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EM inflation pivoting from "peak" concerns to "duration" concerns

Macro focus: EM inflation continues to set fresh multi-year highs but median inflation has risen by less than in DM, reinforcing that markets are dealing with a global, rather than an EM-specific, shock. An easing in commodity prices and weaker economic growth should, in theory, take EM inflation lower. However, this becomes a qualified proposition for EM as inflation is not a mean-reverting phenomenon and responds to policy. With this, we believe the debate about EM inflation is moving quickly from "has it peaked?" to "is it moving towards the target quickly enough?".

FX views: Emerging market currencies have corrected lower last week as the USD is benefitting from building fears over a sharper slowdown in global growth outside of the US, especially in Europe and China. More evidence of weak Chinese economic performance continues, reinforcing the headwind for EM FX, especially EM Asia and commodity-related currencies.

Week in review: Turkey surprised markets with a 100bp rate cut to 13.00%, citing the necessity of supportive financial conditions to preserve growth momentum. Egypt kept all is policy rates on hold advocating that supply-side price pressures will likely ebb, allowing inflation to return to target. Dubai's headline inflation rate increased from 5.8% y/y in June to 7.1% y/y in July – fastest pace in more than a decade.

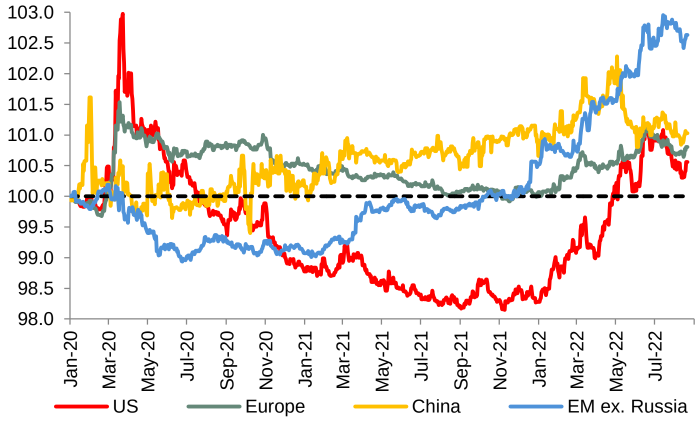
Week ahead and calendar: In a thin calendar week, we rate decisions in Israel (50bp to 1.75%) and South Africa inflation for July (0.5ppts to 7.9% y/y).

Forecasts at a glance: Headwinds facing EMs are getting stronger as persistently high inflation prompts more hawkish monetary policy responses leading to further tightening of financial conditions and more sacrifices from growth.

Core indicators: According to IIF data, EMs witnessed their fourth consecutive week of inflows (USD4.6bn – week ending 12 August), led by both inflows of equity, as investors are factoring in a "pivot" by DM central banks, led by the Fed.

CHART OF THE WEEK: FINANCIAL CONDITIONS HAVE LOOSENED MARKEDLY

FINANCIAL CONDITIONS INDEX (>100 = MORE RESTRICTIVE, <100 = LESS RESTRICTIVE)



Heightened recession angst has caused financial conditions – a barometer of funding availability in the global economy – to loosen markedly in recent weeks as investors increasingly believe developed market central banks (led by the Fed), will be begin to pivot towards concerns of a slowing economy rather than inflation. We believe financial conditions have eased a little too much with inflationary pressures likely proving sticky and persistent.

Source: Bloomberg, MUFG Research

Macro focus

EM inflation pivoting from "peak" concerns to "duration" concerns

We believe the debate about EM inflation is moving quickly from "has it peaked?" to "is it moving towards the target quickly enough?"

EM inflation continues to set fresh multi-year highs but median inflation has risen by less than in DM, reinforcing that markets are dealing with a global, rather than an EM-specific, shock. An easing in commodity prices and weaker economic growth should, in theory, take EM inflation lower. However, this becomes a qualified proposition for EM as inflation is not a mean-reverting phenomenon and responds to policy. With this, we believe the debate about EM inflation is moving quickly from "has it peaked?" to "is it moving towards the target quickly enough?".

The ~25% decline in oil prices that has taken place since early June has increased our assertion that inflation will peak globally, and in the majority of EMs in the months ahead

As we recently catalogued, EM price pressures have been driven by a multitude of causes (see here). Ongoing supply chain problems, a recovery in domestic demand with re-openings around the world and the spillover of the war in Ukraine on commodity prices have all led to an escalation of price pressures, with headline inflation surging to multi decade highs in many major EMs. Having said that, the ~25% decline in oil prices that has taken place since early June has increased our assertion that inflation will peak globally, and in the majority of EMs in the months ahead. However, there has been a considerable broadening of inflationary pressures in both EM EMEA and Latin America, with the result that inflation is likely to remain higher for longer across these regions. For 2022 as a whole, we forecast EM inflation reaching 9.6%, before coming down to 6.8% in 2023.

Regional dispersion across EM inflation with EM EMEA the key concern

In terms of regions, the spike in EM EMEA, where inflation is running at double digits, even excluding Turkey is notable. Next to supply-side factors, this is also due to a loose monetary-fiscal policy mix, tight labour markets, and sharp wage increases that kept domestic demand robust for Central and Eastern Europe (CEE). Meanwhile, EM Asia stands at the opposite end of the spectrum, as domestic demand was relatively more muted. As a result, inflation remained broadly stable, hovering in line with the averages of 2014-2019 period, when EM inflation largely trended sideways.

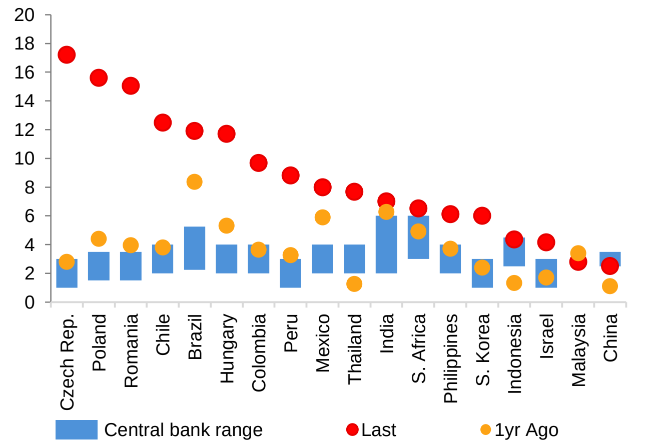
EM underlying inflation to remain high

While the common wisdom last year was to attribute and explain away the surge in inflation to supply-side factors that were deemed to be temporary, we view that the underlying inflation in EM is set to remain elevated for some time, for several factors:

1. Trend inflation is rising. The pace of change in trend inflation has reached its highest level since 2003, and given the fact that trend changes take time to occur, we see inflation as remaining elevated at least in the foreseeable future.

