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Why its unmerited to compare EMs to the UK

Macro focus: A number of leading market commentators have compared the UK's financial woes with those of an EM Whilst the commonalities in comparing the situation in the UK and some EMs are anchored in Economic Policy Uncertainty (EPU) theory, we believe its unmerited to EMs to associate them, in aggregate, with the current situation in the UK. What differentiates EMs today is conservative policy discipline, particularly amongst systemically important economies. Yet, we recognise that DMs looking bad does not necessarily make EM look good – the rise of DM financial instability limits global risk appetite and constrains EM capital flows.

FX views: Emerging market currencies have on the whole remained on the defensive against the USD over the past month resulting our EM FX index falling to a fresh year to date lows even as the USD has weakened more broadly against most G10 currencies. The key event for EM currencies in the week ahead will be the Fed's latest FOMC meeting on Wednesday. Another 75bps rate hike from the Fed is seen as a done deal this week.

Week in review: Egypt reached a USD3bn agreement with the IMF, following a 200bp rate hike and move to a more flexible FX regime. South Africa's mid-term budget considerably improved the authorities fiscal projections and debt trajectory. Hungary held rates at 13.00%, in line with expectations. Finally, the Central Bank of Turkey raised its year-end inflation forecasts (up 4.8ppts to 65.2% y/y).

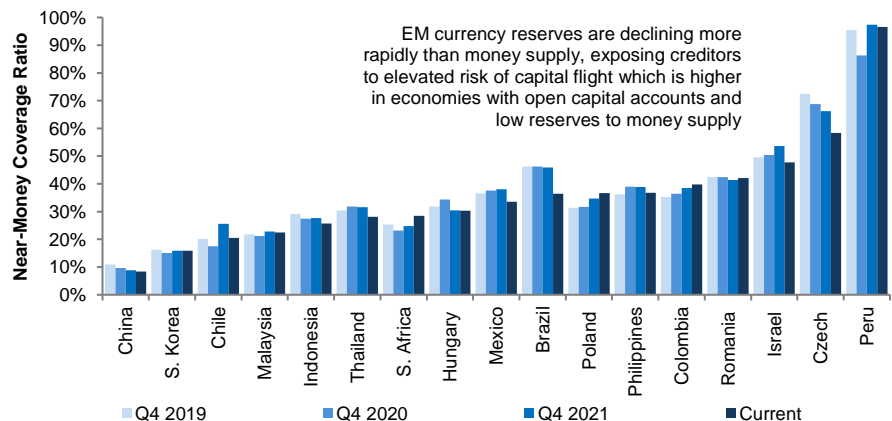
Week ahead: We will have elections in Israel and Czech Republic rates (MUFG and consensus on hold at 7.00%). Turkish CPI data will be released (MUFG: 84.9% y/y; consensus: 85.6% y/y), and GDP data in the Czech Republic (MUFG and consensus 1.8% y/y). We will also see PMIs for October across the region.

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: Investors reduced their exposure to EM risk (USD-4.2bn), with both equity (USD-3.2bn) and debt (USD-1.0bn) funds suffering redemptions

CHART OF THE WEEK: EM'S VULNERABILITY TO CAPITAL FLIGHT IS RISING

EM NEAR-MONEY COVERAGE RATIOS = FX RESERVES / M2 MONEY SUPPLY, (%)



Source: Bloomberg, MUFG Research

Macro views

Why its unmerited to compare EMs to the UK

The commonalities in comparing the situation in the UK and some EMs that is anchored in Economic Policy Uncertainty theory needs closer attention

A number of leading market commentators have compared the UK's financial woes with those of an EM – the best-known example being former US Treasury Secretary, Larry Summers, describing the UK as an “emerging market turning itself into a submerging market”. Whilst the commonalities in comparing the situation in the UK and some EMs are anchored in Economic Policy Uncertainty (EPU) theory – primarily uncertainty surrounding government policies related to inflation, sovereign debt sustainability, interest rates, central bank independence and fiscal prudence – we believe its unmerited to EMs to associate them, in aggregate, with the current situation in the UK.

UK's challenges centre around weak commitment to institutions and a bad macro policy mix

The policy-related vulnerability which led to the description of the UK as an EM had to do with both weak commitment to institutions and a bad macro policy mix. The institutional problem in the UK surrounds unpredictability with the failure of the government to back its 23 September mini-fiscal statement with any accompanying framework from the independent Office for Budget Responsibility (OBR) – accentuating the arbitrariness in policymaking and a disregard for the institutions of fiscal policy, which some might consider an EM-type challenge. Also, against a background where the inflation-adjusted UK policy interest rate is exceptionally low, a fiscal expansion in an environment of weak external demand growth could only add to the UK's external financing requirement with little in the Bank of England's monetary framework to attract the capital inflows necessary to finance the larger deficit at hand.

