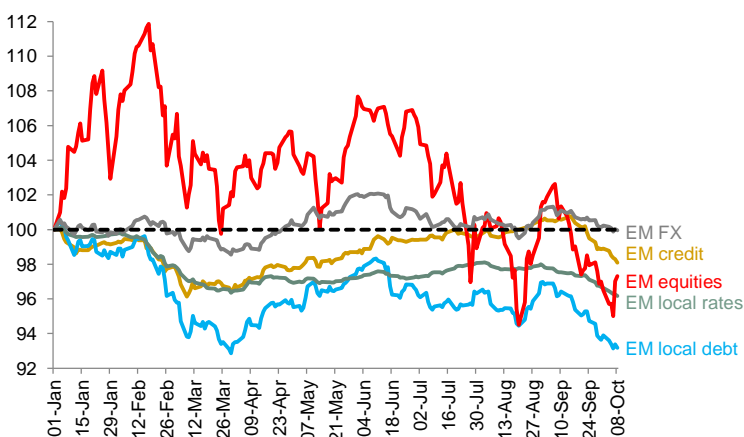
DESPITE MARKET JITTERS EM PORTFOLIO STOOD AT USD30BN IN SEPTEMBER FROM USD9BN IN AUGUST

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



ALL EM ASSET CLASSES ARE UNDERPERFORMING WITH EM FX THE LEAST WORSE OFF

EM EQUITIES, FX, RATES, CREDIT AND DEBT (1 JANUARY 2021 = 100)



posed to the medium-term inflation outlook. However, in discussing future policy actions, Governor Glapinski did not indicate that the hike represented the start of a tightening cycle and instead stressed that the NBP would adopt a data-dependent “wait-and-see” approach to future tightening. Looking ahead, we believe that there is now significant uncertainty surrounding the NBP’s reaction function. With inflation expected to remain elevated and rise in the near-term and likely exceeding 6.0% y/y before year-end, our base case is for the NBP to deliver an additional 25bp rate hike in November, and 75bp in cumulative hikes in H1 2022, to bring the policy rate to pre-virus levels of 1.50%. Front and centre will be the inflation data, in conjunction with the NBP’s November macroeconomic forecast update.

Romania: NBR unexpectedly hikes by 20bp with further rises on the table

Romania takes the policy rate from 1.25% to 1.50%

The National Bank of Romania (NBR) increased its key policy rate by 25bp to 1.50%, against our (and consensus) expectations of an unchanged stance – marking the beginning of an earlier than expected policy normalisation process. The move follows higher-than-expected inflation in Romania in recent months (current at 5.3% y/y in September – a 39 month high), with the expectation that inflation is likely to rise still further in the coming months on the back of sharp rises in global commodity prices. As with the NBP, we had expected the NBR to wait until the November Inflation Report before pivoting towards hikes. However, with inflation rising more sharply than the NBR expected and with the risk that elevated inflation could de-anchor inflation expectations, the Monetary Policy Committee (MPC) decided it needed to front-load its hiking strategy. Looking ahead, given expected inflation developments in the coming months, we expect the NBR to hike again by 25bp at the November meeting with all eyes on the November Inflation Report for guidance on the stance further ahead.

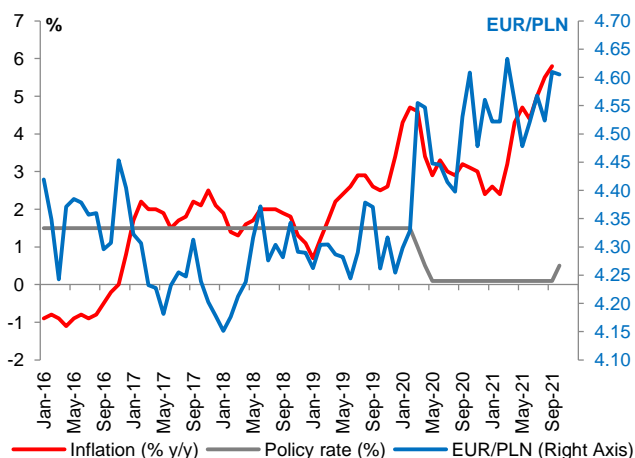
Russia: inflation surprises again to the upside owing to higher food costs

