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Stagflation trepidation is accelerating across EMs

Macro focus: Our 2022 EM outlook theme we advocated in January was anchored on stagflation trepidation remaining top of mind (see here). Recent events have reinforced this narrative. Extensive negative supply-side disruptions, the war in Ukraine, rising commodity prices and a less supportive global liquidity backdrop have markedly deteriorated the EM inflation-growth trade-off. A drawn-out inflation challenge with more rate hikes, tighter financial conditions and higher borrowing costs leaves a precarious outlook for EMs, and favours a bottom-up selection process to pick winners – GCC, South Africa and LatAm stand out as most favourable.

FX views: EM currencies have on the whole traded on a softer footing against the USD thus far in April leaving our EM FX index modestly lower on average against the USD by ~0.4% YTD, with a combination of the dampening outlook for global growth – exacerbated by the war in Ukraine and Chinese COVID lockdowns – as well as the Fed's hawkish policy shift encouraging a stronger USD.

Week in review: Israel commenced its monetary policy normalisation with a 25bp hike to 0.35%, whilst Turkey kept its rates on hold at 14.00% and emphasised the need to strengthen macroprudential policy in the context of supporting credit growth.

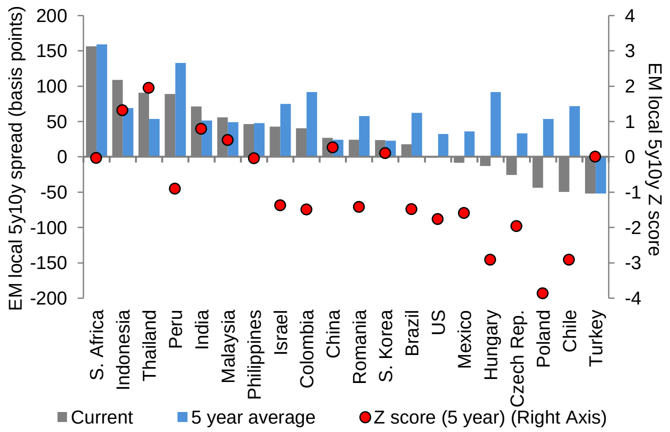
Week ahead and calendar: In a thin week ahead, there is one key release, South Africa's March inflation print (MUFG: up 0.3ppts to 6.0% y/y, in line with consensus).

Forecasts at a glance: We continue to expect the easing of pandemic effects to supporting recoveries, although the going will get tougher in EMs – key risks stem from a tightening in global financial conditions and a lower gear in China.

Core indicators: EM funds suffered their first monthly outflow (USD9.8bn) in March 2022 since March 2021, owing to the uncertainty surrounding the Ukraine war, Chinese lockdowns and ongoing tightening in global liquidity conditions (see here).

CHART OF THE WEEK: RISING RATES CHOKE EM GROWTH EXPECTATIONS

5 AND 10 YEAR EM LOCAL YIELDS SPREADS (BASIS POINTS AND Z-SCORES)



Stagflationary pressures are taking their toll on the long-end of EM local treasury curves (5y10y) – restrictive policy measures have eroded future EM growth expectations, sharply flattening the long-end of EM yield curves … the spreads for 5y vs 10y have narrowed in 16 out of 19 EMs over the past year, with Central and Eastern Europe (CEE) flattening the most, as z-scores in the Czech Republic, Hungary and Poland are now more than 2 standard deviations below their 5y average

Source: Bloomberg, MUFG Research

Macro focus

Stagflation trepidation is accelerating across EMs

Top-down macro pressures are exacerbating the EM outlook

EM risk sentiment has been on a rollercoaster ride throughout 2022. Across the EM complex, economies have been faced with a myriad of challenges such as continued COVID-19 headwinds, downside growth risks, rising inflation and inflation volatility, a less supportive global liquidity backdrop, rise core bond yields, a hawkish tilt from DM central banks, a lower gear in China, a resurgent US dollar, inexorably elevated commodity prices and a leg up in core bond yields. This picture is now even more complicated given the Ukraine war and all the long-term uncertainties it causes. This signals more of the same – a continued deterioration of EM's growth-inflation mix.

Stagflation will continue to be the main theme across EMs in 2022

Although stagflation discussions made a fresh return, particularly in DM this time, it is nothing new for EM (see here). In the last few years, EM has faced significant negative supply shocks, including some reversal in globalisation gains, COVID-related supply disruptions, rising commodity prices, and a less supportive global liquidity backdrop, which have all led to a deterioration in EM's inflation-growth trade-off. In a way, stagflation was reflected in EM asset prices throughout most of 2021, and more recently it has been more of an inflation concern than growth, albeit growth expectations were rather depressed. Whilst COVID is gradually moving into the rear-view mirror, the heightened level of uncertainty surrounding geopolitics and commodity prices, as well as an already weakening pace of activity globally, suggests that stagflation will continue to be the main theme across EMs this year.

Financial conditions remain fragile and risks of technical defaults are looming

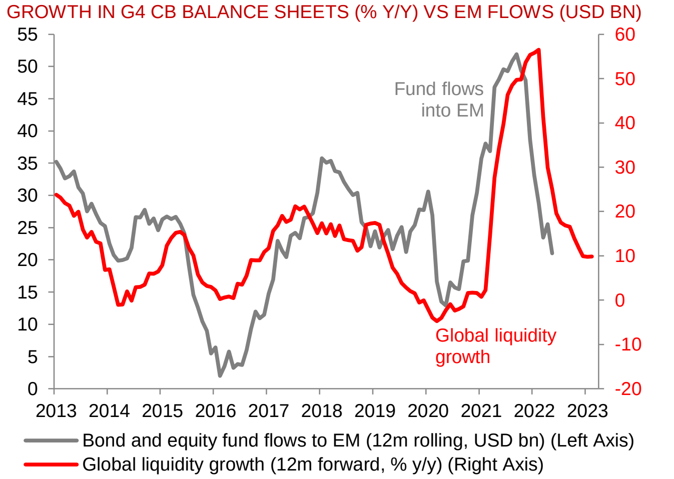
In line with the deteriorating global backdrop and a declining pace of growth in global liquidity, fund flows into EM have suffered in recent months, and in fact witnessed their first outflow (USD9.8bn) in March 2022 since 12 months prior. Of note has been China which experienced an important outflow from both bonds (USD11.2bn) and equities (USD6.3bn). Whilst it is early to draw any definitive conclusions from one month data, the timing of Chinese outflows signals that investors may be recalibrating their exposure with a market rotation in preferences potentially starting to take shape. What is clear is that volatility on capital flow dynamics is set to remain elevated. Granted, the EM financial stress index has seen some modest declines since the start of the Ukraine war (24 February) but financial stress remains firmly above average, suggesting a higher degree of cautiousness among investors.