EM'S SEEM TO HAVE LOST CONTROL OF THE INFLATION NARRATIVE WITH HEADLINE RATES ABOVE TARGETS

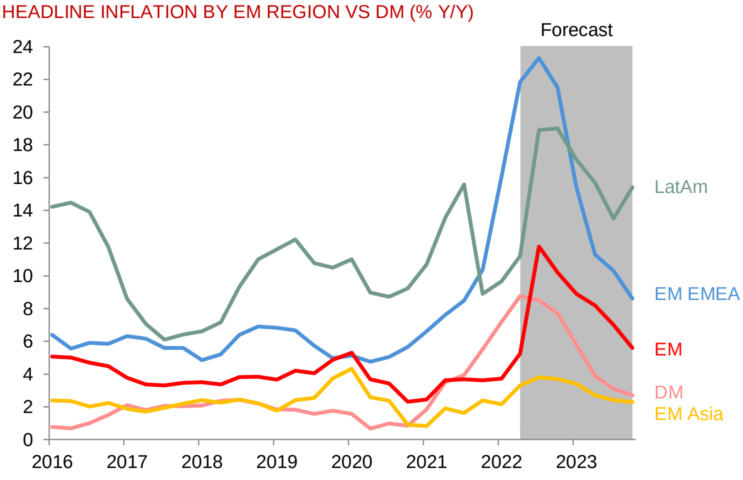
EM INFLATION (% Y/Y)VS EM CENTRAL BANK TARGET RANGE



Source: Bloomberg, EM Central Banks, MUFG Research

PEAK HEADLINE INFLATION IN H2 2022 BUT DURATION AND PERISISTENT OF INFLATION TO REMAIN ELEVATED

HEADLINE INFLATION BY EM REGION VS DM (% Y/Y)



Source: Bloomberg, EM Official Statistics, MUFG Research

2. Inflation is broadening and increasingly entrenched. The post-COVID recovery in domestic demand, as well as the second and third round effects of the rising food and energy prices, suggests that inflation is broadening. Excess savings built up during COVID has helped support the recovery of services spending which has been building across the world and EM has been no exception – service inflation is currently at its highest in 15 years. Moreover, inflation expectations are picking up as well across major EMs, alongside wages.
3. Inflation persistence. In simple terms, inflation persistence is the length of time needed for a given inflationary shock to abate. Put differently, it shows how long an inflationary shock is likely linger in price channels. If structural price pressures are weak and output gap is negative, the shock should abate rather swiftly. Though, if capacity and labour markets are tight – as is the case currently – it will take much longer for the impulse to fade from the inflation reading.
4. A higher sacrifice ratio. Persistently elevated inflation matters as it impact the output costs of lowering CPI back to targets – the “sacrifice ratio”. In the decade prior to the 2008-09 GFC, the output gap would have had to fall by ~0.1ppt to bring inflation down by ~1.0ppt for EMs in aggregate. Fast forward to now, over the last decade the level of output needed to bring inflation down has risen to 1.0ppt. This signals a higher sacrifice ratio.

For EM rates markets – we view that inflation needs to peak for there to be a more sustained and broad-based rally in EM local rates

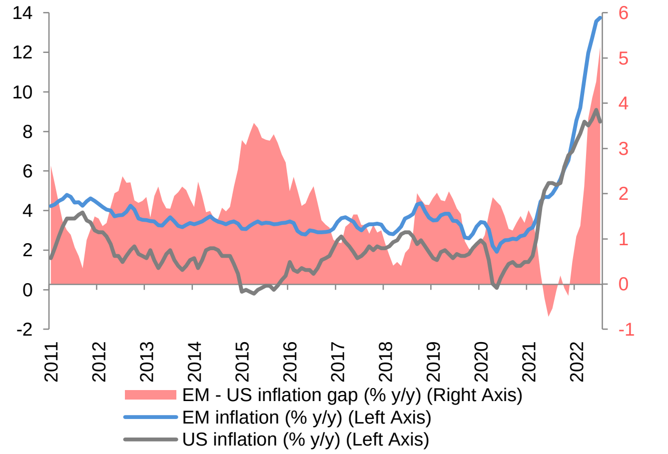
For EM rates, the more dovish Fed tilt on the 27 July FOMC and weaker July US CPI has resulted in a decline in global rates and a significant rally in global risk. However, inflation needs to peak for there to be a more sustained and broad-based rally in EM local rates, and thus it still pays to be selective in receiving rates. For most EMs, we are not quite there yet. With peak inflation still some months away across most of EM EMEA and with the risk that inflation may rise from relatively low levels across much of Asia, we remain warier of receiving rates in the majority of these markets.

Whilst we expect EM inflation to peak in the coming months, significant further tightening will be required to bring headline CPI rates back to targets

All in, 2022 remains a year of extreme volatility. Even before Russia’s invasion of Ukraine in late February, global inflationary pressures had risen sharply, as the supply side of the world economy struggled to keep pace with the speed of the post-COVID recovery. Then the war turbocharged commodities and exacerbated supply-chain disruptions, adding to those inflationary pressures. Looking ahead, whilst we expect EM inflation to peak in the coming months, significant further tightening will be required to bring headline CPI rates back to targets. However, what is clear to us is that price inertia and persistence will dominate over the coming quarters, with the result that inflation is set to remain higher for longer across EMs.

INFLATION IN EM AND US HAS MOVED HIGHER IN TANDEM BUT WE EXPECT BOTH ARE CLOSE TO PEAKS

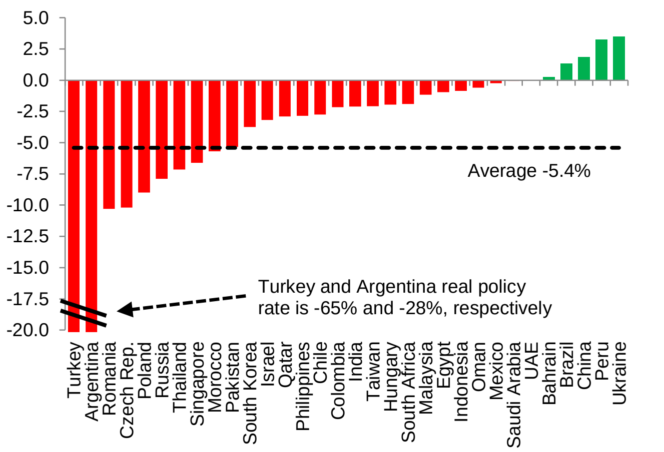
EM – US CPI (% Y/Y)



Source: Bloomberg, MUFG Research

THE ROOM FOR MANOEUVRE REMAINS LIMITED WITH NO REAL RATE BUFFER LEFT

EM REAL POLICY RATE (%)



Source: Bloomberg, MUFG Research

FX views

Global growth fears continue to provide headwind for EM FX performance

EM FX corrects lower as USD rebounds more broadly

Emerging market currencies have continued to correct lower against the USD over the past week. The worst performing EM currencies have been the CLP (-7.3% vs. USD), COP (-5.0%), ZAR (-3.7%), HUF (-3.2%), PLN (-2.9%), and KRW (-2.8%). In contrast, the RUB was the only EM currency to strengthen against the USD (+2.3%). The USD has regained upward momentum more broadly in recent weeks resulting the dollar index rising back to within touching distance of the year to date high from last month.

