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The rise of risk premium across emerging markets

Macro focus: The short-rate shock is intensifying with much attention on the recent ratcheting up of implied policy rates across developed markets. Emerging markets have been progressively pricing in a higher short-rate risk premium well in advance of this, as we have been consistently cataloguing (see here and here), with a growing chorus of central banks already tightening policy. We favour emerging markets that have sizable risk premiums and robust macro fundamentals making them less sensitive to volatility in developed markets.

FX views: EM FX have staged a modest rebound following the easing of global financial conditions after major DM central banks (RBA, ECB and BoE) pushed back against market expectations for higher rates – the Fed did not go as far as pushing back against higher rates but neither did it provide any guidance for earlier hikes.

Trading views: A pullback in DM yields has caused a sharp retracement in high beta EM, which provides a window for EM to tactically outperform as DM pricing is pushed back – meanwhile EM central banks continue to bring back carry.

Week in review: Over the previous week, Poland (75bp to 1.25%) and Czech (125bp to 2.25%) delivered hawkish rate surprises with more hikes likely, inflation in Turkey (19.9% y/y) rose less than expected keeping the door open for easing and Russian inflation rose to 8.1% y/y with the CBR expected to hike once more before year-end.

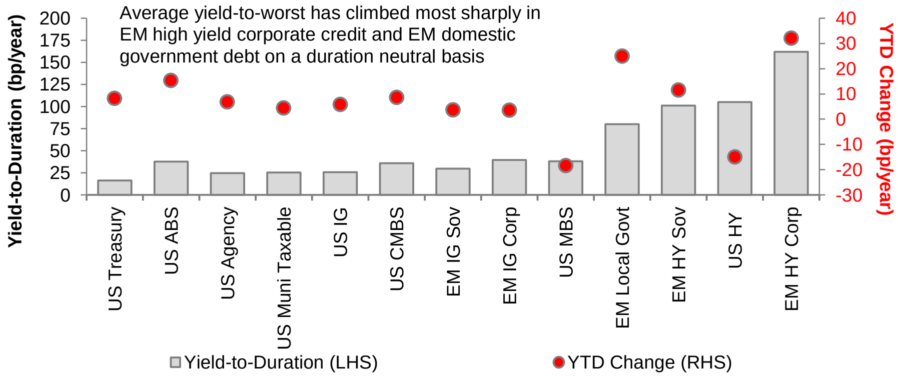
Week ahead and calendar: In the coming week, we have a host of inflation readings in the CEE region (Czech Republic, Hungary and Romania), Q3 GDP will be released in Russia as well as Poland, South Africa will present its Medium Term Budget Policy Statement (MTBPS) and finally we have a rate decision in Romania.

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: EM capital flowed out marginally last week (USD-0.2bn) with the Fed's long-awaited tapering of its balance sheet having a muted effect thus far.

CHART OF THE WEEK: YIELDS ARE RISING MORE RAPIDLY IN EM DEBT

EM DURATION ADJUSTED (YIELD-TO-WORST) VS. GLOBAL PEERS



Source: Bloomberg, MUFG Research

Macro focus

The rise of risk premium across emerging markets

Healthy repricing of risk premium across EMs

The sell-off in emerging market (EM) fixed income markets in 2021 so far has led to a healthy repricing of risk premium. Macro risks remain elevated, with rising energy and food prices causing apprehensions about a more pronounced supply shock and stagflation. Also, the latest surge in developed market (DM) rates has not helped with market expectations for a faster policy normalisation, led by recent policy actions by the Reserve Bank of Australia (RBA), Bank of Canada (BoC), Bank of England (BoE) and the US Federal Reserve (Fed). One silver lining during this recent sell-off has been the absence of broader EM asset weakness. EM local government bonds posted a net loss of 1.2% in October but this was somewhat cushioned by FX gains.

We look for EMs that have sizable risk premium but also strong macro fundamentals

To position in this environment, we look for EMs that have sizeable risk premiums but also have strong macro fundamentals making them less sensitive to volatility in DM rates. Within EM EMEA, Egypt and Russia stand out in this regard among high yielders, whilst in low yielders, our preference is tilted towards CEE3 economies.

EM rates are exhibiting several sources of sensitivity to short-rate risk premium

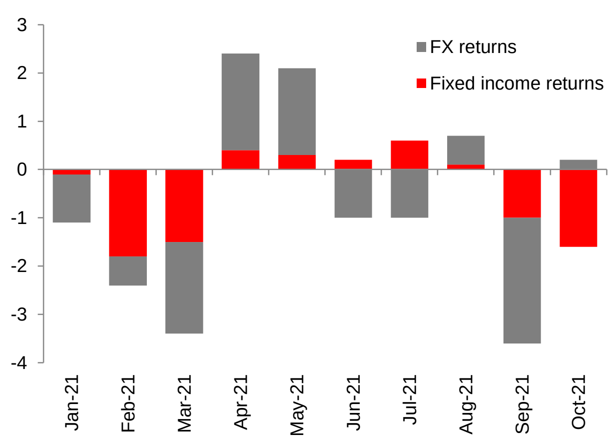
Whilst remaining cognisant in over-interpreting the correlation vs causality, the market pricing of global policy normalisation by DM central banks generally, all things being equal, raises additional short-rate risk premium in EMs. We have previously highlighted that EMs are more sensitive to higher energy and food prices as well as supply bottlenecks (see here). This is especially the case when EMs comprise a weightier energy and food component in CPI baskets as well as greater risks of second-order effects igniting inflation expectations. Our analysis signals that that inflation targeting EM central banks behave according to an extended Taylor rule. As such, central banks respond to real exchange rate and external financial conditions in addition to inflation and output gaps. In particular, EM central banks consider financial stability in addition to price stability and external variables play a very important role in interest rate setting. In this context, financial stability by EM central banks will take increasing prominence at a time when there is global policy normalisation and the prospect of a reduction in global liquidity. Thus, EM rates are exhibiting several sources of sensitivity to short-rate risk premium.

