

EHSAN KHOMAN

Head of Emerging Markets Research
– EMEA

DIFC Branch – Dubai
T: +971 (4)387 5033
E: ehsan.khoman@ae.mufg.jp

LEE HARDMAN

Currency Analyst

Global Markets Research
Global Markets Division for EMEA
T: +44(0)20 577 1968
E: lee.hardman@uk.mufg.jp

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Financial conditions and hiking fatigue across EMs

Macro focus: For much of 2022, the core dynamic in global markets has been the tightening in financial conditions – delivered either through higher rates as the market focused on the inflation overshoot, or through lower equities/wider spreads as recession risks built (and sometimes both). Periods of relief in financial conditions have sowed the seeds of their own demise, given the ongoing challenge of bringing inflation lower. To move out of the financial conditions loop that has defined the last six months and achieve a sustained trough in EM risk assets will require more convincing evidence of a peak in underlying inflation that allows the market to be confident on the Fed’s hiking cycle.

FX views: Chinese growth apprehensions and the European energy crisis continues to drive EM FX. The PBoC’s attempts to slow the pace of CNY depreciation through setting stronger than expected daily fixes have had limited so far on CNY. Meanwhile, the more favourable energy developments are providing some short-term relief for EM EMEA currencies.

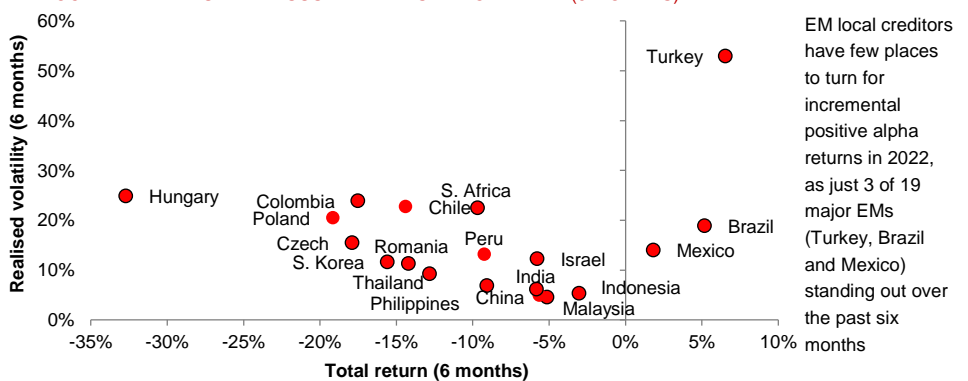
Week in review: The Bank of Israel raised its policy rate by 75bp to 2.00%, above our (and consensus) of a 50bp hike – the fourth consecutive hike. Inflation in South Africa increased from 7.4% y/y in June to 7.8% y/y in July (in line with consensus and slightly below our 7.9% y/y forecast). Finally, the surge in oil and gas revenues has led record trade and budget surpluses in Saudi Arabia and Qatar in H1 2022.

Week ahead and calendar: In the week ahead, we have PMI readings for August which is set to offer further visibility of the stagflationary environment. Separately, we will have the Hungarian rate decision (MUFG and consensus: 100bp hike to 11.75%) and Turkey Q2 2022 GDP (MUFG: 7.2% y/y; consensus 7.5% 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 fifth consecutive week of inflows (USD4.5bn – week ending 12 August), but with the Fed in no hurry to pivot, alongside tightening global liquidity, suggests that EM fund flows remain at risk.

CHART OF THE WEEK: FEW PLACES TO TURN FOR POSITIVE PERFORMANCE
EM LOCAL DEBT RETURN VERSUS EM REALISED VOLATILITY (6 MONTHS)



Source: Bloomberg, MUFG Research

Macro focus

Financial conditions and hiking fatigue across EMs

US financial conditions appear still skewed to the upside which poses risks to EM local rates

For much of 2022, the core dynamic in global markets has been the tightening in financial conditions – delivered either through higher rates as the market focused on the inflation overshoot, or through lower equities/wider spreads as recession risks built (and sometimes both). For EMs, two elements are behind the local rates rally over the summer, (i) the easing of US financial conditions, and (ii) early signs of hiking fatigue in the EMs that were early in starting monetary normalisation last year. Having said that, the financial conditions loop driving markets this year is yet to be broken, which indicates to us that risks to US financial conditions still look skewed to the tighter upside, especially post a broadly hawkish Jackson Hole. This poses upside risks to EM yields, given how much they absorbed the easier US financial conditions over the past several weeks, especially in the curves most correlated with global duration (notable in the Czech Republic, Israel, Poland, Mexico and Thailand)

If EM hikes started with sharp rate actions and communication shifts last year, they could be ending more gradually

The latest Czech National Bank (CNB) rate meeting compellingly revealed the intention not to use the policy rate channel further to tame rising domestic inflationary pressures, and the Central Bank of Brazil (BCB) signalled that the end of the tightening cycle could be close, or even behind us. These central banks were the first to start tightening policy in 2021, and the recent communication has left markets contemplating which other EMs could be close to the peak of their monetary cycles, lending support to the broader EM rates complex. If EM hikes started with sharp rate actions and communication shifts last year, they could be ending more gradually, assuming that the CNB and BCB prove to be any guide for the rest of EM.