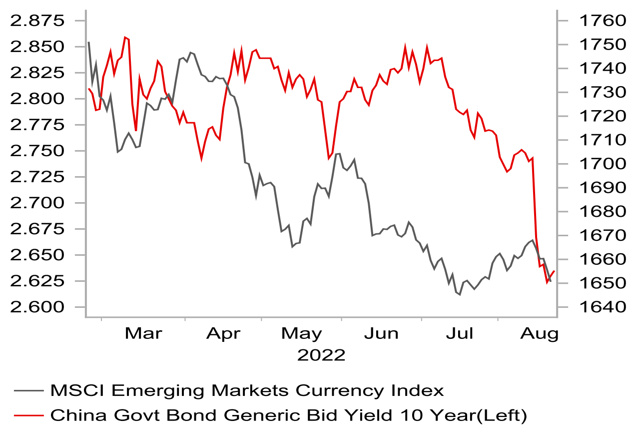
More evidence Chinese economy continues to disappoint reinforcing the headwind for EM FX especially Asian and commodity-related currencies

The USD has benefitted from building fears over a sharper slowdown in global growth outside of the US particularly in China and Europe. The latest activity data from China revealed that industrial production and retail sales were both much weaker than expected in July which has dampened expectations for the strength of the economic recovery during the 2H of this year. Persistent weakness in the housing market continues to pose downside risks to the strength of the recovery alongside the government's zero-COVID strategy. Economic weakness has prompted further downgrades to GDP forecasts for this year with growth expected to slow even more sharply to closer to 3% following growth of just over 8% last year. The scale of economic weakness has also prompted Chinese policymakers to cut rates further over the past week to provide more support for growth, and CNY200 billion in special loans will be offered to ensure that stalled housing projects are delivered to buyers.

Surging natural gas prices continue to pose downside risks for European currencies including CEE-3

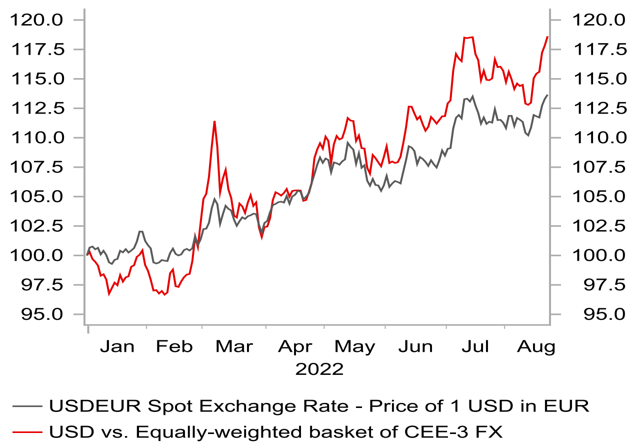
European currencies including the HUF, PLN and CZK to a lesser extent have all underperformed against the USD in response to intensifying fears over an even bigger hit to growth in Europe heading into the more challenging autumn/winter period. The price of natural gas has continued to surge higher over the past week which if sustained will have even more of a dampening impact on economic activity in the region. It has offset more encouraging reports that the EU members are making good progress in building natural gas inventories ahead of the winter period. It has already prompted EUR/USD to break back below parity today. We expect the pair to remain below parity for longer than last month's test. More acute EUR weakness adds to the headwinds for CEE-3 FX performance in the near-term.

WEAK CHINESE ECONOMY REMAINS DOWNSIDE RISK



Source: Bloomberg, Macrobond & MUFG Research

EUROPEAN FX REMAIN UNDER SELLING PRESSURE



Source: Bloomberg, Macrobond & MUFG GMR

Week in review

EM capital flows: EM backdrop still challenging despite a slightly less hawkish Fed

Recent comments from Fed officials, seem to have changed the mood music, as the strengthening of the USD, along with higher US yields led to some correction in asset prices

EM risk assets have staged a decent comeback over the last couple of weeks, as investors have factored in a "pivot" by core central banks, led by the US Fed, given the rising downside risks to economic activity, amid ongoing inflationary pressures. However, last week's FOMC meeting minutes (for 26-27 July FOMC meeting), as well as recent comments from Fed officials, seem to have changed the mood music, as the strengthening of the USD, along with higher US yields led to some correction in asset prices. The FOMC minutes suggested that restrictive policy was essential for avoiding a de-anchoring of inflation expectations, while Fed officials noted that the case for hikes remains strong, with St. Louis Fed's Chair Bullard voicing his call for another 75bp rise in September. Despite this slightly less hawkish Fed, the EM backdrop remains mired in challenges. Downside risks to global economic activity, deterioration in global liquidity, the tightening of financial conditions as well as ongoing geopolitical risks are top of mind (see here).

Improved week of EM capital inflows owing to the softer US inflation reading but uncertainties abound

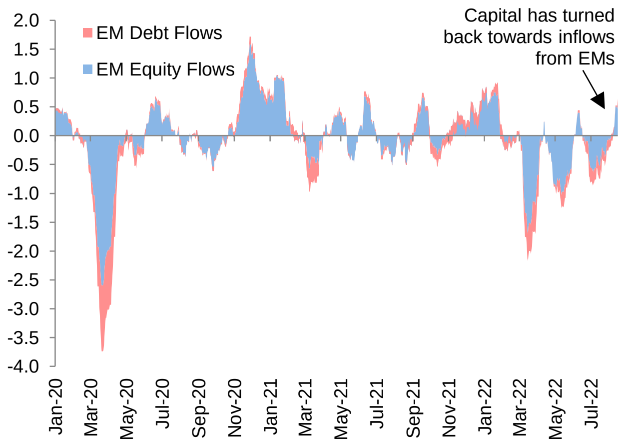
According to IIF data, EMs witnessed their fourth consecutive week of inflows (USD4.6bn – week ending 12 August), led by EM equities (USD4.0bn) whilst EM debt (USD0.7bn) also gained. However, we are convicted of the Fed pivot just yet with investor concerns continuing to linger. Looking ahead, key factors influencing flows will be the timing of inflation peaking and the Chinese outlook, whilst other core factors will be the market appetite for new issuance of external debt. Net issuance has also gone negative in recent months and – looking at regions – remains positive only for large oil exporters in the Middle East. Such retrenchment in flows – both on the secondary market and in primary issuance – stems from the Fed's hawkish shift in June, which now sets the stage for relief across EMs as the Fed approaches neutral, reducing somewhat the urgency to hike. Having said that, there are pockets of weakness in EMs – where real interest rates are deeply negative – and risks are mounting (see *macro focus* section above).