Divergence in rates across EMs

Whilst there are several leaders in the EM policy tightening cycle, it is difficult to

EM DOMESTIC BONDS HAVE DELIVERED SIZABLE LOSSES THUS FAR IN 2021

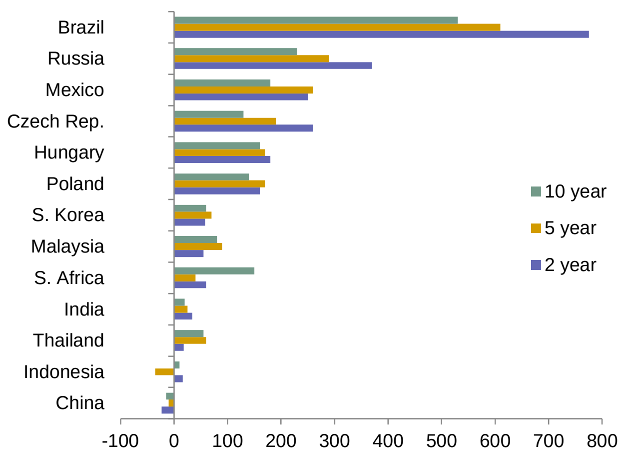
EM DOMESTIC BONDS, TOTAL RETURNS (%)



Source: Bloomberg, MUFG Research

EM EMEA AND LATAM SELLOFF IN DOMESTIC RATES HAS BEEN MORE PRONOUNCED THAN ELSEWHERE

EM DOMESTIC BONDS, YEAR-TO-DATE CHANGE (BASIS POINTS)



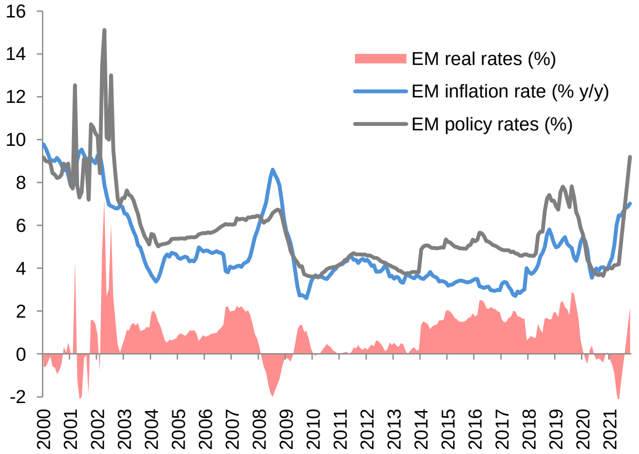
Source: Bloomberg, MUFG Research

position against the rise in short-rate risk premium. This includes global policy normalisation sentiment in DM until at least there is clarity and/or confirmation on key policy events such as rate decisions. Across the EM complex, the largest shifts year-to-date have been witnessed in LatAm and EM EMEA markets, given their near-full reversal of the 2020 pandemic-induced rate cuts, inflation overshooting targets and increasing fiscal as well as political uncertainty in some markets:

1. EM EMEA. The standout in the EM EMEA region is Russia with implied policy rates projected to peak shortly and turn to easing in 12-24 months. Even before the additional 75bp rate hike at the last Central Bank of Russia (CBR) meeting, we thought the tightening delivered so far would be more than sufficient to bring inflation back to the 4% target by the end of 2022.
   Granted that in Russia inflation has moved above the CBR's target but the CBR has already delivered aggressively front-loaded policy rate hikes of 325bp, while rising oil and gas prices provides a supportive macro environment for RUB local rates. With real policy rates rapidly heading firmly into positive territory in 2022, we view the CBR's aggressive policy response is more than sufficient to bring inflation back down. For the rest of the region, in particular CEE countries, the market is likely to price in further policy tightening, especially given the marked acceleration in rate hike in Poland, the Czech Republic and Hungary. Indeed, the latest hikes by the Polish (75bp) and Czech (125bp) central banks last week could also well intensify expectations for a catch up by several EM central banks that have so far been on a policy pause.
2. LatAm. LatAm leads the way with further implied policy tightening, in particular Brazil. Despite raising rates by 575bp the market is implying a further 380bp over the next two years. This, however, is still falling short of addressing Brazil's underlying macro fragilities with inflation expected to persist above the target with intensifying fiscal and political uncertainties. Across the region, most implied policy rates have moved higher over 3, 6, 12 and 24-months horizons. One exception is Chile, in part due to the outsized 125bp rate hike at the last central bank policy meeting. Fiscal deterioration and high spending coinciding with the 2022 Presidential elections are further cause for concern though for policy rates in Brazil.
3. EM Asia. In EM Asia, the flurry of build-up in US rate hike expectations has also spread to the region, Even Thailand, which was seen as recently as August to be EM Asia's representative of lower-for-longer policy rates, has two rate hikes priced in for the next 12 months. Though, South Korea takes

EM INFLATION IS REGISTERING ITS HIGHEST READINGS IN A DECADE, PROMPTING ROBUST HIKING REACTIONS

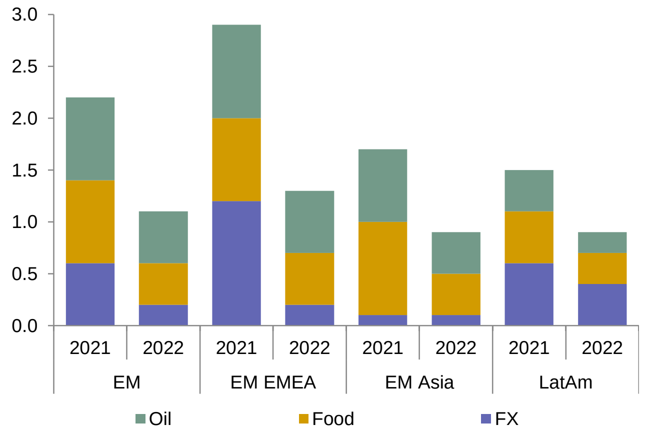
EM INFLATION (% Y/Y), EM POLICY RATES (%) AND REAL RATES (%)



Source: Bloomberg, EM Central Banks, MUFG Research

STRONGER ENERGY AND FOOD CONTIRUBTIONS TO SPUR OVERALL EM INFLATION HIGHER

EM INFLATION CONTRIBUTIONS FROM CORE DRIVERS, % POINTS



Source: Bloomberg, MUFG Research

the crown, with as many as four rate hikes priced in for the next year. We expect some convergence in policy expectations between South Korea and the rest of EM Asia. As reopening continues, Malaysia's growth rebound is unlikely to pale in comparison with South Korea. Singapore has also entered the policy normalisation ranks and even though the normalisation is for its exchange rate policy, market participants have gone on to price in a rather sharp liquidity tightening process in the country. History does not suggest that this is likely, and front-end rates pricing is increasingly hard to justify in our view. Finally, whilst inflation pressure has been relatively more contained in EM Asia, such risks need to be more carefully monitored given the high weight of food and energy in the CPI basket in EM Asian countries.

EM domestic bond yields have begun to move more in lockstep with each other in recent months

An increasing trend over the past two months is that domestic government bond yields across EMs have begun to move more in lockstep with each other. This reflects the increasing dominance of the broader risk sentiment towards EM fixed income amid a surge in rates in the major markets, intensifying concerns around stagflation risks and dwindling appetite for EM bonds.