EM inflation continues uninterrupted

A drawn-out EM inflation challenge remains front and centre of attention. Readings continue to surprise to the upside. After ending 2021 at 5.2%, the uptrend in EM

DEVELOPED MARKET CENTRAL BANKS TAPERING HAS LED TO A COLLAPSE IN EM CAPITAL INFLOWS

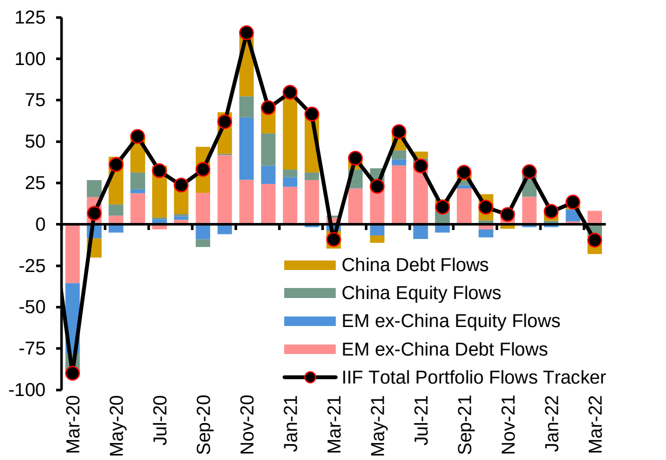
GROWTH IN G4 CB BALANCE SHEETS (% Y/Y) VS EM FLOWS (USD BN)



Source: Bloomberg, BoE, BoJ, ECB, Fed, IIF, MUFG Research

EM FUNDS SUFFERED AN OUTFLOW OF USD9.8BN IN MARCH 2022 – FIRST OUTFLOW SINCE MARCH 2021

NON-RESIDENT PORTFOLIO FLOWS INTO EM (USD BN)



Source: IIF, MUFG Research

inflation seems to have continued uninterrupted, with headline CPI reaching 6.0% as of February, the highest level since October 2011. It's EM EMEA and LatAm that are leading the charge, with headline annual inflation surging to highest level since at least 2008. Meanwhile, the actual headline inflation retreated marginally in EM Asia reflecting better-anchored inflation expectations and a more stable FX (on average). As inflation keeps rising, the inevitable question to ask is the longevity of this trend. We think it is still too early to call the peak for aggregate EM inflation two reasons. First, we believe commodity prices will continue to see further strength in the months ahead (see here). Second, ongoing supply side disruptions have picked up again.

Upside inflation risks signals higher policy rates

Upside inflation risks should also mean a faster and a broader tightening of the monetary policy across EM. Rate hikes by EM central banks have already totalled ~1,900bp so far this year (against 2,500bp in 2021), as inflation has become the overriding concern among policy makers, particularly in EM EMEA and LatAm. We expect an additional ~2,200bp of rate hikes in the remainder of the year, which, if realised, would make it one of the most aggressive tightening cycles in recent history.

Additional rate hikes signals tighter financial conditions

Further rate hikes should also mean tighter financial conditions for EM, which have been tightening throughout 2022 thus far. This has been led by the increase in the negative contribution from credit growth, which in turn reflects a more restrictive policy setting. The weakness in equity markets, along with the pick-up in interest rates, is also having a negative impact to overall financial conditions.

EM borrowing costs are set to rise with higher debt service ratios

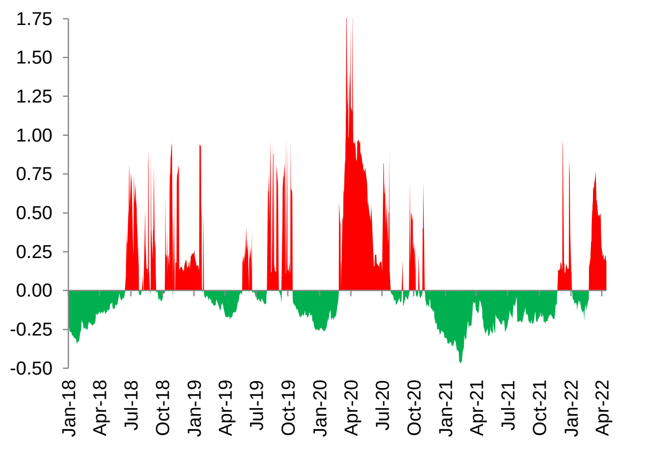
Meanwhile, higher rates, alongside sizeable borrowing requirements, should mean a pick-up in borrowing costs for EMs. With the exception of a few, the room is very limited across EMs, and a higher public debt ratio is probably not desired at a time of rising global rates unless the ratio is at comfortable levels. Brazil, India and South Africa will be the most impact Ems from a rise in rates given high debt to GDP levels.

Against the challenging Stagflationary backdrop, we favour the GCC region, South Africa and LatAm that stand to gain most from elevated commodity prices which comprise sound macro policies – thereby offering a sizeable risk premium for investors

With this challenging EM backdrop in mind, there is a large degree of heterogeneity across the complex. A drawn-out inflation challenge with more rate hikes, tighter financial conditions and higher borrowing costs leaves a precarious outlook for EMs, and favours a bottom-up selection process to pick out winners. EMs with a prudent macro policy mix where inflationary pressures are relatively more muted, are outperforming – especially if they are also tied to the favourable commodity story – offering a risk premium buffer and terms-of-trade support for investors. From this, we favour EMs that are benefitting from elevated commodity prices and comprise sound macro policies, which will offer a sizeable risk premium. The GCC region, South Africa and Latin America (particularly Brazil) stand out as most favourable.

FINANCIAL STRESS IN EM HAS WITNESSED A SHARP SURGE YEAR-TO-DATE ALTHOUGH LEVELS HAVE EASED

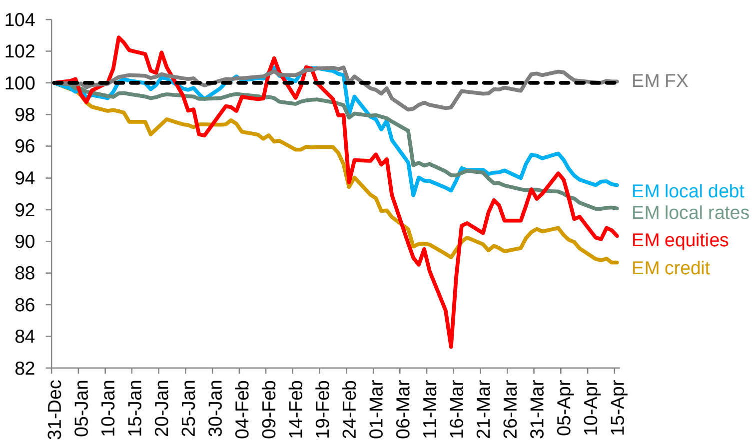
OFR EM FINANCIAL STRESS INDEX (>0 = STRESS ABOVE AVERAGE)



Source: Bloomberg, OFR, MUFG Research

SELL-OFF ACROSS ALL MAJOR EM ASSET CLASSES CONTINUES GIVEN CONFLICT AND THE HAWKISH FED

EM EQUITIES, FX, RATES, CREDIT AND DEBT (1 JANUARY 2022 = 100)