Tighter liquidity is bad news for EMs

Finally, the annual change in global liquidity has turned negative for the first time since the height of the pandemic in 2020, as the switch to quantitative tightening and the stronger USD has led to a much slower pace of growth in DM central banks' balance sheets. Given the strong lagged correlation between the pace of growth in

CAPITAL HAS RETURNED BACK TO INFLOWS INTO EM'S ON A 28 DAY ROLLING BASIS GIVEN THE RISK-ON MOOD

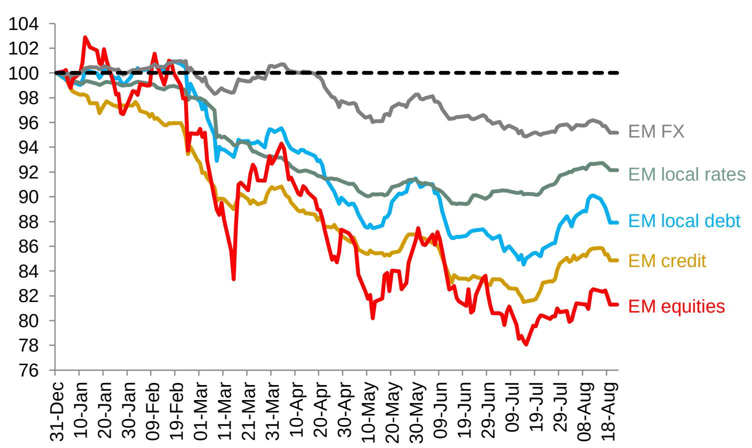
EM EQUITY AND DEBT FLOWS (USD BN), 28 DAY ROLLING AVERAGE



Source: IIF, MUFG Research

SELL-OFF ACROSS MAJOR EM ASSET CLASSES HAS EASED BUT RISING GLOBAL RECESSION RISKS ABOUND

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



Source: Bloomberg, MUFG Research

global liquidity and fund flows into EM (9-12 months lag), the ongoing drain on global liquidity, alongside higher recession risks, signals EM fund outflows remain at risk.

Turkey: CBRT surprises with a 100bp cut to 13.00% citing downside risks

Turkey surprises us (and markets) by cutting rates by 100bp to 13.00% despite real rates north of -65%

The Central Bank of Turkey (CBRT) cut its policy rate by 100bp to 13.00%, citing the necessity of supportive financial conditions to preserve growth momentum amid slower activity in the current quarter and elevated geopolitical risks. We (and consensus) were anticipating rates to remain on hold and thus the cut came as a surprise given (i) inflation is running close to 80% y/y, (ii) most developed and emerging market central banks are raising rates and; (iii) the Turkish Lira (TRY) is under pressure. In its accompanying press release, the Monetary Policy Committee's (MPC) assessment of the current rate as "adequate under the current outlook" likely signals no additional rate cuts in the near future. The MPC also accentuated the widening spread between the policy rate and the loan interest rate as a factor reducing the effectiveness of monetary transmission. In this context, the CBRT suggested at taking steps to further strengthen the macroprudential policy set with a view to supporting the effectiveness of the monetary transmission mechanism.

The prioritisation of growth over disinflation remains very much in place, as does investor apprehension over the path of policy

Going forward, the prioritisation of growth over disinflation remains very much in place, as does investor apprehension over the path of policy. What is clear is that the macroeconomic policy mix is becoming increasingly untenable with last week's rate cut. From a rates perspective, we anticipate that levels will remain on hold at 13.00%, and thus see real rates moving deeper into negative territory into Q4 2022 – stoking headline inflation further and considerably derailing year-end inflation expectations. We forecast inflation to rise to above 90% y/y by October, and only falling to 75% y/y at end-2022 with the aid of base effects in December. We view that the widening gap between forward looking expectations and the CBRT's inflation target – along with the unusually high level of uncertainty surrounding the outlook – points to a challenging disinflation process. We are convicted that the elevated risk premium and the weakening of the CBRT's net foreign asset position suggests a more restrictive policy stance as necessary to contain persistently elevated inflationary pressures.

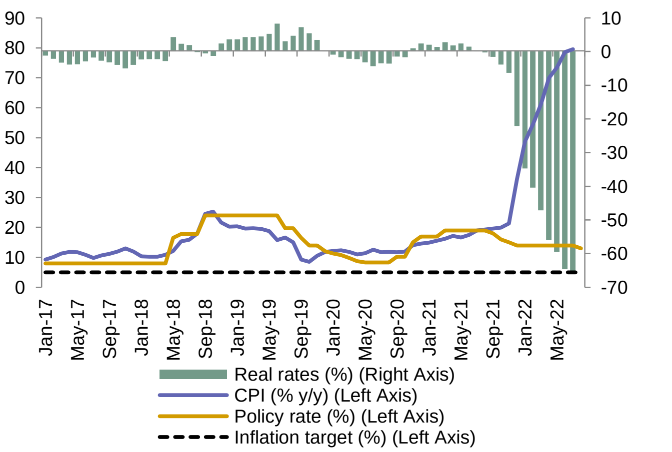
Egypt: CBE keeps rates on hold with the change in the governor in focus

Egypt holds rates but devaluation likely

The Central Bank of Egypt (CBE) kept all of its policy rates on hold – in line with our

TURKEY SURPRISES MARKETS WITH A 100BP CUT DESPITE INFLATION ~90% Y/Y AND REAL RATES AT -66%

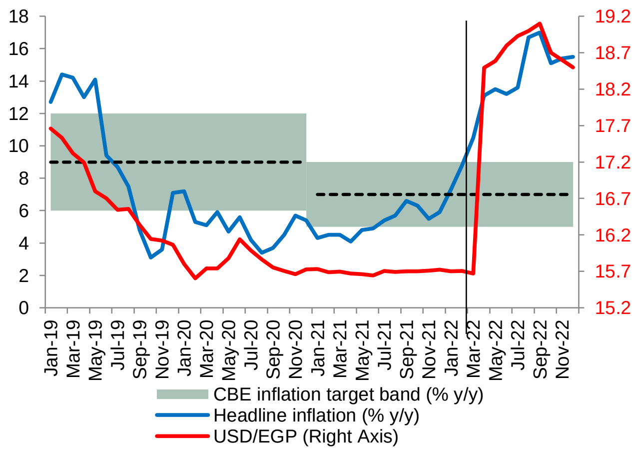
TURKEY INFLATION AND TARGET (% Y/Y), NOMINAL AND RATE RATES (%)