Across a host of metrics in EM EMEA, Egypt, Russia and the CEE3 standout as best performers

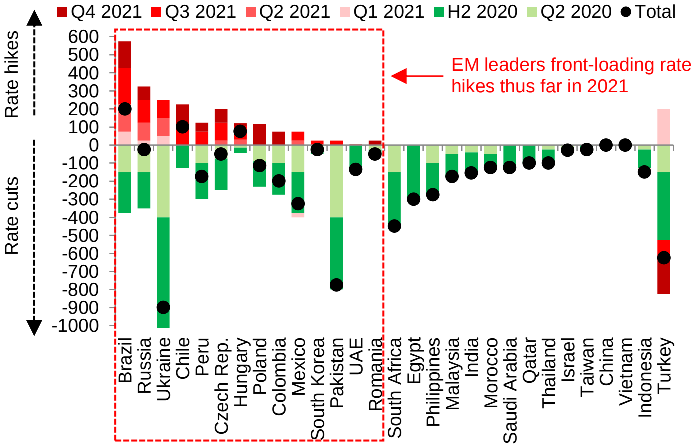
Notwithstanding all the intensifying external risks, domestic country-specific factors offer the most framework to find value within EM. Across a host of metrics in EM EMEA, domestic government bonds in Egypt and Russia top the list among high yielders while the CEE3 comes out the top among low yielders. On a broader basis, any return of EM FX weakness and/or general tightening of global financial conditions could also pose another risk to EM inflation as both these factors are considered to have a non-linear impact on inflation in EM.

Short-rate shock is intensifying across DMs, but EMs have been increasingly pricing in a higher short-rate premium well in advance of this with a growing chorus of central banks hiking rates already

Overall, the short-rate shock is intensifying with much attention on the recent ratcheting up of implied policy rates across DMs. EMs have been progressively pricing in a higher short-rate risk premium well in advance of this, as we have been consistently cataloguing (see here and here), with a growing chorus of central banks already tightening policy – which now includes Brazil, Chile, Colombia, the Czech Republic, Hungary, Mexico, Peru, Poland, Russia, South Korea and Singapore. EM rates are likely to gyrate alongside volatile energy and food prices as well as the evolution of the inflation being transitory or persistent debate over the near-term. With that in mind, we favour emerging markets that have sizable risk premiums and robust macro fundamentals making them less sensitive to volatility in developed markets.

MONETARY POLICY NORMALISATION IS INCREASINGLY TAKING HOLD ACROSS EM'S WITH MARKED LEADERS

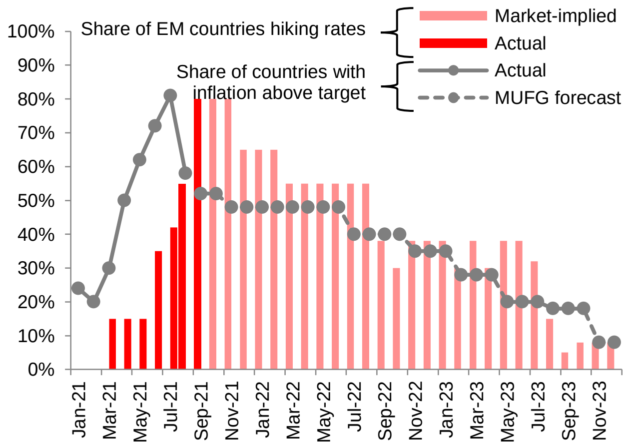
CHANGE IN EM INTEREST RATES BY TIME PERIOD (BASIS POINTS)



Source: Bloomberg, EM Central Banks, MUFG Research

PEAK EM INFLATION LIKELY TO COINCIDE WITH HIGHER MARKET-IMPLIED RISK OF MONETARY TIGHTENING

EM CENTRAL BANK HIKES AND INFLATION (% SHARES OF TOTAL)



Source: Bloomberg, EM Central Banks, MUFG Research

FX views

EM FX: DM central bank pushback against higher rates provides temporary relief

EM FX stages relief rally after DM central banks push back against rate hike expectations

Emerging market currencies have staged a modest rebound over the past week after our EM FX index hit fresh year to date lows at the start of the month. The relief rally for emerging market currencies has been triggered by the easing of global financial conditions after major central banks pushed back against market expectations for higher rates. The RBA, ECB and BoE all signalled more strongly over the past week that market participants' had gone too far in pricing in earlier and faster rates hikes in the coming years. The Fed did not go as far as pushing back against higher rates but neither did it provide any encouragement for earlier hikes as they continued to differentiate between conditions required for tapering and hikes. The USD has rebounded broadly as rate hike expectations have fallen back more outside the US.

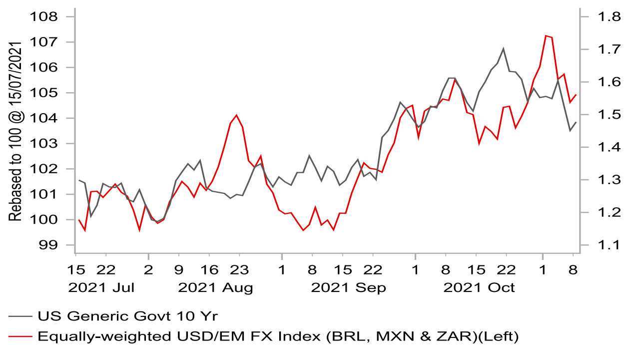
Fed communications is helping to prevent another taper tantrum and easing downside risks for EM FX.

The Fed will be pleased though that clear communication has helped to dampen the risk of another taper tantrum in the US bond market. It has set out plans to begin tapering QE which is set to end by June. The 10-year UST yield has even fall back towards support at 1.45% after hitting a high last month at 1.70%. The lack of negative reaction in the US bond market from the Fed's taper announcement is reassuring and helps dampen downside risks for emerging market currencies in the near-term. We remain concerned though that the Fed will come under pressure to speed up rate hike plans in response to upside inflation risks. The latest NFP report continued to show both tightening labour market conditions and further encouraging evidence that the US economy is picking up after the slowdown in Q3. The relief for EM FX from lower US rates is likely to prove short-lived. The main risk to that view is posed by uncertainty over the Fed's leadership with President Biden's decision on the Fed Chair's future potentially coming this week. We still expect Chair Powell to be given a second term. EM FX would receive a further boost if he is not reappointed.

Higher yielding EM FX have benefitted the most from pullback in US yields and lower market volatility. CNB and NBP have refried trend for more aggressive EM central bank tightening.