Source: Bloomberg, MUFG Research

FX views

EM FX: Fed repricing & dampening growth outlook outside of US in focus

EM currencies correct lower amidst more broad-based US strength. BRL amongst exceptions but capital inflows into Brazil have eased

EM FX have on the whole traded on a softer footing against the USD so far this month. It leaves our EM FX index consisting of twenty equally-weighted EM currencies modestly lower on average against the USD by around 0.4% YTD. The best performing EM currencies so far this month have been the RUB (+2.5% vs. USD), BRL (+1.9%), and COP (1.0%). It marks a continuation of the bullish trends that have been in place at the start of this year for the BRL (+19.8% vs. USD YTD) and COP (+9.3%). USD/BRL has moved closer to levels that were in place prior to the COVID crisis when it was trading between 4.0 and 4.3 during H2 2019. A large chunk of BRL undervaluation that was in place last year when USD/BRL averaged around 5.4 has now been reversed. The BRL was boosted by strong capital inflows in Q1 when foreign investors purchased a net USD12.6bn of Brazilian equities. The pace of inflows has since eased this month helping to ease upward BRK pressure.

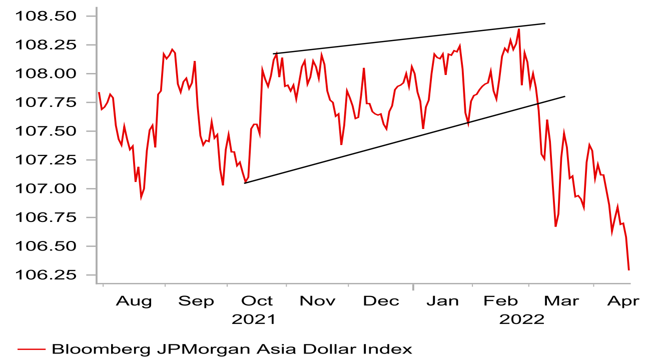
More prolonged Ukraine conflict & COVID disruption in China/Asia are dampening outlook for growth outside of US are boosting appeal of USD

In contrast, the CEE currencies of the HUF (-4.1% vs. USD), CZK (-2.5%), PLN (-2.4%) have all underperformed so far this month. The re-weakening of Central European currencies reflects the paring back of investor optimism over a quicker end to the Ukraine conflict and less disruptive economic outcome for the region. President Putin sent a clear signal last week that the Istanbul peace talks have reached a dead end, and has since moved to refocus and step-up the military assault on the Eastern Donbas region of Ukraine. A more prolonged conflict increases the risk of further sanctions being imposed on Russia including a phased ban on oil imports into the EU. At the same time, Asian currencies (TWD -2.1% vs. USD, KRW –2.0%, THB -1.5%, PHP -1.4%, MYR -1.2%, SGD –0.9% and CNY -0.7%) and the CLP have all underperformed this month as well. The weakness could reflect in part building concerns over the loss of growth momentum for China's economy and the Asian region more broadly in response to the ongoing spread of COVID. China's economy held up better than expected in Q1 expanding by 4.8%Y/Y but lockdowns are expected to weigh more on growth in Q2 and encourage further policy easing.

US yields have already adjusted sharply higher on back of hawkish Fed rhetoric but overshoot risk remains in play

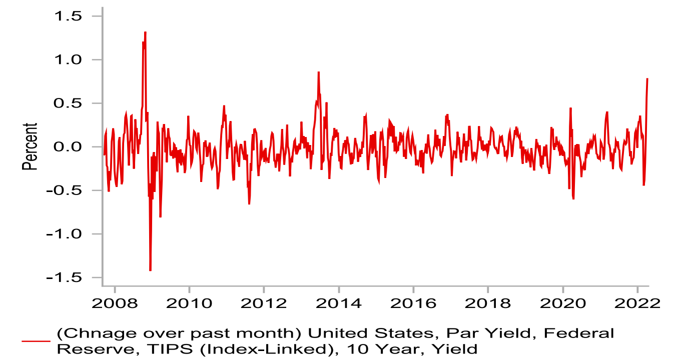
The combination of the dampening growth outlook growth outside of the US and Fed's hawkish policy shift are encouraging a broadly stronger USD. It has been notable that the ZAR has started to become sensitive to rising US yields and the stronger USD after benefiting from higher commodity higher prices in Q1. USD/ZAR has started to bottom in the near-term at around the 14.500-level. The US rate market has already moved a long way now to price in the Fed delivering 50bps hikes in May, June and possibly July and the policy rate rising to around 2.50% by year end, but there is still a risk rates could overshoot posing downside risks for EM FX.

ASIA FX IS BREAKING LOWER



Source: Bloomberg, Macrobond & MUFG Research

BIGGEST US RATE SHOCK SINCE TAPER TANTRUM



Source: Bloomberg, Macrobond & MUFG Research

Week in review

EM capital flows: investors continue to withdraw capital from EM funds

Second quarter starts positively for EM flows

Following the worst quarter for EM assets in over a decade, the second quarter continues to be weak. EM investors face three risks. First, rising commodity prices which are adding to supply-side inflationary pressures. Secondly, the lift-off by the Fed and volatility in US rates which poses a risk for EMs yet to start tightening, or where local rates are highly correlated with US rates. Finally, risk aversion remains elevated on the back of the long-term reverberations pertaining to the war in Ukraine.

EMs witnessed another week of capital outflows (USD-4.6bn) in the week ending 8 April, owing to broader contagion from the geopolitical crisis as well as ongoing tightening in global liquidity conditions

According to IIF data, EMs witnessed capital outflows of USD-2.5bn, driven by equity outflows (USD-2.0bn) and debt outflows (USD0.5bn). The rationale has been broadly consistent over weeks – broader contagion from the geopolitical crisis as well as ongoing tightening in global liquidity conditions (see here, here and here). We acknowledge that potential adverse tail risks stemming from the conflict are rising which may yet translate into deeper and more prolonged disruptions. With this, whilst 2021 is well behind us, it's legacy is likely to stay with us, as most of the factors that had an impact on the investing environment and fund flows are likely to stay in 2022, at least in the first half (see here). Among those, the most concerning factor for fund flows is the waning global liquidity – the pace of growth in global liquidity has already rolled over, and we are witnessing the pullback in the pace of EM fund flows already. Barring seasonal effects, it is likely that EM fund flows will be less pronounced in 2022 relative to 2021 (see here). Finally, from an asset markets perceptive, historically, EM credit outperforms into Fed lift-offs, but this time around EM local rates is doing better.