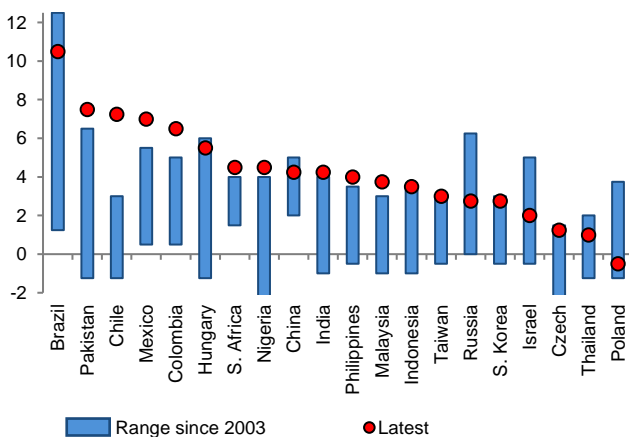
Monetary and fiscal policies differentiate EMs to DMs (notably the UK) at the current juncture

To put this into perspective, what differentiates EMs today is conservative policy discipline, particularly amongst systemically important economies. Both monetary and fiscal policy in EM has been, by comparison with DM in recent years, consummate:

1. **Monetary policy.** EMs started the process of monetary tightening significantly earlier and – so far – more aggressively than advanced economies. Central banks in Brazil and Russia were the first among major EMs to increase interest rates in March 2021, followed by Hungary, the Czech Republic and Mexico in June that year. The magnitude of hikes in some EM has also exceeded anything witnessed in DMs. On net, the average real ex ante policy rate differential between EM and DM is close to being as high as it has been in the past 20 years. Thus, virtually all major inflation targeting EM (bar Poland) comprise real policy rates higher than the DM weighted average at the current juncture.

EM REAL POLICY RATE DIFFERENTIALS TOWARDS DM'S ARE AT HISTORICAL HIGHS IN MANY PLACES

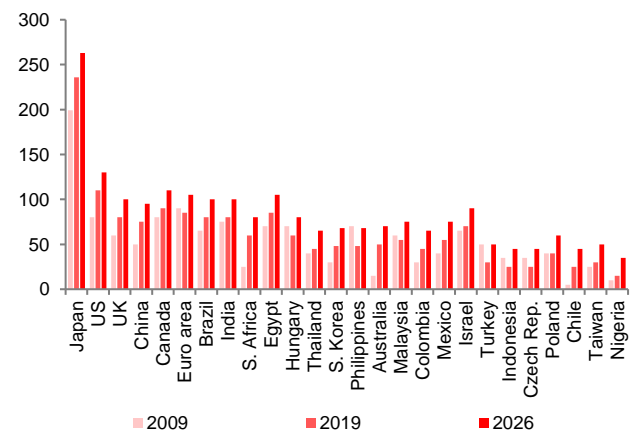
REAL POLICY RATE DIFFERENTIAL TOWARDS DM



Source: Bloomberg, Central Banks, MUFG Research

PUBLIC DEBT IN DM IS HIGHER THAN IN MOST EM'S AND HAS ALSO INCREASED AT A FASTER RATE

PUBLIC DEBT TO GDP (%)



Source: IMF, MUFG Research

2. **Fiscal policy.** Fiscal policy in most of DMs is considerably looser than EMs and debt ratios have risen considerably – thus DM fiscal policy is more sensitive to higher rates. Japan, the US and the UK and Australia ran significant primary deficits in the 2010s decade, averaging 4.4%, 2.9% and 2.6% of GDP respectively. The only comparable EM would be Egypt, where the primary deficit averaged 3% of GDP. This is also reflected in debt ratios – Japan’s debt, already 199% of GDP in 2009, had risen to 236% in 2019 and expectations are for it to rise above 263% by 2027, according to the IMF. Increases in the US and the UK are of similar magnitudes, up from levels higher than almost all EM (though lower than Japan’s). We view that it is rational to make the generalisation that DM fiscal policy is loose, and this carries with it a much more serious implication, namely that public sector debt dynamics in DM might be vulnerable as real rates rise.

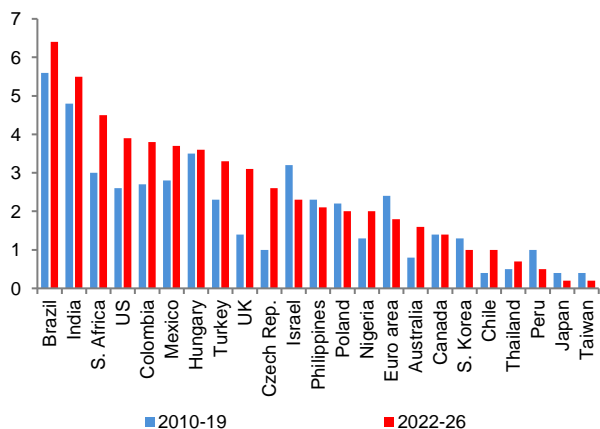
The impact of higher rates on DM public debt dynamics puts DM monetary policy in a quandary