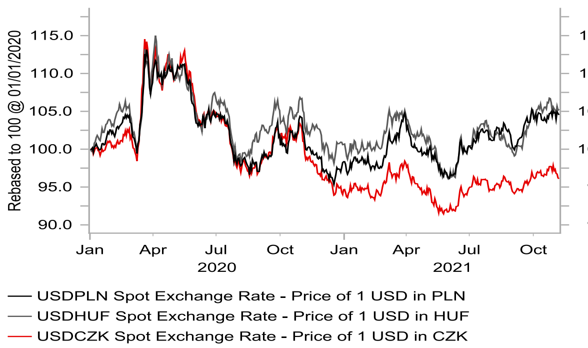
The higher yielding EM currencies of the ZAR (+2.7% vs. USD), BRL (+2.6%), MXN (+2.2%) have benefitted the most from the pullback in US yields and less volatile conditions. We expect the ZAR to continue to be mainly driven by external drivers in the week ahead although the South African budget is an important domestic event risk. The CZK and the PLN to a lesser extent have also benefitted from higher yields on offer domestically after the CNB and NBP continued the trend for more aggressive rate hikes from EM central banks. The CNB's decision to almost double its policy rate to 2.75% has reinforced its inflation fighting credibility and its position as the most hawkish regional central bank. The CZK remains our favourite CEE-3 currency.

LOWER US YIELDS BRING TEMPORARY RELIEF



Source: Bloomberg, Macrobond & MUFG Research

CZK CONTINUES TO OUTPEFORM WITHIN CEE-3



Source: Bloomberg, Macrobond & MUFG Research

Trading views

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Trading views: The passing of tail risks while EM CBs continue to hike provides a window for EM outperformance.

A pullback in developed market yields caused a sharp retracement in high beta EM

Last week was all about the passing of tail risks. After all the mayhem of the week before some more rational expectations returned to developed market interest rate pricing. While questions were raised over the communication methods employed by some CBs esp BOE, for EM the pullback in G10 yields was positive. Most welcome was of course the Fed's calmness with Powell rhetoric during the press conference having almost a hint of "keep calm and carry on". Friday's goldilocks NFP release two days later furthered this theme moving us back into the middle of the USD smile seeing a strong rebound for those high beta currencies that had been hurt in the week before.

This provides us a window for EM to tactically as developed market pricing is pushed back...

We think these actions have created a window where EM can further outperform. While the reality six months from now may be different, for now the market narrative has shifted to more serene rate pricing and commentary from all the major central banks (Fed, ECB, BOE ..) has been strong to push back thoughts of a rate hike by a quarter or so with possible exception of BOE. While we don't expect the period of EM underperformance to turn around any time soon, it has meant that from a positioning angle with the odd exception, overall EM positioning is relatively light. The hedging for event risks has already happened and those moments came and went without the boat being rocked. Attention may now turn to the historically cheap valuations on certain metrics in EM. Furthermore as year ahead trades start being looked at it seems the recurring question "is this the year EM plays catch up" will be raised, shifting investor mindset to a more positive EM outlook perhaps.

While EM central banks continue to bring back carry

Alongside DM CBs pushing back on rate hikes, EM ones continues regardless. CEE once again taking centre stage with both CZK and PLN raising significantly more than expected and show now hesitancy in combating inflation worries. Short term these rate moves by CBs have not really benefited EMFX. In some cases local factors or worries over fiscal policy have overridden the benefits of carry. However, we think in the short term with this potential backdrop of low and falling vol the appeal of carry will start to come back and potentially quite quickly. EURPLN shorts are starting to look attractive again while our favoured currency should start to go back to previous trend of steady appreciation even if CBR have increased there USD purchases to slow the move.

Week in review

EM capital flows: A tentative calm and muted week with rates in focus

FOMC in focus and we highlight two core drivers of EM flows – (i) the level of US Treasury yields and (ii) the level of risk premium on offer

Last week's FOMC meeting confirmed the beginning of the long-awaited tapering of the Fed balance sheet. Accordingly, the pace of asset purchases will be reduced by USD15bn (USD10bn Treasury securities and USD5bn mortgage-backed securities) at a pace per month, starting mid-November. In the press conference following the decision, Fed Chair Powell stated the FOMC could be patient as far as rate hikes are concerned (given the view that inflation is broadly transitory), but noted that it would not hesitate if a policy response is needed. The impact of the tapering decision seems to have been limited so far for EMs. This largely reflects that EMs are more resilient through healthier external balances thanks to reduced financing needs, increased reserve buffers and less overvalued currencies (see here). Over the medium-term, we view that two factors will be crucial for determining the path for EMs: (i) the level of US Treasury yields and (ii) the level of risk premium on offer. On the former, our US rates strategist believes that US 10 year yields will rise closer to 2% by end-2022 (see here). On the latter, we note many EM central banks have already been hiking rates (see *macro section* above), bringing the real policy rate gap between EM and DM to its widest level since February 2017. Moreover, current monetary policy outlook is the most hawkish in more than ten years, implying that EM is actually building some risk buffers, but this may still not be enough in certain cases.

EM capital flows were muted last week following a heavy calendar on rates decisions that kept investors on edge

According to IIF data, fund flows out of EMs totalled USD-0.2bn driven by debt (USD-0.5bn) which offset gains into equity (USD0.3bn). However, from a 28 day rolling average perspective, outflows from EM equity and bond funds has now continued since early October. Meanwhile, from an asset class performance perspective, all metrics are pointing to underperformance year-to-date bar EM FX – a testament that conditions remain less favourable across the EM complex.

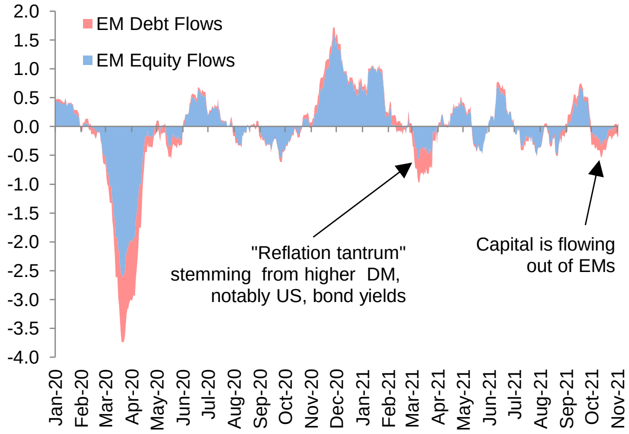
Poland: NBP delivers another hawkish rise and revises up its inflation levels

Poland surprises on the upside for the second consecutive time on rates and reaffirms its hawkish pivot

The National Bank of Poland (NBP) hiked its key policy rate by 75bp, from 0.50% to 1.25%, exceeding our (and consensus) expectations of an 25bp increase. The policy surprise was coupled with a significant re-appraisal of the NBP's inflation forecasts, with the mid-point average inflation forecast for 2022 raised from 3.4% to 5.8%. In