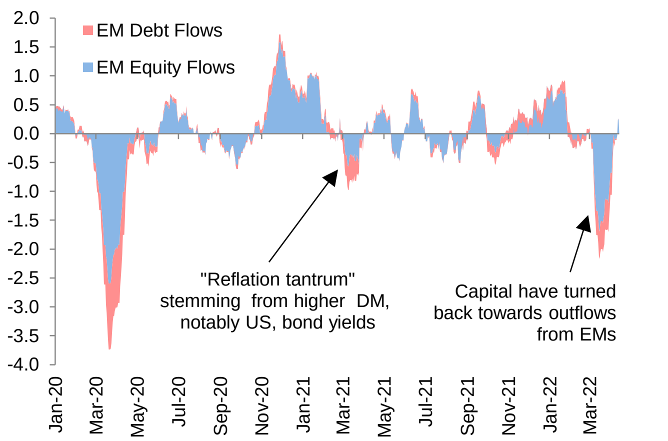
Israel: BoI commences policy normalisation with 25bp hikes to 0.35%

Whilst Israel's inflation is lower than its peers, the BoI delivered its first rate hike since 2018 following a hawkish shift in the last meeting

The Bank of Israel (BoI) delivered its first interest rate rise since 2018, raising the policy rate by 25bps to 0.35%. The magnitude of the move was in line with our forecast (consensus 15bp). The move comes after the BoI made a hawkish pivot in the last Monetary Policy Committee (MPC) meeting, when prompted by rising global inflationary pressures, strong real GDP growth, and an unwinding of Israeli Shekel (ILS) strength, it stated that economic conditions should allow for the gradual start of

CAPITAL IS SHARPLY FLOWING OUT OF EM'S ON A 28 DAY ROLLING BASIS ON HEIGHTENED RISK AVERSION

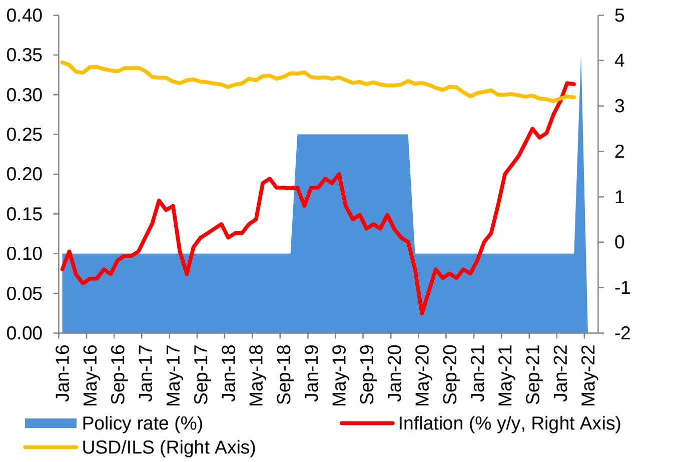
EM EQUITY AND DEBT FLOWS (USD BN), 28 DAY ROLLING AVERAGE



Source: Bloomberg, IIF, MUFG Research

ISRAEL BEGINS POLICY NORMALISATION WITH A 25BP HIKE TO 0.35% WITH FURTHER HIKES TO COME

ISRAEL INFLATION AND BOI TARGET RANGE (% Y/Y) AND USD/ILS



Source: Bloomberg, BoI, MUFG Research

monetary policy normalisation. On inflation, which rose above the 1-3% target range for the first time since 2011 in January, the MPC noted that price pressures are broad-based, with headline and core inflation, as well as inflation expectations, all gaining pace. The forward-looking guidance was brief, suggesting that the pace of policy normalisation will be data dependent. Meanwhile, the labour market is resilient according to the BoI, with the number of job vacancies high, and the total demand for workers back to its pre-crisis trend. However, these developments have not yet translated into significant wage increases as the pace of nominal wage growth remains similar to the pre-COVID trend. Together with the MPC meeting, the BoI also released its updated macroeconomic projections, which featured a 2pp increase to the average inflation forecast for 2022 to 3.6% y/y, relative to the January forecast round. Looking ahead, whilst we expect near-term hawkish developments with inflation likely pushed even higher (currently 3.5% y/y as of March) due to commodity price pressures, we view that Israel's strong external balances should translate to ILS appreciation, which alongside stable wage growth could lead to a moderately faster pace of disinflation in H2 2022 and into 2023. We forecast a further 75bp in hikes in 2022 taking the base rate to 1.1% by year-end.

Turkey: CBRT continues to keep rates unchanged at 14.00% (for now)

Turkey kept rates on hold at 14.00% as expected and emphasised the need to strengthen macroprudential policy in the context of supporting credit growth

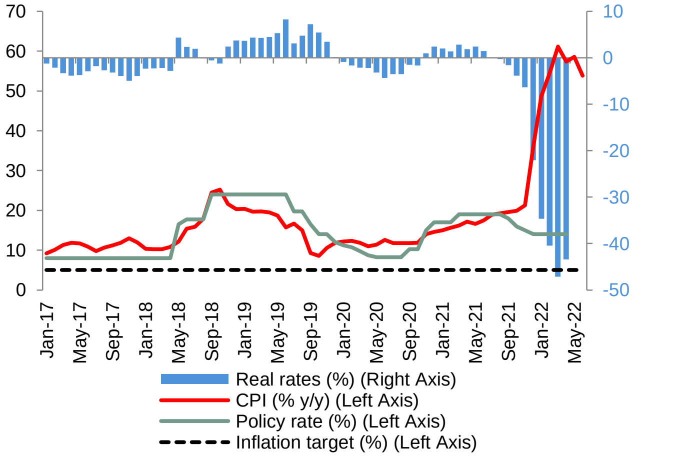
The Central Bank of Turkey (CBRT) kept the key rate unchanged at 14.00%. The outcome was in line with our and consensus expectations. The changes to the short statement following the announcement were negligible relative to the previous meeting, with an articulation of the CBRT's decision to strengthen the macroprudential policy set in the context of supporting credit growth – although did not offer guidance on what these macroprudential measures may involve. Given the CBRT's recent communication, such measures may comprise longer-term and less costly funding for exporters in core sectors and/or new unconventional financial instruments stemming from (i) limiting funding amounts, (ii) adjusting the maximum interest rate applied to FX-protected TRY deposits, and/or (iii) applying a tighter level of control on lending.