The final hike has proven to be a reliable trigger for the best returns from receiving EM rates

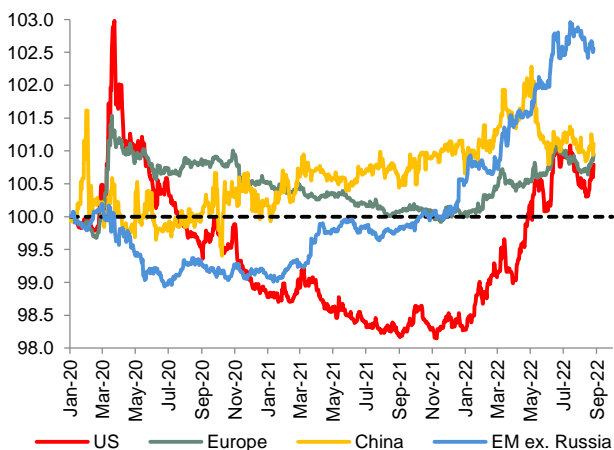
Historically, the final hike has proven to be a reliable trigger for the best returns from receiving EM rates. First, there is a strong synchronicity between the last rate hike in a cycle, and a peak in annualised headline inflation. From this perspective, decelerating (albeit sticky) inflation in Brazil means that the BCB's recent communication appears validated, though the same cannot be said for the CNB, which faces a still-deteriorating inflation outlook. Second, it is not common that an EM hiking cycle concluded when the Fed was hiking rates and still far from its own last hike. With US data still not providing conclusive evidence that underlying inflation has peaked, a Fed pivot is not imminent – reinforced by a hawkish Jackson Hole – which, makes for lower conditional probabilities of broad-based pauses in EM hiking cycles.

Hawkish EM impulse to moderate

The immediacy to the peak in inflation in a number of EMs and a slower pace of

FINANCIAL CONDITIONS HAVE HOVERED BETWEEN EASING AND TIGHTENING OVER THE SUMMER

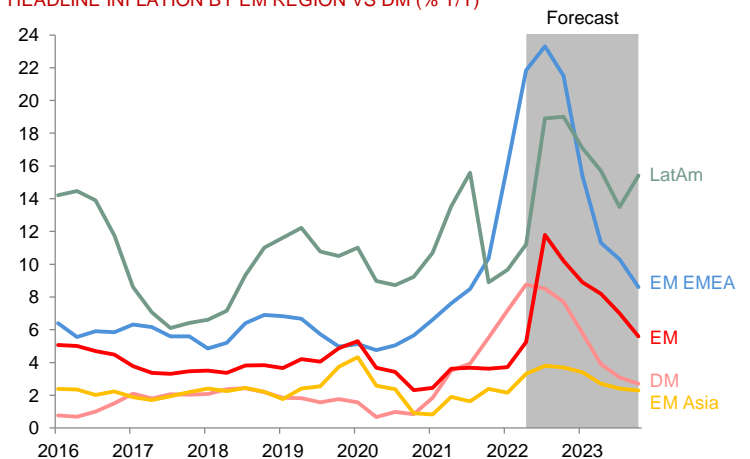
FINANCIAL CONDITIONS INDEX (>100 = MORE RESTRICTIVE)



Source: Bloomberg, MUFG Research

DESPITE EM INFLATION LIKELY TO PEAK IN H2 2022, MONETARY TIGHTENING CYCLES WILL TAKE LONGER

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



Source: Bloomberg, EM Official Statistics, MUFG Research

hikes by the Fed are core reasons as to why we are anticipating the hawkish impulses from EM central banks to moderate on average in the months ahead, even if a return to rate cuts in EM are not imminent (see [here](#)). Having said that, there remains wide divergence across inflation and rate dynamics across EMs. While monetary policy tightening by most EM central banks has been a consequence of the gradual spreading of inflationary pressures across regions.

EM rate receivers prospects are improving

Despite meaningful regional differences, as aggregate EM approaches the peak in inflation and rates, this indicates that the asymmetry for rate receivers is improving. Notably, lower sequential inflation combined with an absence of policy tightening creates better-than-even prospects for positive returns in front-end receivers, something that may be starting to play out in LatAm, and in Brazil in particular. A key issue relates to how much of this transition in the macro regime may have already been priced in the last few weeks of strong performance across EM rates, which has also benefitted markets where such a regime transition is possibly still distant.

Convincing evidence of a peak in underlying inflation is needed to move out of the financial conditions loop

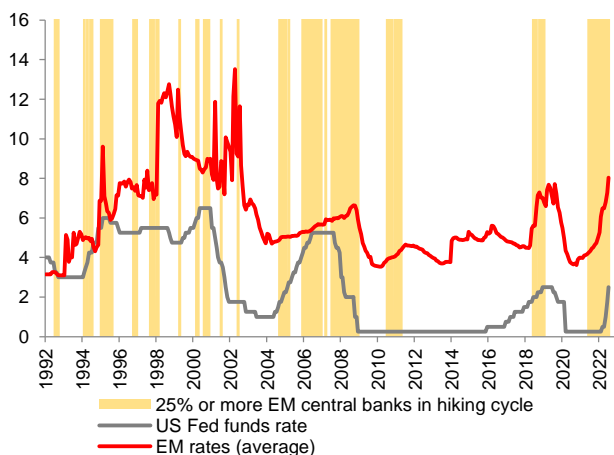
Succinctly, periods of relief in financial conditions have sowed the seeds of their own demise, given the ongoing challenge of bringing inflation lower. To move out of the financial conditions loop that has defined this year and achieve a sustained trough in EM risk assets will require more convincing evidence of a peak in underlying inflation that allows the market to be confident surrounding the Fed hiking cycle.

Going forward we highlight two types of EM pressures

Looking ahead, an aggressive Fed hiking cycle similar to 1994, a USD surge as well as commodity price volatility has contributed to a large volume of questions regarding whether an EM crisis is in the making. The answer this lies primarily in what segment of EM one is focused on. The classical type EM crises, where the combination of hard currency liabilities and limited FX reserves create a USD funding crisis is now primarily a feature of high yield EM sovereigns (see [here](#)). With limited market access since Q2 2022, many of these EM sovereigns already face challenging crisis-like conditions – they have experienced large currency depreciations and have been left only with corner solutions to choose from including outright default (Sri Lanka), approaching the IMF (Pakistan) and/or bilateral assistance (Egypt). In the major EMs, where a large share of the sovereign debt is denominated in local currency, the pressure tends to take more conventional forms – where currency depreciation adds to underlying inflationary pressures and raises risks of de-anchored inflation expectations and pro-cyclical tightening. This risk is rising in places but it is no different than the challenges being faced by DM economies, where the macro mix means that central banks are also at the risk of tightening into a slowdown.