Russian inflation now at 7.4% y/y in September

Headline inflation in Russia increased more than expected from 6.7% y/y in August to 7.4% y/y in September (MUFG/consensus at 7.3% y/y). Elevated food prices was the core driving force though price pressures were rather broadly spread. From a monetary policy perspective, we alongside the Central Bank of Russia (CBR) still expect inflation to fall into year-end with the likelihood that the October meeting will be the final hike of the current cycle.

POLAND SURPRISES WITH A 40BP RATE HIKE GIVEN INFLATION IS RUNNING AT 20 YEAR HIGHS

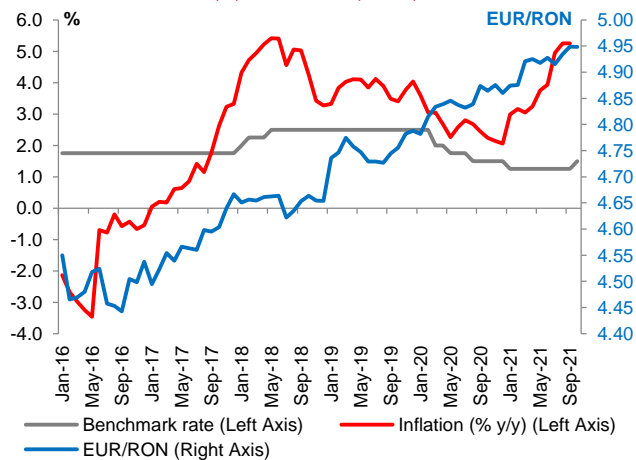
POLAND POLICY RATE (%), INFLATION (% Y/Y) AND EUR/PLN



Source: Bloomberg, NBP, MUFG Research

ROMANIA UNEXPECTEDLY INCREASES RATES BY 25BP AS INFLATION CONTINUES TO MARCH HIGHER

ROMANIA POLICY RATE (%), INFLATION (% Y/Y) AND EUR/PLN



Source: Bloomberg, NBR, MUFG Research

Week ahead











Inflation: CEE inflation readings in September to signal further increases

Poland to maintain rates at 0.10% with expected hawkish rhetoric

Inflation data for September will be released in the CEE region this week which are likely to point to higher readings, which is likely to lead to continued hawkish rhetoric across central banks:

























1. **Czech Republic.** In the Czech Republic, we expect headline inflation to edge higher from 4.1% y/y in August to 4.6% y/y (in line with consensus). Robust base effects, higher commodity (energy and food) prices are likely to be the core drivers. Going forward, we forecast that headline inflation will gradually increase for the remainder of the year, and averaging 3.5% in 2021 – considerably higher than the Czech National Bank's upper tolerance band (2% ± 1pp).
2. **Poland.** In Poland, we expect the final September inflation print to confirm the preliminary estimate, which showed inflation rising by 0.3pp to 5.8% y/y, and surprised expectations to the upside at the time of the release. The partial breakdown pointed to upside pressures from higher food inflation, which we view can continue in the months ahead, and we expect inflation to exceed 6.0% y/y by year-end. This sets for a hawkish backdrop in Poland, and we expect the NBP to continue tightening policy (see *week in review* section above for more details).
Romania. In Romania, we estimate inflation to rise from 5.2% y/y to 5.9% y/y (consensus: 5.8% y/y), due to rising energy prices coupled with base effects, leading to a pickup in energy inflation. In addition, we expect food inflation to push the headline figure higher. We now expect inflation to increase to around 7.0% y/y by year-end, before declining gradually next year. Following a series of higher-than-expected inflation readings, the NBR hiked policy rates by 25bp in its last MPC meeting, kick-starting its hiking cycle earlier than our (and consensus) expectations (see *week in review* section above for more details).

























Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Egypt	10/10/2021	---	CPI, % y/y	Sep	---	---	5.7%	!!!
	Romania	11/10/2021	07:00	Real GDP, % y/y	Q2-21F	---	13.0%	13.0%	!!
	Czech Rep.	11/10/2021	08:00	CPI, % y/y	Sep	4.6%	4.6%	4.1%	!!!
	Turkey	11/10/2021	08:00	Current account balance, USD bn	Aug	---	USD-0.1bn	USD-0.7bn	!!
	Romania	12/10/2021	07:00	CPI, % y/y	Sep	5.9%	5.7%	5.2%	!!!
	Ghana	13/10/2021	---	CPI, % y/y	Sep	---	9.9%	9.7%	!!
	Nigeria	15/10/2021	---	CPI, % y/y	Sep	---	16.5%	17.0%	!!
	Kenya	15/10/2021	---	Real GDP, % y/y	Q2-21	---	5.2%	0.0%	!!
	Poland	15/10/2021	09:00	CPI, % y/y	Sep F	5.8%	5.8%	5.8%	!!!
	Israel	15/10/2021	12:00	CPI, % y/y	Sep	2.5%	2.5%	2.2%	!!!

Source: Bloomberg, 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		0.32	-3.82	3.51	-10.61	-13.72	-8.54	-2.06	-9.18	-6.73
 Czech Rep.		7.80	-6.50	5.12	0.27	-7.30	-4.29	6.00	-0.68	-0.53
 Egypt		3.46	2.84	3.51	-7.41	-6.90	-6.38	-4.17	-3.82	-3.40
 Greece		-3.36	-9.50	4.12	0.57	-8.99	-3.01	-2.73	-7.74	-4.47
 Hungary		-2.10	-6.10	3.90	-2.05	-8.28	-3.86	-3.49	-1.57	-0.85
 Iraq		4.43	-12.06	2.53	0.86	-17.53	-13.06	1.12	-12.65	-12.06
 Israel		-1.00	-5.89	4.87	-3.91	-12.94	-7.05	5.61	3.55	3.50
 Jordan		1.96	-5.00	3.40	-5.98	-9.14	-7.37	-8.39	-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	3.06	-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		1.00	-6.97	4.92	-4.13	-7.79	-6.02	-3.96	-7.28	-5.22
 Nigeria		0.51	-4.28	1.70	-4.76	-6.74	-4.97	-3.49	-3.65	-2.02
 Oman		-0.83	-10.00	-0.55	-7.06	-18.71	-16.82	-4.94	-14.57	-12.90
 Poland		10.90	-3.56	4.60	-0.74	-10.46	-4.34	1.02	3.03	1.77
 Romania		-0.20	-4.80	4.57	-4.56	-9.59	-8.08	-9.87	-5.27	-4.51
 Qatar		-2.50	-4.48	2.52	4.93	3.03	3.33	-27.24	-0.60	2.57
 Russia		-0.62	-4.12	2.82	1.92	-5.29	-2.57	1.11	1.17	1.83
 Saudi Arabia		1.50	-4.80	4.10	-4.45	-10.56	-7.75	-0.33	-4.80	4.57
 South Africa		-3.20	-8.00	3.00	-2.27	-9.32	-6.09	1.22	-1.62	-1.79
 Turkey		7.01	-0.90	4.80	-5.65	-7.88	-7.93	0.00	-3.66	-0.89
 Ukraine		-2.20	-7.20	3.00	-2.04	-7.81	-5.25	1.35	4.32	-3.02
 UAE		1.70	-5.20	4.50	-0.76	-9.90	-5.05	2.44	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		0.30	2.80	2.30	2.25	2.25	2.25	0.377	0.377	0.377
 Czech Rep.		4.10	2.70	2.20	1.50	0.50	1.00	25.431	21.110	20.100
 Egypt		6.60	4.40	4.90	8.25	7.25	7.25	0.064	15.590	16.520
 Greece		2.21	0.69	0.88	0.00	0.00	0.00	1.157	1.280	1.2600
 Hungary		5.50	4.00	2.50	1.65	1.00	12.50	311.730	294.300	285.70
 Iraq		7.40	1.00	1.50	4.00	4.00	4.00	1460.000	1460.000	1460.000
 Israel		2.20	0.80	0.60	0.10	0.10	0.10	3.233	3.240	3.200
 Jordan		2.01	1.41	6.50	3.25	3.25	3.25	0.709	0.709	0.709
 Kenya		6.90	6.00	5.00	7.00	7.00	7.00	110.750	116.330	115.400
 Kuwait		3.12	2.30	2.50	1.50	1.50	1.50	0.302	0.302	0.302
 Lebanon		137.75	85.45	32.30	2.75	2.75	2.75	1510.250	1510.670	1520.000
 Libya		4.56	15.12	15.12	3.00	3.00	3.00	4.558	4.556	4.434
 Morocco		0.80	0.80	1.20	1.50	1.50	1.50	9.056	8.700	8.800
 Nigeria		17.00	16.60	12.10	11.50	11.50	11.50	413.090	398.000	405.200
 Oman		2.08	2.30	1.20	0.42	0.42	0.42	0.385	0.385	0.385
 Poland		5.80	3.80	2.10	0.50	0.50	0.25	3.978	3.705	3.4900
 Romania		5.25	3.40	2.60	1.50	1.50	1.50	4.277	4.115	4.0700
 Qatar		2.95	0.60	1.50	1.00	1.00	1.00	3.641	3.642	3.642
 Russia		7.40	5.20	3.20	6.75	5.75	4.50	71.876	73.250	68.000
 Saudi Arabia		0.27	3.20	1.60	0.50	0.50	0.50	3.750	3.751	3.752
 South Africa		4.90	4.00	3.60	3.50	3.75	4.75	14.928	14.750	15.800
 Turkey		19.58	15.10	11.60	18.00	14.00	14.00	8.963	9.250	8.200
 Ukraine		11.00	8.30	5.40	8.50	8.50	8.50	26.349	29.950	28.900
 UAE		-0.02	-0.50	1.20	0.65	0.65	0.65	3.673	3.673	3.673