Source: Bloomberg, CBRT, MUFG Research

EGYPT INFLATION CONTINUES TO RISE WITH DEVALUATION RISKS MOVING FRONT OF MIND

EGYPT INFLATION AND TARGET (% Y/Y) AND USD/EGP



Source: Bloomberg, CBE, MUFG Research

expectations – advocating that supply-side price pressures will likely ebb, allowing inflation to return to target. The resignation of CBE governor Amer one day before the CBE rates decision may indicate a shift in the country's exchange rate policy. For now, it remains to be seen if new governor Abdalla has been appointed on an acting bias but markets are currently reading the change in new leadership as offering greater FX flexibility going forward. Our base case is for the CBE to press ahead with FX liberalisation as part of a GCC-backed IMF programme that would smooth out rebalancing.

Gauging the quantum of the FX adjustment needed in Egypt

The question is the quantum of the devaluation at stake. Our valuation models that factor in the current account, the degree of market openness and sensitivity to trade flows, suggests that the Egyptian Pound (EGP) is currently ~10% overvalued, which comes on top of the ~15% devaluation that took place in late March this year. Thus, we view that for complete rebalancing, Egypt will need to weaken the EGP further closer to 20 to the USD. What's noteworthy is that markets have been pricing in a much larger quantum of the devaluation with bets that Egypt will let the currency depreciate following the resignation of previous governor Amer, with the non-deliverable 12 months forwards market pricing in a currency depreciation to nearly 25 to the USD, which is ~25% lower than where the EGP is trading offshore as speculation is growing that the IMF will demand more flexibility in the currency as part of the conditions attached to a new loan package. Of course, devaluation is not a free lunch, as it will raise the cost of external debt serviceability and adds to inflation at a time when its already in double digits (13.6% y/y as of July). Though, however complex and sensitive a further devaluation is, it will reduce pricey imports as well as boost competitive exports, and ultimately offer the new leadership pause.

Dubai: inflation hits a more than decade high of 7.1% y/y in July

Inflation in Dubai rises to 7.1% y/y in July – more than a decade high

Dubai's headline inflation rate increased from 5.8% y/y in June to 7.1% y/y in July – the fastest annualised growth in more than a decade. The breakdown signalled that the rise was broad-based. Transport costs rose 38.6% y/y as petrol prices rose once again in July. Food prices rose 8.8% y/y last month, while housing costs rose 0.9% y/y. There was also strong growth in the cost of recreation and culture services, which includes entertainment and certain tourism services. Going forward, we expect housing costs to continue to rise through the rest of this year and show its gains in the headline reading which will more than offset the pace of price growth in food and transport given the easing in commodity prices.

Ghana: BoG hikes by 300bp at an emergency meeting alongside quantitative steps

Ghana hikes by 300bp to 22.0% in an emergency meeting owing to a sharp depreciation of the currency

The Bank of Ghana (BoG) increased its policy rate by 300bps to 22.0% in an emergency meeting on 17 August. In addition, the Monetary Policy Committee (MPC) announced a phased increase in banking sector reserve requirements from 12% to 15%. The measures announced follow the MPC's decision to maintain rates at 19% at its July meeting – a dovish surprise given market expectations at the time for a rate hike. The Ghanaian Cedi (GHS) has depreciated by ~15% vs USD in the last couple of week (bringing year-to-date depreciation to ~60%), which was a key driver prompting the emergency MPC meeting, in our view.

Week ahead

Israel: BoI to raise rates by 50bp to 1.75% owing to elevated inflationary pressures

Israel set to raise rates by 50bp to 1.75% with further hikes to come

The Bank of Israel (BoI) is set to hike raise rates by 50bp (consensus also for 50bp) to 1.75%. Inflation increased from 4.4% y/y in June to 5.2% y/y in July, exceeding expectations, and marking the first large upside inflation surprise this year. The composition of the release was also broadly hawkish, as the increase was driven by core inflation. More specifically, the pace of housing inflation increased again, signalling that one of the key inflationary risks flagged by the BoI has materialised. Looking ahead, inflation is likely to decline in August on the back of the fuel excise tax cut, but as this is set to expire in one month, we expect inflation to continue rising thereafter, reaching north of 5.5% y/y by year-end. From a rates perspective, we expect the BoI to continue tightening policy this year, with policy rates reaching 2.50% by year-end.

South Africa: inflation in July set to rise by 0.5ppt to 7.9% y/y

Inflation in South Africa set to increase further in July

Inflation in South Africa is likely to increase from 7.4% y/y in June to 7.9% y/y in July (consensus 7.8% y/y), while core inflation is likely to edge up slightly by 0.1ppt to 4.5% y/y (in line with consensus). With the recent decline in oil prices and rebound in the South African Rand (ZAR), we view that July is likely to mark the peak in inflation.

Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Israel	22/08/2022	14:00	Interest rate announcement (%)	Aug	1.75%	1.75%	1.25%	!!!
	S. Africa	24/08/2022	09:00	Interest rate announcement (%)	Aug	11.25%	11.75%	11.25%	!!!
	S. Africa	24/08/2022	09:00	Interest rate announcement (%)	Aug	14.00%	14.00%	14.00%	!!!
	Nigeria	26/08/2022	---	Real GDP (% y/y)	Q2-22	---	---	3.1%	!!