CAPITAL HAS FLOWED OUT OF EM'S CONSISTENTLY SINCE EARLY OCTOBER ON A 28 DAY ROLLING BASIS

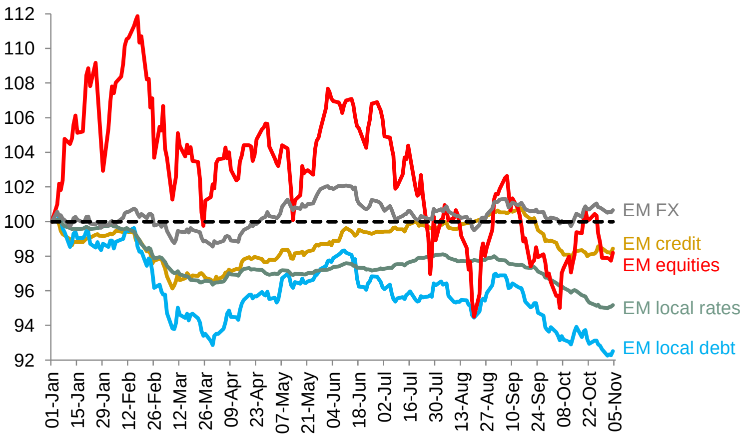
EM EQUITY AND DEBT FLOWS (USD BN), 28 DAY ROLLING AVERAGE



Source: IIF, MUFG Research

ALL EM ASSET CLASSES (BAR EM FX) CONTINUE TO UNDERPERFORM YEAR-TO-DATE

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



Source: Bloomberg, MUFG Research

the press release, the Monetary Policy Committee (MPC) maintained that it views most of the current overshoot in inflation as driven by external factors, but it judged that monetary tightening was nevertheless warranted to offset potential second-round effects. Looking ahead, although there was limited rate guidance in press release, Governor Glapinski mentioned in the post-meeting press conference that he thought that a rate hike in December was more likely than not. Market pressure for further rate increases is also likely to be sustained by the performance of inflation in the coming months, with headline inflation likely to rise to 7.4% y/y by year-end on our forecasts (currently 6.8% y/y as of October).

Our base case is for 50bp in tightening in December with another cumulative 100bp in tightening in 2022, taking rates to 2.75% by end-2022

On net, whilst rate hikes per se will do little to ease near-term inflationary pressures, the NBP seems to be pursuing a more aggressive tightening path following a long pause. This should help keep inflation expectations anchored and bring inflation back to target in the medium term. Despite real interest rates in Poland remaining deeply negative, the move brings them closer to CEE peers, which should limit the pressure on the Polish Zloty (PLN) going forward. With NBP's communication still unclear, the pace of next hikes is uncertain. Our base is that the MPC will hike rates by 50bps in December, with another cumulative 100bp of tightening in 2022, bringing the rates to 2.75% by end-2022.

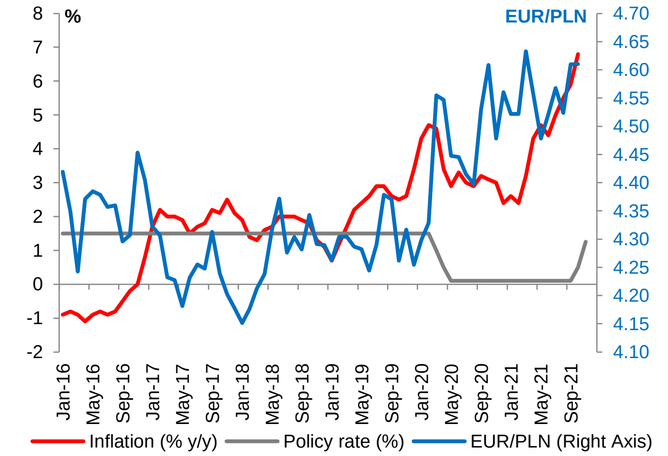
Czech Rep: CNB delivers the largest single hike in 25 years – more to come

Czech Republic confirms its hawkish stance with the largest single hike since 1997

Following hikes of 25bp in June, 25bp in August, 75bp in September, the Czech National Bank (CNB) surprised us and markets with the largest single hike since 1997 with a 125bp last week, taking rates to 2.75%. We had expected a 75bp hike whilst consensus expectations was for a hike of 50bp. The policy rate has now risen above its pre-pandemic level (2.25%) to reach a 13 year high. The decision followed a series of upside surprises to inflation and the prospect that inflation is likely to rise materially further in the coming months, raising concerns of a potential de-anchoring of inflation expectations. In the accompanying statement, the CNB declared that the rate hike comes in response to "current exceptionally strong price pressures in the domestic and foreign economies", with the aim of limiting pass-through and re-anchoring expectations. In terms of forward guidance, the CNB also released new macroeconomic forecasts, revising its inflation forecasts significantly higher and now expects inflation to approach 7% y/y over the winter months, before gradually declining over the course of 2022 on the back of prior tightening. Governor Rusnok said that the Monetary Policy Committee (MPC) will discuss further rate hikes in the December meeting and indicated that policy rates need to reach at least their neutral

POLAND SURPRISES MARKETS ONCE AGAIN WITH A 75BP RATE INCREASE, WITH MORE HIKES TO COME

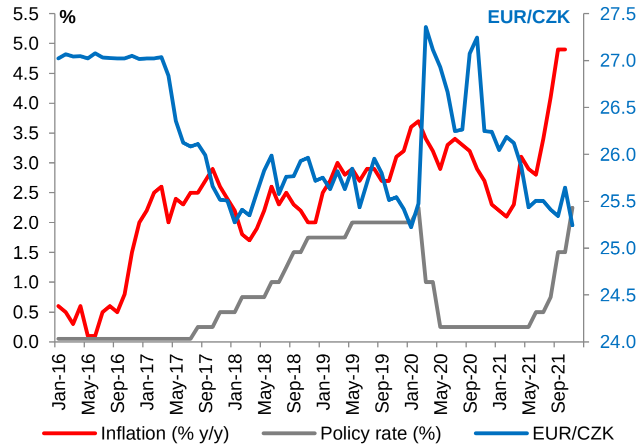
POLAND POLICY RATE (%), INFLATION (% Y/Y) AND EUR/PLN



Source: Bloomberg, NBP, MUFG Research

CZECH HIKED RATES FOR THE FOURTH CONSECUTIVE MEETING WITH MORE INCREASES EXPECTED

CZECH REPUBLIC POLICY RATE (%), INFLATION (% Y/Y) AND EUR/CZK



Source: Bloomberg, CNB, MUFG Research

rate level (estimated by the CNB to be 3.0%) or higher. The CNB's revised forecasts imply that rates will need to rise to a level of 3.50-3.75% in Q1 2022, before easing thereafter.