Core indicators

EM EMEA sovereign bond yields (%)

		Maturity	10-Sep	17-Sep	24-Sep	01-Oct	08-Oct	Change in yield (basis points)		
								Week	MTD	YTD
	Bahrain	10 years	2.35	2.36	2.50	2.68	2.69	1.49	-19.70	-28.00
	Czech Rep.	10 years	1.88	2.00	1.98	2.10	2.09	-0.43	0.38	107.03
	Egypt	9 years	5.49	5.53	5.99	6.40	6.58	18.34	29.01	162.94
	Greece	8 years	0.49	0.50	0.51	0.52	0.58	6.49	4.22	6.90
	Hungary	8 years	2.62	2.72	2.73	2.94	3.14	19.58	26.85	146.34
	Israel	8 years	0.14	0.14	0.18	0.22	0.26	4.70	5.23	12.22
	Jordan	5 years	3.74	3.72	3.86	4.09	4.25	16.10	21.12	62.79
	Kenya	7 years	4.94	4.99	5.31	5.38	5.66	27.95	31.77	52.35
	Kuwait	6 years	1.25	1.26	1.31	1.39	1.37	-2.36	-6.40	23.63
	Lebanon	9 years	44.65	42.30	42.10	42.33	42.06	-27.19	-8.13	-774.60
	Morocco	11 years	2.08	2.08	2.20	2.36	2.43	7.49	10.23	70.04
	Nigeria	9 years	6.25	6.29	6.66	6.85	6.98	13.31	18.35	101.06
	Oman	9 years	4.79	4.81	5.10	5.13	5.16	2.13	-2.62	-32.01
	Poland	8 years	-0.17	-0.16	-0.12	-0.09	-0.02	7.47	7.06	11.89
	Romania	7 years	1.03	1.03	1.05	1.20	1.32	11.87	21.60	20.69
	Qatar	9 years	2.12	2.15	2.21	2.26	2.19	-0.32	2.32	355.63
	Russia	5 years	1.74	1.74	1.82	1.90	1.95	5.68	7.60	-3.39
	Saudi Arabia	8 years	2.02	1.98	2.10	2.16	2.21	4.96	8.73	31.33
	South Africa	9 years	3.99	4.13	4.29	4.47	4.48	0.13	6.32	33.93
	Turkey	7 years	5.33	5.70	6.07	6.13	6.12	-0.43	5.08	125.21
	Ukraine	8 years	6.09	6.01	6.40	6.75	6.70	-4.84	9.00	74.86
	Abu Dhabi	6 years	1.36	1.39	1.61	1.63	1.82	19.08	20.28	57.87
	Dubai	8 years	2.51	2.50	2.55	2.55	2.59	4.31	3.68	-0.63