EM HIKING CYCLES HAVE SELDOM BEEN CONCLUDED WHEN THE FED WAS STILL HIKING

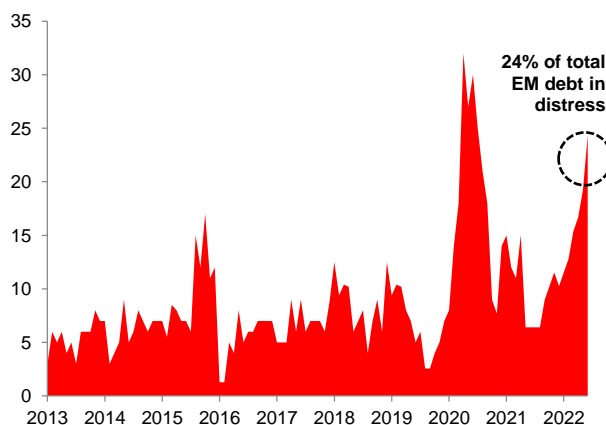
EM AND US INTEREST RATES (%) AND EM HIKING CYCLE EPISODES



Source: Bloomberg, MUFG Research

DEBT VULNERABILITIES ARE MOUNTING WITH EM BONDS FACING USD340BN CASCADE OF DEFAULTS

% SHARE OF EM SOVEREIGN USD BONDS WITH SPREADS ABOVE 10%



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.

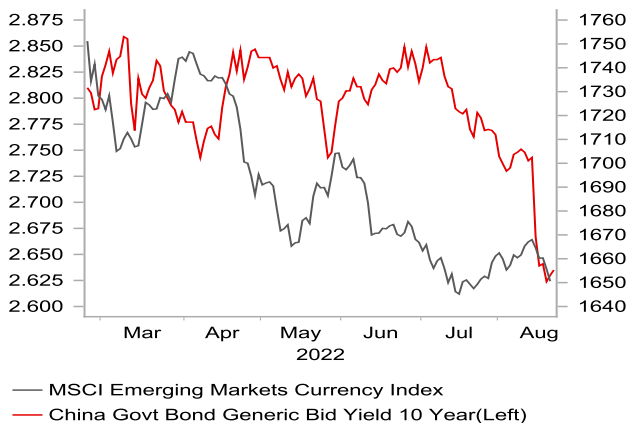
More evidence Chinese economy continues to disappoint reinforcing the headwind for EM FX especially Asian and commodity-related currencies

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

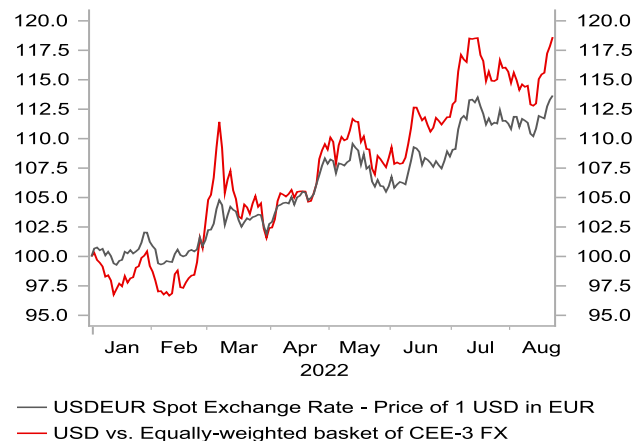
European currencies including the HUF, PLN and CZK to a lesser extent have all underperformed against the USD in response to intensifying fears over an even bigger hit to growth in Europe heading into the more challenging autumn/winter period. The price of natural gas has continued to surge higher over 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

China growth fears & European energy crisis continue to drive EM FX

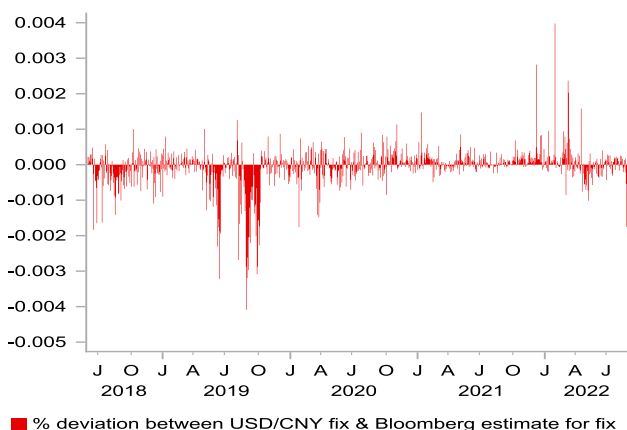
EM FX performance mixed. CNY and Asia FX underperform while CEE-3 FX rebounds.

The performance of emerging market currencies has been mixed over the past week. On the one hand, the CLP (+3.6%), HUF (+2.1%), BRL (+1.5%), PLN (+1.1%) and ZAR (+1.0%) have all recorded strong gains against the USD. In contrast, the worst performing EM currencies have been the RUB (-1.9%), CNY (-1.2%), THB (-0.9%) and TWD (-0.9%). It has seen USD/CNY hit fresh year to date highs in recent days at 6.9225. The PBoC's attempts to slow the pace of CNY depreciation through setting stronger than expected daily fixes have had limited so far on CNY even as the divergence between the fix and consensus expectations for the fix have been the widest in three years. Heightened fears over the health of China's economy are continuing to weigh more heavily on the CNY and other Asian currencies in the near-term. Market participants will be closely watching the release of the latest China PMI surveys for August in the week ahead (Tues) to assess current economic momentum. It follows much weaker than expected activity data for July.

Acute energy supply disruptions fears ease in Europe providing short-term relief for regional currencies. Fed's hawkish policy message at Jackson Hole should help to limit correction lower for USD more broadly.