CBRT reiterated that inflation north of 60% y/y was due to temporary factors

On the inflation front, the CBRT reiterated its stance that the recent rise in Turkish CPI, which has seen the headline rate rise above 60% y/y in March, has predominantly been driven by temporary factors – rising energy costs, price formations that are not supported by economic fundamentals, supply side factors

TURKEY CONTINUES TO MAINTAIN RATES AT 14% BUT DEEPLY NEGATIVE REAL RATES ARE UNSUSTAINABLE

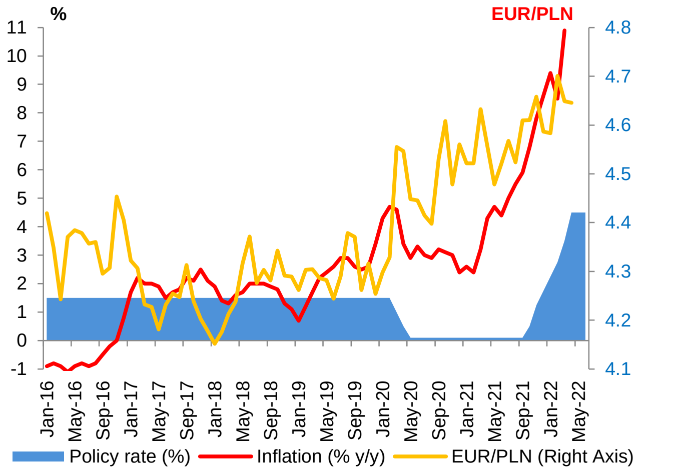
TURKEY INFLATION AND TARGET (% Y/Y) VS RATES (NOMINAL/REAL) (%)



Source: Bloomberg, CBRT, MUFG Research

POLAND INFLATION RISES TO 11.0% Y/Y IN MARCH WITH NBP SET TO HIKE RATES BY A FURTHER 100BP TO 5.50%

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



Source: Bloomberg, NBP, MUFG Research

such as rising commodity prices and supply-side constraints. We see inflation peaking close to 70% y/y in May and remaining north of 60% y/y until December, when, due to strong base effects, it is set to fall to 42% y/y. Of note is the CBRT's continued prioritisation of Turkish Lira (TRY) stability – over the alarming levels of inflation – that could follow increased demand (local and foreign) for the FX-protected TRY deposit scheme. Setting aside the associated costs (such as increased FX exposure of the public sector), this scheme single-handedly is unlikely to ease inflationary pressures. We continue to expect that until there is a return to orthodox monetary policy, inflation will likely remain materially north of EM peers and the TRY will remain susceptible to shifts in local and global risk appetite.

We expect the CBRT to reluctantly reverse course and hike rates by 600bp later this year

Looking ahead, we reiterate our conviction that the CBRT will likely change course and tighten policy in an orthodox manner later this year, but do so reluctantly – our base case is for the CBRT to raise rates from a trough of 14% to 20% by end-2022 (see here and here). Our rationale is centred on the premise that the acute deterioration in the inflation outlook, in tandem with the fragility of the TRY, as well as the risk premium since the inception of the rate cuts in September 2021, necessitates a significantly tighter monetary policy stance to anchor expectations and promote price stability. With real policy rates so deeply negative (-47%), the current monetary policy stance is unambiguously unsustainable and the pressure on the TRY is likely to continue in the absence of a policy U-turn.

In the interim, we acknowledge that a host of heterodox policies will continue to be adopted to help stabilise the TRY

Whilst our core scenario is that the policy adjustment will be in an orthodox fashion, we acknowledge that a continuation of heterodox measures could materialise over the near-term to encourage de-dollarisation, bolster reserves and manage other aspects of the economy (even if this has negative reverberations on the budget or adds significantly to the government's contingent liabilities). As the authorities push for more lending and growth – as seen with the expansion of the Credit Guarantee Fund, the recapitalisation of state banks and the focus on long-term TRY credits – we view that pressures will build on the CBRT to take action to significantly opt for a tighter monetary policy stance. Central will be the performance of the TRY and the more pressure that builds in the months ahead, the more likely it will be for the CBRT to revisit its monetary policy strategy.

Poland: inflation revised up in March by 0.1pp to 11.0% y/y on higher core levels

Poland inflation has been revised up in March to now stand at 11.0% y/y

Poland's final March inflation estimate was revised higher by 0.1pp, implying an inflation jump from 8.5% y/y to 11.0% y/y on the month, and it would have marked an even larger surprise relative to expectations at the time of the preliminary release. The March revision likely came on the back of upward revisions to core inflation, which, on our estimates, increased from 6.7% y/y to 6.9% y/y. Higher inflation in March was principally due to commodity price sensitive categories, but underlying inflation was also relatively strong, Therefore, even though commodity prices have pulled back from their highs and the Polish Zloty (PLN) has recovered from its lows, we think that underlying inflation is likely to sustain a challenging inflation backdrop going forward. Set against this backdrop, we expect the National Bank of Poland (NBP) to maintain a strong hawkish bias and forecast rates to rise from 4.50% to 5.50%, with risks skewed to the upside.

Week ahead

South Africa: inflation set to increase by 0.3ppts to 6.0% in March

South Africa inflation to rise further in March with both core and non-core factors driving prices higher

South Africa's inflation reading for March is forecast to rise from 5.7% y/y in February to 6.0% y/y in March. Beyond higher non-core factors stemming from higher commodity prices, we expect upward pressure from imported durable goods inflation on the back of global supply chain disruptions. We anticipate core inflation rising from 3.5% y/y in February to 3.7% y/y in March. Looking ahead, the recently announced temporary reduction in the fuel excise levy will cap upward pressure on headline inflation in April and some of May, but this also implies some payback in June conditional that the relief measures are not extended and the usual fuel levy is reinstated.

Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	S. Africa	20/04/2022	09:00	CPI, % y/y	Mar	6.0%	6.0%	5.7%	!!!
	S. Africa	20/04/2022	09:00	Core CPI, % y/y	Mar	3.7%	3.7%	3.5%	!!!
	Poland	21/04/2022	09:00	Industrial production, % y/y	Mar	---	11.8%	17.6%	!!
	Poland	21/04/2022	09:00	Gross average wages, % y/y	Mar	---	10.5%	11.7%	!!

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	2021	2022	Latest	2021	2022	Latest	2021	2022
Bahrain	18.44	6.00	3.50	-10.61	-8.00	-8.02	-2.06	-2.90	-2.87
Czech Rep.	3.60	2.90	3.00	0.27	-8.03	-5.47	5.02	1.57	0.82
Egypt	4.63	3.30	5.50	-7.41	-7.33	-6.33	-4.17	-3.88	-3.66
Greece	13.17	6.50	4.30	0.57	-10.25	-4.29	-2.70	-7.41	-5.14
Hungary	7.10	7.30	4.30	-2.05	-6.60	-5.94	-4.59	0.60	0.88
Iraq	4.43	3.60	6.70	0.86	-1.55	-2.53	1.12	6.16	4.00
Israel	11.00	7.00	5.00	-3.91	-6.81	-4.33	5.61	4.46	3.82
Jordan	1.96	2.00	2.20	-5.98	-7.69	-5.94	-8.59	-8.93	-4.45
Kenya	5.37	5.50	5.60	-7.73	-8.01	-6.67	-5.82	-5.04	-5.10
Kuwait	0.43	4.50	6.40	5.38	-1.47	0.99	3.06	15.51	13.27
Lebanon	-6.90	-5.20	2.00	-10.50	---	---	-27.45	---	---
Libya	9.89	123.20	5.30	2.19	6.77	12.46	-0.30	19.23	15.39
Morocco	6.60	5.70	3.10	-4.13	-6.49	-5.91	-3.95	-3.07	-3.25
Nigeria	3.98	2.50	5.60	-4.76	-6.11	-5.96	-3.49	-3.22	-2.25
Oman	-0.83	2.70	0.90	-7.06	-2.57	1.11	-4.38	-5.75	-0.94
Poland	7.30	5.00	4.50	-0.74	-4.25	-1.90	1.08	2.26	1.56
Romania	2.35	7.60	3.00	-4.56	-6.70	-5.59	-10.07	-5.71	-5.53
Qatar	2.00	2.90	6.00	4.93	2.78	5.68	-27.67	8.20	11.56
Russia	4.08	4.40	-7.00	1.92	-0.56	0.02	1.11	5.74	4.41
Saudi Arabia	6.70	4.50	11.20	-4.45	-3.05	2.79	-0.39	3.87	3.79
South Africa	1.70	5.10	1.60	-2.27	-8.44	-6.99	1.22	2.88	-0.86
Turkey	9.14	9.80	1.60	-5.65	-4.92	-5.58	0.00	-2.42	-1.61
Ukraine	6.10	4.00	-28.00	-2.04	-4.50	-3.50	1.35	-0.69	-2.44
UAE	5.30	5.00	5.00	-0.76	-0.54	-0.22	2.44	9.67	9.37