Our base case is for 50bp in tightening in December with another cumulative 100bp in tightening in 2022, taking rates to 2.75% by end-2022

Going forward, the MPC appears set to hike further, citing risk of expectations de-anchoring as the main reason for the sharp front-loaded tightening. On our estimates, we expect inflation to rise from 4.9% y/oy to a peak of 6.8% y/y in February 2022, before declining considerably by the end -2022. Given much higher inflation and the limited response of the Czech Koruna (CZK) to the rate increases implemented by the CNB to date, further material tightening appears likely in the months ahead.

Turkey: less than expected rise in inflation keeps the door open for easing

Inflation in Turkey was lower in October but nevertheless extremely elevated by any standard

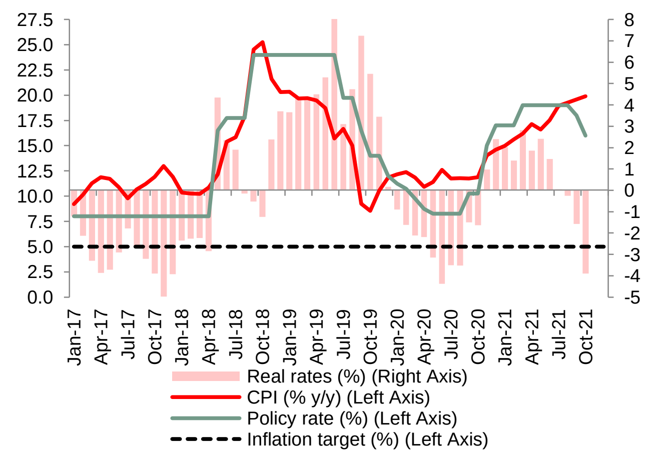
Headline inflation in Turkey rose from 19.6% y/y in September to 19.9% y/y in October, below our and consensus expectations of 20.9% y/y and 20.4% y/y, respectively. The developments in core inflation were even more surprising, edging down from 17.0% y/y to 16.8% y/y, against our and consensus expectations for increases to 18.0% y/y and 17.9% y/y, respectively. The two drivers of the downside surprise appear to be food and clothing. Food prices rose by 1.9% m/m, compared to an average rise of 2.3% m/m over the previous five years, while clothing prices rose by 7.6% m/m, against a seasonal pattern that had suggested a gain of more than 10%. Energy inflation rose largely in line with our expectations, by 4.6% m/m, which pushed the annual rate to 25.8% from 22.8%. Producer inflation rose more sharply in October when compared to CPI, reaching yet another series high of 46.3% y/y (from 44.0% y/y in September).

Our base case is for an additional 100bp in cuts by the CBRT on 18 November

The cumulative 300bp in rate cuts since September now puts Turkey's real policy rate (using headline or core inflation) into negative territory, in contrast to many other EMs that have started tightening cycles and that will see real rates move higher throughout the next 12 months. The CBRT actions indicate that lowering inflation to the 5% target is not a policy priority, so policymakers are likely to have a degree of tolerance for further Turkish Lira (TRY) weakness, despite its inflationary effects. Looking ahead, elevated inflation expectations and the risk premium, in tandem with continued subdued prospects for capital inflows, make a strong case against further easing. Nonetheless, the October Monetary Policy Committee (MPC) statement and Governor Kavcioglu's remarks at the presentation of the October Inflation Report signals to us that additional monetary policy relaxation this year is likely. As such, we

HIGHER TURKISH INFLATION AND LOWER NOMINAL RATES HAS PUSHED REAL RATES TO NEGATIVE LEVELS

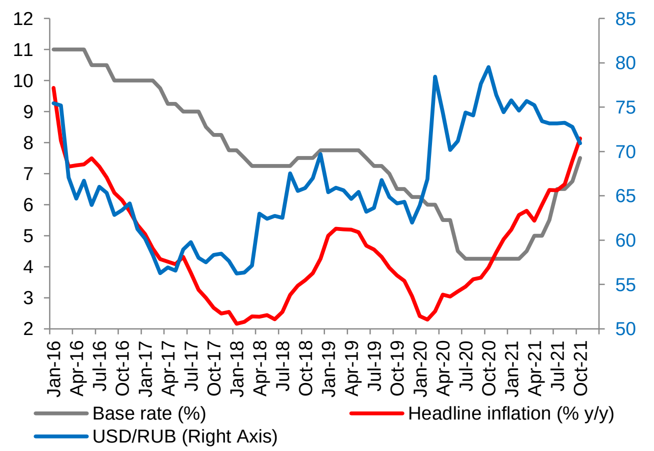
TURKEY NOMINAL AND REAL RATES (%) VS. INFLATION (% Y/Y)



Source: Bloomberg, CBRT, MUFG Research

RUSSIAN INFLATION CONTINUES TO SURPRISE ON THE UPSIDE WITH CBR EXPECTED TO CONTINUE ITS HIKES

RUSSIA POLICY RATE (%), INFLATION (% Y/Y) AND USD/RUB



Source: Bloomberg, MNB, MUFG Research

expect a 100bp cut in the 18 November meeting, taking the policy rate to 15.0%. We believe this is a likely near-term floor in rates given underlying inflationary dynamics and the depreciation pressures in the TRY. Our terminal rate forecast of 15.0% implies an ex-ante real rate ~2% with 12 month forward inflation expectations ~13% y/y – though we acknowledge that risks are skewed to the upside given the ongoing deterioration in inflation expectations. On net, given the current delicate operating environment suggests that the disinflation process is likely to be more challenging than envisaged by the CBRT. A worsening in price dynamics, a relatively high trend inflation and an increase in the FX pass-through signals that it is likely to be difficult for the CBRT to bring inflation to its new projections of 18.4% y/y and 11.8% y/y by end-2021 and end-2022, respectively (noting that the official CBRT target remains at 5% target).

Russia: inflation rises above 8% y/y with CBR expected to hike once again

Inflation in Russia continues to surprise on the upside with the CBR expected to remain hawkish

Headline inflation in Russia rose slightly more than expected from 7.4% y/y in September to 8.1% y/y in October, in line with our expectations (consensus 8.0% y/y). As expected, the harvest-sensitive fruit and vegetable component contributed the major share of the increase. However, pricing pressures were broadly spread. Core inflation increased to 8.0% y/y – its seventeenth consecutive increase. Having said that, previously elevated price pressures in the non-food goods sectors appear to be abating, albeit slowly, with the annualised increase remaining constant and the sequential print declining. Given a stronger Russian Rouble (RUB), we expect this dynamic to accelerate into the end of the year. From a monetary policy perspective, the inflation print north of 8% supports the CBR's decision to deliver a larger-than-expected 75bp rate rise in its last meeting on 23 October. Our base case is for headline inflation to end-2021 at 8.0% y/y and 4.3% y/y by end-2022, signalling that a 50bp rate hike may be needed to bring the policy rate close to zero before the end of this year, with policy rates expected to peak at 8.00%.