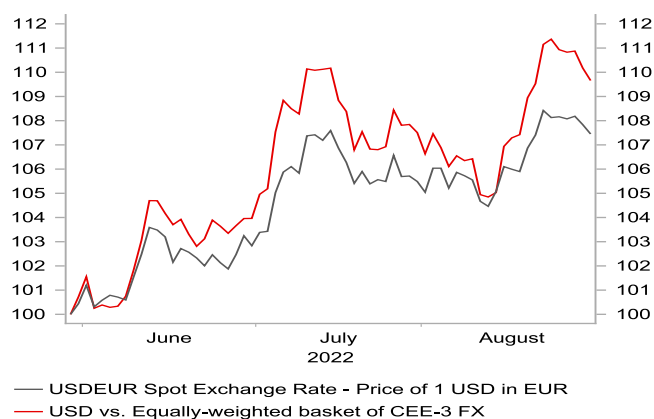
The Central European currencies (HUF & PLN) alongside the EUR have been benefitting from an easing of acute fears over energy supply disruption in Europe. The price of natural gas has dropped sharply in recent days although is still around 280% higher year to date. The correction lower for gas prices has been driven both by reports that EU members are making good progress in building up inventories ahead of the winter, and by comments from EU officials talking up the prospect of some form of intervention in energy markets to help dampen upward pressure on prices. EU members are reportedly on course to meet their target of 80% storage capacity two months ahead of schedule which will help to reduce the likelihood of more acute energy rationing over the winter. At the same time, European commission President Ursula von der Leyen has stated that the EU is seeking an instrument to break the link between gas and energy prices while policymakers are adopting a more favourable view of implementing an EU-wide energy price cap. Energy ministers are scheduled to meet on 9th September. Market participants will also be watching closely how much gas supply comes back on stream when the latest Nord Stream 1 pipeline shutdown ends on 2nd September. The more favourable energy developments are providing some short-term relief for European currencies. The hawkish message from the Fed at Jackson Hole should though ensure that the USD remains well supported against EM FX more broadly.

CHINA HAS BEEN SETTING STRONGER CNY FIXES



Source: Bloomberg, Macrobond & MUFG Research

CEE-3 FX STAGE RELIEF REBOUND



Source: Bloomberg, Macrobond & MUFG GMR

Israel: Bol delivers a larger than expected 75bp hike to 2.00%

Israel hikes by more than anticipated with further hikes to come

The Bank of Israel (BoI) raised its policy rate by 75bp to 2.00%, above our (and consensus) of a 50bp hike – the fourth consecutive hike. Inflation rose from 4.4% y/y in June to 5.2% y/y in July, and the composition of the reading was relatively hawkish, with robust increases in core led by higher housing inflation. Housing inflation was one of the key inflationary risks flagged by the BoI earlier this year, and the recent data suggest that this risk has risen. Set against strong inflation dynamics, there has been a number of developments that suggest an improvement in the inflation outlook. The Israeli Shekel (ILS) has strengthened by more than 5% against the USD since July, and global commodity prices have eased from their highs. However, today's decision reveals that the BoI is sensitive to further deterioration in near-term inflation, and additional upside surprises could be met with a continued hawkish policy response. We assume that the BoI will cumulatively hike by between 75-100bp by year-end to 2.75-3.00% given our inflation forecasts – which whilst encouragingly is well-anchored – it is unlikely to edge back towards the BoI target of 1-3% until the last month of the year.

South Africa: inflation rises by 0.4ppt to 7.8% y/y in July with Q4 2022 likely peak

South Africa experiences higher inflation but yet to peak

Inflation in South Africa increased from 7.4% y/y in June to 7.8% y/y in July (in line with consensus and slightly below our 7.9% y/y forecast). Fuel and food prices remain the main drivers of higher price growth. The pick-up in core price (by 0.2ppt to 4.6% y/y) pressures was underpinned by a sharp acceleration in public transport inflation, alongside increases for recreational services, vehicle prices and charges for water and other municipal services. With inflation running well ahead of the 4.5% target, upside inflation risks and deteriorating price expectations, we expect the South African Reserve Bank (SARB) to tighten by 75bp in September and another cumulative 75bp by year-end, taking policy rates to 7.00%.

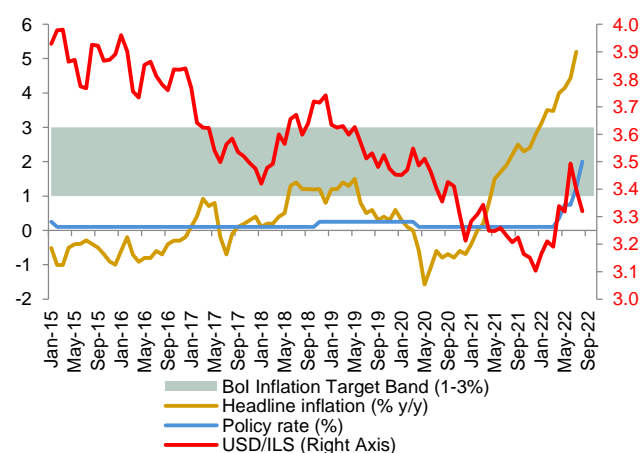
Saudi Arabia: trade surplus tops USD125bn in H1 2022

Saudi Arabia's trade balance continues to show robust strength on higher oil exports

The latest monthly trade data in Saudi Arabia signalled yet another robust reading with a surplus of USD23.4bn, compared with USD23.9bn in May. This brings the overall trade surplus close to USD125bn in H1 2022, with the surge in oil exports the core driver. The breakdown suggests that imports reached USD16.0bn – the highest