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	19.66	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	0.91	3.30	5.50	-7.41	-7.33	-6.33	-4.17	-3.88	-3.66
Greece	15.39	6.50	4.30	0.57	-10.25	-4.29	-2.70	-7.41	-5.14
Hungary	8.20	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	9.60	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	0.30	5.70	3.10	-4.13	-6.49	-5.91	-3.95	-3.07	-3.25
Nigeria	3.11	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	8.50	5.00	4.50	-0.74	-4.25	-1.90	1.08	2.26	1.56
Romania	6.43	7.60	3.00	-4.56	-6.70	-5.59	-10.07	-5.71	-5.53
Qatar	2.50	2.90	6.00	4.93	2.78	5.68	-27.67	8.20	11.56
Russia	3.97	4.40	-7.00	1.92	-0.56	0.02	1.11	5.74	4.41
Saudi Arabia	11.80	4.50	11.20	-4.45	-3.05	2.79	-0.39	3.87	3.79
South Africa	3.00	5.10	1.60	-2.27	-8.44	-6.99	1.22	2.88	-0.86
Turkey	7.34	9.80	1.60	-5.65	-4.92	-5.58	0.00	-2.42	-1.61
Ukraine	-15.10	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	3.10	3.90	1.90	4.50	4.50	3.00	0.377	0.377	0.377
Czech Rep.	17.50	3.90	11.30	7.00	3.75	5.50	24.656	24.886	21.380
Egypt	13.60	5.40	7.90	11.25	7.75	11.50	19.120	15.723	15.420
Greece	11.59	-0.10	0.40	0.50	0.50	0.40	1.001	1.137	1.132
Hungary	13.70	4.90	7.80	10.75	2.40	5.50	405.8	324.5	314.70
Iraq	5.40	6.40	5.00	4.00	4.00	5.00	1460	1460	1460.000
Israel	5.20	1.50	2.80	1.25	1.25	0.50	3.283	3.103	3.100
Jordan	5.34	1.60	2.00	5.25	5.25	2.00	0.710	0.709	0.709
Kenya	8.30	6.00	5.90	7.50	7.50	9.50	119.780	113.140	113.040
Kuwait	4.42	2.90	3.40	2.75	2.75	3.00	0.307	0.303	0.303
Lebanon	210.08	124.10	85.00	2.75	2.75	7.75	1511.130	1512.330	1512.330
Libya	4.56	21.10	8.00	3.00	3.00	3.00	4.905	4.597	4.597
Morocco	7.70	1.40	1.20	1.50	1.50	1.50	10.455	9.252	9.250
Nigeria	19.60	17.30	12.00	14.00	14.00	14.00	428.110	424.830	440.500
Oman	2.57	1.30	2.00	1.45	1.45	14.00	0.385	0.385	0.385
Poland	15.60	4.90	10.00	6.50	1.75	5.50	4.751	4.035	3.948
Romania	14.96	5.30	11.90	5.50	5.50	5.50	4.879	4.353	4.388
Qatar	4.98	1.60	4.00	3.25	3.25	2.50	3.641	3.642	3.642
Russia	15.10	6.60	16.60	8.00	5.75	15.00	118.690	74.679	71.130
Saudi Arabia	2.67	3.10	2.20	2.50	2.50	2.50	3.756	3.755	3.755
South Africa	7.40	4.50	6.20	5.50	3.50	4.75	17.027	15.937	15.800
Turkey	79.60	17.90	62.00	13.00	14.00	20.00	18.123	13.317	14.250
Ukraine	22.20	9.40	15.30	25.00	25.00	14.00	36.931	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	22-Jul	29-Jul	05-Aug	12-Aug	19-Aug	Change in yield (basis points) Week	MTD	YTD
Bahrain	10 years	5.54	5.18	4.85	4.99	4.83	-15.11	-34.91	229.97
Czech Rep.	10 years	4.83	4.57	4.27	4.16	4.44	28.33	-13.31	135.72
Egypt	9 years	15.22	14.80	14.51	12.48	12.48	0.06	-231.72	531.86
Greece	8 years	3.04	2.65	2.78	2.93	3.35	42.62	70.73	224.51
Hungary	8 years	9.44	9.32	8.98	8.45	9.24	78.37	-8.58	477.36
Israel	8 years	2.58	2.42	2.29	2.23	2.30	7.58	-11.09	209.24
Jordan	5 years	8.28	7.51	7.20	6.78	7.14	36.62	-36.80	287.28
Kenya	7 years	15.30	14.60	14.57	11.61	12.98	136.67	-162.12	727.36
Kuwait	6 years	3.27	3.18	3.21	3.22	3.35	12.41	16.34	165.33
Lebanon	9 years	92.25	93.23	90.36	87.88	90.85	297.69	-237.62	2,685.16
Morocco	11 years	6.34	5.40	5.02	4.99	5.09	10.52	-30.62	269.37
Nigeria	9 years	13.29	12.93	12.31	10.40	12.49	209.78	-44.01	510.37
Oman	9 years	6.38	6.07	5.71	5.38	5.83	44.66	-24.00	107.44
Poland	8 years	2.71	2.46	2.39	2.40	2.47	7.09	1.91	230.29
Romania	7 years	5.61	5.22	5.10	4.95	5.30	34.81	8.05	374.95
Qatar	9 years	3.78	3.57	3.58	3.56	3.64	7.56	6.91	138.91
Russia	5 years	35.81	32.19	28.71	28.61	29.28	67.04	-290.97	-64.35
Saudi Arabia	8 years	3.71	3.54	3.49	3.49	3.58	8.97	3.79	143.63
South Africa	9 years	6.96	6.29	6.17	5.98	6.76	77.34	46.21	253.64
Turkey	7 years	10.75	10.42	9.56	8.93	10.56	163.58	14.21	334.37
Ukraine	8 years	37.40	37.38	39.25	34.07	33.33	-73.12	-404.26	2,385.38
Abu Dhabi	6 years	3.18	3.02	3.14	3.09	3.29	20.68	27.42	154.18
Dubai	8 years	4.09	3.97	3.88	3.91	3.95	3.93	-2.03	136.55

EM EMEA equity market (index)

	15-Jul	22-Jul	29-Jul	05-Aug	12-Aug	19-Aug	Change (%) Week	MTD	YTD
Bahrain	1,825	1,869	1,872	1,846	1,905	1,900	-0.23	-0.29	5.72
Czech Rep.	99,622	100,730	96,121	99,033	101,438	106,472	4.96	3.21	1.57
Egypt	9,180	8,658	8,764	9,034	9,288	10,099	8.74	6.68	-15.48
Greece	822	779	803	815	835	854	2.35	0.40	-4.35
Hungary	39,241	39,352	38,903	41,139	41,653	43,868	5.32	4.93	-13.51
Israel	1,865	1,826	1,854	1,902	1,912	1,984	3.76	1.85	0.31
Jordan	2,476	2,548	2,568	2,587	2,582	2,536	-1.78	-2.72	19.71
Kenya	118	132	138	135	137	142	3.98	0.68	-14.69
Kuwait	7,397	7,384	7,543	7,543	7,717	7,718	0.01	0.01	9.58
Lebanon	658	658	658	658	658	658	0.00	-0.36	33.83
Morocco	12,058	11,632	11,793	11,944	11,835	11,936	0.86	1.00	-10.65
Nigeria	51,802	51,557	51,568	52,187	49,667	50,717	2.11	0.69	18.73
Oman	4,125	4,124	4,115	4,281	4,532	4,661	2.85	2.85	12.88
Poland	1,733	1,655	1,656	1,695	1,652	1,674	1.34	-2.74	-26.16
Romania	12,517	12,286	12,195	12,091	12,384	12,576	1.55	0.93	-3.71
Qatar	12,237	12,061	11,883	12,538	13,122	13,563	3.36	1.44	16.66
Russia	2,379	2,222	2,074	2,075	2,196	2,088	-4.91	-5.67	-44.86
Saudi Arabia	11,727	11,417	11,290	11,864	12,155	12,254	0.82	0.45	8.62
South Africa	61,554	59,703	60,032	61,379	61,985	63,493	2.43	1.63	-5.31
Turkey	2,402	2,408	2,408	2,525	2,544	2,791	9.71	7.67	50.25
Ukraine	519	519	519	519	519	519	0.00	0.00	-0.68
Abu Dhabi	9,408	9,251	9,161	9,399	9,564	10,042	5.00	3.92	18.31
Dubai	3,246	3,062	3,113	3,212	3,301	3,342	1.23	0.11	4.56