EM EMEA equity market (index)

		03-Sep	10-Sep	17-Sep	24-Sep	01-Oct	08-Oct	Change (%)		
								Week	MTD	YTD
	Bahrain	1,666	1,660	1,673	1,693	1,703	1,701	-0.13	-0.27	14.18
	Czech Rep.	116,677	115,361	113,794	114,064	111,107	112,833	1.55	1.67	-5.20
	Egypt	11,114	11,135	11,188	10,499	10,447	10,645	1.90	1.22	-1.84
	Greece	917	905	904	894	866	893	3.03	3.15	10.34
	Hungary	51,830	52,515	52,318	51,298	52,005	53,956	3.75	2.08	28.32
	Israel	1,767	1,773	1,794	1,807	1,794	1,798	0.20	-0.26	19.92
	Jordan	2,071	2,058	2,074	2,067	2,073	2,091	0.85	0.85	26.16
	Kenya	182	178	180	178	177	176	-0.78	-1.40	15.59
	Kuwait	6,813	6,786	6,839	6,845	6,875	6,884	0.13	0.28	24.12
	Lebanon	658	658	658	658	658	658	0.00	1.76	51.88
	Morocco	10,324	10,360	10,480	10,542	10,733	10,715	-0.17	-0.07	16.60
	Nigeria	39,184	39,205	38,968	38,853	38,859	40,868	5.17	1.61	1.48
	Oman	3,974	3,970	3,962	3,917	3,952	3,969	0.43	0.67	8.48
	Poland	2,371	2,365	2,355	2,334	2,291	2,411	5.24	4.36	21.53
	Romania	12,302	12,347	12,288	12,301	12,615	12,818	1.60	1.36	30.72
	Qatar	11,096	11,076	11,111	11,178	11,386	11,553	1.46	0.59	10.70
	Russia	3,971	4,017	4,066	4,031	4,058	4,238	4.43	3.28	28.85
	Saudi Arabia	11,311	11,456	11,411	11,271	11,369	11,566	1.73	0.61	33.10
	South Africa	60,613	59,379	58,230	56,938	57,784	58,839	1.83	1.69	8.20
	Turkey	1,474	1,434	1,424	1,407	1,392	1,398	0.44	-0.60	-5.33
	Ukraine	526	526	526	526	526	526	0.00	0.00	5.30
	Abu Dhabi	7,649	7,771	7,824	7,782	7,752	7,730	-0.28	0.41	53.21
	Dubai	2,917	2,907	2,885	2,844	2,817	2,774	-1.55	-2.53	11.30