ISRAEL DELIVERS A LARGER THAN EXPECTED 75BP HIKE WITH INFLATION CONSIDERABLY ABOVE TARGET

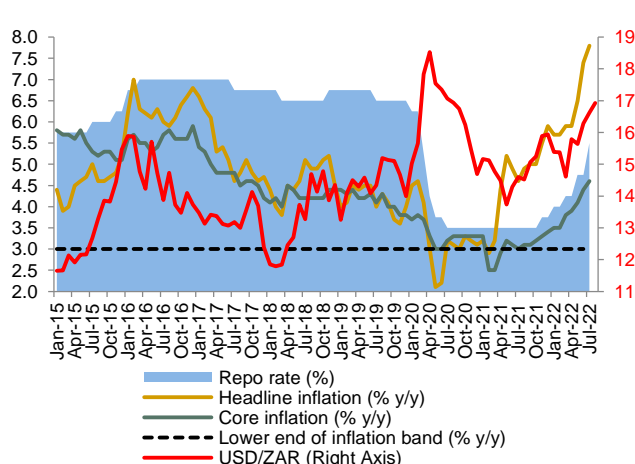
ISRAEL INFLATION, POLICY RATE AND BOI TARGET AND USD/ILS



Source: Bloomberg, BoI, MUFG Research

SOUTH AFRICA'S INFLATION RATE RISES TO 7.8% Y/Y WITH Q4 2022 EXPECTED TO MARK THE PEAK

SOUTH AFRICA INFLATION, TARGET BAND, POLICY RATE AND USD/ZAR



Source: Bloomberg, CBE, MUFG Research

level since August 2014, due to higher consumption goods while capital remained stable. On our estimates, the robust trade surplus alongside FX purchases for remittances suggests a current account surplus of ~USD40bn.

Qatar: fiscal surplus reaches USD13bn in H1 2022 – best performance since 2014

Qatar's fiscal surplus reaches the best performance since 2014

Qatar central government budget surplus reached USD 9.3bn in Q2 2022 which represents the best quarterly performance since 2014. Hydrocarbon revenues remained robust at about USD16bn. Non-oil revenues jumped significantly, bringing an extra boost to the budget, while expenditures were mostly in line with Q1 2022. Qatar budget 2022 delivered a conservative profile with an oil price assumption of USD55/b, which signalled a deficit of 1.3% of GDP. The data so far appear to be tracking our forecast which is for a wide surplus.

Week ahead

PMIs for August: stagflationary trends set to become increasingly evident

EM EMEA PMI readings for August to likely reinforce the slowdown in economic activity

EM EMEA August PMIs will be released on 1 September. In July the aggregate PMI for the region fell by 1.4ppts to 48.5 (on a PPP-weighted basis) led mainly because of markedly weaker data from South Africa (down 4.6ppts to 47.6), as well as from the Czech Republic (down 2.2ppts to 46.8), Poland (down 2.3ppts to 42.1) and Turkey (down 1.2ppts to 46.9). The Russian manufacturing PMI decreased from 50.9 to 50.3 after two months of consecutive increases but it remains in expansionary levels above 50. There were also declines in oil-exporting economies, albeit from significantly higher levels – Qatar fell from 67.5 to 61.5 and Saudi Arabia from 57.0 to 56.3. We anticipate the EM EMEA PMI's for August to demonstrate further evidence of stagflationary pressures amid weakness in high frequency indicators.

Hungary: MNB expected to continue its hawkish path with a 100bp hike to 11.75%

Hungary likely to hike rates by 100bp to 11.75%













The National Bank of Hungary (MNB) is expected to raise its base rate and the one-week deposit rate when it meets on 30 August – we are in line with consensus of a 100bp hike 11.75%. Inflation rose by 2.0ppt to 13.7% y/y in July, exceeding both our, and consensus, expectations significantly to the upside. The composition of the increase was relatively hawkish, as core inflation rose by 2.9pp to 16.7% y/y. Looking ahead, the recent partial increase of utilities prices for some households, which came into effect in August, is likely to push headline inflation significantly higher, and the MNB guided that this could add 3.0ppts to headline inflation. Put together, we expect inflation will peak in October likely surpassing 18.0% y/y although acknowledge upside risks given we (and markets) have been continuously surprised to the upside.

Turkey: Q2 2022 real GDP set to expand as monetary conditions ease

Second quarter GDP reading in Turkey to demonstrate robust performance

























Turkey's Q2 2022 real GDP estimate to be released on 31 August is set to demonstrate robust growth – we forecast growth slightly below consensus estimates of 7.5% y/y at 7.2% y/y (Q1 2022 was 7.2% y/y). High frequency indicators demonstrate a strong pace of economic activity in the second quarter with industrial production rising by 1.1% q/q and retail sales volume rose significantly by 4.2% q/q, signalling a sharp turnaround in household consumption.

























Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Czech Rep.	30/08/2022	08:00	Real GDP (% y/y)	Q2-22P	---	3.6%	3.6%	!!
	Hungary	30/08/2022	13:00	Interest rate announcement (%)	Aug	11.75%	11.75%	10.75%	!!!
	Turkey	31/08/2022	08:00	Real GDP (% y/y)	Q2-22	7.2%	7.5%	7.3%	!!!
	Poland	31/08/2022	09:00	Real GDP (% y/y)	Q2-22F	---	---	5.4%	!!
	Russia	01/09/2022	---	PMI manufacturing	Aug	---	---	50.3	!!!
	Poland	01/09/2022		PMI	Aug	---	---	42.1	!!!
	Hungary	01/09/2022		Real GDP (% y/y)	Q2-22F	---	---	6.5%	!!
	Hungary	01/09/2022		PMI	Aug	---	---	57.8	!!!
	Turkey	01/09/2022		PMI	Aug	---	---	46.9	!!!
	Czech Rep.	01/09/2022		PMI	Aug	---	---	46.8	!!!
	Nigeria	01/09/2022		PMI	Aug	---	---	44.8	!!!
	S. Africa	01/09/2022		PMI	Aug	---	---	53.2	!!!