EM EMEA FX against USD*

	15-Jul	22-Jul	29-Jul	05-Aug	12-Aug	19-Aug	Change (%) Week	MTD	YTD
USD Index	104.685	107.130	108.544	106.910	105.903	106.443	0.51	0.51	11.26
Bahrain**	0.379	0.379	0.379	0.379	0.379	0.378	-0.11	0.11	0.26
Czech Rep.	23.760	24.197	24.316	24.039	24.074	24.059	-0.06	0.06	-9.06
Egypt	18.797	18.868	18.868	18.904	18.939	19.157	1.15	1.15	21.84
Greece***	1.041	1.019	1.008	1.021	1.022	1.019	-0.33	-0.33	-10.41
Hungary	384.380	398.190	397.730	388.740	396.260	385.900	-2.61	2.68	-15.92
Israel	3.520	3.464	3.468	3.440	3.399	3.323	-2.23	2.28	-6.61
Jordan**	0.710	0.710	0.710	0.710	0.710	0.714	0.58	-0.52	-0.70
Kenya	117.647	117.647	0.008	0.008	0.008	0.008	0.00	0.00	4.76
Kuwait	0.307	0.307	0.307	0.307	0.307	0.307	0.00	0.05	-1.39
Lebanon	1,509.75	1,509.64	1,507.75	1,512.43	1,512.43	1,512.43	0.00	0.00	-0.01
Morocco	10.051	10.164	10.420	10.221	10.294	10.300	0.06	-0.06	-10.18
Nigeria	420.880	424.780	423.040	423.460	427.170	424.710	-0.58	0.58	0.03
Oman**	0.385	0.385	0.386	0.386	0.386	0.385	-0.03	0.03	0.26
Poland	3.755	3.755	3.754	3.750	3.750	3.751	0.04	-0.04	0.08
Romania	4.748	4.855	4.902	4.829	4.822	4.829	0.14	-0.14	-9.86
Qatar**	3.659	3.659	3.659	3.661	3.661	3.657	-0.12	0.12	0.49
Russia	55.807	63.927	57.000	58.190	62.239	60.219	-3.25	3.35	24.83
Saudi Arabia**	3.755	3.755	3.754	3.750	3.750	3.751	0.04	-0.04	0.08
South Africa	16.415	16.873	17.075	16.828	16.624	16.662	-0.23	-0.23	-4.35
Turkey	16.750	17.259	17.362	17.731	17.920	17.964	-0.24	-0.24	-25.94
Ukraine	29.403	29.547	29.464	36.751	36.592	36.933	0.93	-0.92	-26.12
UAE**	3.673	3.672	3.672	3.672	3.672	3.673	0.01	-0.01	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)

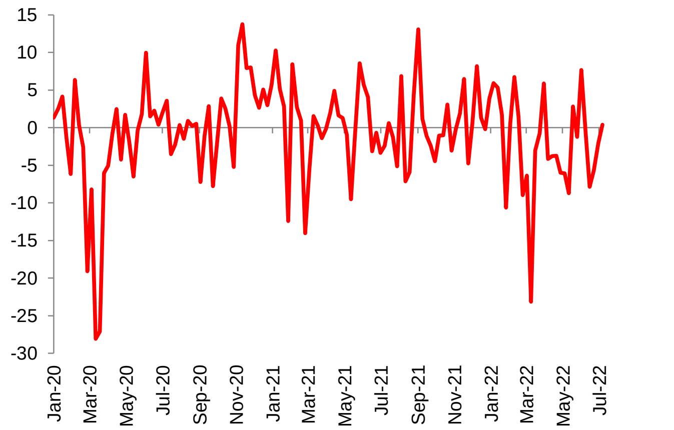
	15-Jul	22-Jul	29-Jul	05-Aug	12-Aug	19-Aug	Change in yield (basis points) Week	MTD	YTD
Bahrain	317.20	314.82	314.82	312.87	325.52	315.81	-9.71	-9.71	21.98
Czech Rep.	39.69	38.10	38.10	33.70	45.72	47.60	1.89	1.89	11.98
Egypt	751.43	778.14	924.42	943.00	1,371.51	1,332.51	-39.00	-39.00	834.48
Greece	165.17	174.12	174.12	167.87	173.90	168.65	-5.25	-5.25	56.66
Hungary	128.20	129.97	129.97	160.50	207.03	197.05	-9.98	-9.98	152.33
Israel	46.09	46.45	46.45	48.27	47.21	44.13	-3.09	-3.09	3.92
Kenya	695.06	813.38	1,013.97	1,060.63	1,203.00	1,139.23	-63.76	-63.76	732.35
Kuwait	69.76	69.37	67.89	68.44	72.00	71.50	-0.50	-0.50	26.79
Morocco	205.95	207.84	231.57	241.75	310.78	300.90	-9.88	-9.88	205.51
Nigeria	811.44	700.65	894.66	893.92	965.24	894.17	-71.08	-71.08	439.10
Oman	259.93	261.75	259.95	260.73	301.31	297.70	-3.61	-3.61	41.89
Poland	100.00	104.53	107.60	108.45	133.17	130.85	-2.32	-2.32	91.27
Romania	240.93	219.95	263.30	264.22	341.28	335.86	-5.42	-5.42	261.04
Qatar	60.36	62.04	62.54	62.69	64.66	56.62	-8.04	-8.04	12.86
Russia	---	---	---	---	---	---	---	---	---
Saudi Arabia	61.36	66.35	66.35	62.75	66.55	58.34	-8.21	-8.21	8.97
South Africa	233.66	242.93	242.93	65.60	299.68	273.66	-26.02	-26.02	70.64
Turkey	711.43	715.33	715.33	848.55	820.23	734.58	-85.65	-85.65	171.83
Ukraine	3,615.89	5,108.84	7,710.87	11,106.86	11,640.29	15,040.87	3,400.58	3,400.58	14,429.98
Abu Dhabi	59.42	60.71	61.09	62.11	64.20	131.95	67.75	67.75	89.06
Dubai	119.46	118.18	122.26	123.85	137.84	131.95	-5.89	-5.89	37.89