Week ahead

Inflation: CEE inflation readings in October to signal further increases

Inflation is yet to peak across Central and Eastern Europe (CEE)

Inflation data for October 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 4.9% y/y in September to 5.5% y/y in October (in line with consensus). The key drivers are expected to be a sharp pickup in food and energy prices. Going forward, we expect inflation to rise further in the coming months, as the increase from higher global energy prices feeds further into consumer inflation in the Czech Republic and food prices remain elevated. In its last Monetary Policy Committee (MPC) meeting, the Czech National Bank (CNB) surprised expectations significantly to the upside, delivering a 125bp rate hike, following a series of upside surprises to inflation and the prospect that inflation is likely to rise materially further in the coming months. Our inflation models have inflation averaging 3.7% y/y in 2022, overshooting the 2.0% CNB target and peaking at close to 7.0% y/y in March before declining considerably for the rest of next year.
2. Hungary. In Hungary, we expect inflation to rise from 5.5% y/y to 6.3% y/y (consensus: 6.2% y/y, MNB: 5.2-5.4% y//y), driven primarily by higher food and fuel inflation. While our base case is for the Hungarian National Bank (MNB) to maintain the currently guided 15bp per meeting pace of tightening at the November Monetary Policy Committee (MPC) meeting, we believe the continued inflation overshoot implies that the MNB will announce further quarterly tightening at the December MPC meeting, when it is due to revise its macroeconomic projections.
3. Romania. In Romania, we expect headline inflation to accelerate from 6.3% y/y to 7.2% y/y in October (consensus: 7.0% y/y) on the back of higher energy prices, even as inflation in the other components remains muted. Looking ahead, we expect inflation to rise further and peak in December at close to 8.0% y/y, with higher volatile food and energy prices feeding through into the headline reading. Going forward, we expect inflation to gradually fall as base effects turn favourable and supply bottlenecks are gradually resolved. Having said that, we view that inflation will continue to overshoot the upper bound of the National Bank of Romania's (NBR) target variation band for most part of 2022 and average 5.7% y/y next year.

South Africa: mid-term budget is likely to maintain fiscal framework

South Africa's MTBPS to be maintained with the focus on fiscal consolidation

The robust rebound in budget revenues has set the stage for South Africa to outline a marked improvement in its fiscal projections when finance minister Godongwana tables the Medium Term Budget Policy Statement (MTBPS) on 4 November. We view that fiscal receipts will be materially higher than projected at the time of the Budget in February and, in tandem with the recent upward revisions to GDP by Statistics South Africa, the FY21/22 (ending March) main budget deficit could narrow by 3.7ppt, to 6.2% of GDP. If the government keeps to its current non-interest spending targets, the consolidation path could achieve a primary balance in FY22/23 and stabilise debt in FY23/24. Despite recent gains, South Africa's fiscal position remains fragile and a core source of macro risk. The fiscal shortfall is still large, debt service costs absorb near 20% of tax revenues, and much of the recent fiscal gains leverages the sharp rise in commodity prices seen that has boosted mining sector earnings and royalties.

Romania: NBR expected to raise rates by 50bp and revise inflation higher

Romania to raise rates for the second consecutive month and likely revise upwards its inflation forecasts

The National Bank of Romania (NBR) is expected to hike rates when it meets on 4 November with our (and consensus) expectations of a 50bp increase to take the policy rate to 2.00%. While the NBR is historically conservative in its monetary policy actions, we view that the combination of significantly higher inflation in the near term and the accelerating monetary tightening of its CEE peers will spur the NBR to opt for a relatively large hike. We also expect the NBR to revise its inflation forecasts in its new Inflation Report substantially higher over the coming 12 months.

Russia: Q3 GDP growth likely to have slowed on slower consumption

Russia Q3 GDP to signal a slowdown

Russian GDP in Q3 2021 is expected to signal a slowdown to 4.4% y/y (consensus: 4.4% y/y) from 10.4% y/y in Q2 2021. Whilst the reading will only be a headline number, we view that consumption will have eased as domestic demand normalised from a higher Q2 2021 reading. We also envisage the contribution from net exports to have strengthened.

Poland: Q3 GDP growth to ease but fundamentals remain strong

Inflation in Turkey is set to rise to 20.9% y/y in October

Poland will release its Q3 2021 GDP estimate and we forecast the reading to a growth 5.1% y/y (consensus: 4.8% y/y) from 11.2% y/y in Q2 2021. High frequency indicators were somewhat more mixed during the quarter, with continued expansion in the industrial sector, but slight moderation in retail sales. Having said that, the recovery in levels suggested by high-frequency indicators is higher than the one implied by the GDP data, and we continue to expect some catch-up in GDP growth rates.

Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Romania	09/11/2021	---	Monetary policy meeting, %	Nov	2.00%	2.00%	1.50%	!!!
	Hungary	09/11/2021	08:00	CPI, % y/y	Oct	6.3%	6.2%	5.5%	!!!
	Ukraine	09/11/2021	13:30	CPI, % y/y	Oct	---	11.0%	11.0%	!!
	Egypt	10/11/2021	---	CPI, % y/y	Oct	---	53.0	53.4	!!
	Oman	10/11/2021	---	CPI, % y/y	Oct	---	52.5	52.1	!!
	Romania	10/11/2021	07:00	CPI, % y/y	Oct	7.2%	7.0%	6.3%	!!!
	Czech Rep.	10/11/2021	08:00	CPI, % y/y	Oct	5.5%	5.5%	4.9%	!!!
	Russia	10/11/2021	16:00	Real GDP, %	Q3-21A	4.4%	4.4%	10.4%	!!!
	Turkey	11/11/2021	07:00	Current account balance, USD bn	Sep	---	USD0.8bn	USD0.5bn	!!
	Poland	12/11/2021	09:00	Real GDP, % y/y	Q3-21P	5.1%	4.9%	11.2%	!!!