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	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	29-Jul	05-Aug	12-Aug	19-Aug	26-Aug	Change in yield (basis points)		
							Week	MTD	YTD
Bahrain	10 years	5.18	4.85	4.99	4.78	4.75	-3.07	-43.67	221.21
Czech Rep.	10 years	4.57	4.27	4.16	4.46	5.05	58.78	47.85	196.87
Egypt	9 years	14.80	14.51	12.48	12.39	11.95	-44.23	-284.91	478.68
Greece	8 years	2.65	2.78	2.93	3.33	3.69	36.59	104.69	258.48
Hungary	8 years	9.32	8.98	8.45	9.03	9.50	47.15	18.00	503.94
Israel	8 years	2.42	2.29	2.23	2.29	2.53	23.83	11.57	231.90
Jordan	5 years	7.51	7.20	6.78	6.94	6.98	3.21	-53.61	270.48
Kenya	7 years	14.60	14.57	11.61	12.71	12.62	-8.68	-197.77	691.71
Kuwait	6 years	3.18	3.21	3.22	3.33	3.38	5.24	19.77	168.76
Lebanon	9 years	93.23	90.36	87.88	89.43	71.97	-1745.94	-2125.76	797.02
Morocco	11 years	5.40	5.02	4.99	5.02	5.09	7.11	-30.34	269.65
Nigeria	9 years	12.93	12.31	10.40	12.03	12.09	6.59	-83.90	470.47
Oman	9 years	6.07	5.71	5.38	5.72	5.85	12.78	-21.89	109.55
Poland	8 years	2.46	2.39	2.40	2.47	2.64	16.73	18.24	246.62
Romania	7 years	5.22	5.10	4.95	5.26	5.59	32.37	36.71	403.61
Qatar	9 years	3.57	3.58	3.56	3.66	3.66	-0.48	9.17	141.17
Russia	5 years	32.19	28.71	27.88	29.07	27.99	-107.66	-420.06	-62.38
Saudi Arabia	8 years	3.54	3.49	3.49	3.57	3.63	5.71	8.63	148.47
South Africa	9 years	6.29	6.17	5.98	6.62	6.45	-16.55	15.52	222.95
Turkey	7 years	10.42	9.56	8.93	10.41	9.92	-48.53	-50.11	270.06
Ukraine	8 years	37.38	39.25	34.07	33.31	34.65	134.16	-272.27	2,517.36
Abu Dhabi	6 years	3.02	3.14	3.09	3.26	3.31	5.55	29.19	155.94
Dubai	8 years	3.97	3.88	3.91	3.93	3.97	4.09	0.43	139.00






















EM EMEA equity market (index)									
	22-Jul	29-Jul	05-Aug	12-Aug	19-Aug	26-Aug	Change (%)		
							Week	MTD	YTD
Bahrain	1,846	1,905	1,896	1,881	1,900	1,915	0.76	0.47	6.53
Czech Rep.	98,287	102,597	105,892	109,718	113,708	112,299	-1.24	8.85	7.13
Egypt	9,350	9,350	9,442	9,969	10,058	10,226	1.67	8.02	-14.42
Greece	815	835	870	875	894	871	-2.64	2.31	-2.53
Hungary	42,030	41,653	42,931	44,131	42,981	42,497	-1.12	1.66	-16.21
Israel	1,902	1,912	1,946	2,024	2,034	2,023	-0.52	3.86	2.28
Jordan	2,593	2,582	2,551	2,577	2,560	2,555	-0.19	-1.99	20.60
Kenya	135	137	140	145	147	138	-6.06	-2.23	-17.15
Kuwait	7,360	7,743	7,690	7,690	7,685	7,747	0.79	0.38	9.99
Lebanon	658	658	658	658	658	658	0.00	-2.92	30.39
Morocco	11,944	11,775	11,833	11,989	12,174	12,164	-0.08	2.92	-8.94
Nigeria	52,187	50,189	50,595	50,075	49,546	49,679	0.27	-1.37	16.30
Oman	4,281	4,509	4,665	4,652	4,607	4,583	-0.52	1.12	10.97
Poland	1,695	1,652	1,688	1,694	1,683	1,563	-7.13	-9.19	-31.05
Romania	12,091	12,384	12,477	12,425	12,583	12,185	-3.16	-2.20	-6.71
Qatar	12,538	13,103	13,386	13,569	14,018	13,678	-2.43	2.30	17.65
Russia	2,075	2,196	2,124	2,152	2,189	2,283	4.32	3.13	-39.71
Saudi Arabia	11,864	12,052	12,292	12,431	12,622	12,567	-0.43	3.02	11.39
South Africa	61,379	61,985	62,199	63,161	64,184	62,219	-3.06	-0.41	-7.21
Turkey	2,525	2,544	2,684	2,830	2,980	3,125	4.87	20.55	68.23
Ukraine	519	519	519	519	519	519	0.00	0.00	-0.68
Abu Dhabi	9,399	9,575	9,846	10,198	10,097	10,003	-0.94	3.51	17.84
Dubai	3,212	3,261	3,339	3,394	3,432	3,451	0.54	3.39	7.98