EM EMEA FX against USD*

								Change (%)		
		03-Sep	10-Sep	17-Sep	24-Sep	01-Oct	08-Oct	Week	MTD	YTD
	USD Index	92.035	92.582	93.195	93.085	94.035	94.067	0.03	-0.17	4.59
	Bahrain**	0.379	0.380	0.380	0.380	0.380	0.379	-0.08	0.05	-0.18
	Czech Rep.	21.355	21.448	21.637	21.686	21.834	21.975	0.65	-0.41	-2.28
	Egypt	15.699	15.699	15.723	15.699	15.723	15.699	-0.16	-0.16	-0.31
	Greece***	1.188	1.181	1.173	1.172	1.160	1.157	-0.23	-0.10	-5.30
	Hungary	292.420	296.330	301.050	304.460	308.110	311.730	1.17	-0.42	-4.74
	Israel	3.204	3.201	3.208	3.199	3.216	3.231	0.48	-0.22	-0.56
	Jordan**	0.711	0.711	0.711	0.711	0.711	0.709	-0.20	0.20	-0.04
	Kenya	109.890	109.890	0.009	0.009	0.009	0.009	0.00	0.00	2.22
	Kuwait	0.302	0.302	0.302	0.302	0.302	0.302	0.00	0.02	0.55
	Lebanon	1,514.89	1,511.52	1,518.51	1,510.67	1,510.67	1,510.25	-0.03	0.10	0.31
	Morocco	8.856	8.931	8.984	8.992	9.058	9.056	-0.02	0.04	-1.61
	Nigeria	411.620	411.080	412.300	413.310	413.260	413.090	-0.04	-0.01	-3.70
	Oman**	0.387	0.387	0.387	0.387	0.387	0.387	0.08	0.00	0.34
	Poland	3.757	3.758	3.758	3.759	3.759	3.758	-0.01	0.02	-0.12
	Romania	4.162	4.185	4.220	4.225	4.265	4.277	0.28	-0.10	-7.00
	Qatar**	3.698	3.696	3.695	3.684	3.681	3.672	-0.25	0.24	0.68
	Russia	72.732	73.197	72.879	72.747	72.743	71.876	-1.19	1.22	3.53
	Saudi Arabia**	3.757	3.758	3.758	3.759	3.759	3.758	-0.01	0.02	-0.12
	South Africa	14.313	14.209	14.718	14.953	14.884	14.928	-0.29	0.94	-1.56
	Turkey	8.324	8.472	8.641	8.886	8.859	8.969	-1.23	-0.85	-17.05
	Ukraine	3.750	3.751	3.750	3.751	3.751	3.750	-0.01	0.01	0.03
	UAE**	3.674	3.674	3.674	3.674	3.674	3.674	0.00	0.00	0.05

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)