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	3.20	3.90	1.90	2.50	2.50	3.00	0.377	0.377	0.377
Czech Rep.	12.70	3.90	11.30	5.00	3.75	5.50	24.446	24.886	21.380
Egypt	10.50	5.40	7.90	9.25	7.75	11.50	18.416	15.723	15.420
Greece	8.85	-0.10	0.40	0.00	0.00	0.40	1.080	1.137	1.132
Hungary	8.50	4.90	7.80	4.40	2.40	5.50	347.7	324.5	314.70
Iraq	5.10	6.40	5.00	4.00	4.00	5.00	1460	1460	1460.000
Israel	3.48	1.50	2.80	0.35	0.35	0.50	3.233	3.103	3.100
Jordan	1.95	1.60	2.00	3.50	3.50	2.00	0.709	0.709	0.709
Kenya	5.60	6.00	5.90	7.00	7.00	9.50	115.490	113.140	113.040
Kuwait	4.37	2.90	3.40	1.75	1.75	3.00	0.305	0.303	0.303
Lebanon	214.59	124.10	85.00	2.75	2.75	7.75	1511.000	1512.330	1512.330
Libya	4.56	21.10	8.00	3.00	3.00	3.00	4.718	4.597	4.597
Morocco	3.60	1.40	1.20	1.50	1.50	1.50	9.823	9.252	9.250
Nigeria	15.70	17.30	12.00	11.50	11.50	14.00	417.520	424.830	440.500
Oman	4.02	1.30	2.00	0.43	0.43	14.00	0.385	0.385	0.385
Poland	11.00	4.90	10.00	4.50	1.75	5.50	4.281	4.035	3.948
Romania	10.15	5.30	11.90	3.00	3.00	5.50	4.574	4.353	4.388
Qatar	4.42	1.60	4.00	1.25	1.25	2.50	3.641	3.642	3.642
Russia	16.69	6.60	16.60	17.00	5.75	15.00	118.690	74.679	71.130
Saudi Arabia	2.04	3.10	2.20	0.75	0.75	2.50	3.750	3.755	3.755
South Africa	5.70	4.50	6.20	4.25	3.50	4.75	14.668	15.937	15.800
Turkey	61.14	17.90	62.00	14.00	14.00	20.00	14.641	13.317	14.250
Ukraine	13.70	9.40	15.30	10.00	10.00	14.00	29.542	27.285	29.800
UAE	2.50	0.10	1.20	0.65	0.65	2.00	3.673	3.673	3.673

Core indicators

EM EMEA sovereign bond yields (%)

	Maturity	18-Mar	25-Mar	01-Apr	08-Apr	15-Apr	Change in yield (basis points) Week	MTD	YTD
Bahrain	10 years	3.26	3.31	3.36	3.55	3.63	8.48	19.44	109.46
Czech Rep.	10 years	3.54	4.14	3.96	4.38	4.30	-8.22	44.63	121.67
Egypt	9 years	9.25	9.15	8.41	8.63	9.29	65.48	93.25	212.58
Greece	8 years	1.99	2.14	2.00	2.13	2.27	13.40	21.50	116.10
Hungary	8 years	5.98	6.57	6.35	7.05	6.82	-23.42	54.61	235.58
Israel	8 years	1.07	1.18	1.21	1.35	1.49	13.80	28.77	127.56
Jordan	5 years	5.61	5.89	5.86	5.99	6.30	30.88	48.44	202.74
Kenya	7 years	8.17	8.50	8.01	8.28	8.77	49.17	81.28	306.46
Kuwait	6 years	2.28	2.45	2.59	2.89	2.92	2.48	31.86	122.50
Lebanon	9 years	53.64	55.15	54.15	50.59	52.14	154.56	-196.41	-1186.48
Morocco	11 years	3.85	3.79	3.71	3.86	4.19	33.00	48.50	179.34
Nigeria	9 years	8.11	8.61	8.19	8.44	8.62	18.59	50.51	123.48
Oman	9 years	5.30	5.42	5.26	5.25	5.36	11.14	11.43	60.71
Poland	8 years	1.30	1.31	1.26	1.37	1.50	13.25	23.89	132.94
Romania	7 years	3.16	3.27	3.14	3.32	3.37	4.89	21.43	181.83
Qatar	9 years	2.86	3.07	3.10	3.24	3.42	17.78	33.73	117.42
Russia	5 years	47.69	54.05	52.45	53.46	53.25	-20.39	-17.69	-87.45
Saudi Arabia	8 years	2.83	3.09	3.12	3.32	3.45	12.87	40.51	130.23
South Africa	9 years	4.96	5.25	5.15	5.11	5.46	35.43	33.03	124.03
Turkey	7 years	7.98	8.11	7.77	8.20	8.11	-8.78	43.84	89.12
Ukraine	8 years	33.86	33.43	30.18	31.54	34.31	276.44	416.80	2,482.64
Abu Dhabi	6 years	2.29	2.50	2.50	2.85	2.98	13.29	39.91	123.18
Dubai	8 years	3.06	3.16	3.17	3.46	3.57	11.32	40.77	99.14

EM EMEA equity market (index)