EM EMEA FX against USD*

		22-Jul	29-Jul	05-Aug	12-Aug	19-Aug	26-Aug	Change (%)		
								Week	MTD	YTD
	USD Index	106.910	106.351	105.693	105.090	108.169	109.084	0.85	3.00	14.02
	Bahrain**	0.379	0.379	0.379	0.379	0.379	0.379	0.00	0.03	0.18
	Czech Rep.	24.039	24.074	24.083	23.725	24.549	24.676	0.52	-2.44	-11.33
	Egypt	18.904	18.939	19.120	19.157	19.157	19.194	0.19	1.34	22.07
	Greece***	1.021	1.022	1.018	1.026	1.004	0.996	-0.73	-2.50	-12.37
	Hungary	388.740	396.260	386.610	382.770	402.510	411.450	2.22	-3.69	-21.14
	Israel	3.440	3.399	3.352	3.224	3.267	3.319	1.59	2.40	-6.50
	Jordan**	0.710	0.710	0.710	0.710	0.710	0.710	0.06	0.00	-0.18
	Kenya	119.048	119.048	0.008	0.008	0.008	0.008	-1.19	1.20	6.02
	Kuwait	0.308	0.308	0.308	0.308	0.308	0.308	0.00	-0.37	-1.80
	Lebanon	1,509.64	1,512.43	1,512.43	1,513.13	1,513.13	1,513.13	0.00	-0.05	-0.05
	Morocco	10.221	10.294	10.329	10.322	10.405	10.575	1.63	-2.66	-12.51
	Nigeria	423.800	427.170	424.040	427.920	427.860	428.500	0.15	-0.31	-0.86
	Oman**	0.386	0.386	0.385	0.386	0.386	0.386	-0.03	0.00	0.23
	Poland	3.750	3.750	3.749	3.756	3.756	3.757	0.01	-0.19	-0.07
	Romania	4.829	4.822	4.838	4.760	4.861	4.888	0.56	-1.35	-10.95
	Qatar**	3.661	3.661	3.655	3.656	3.662	3.659	-0.08	0.05	0.41
	Russia	58.190	62.239	61.014	61.469	59.397	60.903	2.54	2.19	23.43
	Saudi Arabia**	3.750	3.750	3.749	3.756	3.756	3.757	0.01	-0.19	-0.07
	South Africa	16.828	16.624	16.777	16.168	17.003	16.936	0.40	-1.84	-5.90
	Turkey	17.731	17.920	17.920	17.947	18.101	18.189	-0.48	-1.48	-26.86
	Ukraine	36.751	36.592	36.592	36.592	36.623	36.932	0.85	-0.92	-26.12
	UAE**	3.672	3.672	3.672	3.672	3.673	3.673	0.00	-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)

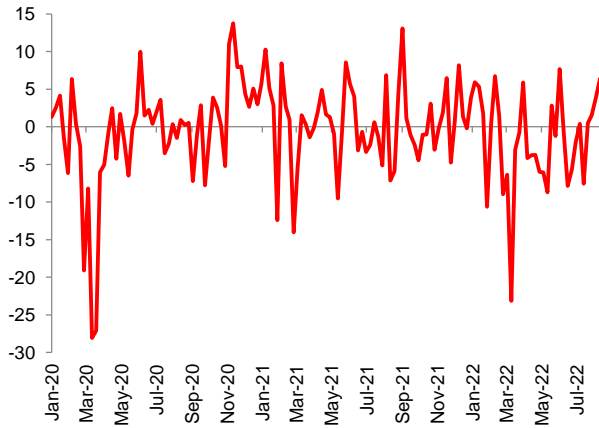
		22-Jul	29-Jul	05-Aug	12-Aug	19-Aug	26-Aug	Change in yield (basis points)		
								Week	MTD	YTD
	Bahrain	317.20	314.82	314.82	290.73	300.17	306.71	6.53	6.53	12.88
	Czech Rep.	39.69	38.10	38.10	46.07	44.23	44.19	-0.04	-0.04	8.57
	Egypt	751.43	778.14	924.42	984.04	1,015.29	942.20	-73.09	-73.09	444.17
	Greece	165.17	174.12	174.12	165.92	171.22	170.67	-0.55	-0.55	58.68
	Hungary	128.20	129.97	129.97	173.39	177.44	195.57	18.13	18.13	150.85
	Israel	46.09	46.45	46.45	41.47	40.50	40.51	0.02	0.02	0.30
	Kenya	695.06	813.38	1,013.97	1,118.74	973.15	944.11	-29.04	-29.04	537.22
	Kuwait	69.76	69.37	67.89	70.93	63.86	59.85	-4.01	-4.01	15.14
	Morocco	205.95	207.84	231.57	280.56	268.51	256.04	-12.48	-12.48	160.65
	Nigeria	811.44	700.65	894.66	828.70	817.48	823.45	5.97	5.97	368.38
	Oman	259.93	261.75	259.95	263.31	260.17	291.56	31.39	31.39	35.75
	Poland	100.00	104.53	107.60	122.63	137.44	149.91	12.47	12.47	110.33
	Romania	240.93	219.95	263.30	294.47	297.69	329.88	32.19	32.19	255.06
	Qatar	60.36	62.04	62.54	49.42	50.54	48.19	-2.36	-2.36	4.43
	Russia	---	---	---	---	---	---	--	---	---
	Saudi Arabia	61.36	66.35	66.35	50.85	52.21	48.69	-3.52	-3.52	-0.69
	South Africa	233.66	242.93	242.93	233.68	288.12	266.59	-21.53	-21.53	63.57
	Turkey	711.43	715.33	715.33	655.94	794.71	746.55	-48.16	-48.16	183.79
	Ukraine	3,615.89	5,108.84	7,710.87	10,047.64	9,588.00	9,588.00	0.00	0.00	8977.11
	Abu Dhabi	59.42	60.71	61.09	48.42	49.56	120.89	71.33	71.33	77.99
	Dubai	119.46	118.18	122.26	123.26	120.24	120.89	0.65	0.65	26.83