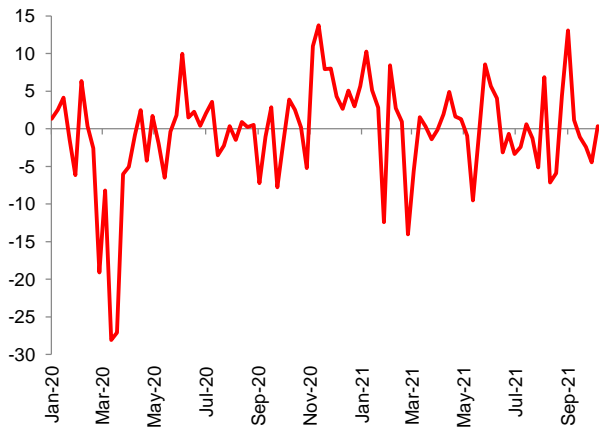
								Change in yield (basis points)		
		03-Sep	10-Sep	17-Sep	24-Sep	01-Oct	08-Oct	Week	MTD	YTD
	Bahrain	252.35	257.72	251.18	278.55	288.97	294.90	5.93	11.25	54.08
	Czech Rep.	30.16	30.23	30.00	32.97	29.67	34.05	4.38	1.34	-1.69
	Egypt	352.20	354.33	368.91	424.97	466.39	466.67	0.28	-13.39	127.63
	Greece	73.79	73.07	71.67	75.58	74.51	76.22	1.72	1.29	-25.19
	Hungary	51.09	51.11	49.56	53.43	53.77	57.11	3.35	3.24	-3.11
	Israel	42.00	40.71	40.05	42.92	43.30	44.47	1.17	0.76	-1.76
	Kenya	318.09	312.19	314.12	320.71	354.12	370.22	16.10	16.13	28.94
	Kuwait	50.03	49.30	47.80	51.03	49.96	50.65	0.69	-3.31	6.42
	Morocco	101.32	100.04	100.40	103.92	106.45	106.33	-0.12	0.81	-5.99
	Nigeria	364.91	364.86	364.79	383.35	438.73	461.46	22.73	28.16	125.32
	Oman	245.01	243.63	236.55	265.35	265.53	267.92	2.39	1.84	-93.68
	Poland	48.50	49.09	46.37	50.03	48.72	49.68	0.96	0.19	-8.21
	Romania	88.92	88.92	82.88	88.90	95.97	104.30	8.33	8.33	19.42
	Qatar	40.73	39.59	39.08	43.64	44.59	44.06	-0.53	0.54	5.64
	Russia	77.92	75.94	76.46	86.52	88.87	85.92	-2.95	-1.75	0.00
	Saudi Arabia	49.99	48.38	47.23	54.06	53.36	54.23	0.87	1.04	-11.18
	South Africa	183.71	180.92	186.24	204.48	212.41	213.80	1.39	0.35	9.62
	Turkey	366.80	364.84	386.57	422.76	435.12	437.19	2.07	4.25	132.81
	Ukraine	388.32	389.71	380.20	414.89	451.88	433.00	-18.89	-6.08	44.37
	Abu Dhabi	40.91	39.56	38.86	43.63	43.94	43.98	0.05	0.75	5.61
	Dubai	90.00	87.92	86.65	93.06	94.91	95.53	0.62	-0.05	-16.53

Source: Bloomberg, MUFG Research

EM capital flows

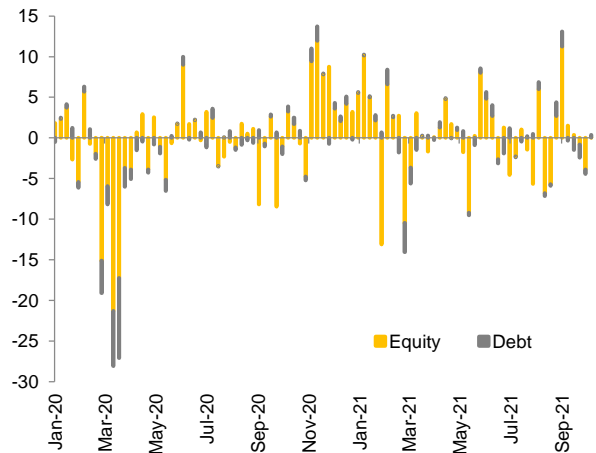
WEEKLY TOTAL EM INFLOWS OF USD0.4BN – 08 OCTOBER

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



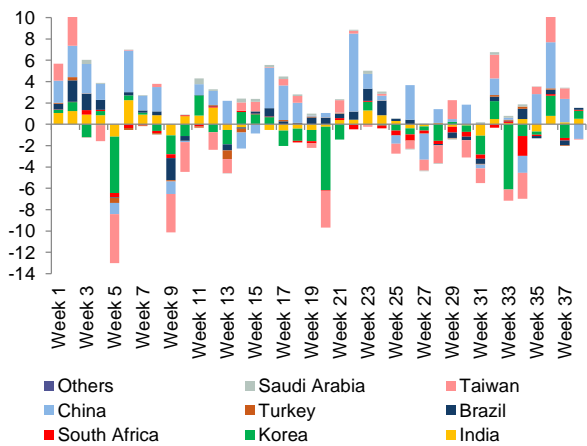
WEEKLY EM INFLOWS FROM EQUITY (USD0.1BN) WHILST DEBT INFLOWS (USD0.3BN) – 08 OCTOBER