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	24-Sep	01-Oct	08-Oct	15-Oct	22-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)

	17-Sep	24-Sep	01-Oct	08-Oct	15-Oct	22-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*

	17-Sep	24-Sep	01-Oct	08-Oct	15-Oct	22-Oct	Change (%) 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)

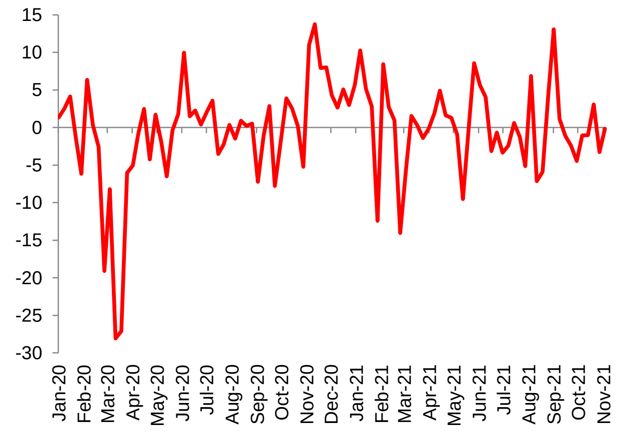
	17-Sep	24-Sep	01-Oct	08-Oct	15-Oct	22-Oct	Change in yield (basis points) Week	MTD	YTD
Bahrain	252.35	257.72	251.18	278.55	288.97	294.90	5.93	11.25	54.08
Czech Rep.	30.16	30.23	30.00	32.97	29.67	34.05	4.38	1.34	-1.69
Egypt	352.20	354.33	368.91	424.97	466.39	466.67	0.28	-13.39	127.63
Greece	73.79	73.07	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

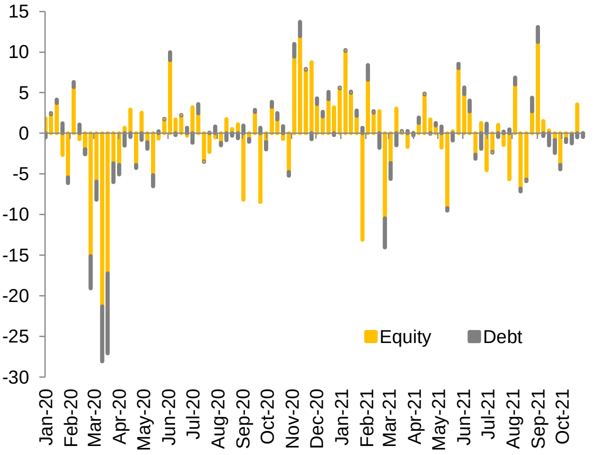
WEEKLY TOTAL EM OUTFLOWS OF USD0.2BN – 04 NOVEMBER

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



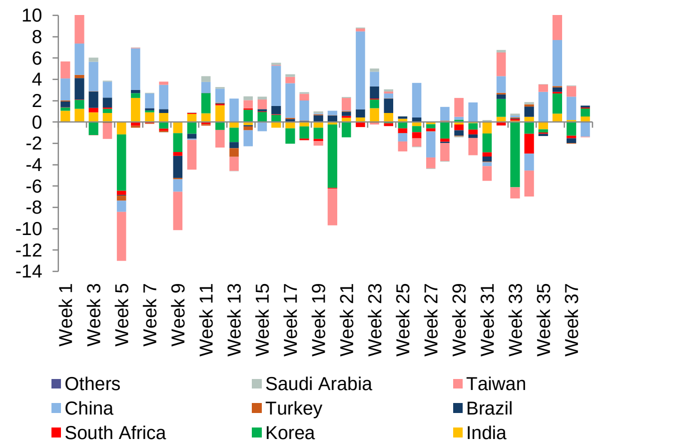
WEEKLY EM INFLOWS FROM EQUITY (USD0.3BN) WHILST DEBT OUTFLOWS (USD0.5BN) – 04 NOVEMBER

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



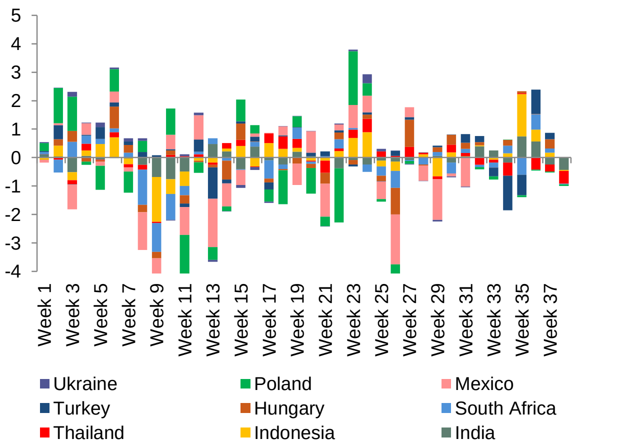
CHINA (USD0.9BN) LED WEEKLY EM EQUITY INFLOWS – 04 NOVEMBER

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



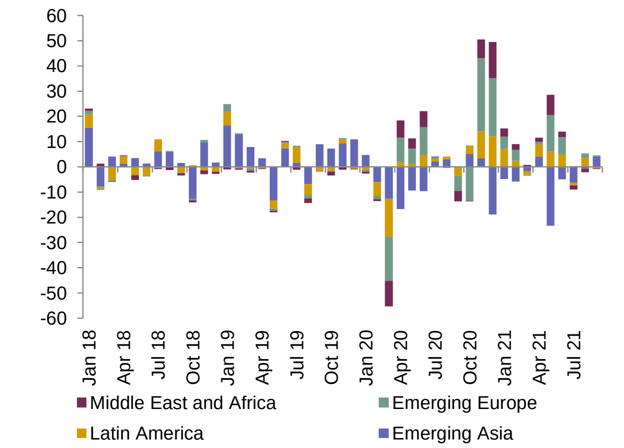
THAILAND (USD0.3BN) LED EM DEBT OUTFLOWS LAST WEEK – 04 NOVEMBER

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



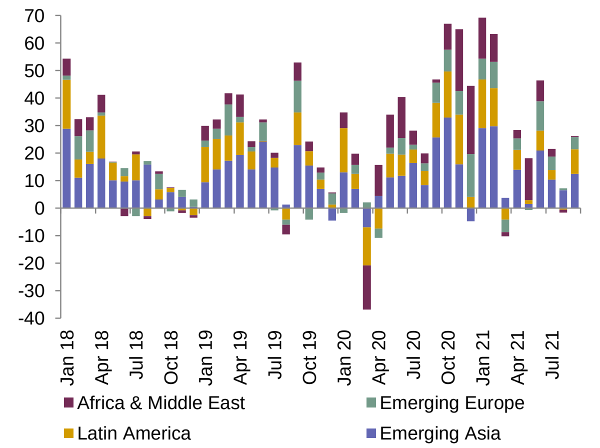
EM EQUITY FLOWS TOTALLED USD3.6BN IN SEPTEMBER, LED BY EM ASIA (USD4.1BN) AND EM EMEA (USD0.5BN)

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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