	11-Mar	18-Mar	25-Mar	01-Apr	08-Apr	15-Apr	Change (%) Week	MTD	YTD
Bahrain	2,068	1,961	2,025	2,062	2,119	2,104	-0.74	1.45	17.05
Czech Rep.	113,663	113,076	119,053	119,999	118,228	116,182	-1.73	-3.18	10.84
Egypt	10,397	10,423	11,663	11,394	11,381	10,708	-5.91	-4.72	-10.39
Greece	823	872	855	885	884	919	3.93	4.49	2.87
Hungary	42,028	44,126	44,613	45,890	41,616	42,999	3.32	-3.86	-15.22
Israel	1,949	1,961	2,028	2,042	2,028	2,039	0.51	0.86	3.06
Jordan	2,193	2,225	2,246	2,232	2,259	2,449	8.45	9.93	15.61
Kenya	160	159	161	159	159	158	-0.25	1.59	-4.95
Kuwait	7,975	7,880	7,961	8,137	8,154	8,302	1.82	1.91	17.87
Lebanon	658	658	658	658	658	658	0.00	1.28	-3.02
Morocco	12,866	12,762	12,578	12,751	12,926	12,999	0.56	1.41	-2.69
Nigeria	47,287	47,364	47,164	46,904	46,544	47,558	2.18	1.26	11.34
Oman	4,258	4,312	4,273	4,203	4,137	4,253	2.79	1.13	2.98
Poland	1,973	2,060	2,121	2,180	2,108	2,093	-0.70	-1.87	-7.66
Romania	11,982	12,405	12,468	12,726	12,726	13,051	2.55	2.67	-0.08
Qatar	13,629	13,280	13,525	13,557	14,089	13,980	-0.78	3.30	20.25
Russia	---	---	--	2,513	2,611	2,420	-7.34	-10.49	-36.11
Saudi Arabia	12,739	12,656	12,944	13,038	13,165	13,716	4.18	4.78	21.57
South Africa	66,485	66,972	68,235	68,530	67,003	66,482	-0.78	-2.96	-0.85
Turkey	2,043	2,089	2,183	2,230	2,316	2,507	8.22	12.25	34.95
Ukraine	519	519	519	519	519	519	0.00	0.00	-0.68
Abu Dhabi	9,523	9,591	9,724	9,846	10,057	9,970	-0.87	0.21	17.45
Dubai	3,385	3,373	3,361	3,527	3,520	3,601	2.29	2.10	12.67

EM EMEA FX against USD*

	11-Mar	18-Mar	25-Mar	01-Apr	08-Apr	15-Apr	Change (%) Week	MTD	YTD
USD Index	98.507	97.974	98.789	98.312	99.796	100.645	0.85	2.37	5.20
Bahrain**	0.378	0.378	0.378	0.378	0.378	0.378	0.03	0.00	0.26
Czech Rep.	23.007	22.508	22.371	22.059	22.459	22.630	0.76	-2.53	-3.31
Egypt	15.699	15.723	18.484	18.282	18.349	18.416	0.37	0.74	17.13
Greece***	1.091	1.105	1.098	1.104	1.088	1.080	-0.69	-2.39	-5.00
Hungary	350.380	339.440	339.790	332.430	347.190	347.650	0.13	-4.45	-6.67
Israel	3.261	3.249	3.208	3.205	3.229	3.233	0.12	-1.31	-4.02
Jordan**	0.710	0.710	0.710	0.710	0.710	0.713	0.46	-0.59	-0.59
Kenya	113.636	114.943	0.009	0.009	0.009	0.009	-1.15	1.16	2.33
Kuwait	0.305	0.305	0.305	0.305	0.305	0.305	0.00	-0.30	-0.75
Lebanon	1,510.25	1,510.25	1,510.75	1,511.00	1,511.00	1,511.00	0.00	-0.05	0.09
Morocco	9.755	9.775	9.698	9.719	9.757	9.823	0.68	-1.39	-5.82
Nigeria	417.540	415.870	415.730	415.770	415.750	417.520	0.43	-0.38	1.75
Oman**	0.386	0.386	0.385	0.385	0.385	0.385	0.00	-0.03	0.29
Poland	3.757	3.757	3.757	3.758	3.758	3.760	0.04	-0.05	-0.15
Romania	4.535	4.477	4.506	4.475	4.543	4.574	0.68	-2.38	-4.84
Qatar**	3.671	3.674	3.673	3.673	3.669	3.667	-0.04	0.30	0.19
Russia	134.210	104.180	103.079	85.431	79.719	82.479	3.46	-1.52	-8.86
Saudi Arabia**	3.757	3.757	3.757	3.758	3.758	3.760	0.04	-0.05	-0.15
South Africa	15.041	14.969	14.542	14.665	14.646	14.668	-0.15	-0.38	8.66
Turkey	14.767	14.805	14.843	14.687	14.751	14.642	0.74	0.21	-9.14
Ukraine	#N/A N/A	29.403	29.525	29.473	29.541	29.542	0.00	-0.48	-7.64
UAE**	3.673	3.673	3.673	3.673	3.673	3.673	0.00	0.00	0.04

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)

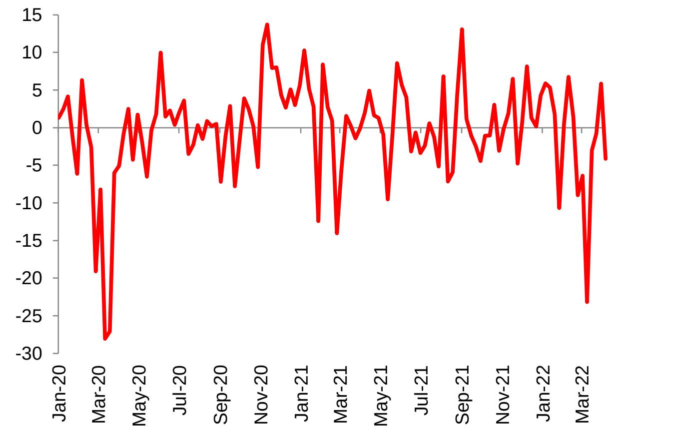
	11-Mar	18-Mar	25-Mar	01-Apr	08-Apr	15-Apr	Change in yield (basis points) Week	MTD	YTD
Bahrain	307.57	297.95	291.81	294.41	296.06	294.51	-1.55	-0.88	0.68
Czech Rep.	45.51	44.61	41.02	39.71	39.84	39.99	0.16	0.34	4.37
Egypt	801.67	793.74	587.81	536.13	546.32	603.64	57.32	68.32	105.61
Greece	143.31	139.09	132.33	129.32	128.77	127.71	-1.05	-2.56	15.72
Hungary	86.14	110.03	98.88	95.02	102.49	107.71	5.22	12.05	62.99
Israel	44.32	36.63	35.18	38.39	38.60	39.59	0.99	1.14	-0.63
Kenya	462.79	463.14	463.23	464.22	461.36	463.49	2.13	-0.94	56.61
Kuwait	57.20	57.14	54.64	53.37	53.70	55.67	1.98	2.33	10.96
Morocco	104.02	104.42	106.54	110.65	109.85	109.73	-0.13	-0.55	14.34
Nigeria	601.88	602.31	519.16	532.11	530.47	530.71	0.25	-1.66	75.64
Oman	256.03	251.88	243.78	237.23	230.04	229.27	-0.76	-8.29	-26.54
Poland	76.59	84.13	79.73	76.99	76.07	79.49	3.42	4.46	39.90
Romania	128.90	160.29	169.09	161.21	174.04	175.26	1.22	68.53	100.44
Qatar	53.99	52.11	47.88	49.02	50.68	52.07	1.39	3.04	8.31
Russia	1,672.18	3,711.48	1,721.79	2,749.78	11,480.80	10,755.522	-725.28	8,103.57	10,631.10
Saudi Arabia	54.40	52.90	48.26	50.42	52.06	53.02	0.95	2.51	3.64
South Africa	240.23	220.14	194.12	209.10	210.32	219.71	9.39	9.16	16.69
Turkey	660.94	668.88	585.15	552.63	590.36	588.72	-1.64	36.62	25.96
Ukraine	10,630.36	5,703.84	4,169.07	2,873.42	3,197.01	3,744.56	547.55	952.47	3133.67
Abu Dhabi	53.99	52.11	47.48	49.02	50.59	97.81	47.22	48.93	54.92
Dubai	100.41	103.64	96.72	96.89	97.61	97.81	0.20	0.28	3.75