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



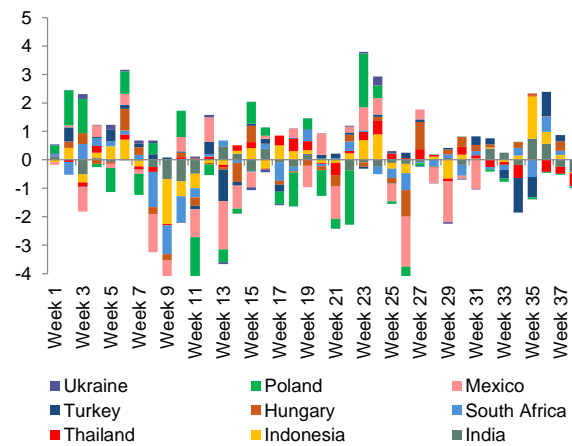
INDONESIA (USD0.7BN) LED WEEKLY EM EQUITY INFLOWS – 08 OCTOBER

WEEKLY PORTFOLIO FLOWS BY COUNTRY, WEEK 1 = JANUARY 2021 (EQUITY) (USD BN)



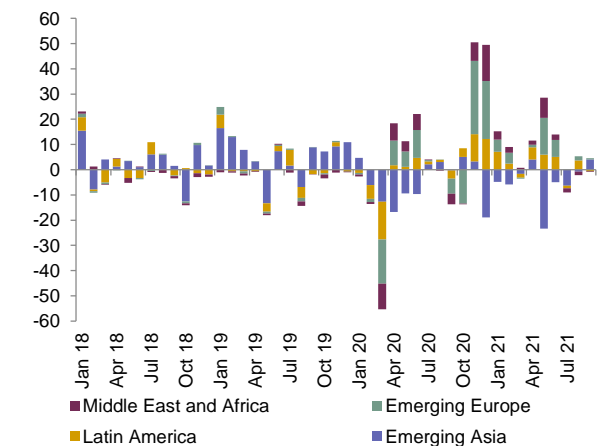
SOUTH AFRICA (USD0.6BN) LED EM DEBT INFLOWS LAST WEEK – 08 OCTOBER

WEEKLY PORTFOLIO FLOWS BY COUNTRY, WEEK 1 = JANUARY 2021 (DEBT) (USD BN)



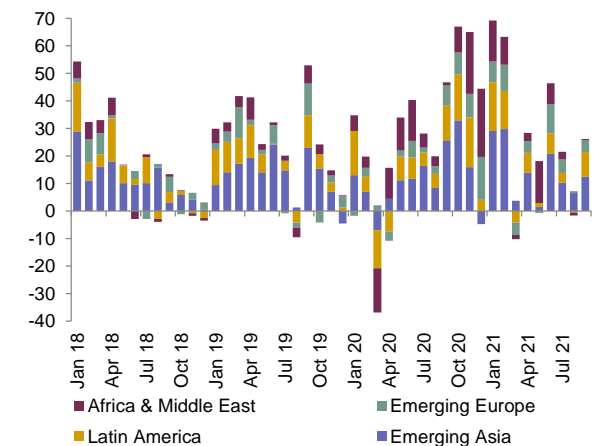
EM EQUITY FLOWS TOTALLED USD3.6BN IN SEPTEMBER, LED BY EM ASIA (USD4.1BN) AND EM EMEA (USD0.5BN)

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



EM DEBT FLOWS TOTALLED USD26.2BN IN SEPTEMBER, LED BY EM ASIA (USD12.5BN) AND LATAM (USD8.9BN)

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



Source: Bloomberg, IIF, MUFG Research

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