Source: Bloomberg, MUFG Research

EM capital flows

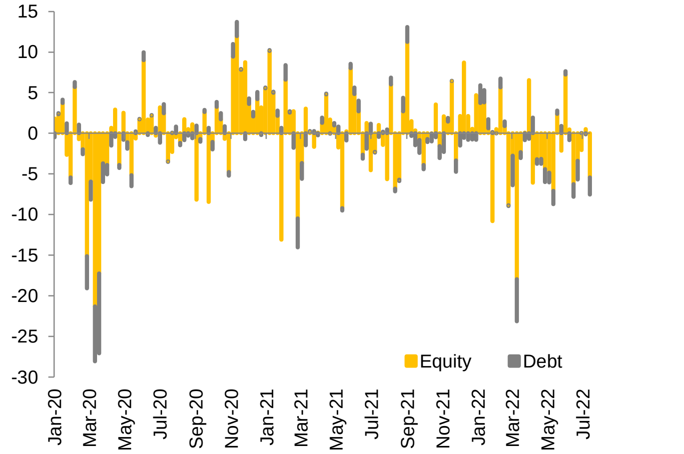
WEEKLY TOTAL EM INFLOWS OF USDD1.6BN – 12 AUGUST

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



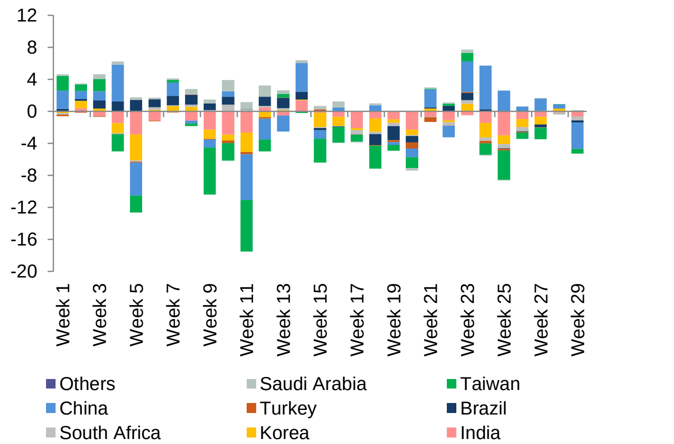
WEEKLY EM INFLOWS FROM EQUITY (USD1.8BN) BUT DEBT OUTFLOWS (USD-0.2BN) – 12 AUGUST

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



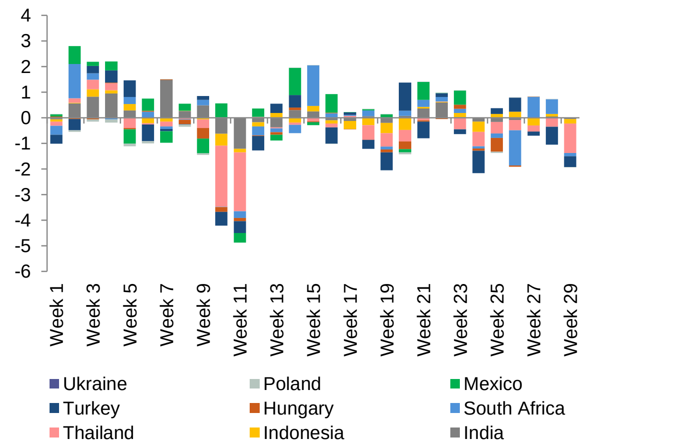
INDIA (USD0.8BN) AND SOUTH KOREA (USD0.5BN) LED WEEKLY EM EQUITY INFLOWS – 12 AUGUST

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



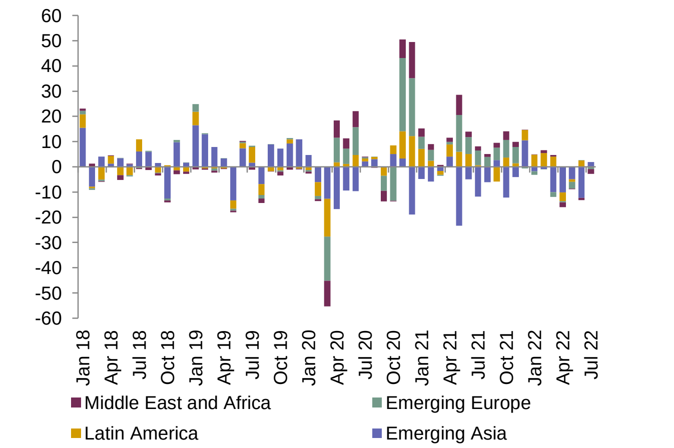
INDONESIA (USD-0.3BN) LED EM DEBT OUTFLOWS LAST WEEK – 12 AUGUST

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



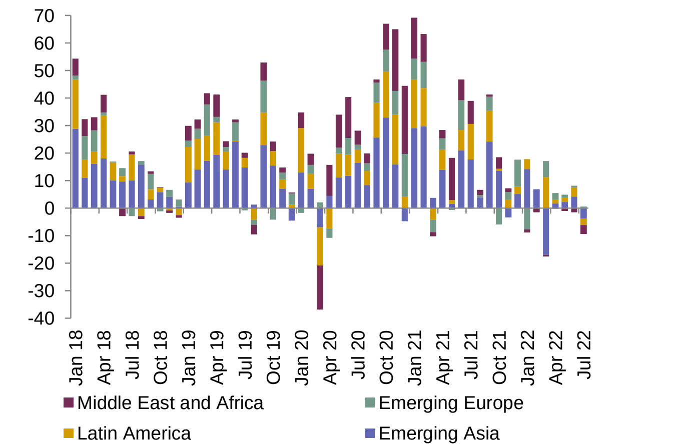
EM EQUITY OUTFLOWS TOTALLED USD-1.0BN IN JULY, LED BY MIDDLE EAST AND AFRICA (USD-1.9BN)

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



EM DEBT OUTFLOWS TOTALLED USD-8.8BN IN JULY, LED BY EM ASIA (USD-3.8BN)

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



Source: Bloomberg, IIF, MUFG Research

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