Source: Bloomberg, MUFG Research

EM capital flows

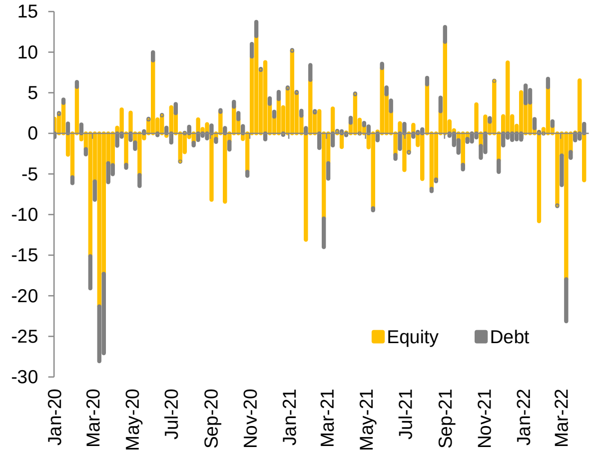
WEEKLY TOTAL EM OUTFLOWS OF USD-2.5BN – 15 APRIL

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



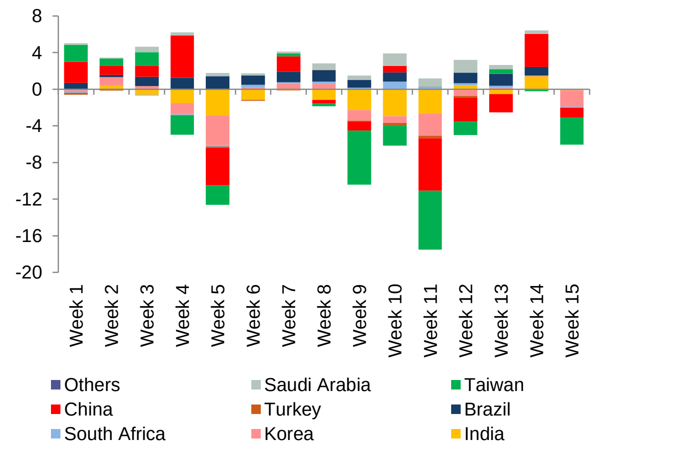
WEEKLY EM OUTFLOWS FROM EQUITY (USD-2.0BN) AND DEBT OUTFLOWS (USD-0.5BN) – 15 APRIL

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



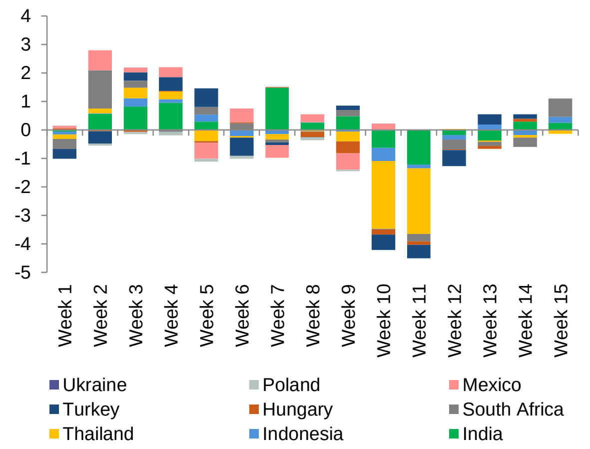
TAIWAN (USD-1.2BN) AND KOREA (USD-0.8BN) LED WEEKLY EM EQUITY OUTFLOWS – 15 APRIL

WEEKLY PORTFOLIO FLOWS BY COUNTRY, WEEK 1 = JANUARY 2022 (EQUITY) (USD BN)



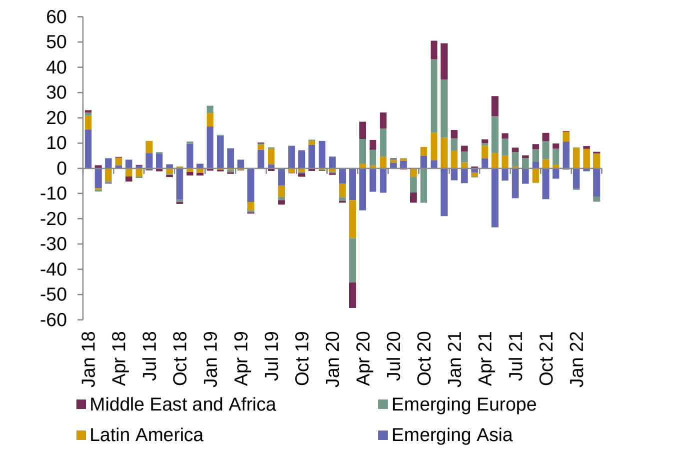
INDONESIA (USD-0.4BN) LED EM DEBT OUTFLOWS LAST WEEK – 15 APRIL

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



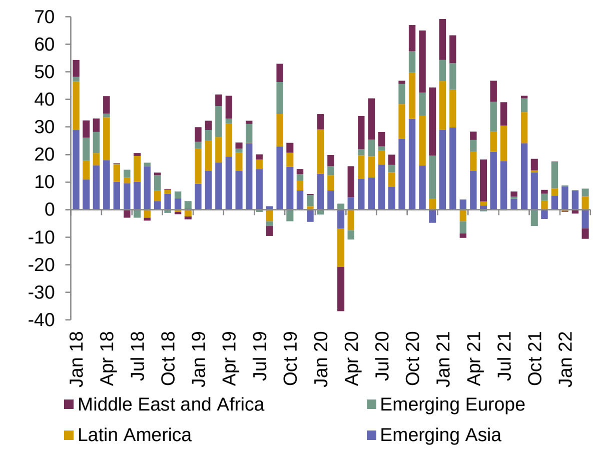
EM EQUITY OUTFLOWS TOTALLED USD-6.7BN IN MARCH, LED BY EM ASIA (USD-11.3BN)

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



EM DEBT OUTFLOWS TOTALLED USD-3.1BN IN MARCH, LED BY EM ASIA (USD-6.7BN)

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



Source: Bloomberg, IIF, MUFG Research

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