Source: Bloomberg, MUFG Research

EM capital flows

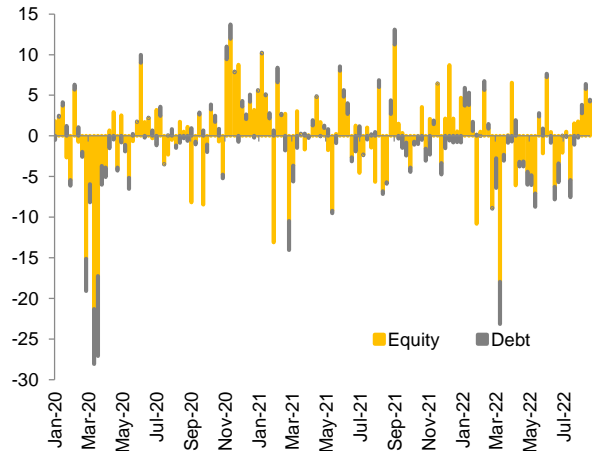
WEEKLY TOTAL EM INFLOWS OF US\$4.5BN – 19 AUGUST

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



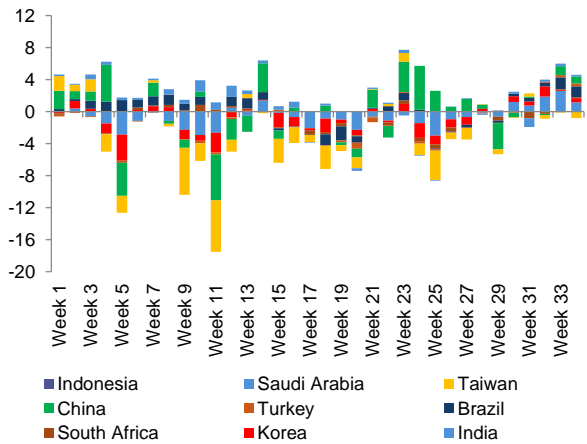
WEEKLY EM INFLOWS FROM EQUITY (USD4.2BN) AND DEBT INFLOWS (USD0.3BN) – 19 AUGUST

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



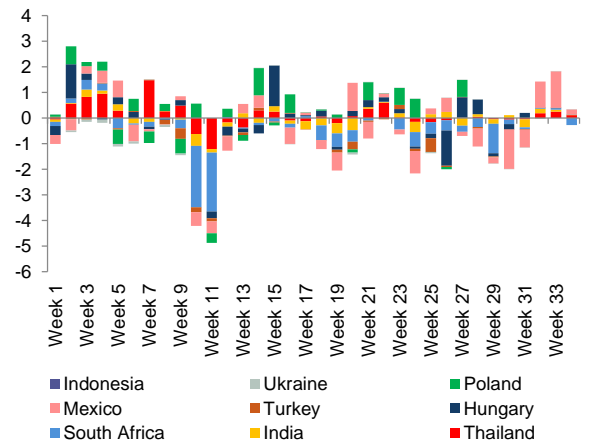
BRAZIL (USD1.4BN) AND INDIA (USD1.2BN) LED WEEKLY EM EQUITY INFLOWS – 19 AUGUST

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



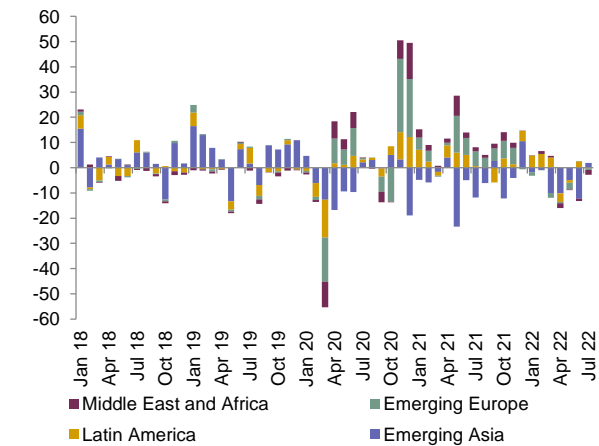
INDONESIA (USD0.4BN) LED EM DEBT INFLOWS LAST WEEK – 19 AUGUST

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



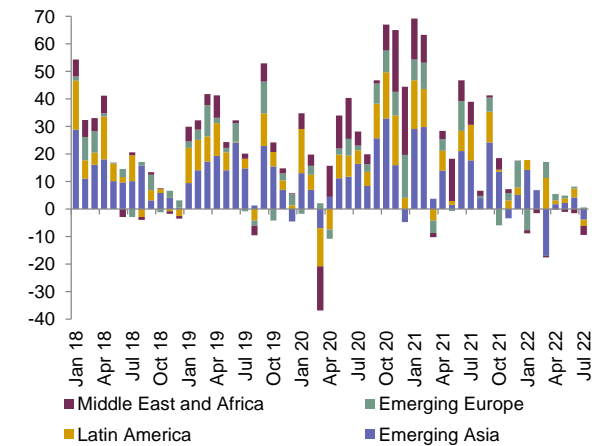
EM EQUITY OUTFLOWS TOTALLED USD-1.0BN IN JULY, LED BY MIDDLE EAST AND AFRICA (USD-1.9BN)

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

Research

London:

MR DEREK HALPENNY

*Head of Research, Global Markets EMEA
& International Securities*

T: +44 (0)20 7577 1887

MR LEE HARDMAN

Currency Analyst

T: +44 (0)20 7577 1968

MS MOMOKO MIYACHI

Research Assistant

T: +44 (0)20 7577 1886

Shanghai:

MR MARCO SUN

Chief Financial Markets Analyst

T: +86 21 2063 5485

Hong Kong:

MS LIN LI

Head of Global Markets Research Asia

T: +852 2862 7005

New York:

MR GEORGE GONCALVES

Head of US Macro Strategy

T: +1-212- 405-6687

Dubai:

MR EHSAN KHOMAN

Head of Emerging Markets Research – EMEA

T: +971 (0)4 387 5033

Tokyo

MR TEPPEI INO

Tokyo Head of Global Markets Research

T: +81 (0) 3 6214 4185

MS SUMINO KAMEI

Senior Analyst

T: +81 (0) 3 6214 4179

MR TOMOKI HIRAMATASU

Analyst

T: +81 (0) 3 6214 4152

MR TAKAHIRO SEKIDO

Chief Japan Strategist

T: +81 (0) 3 6214 4150

MR KENTO SAITO

Research Assistant

T: +81 (0) 3 6214 4149

MR TOSHIYUKI SUZUKI

Global Market Economist

T: +81 (0) 3 6214 4148

Singapore:

MR JEFF NG

Senior Currency Analyst

T: +65 6918 5536

MS SOPHIA NG

Currency Analyst

T: +65 6918 5537

Sao Paulo:

MR CARLOS PEDROSO

Chief Economist

T: +55-11-3268-0245

MR MAURICIO NAKAHODO

Senior Economist

T: +55-11-3268-0420

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