DM central banks have seen significant inflation in their economies before raising interest rates, but they appear now ever more determined to stomp out inflation before it becomes entrenched. Higher nominal rates might be sustainable now that inflation is high, but will prove problematic for debt paths once they translate into higher real effective rates. The longer inflation stays high, the more this risk increases as more bonds mature and new issuances have higher coupons. The short-term reaction from central banks should thus be even tighter stances. However, if fiscal policy stays loose, then it is possible to imagine a more challenging stand-off between fiscal policy and monetary policy. The question might however become more difficult in a scenario where fiscal policy does not challenge central banks quite so bluntly, but remains somewhat too loose over the medium term for inflation to come back to target. The question becomes whether DM central banks will continue pushing towards their current inflation target or settle for inflation at higher average levels. This is not only a DM question, but EM treasuries are more used to operating in environments with high or at least less predictable real rates. This in turn reduces the fiscal sustainability concerns for their central banks.

We recognise that DMs (notably the UK) looking bad does not necessarily make EM look good – the rise of DM financial instability limits global risk appetite and constrains capital flows to EMs

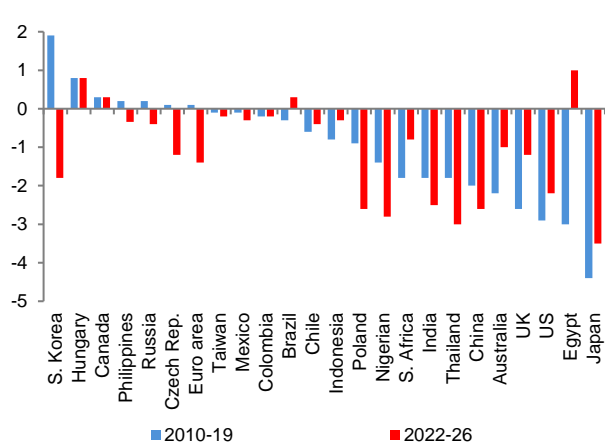
Overall, what differentiates EMs today with DMs (particularly the UK) is conservative policy discipline, particularly amongst systemically important economies. Yet, we recognise that DMs looking bad does not necessarily make EM look good. The rise of DM financial instability (because real interest rates really do rise, fuelling concern about public debt dynamics) or a permanent rise in DM inflation (due to DM central banks no longer willing or able to impose the economic sacrifice necessary to bring inflation back to target) are both scenarios which would limit risk appetite and constrain capital flows towards the EM complex. Succinctly, while there are not many EMs that are making the same policy mistakes as the UK, what’s bad for DM is, probably not great for EMs.

WHILST INTEREST RATE EXPENDITURES ARE RISING MORE IN DM, THEY REMAIN ELEVATED IN EM’S TOO
ANNUAL INTEREST BURDEN ON GOVERNMENT DEBT (% OF GDP)



Source: Bloomberg, IMF, MUFG Research

SEVERAL EM’S ARE ESTIMATES TO RUN CONSIDERABLE PRIMARY DEFICITS IN THE YEARS AHEAD
PRIMARY BALANCE (% OF GDP)



Source: Bloomberg, IMF, MUFG Research

FX views

Slowdown in Fed rate hike expectations has provided limited relief for EM FX

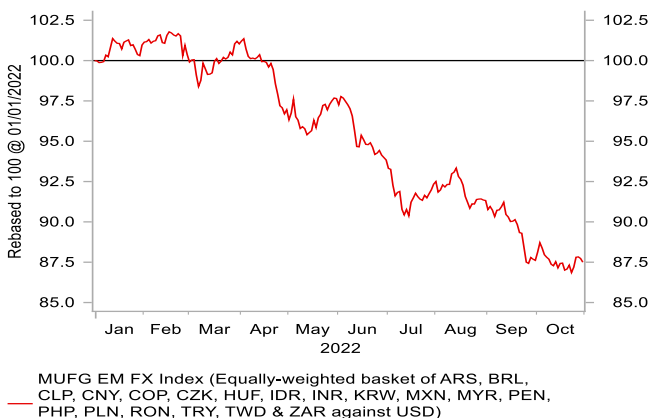
EM FX remains close to year to date lows vs. USD. Breakdown of EM FX performance has been mixed in October. China growth concerns continue to weigh heavily on CNY & other Asian FX

Emerging market currencies have on the whole remained on the defensive against the USD over the past month resulting our EM FX index falling to a fresh year to date lows even as the USD has weakened more broadly against most G10 currencies. The breakdown of EM FX performance for October does though reveal a more mixed picture. The worst performing EM currencies have been the ARS (-6.1% vs. USD), COP (-5.8%), CNY (-2.6%), IDR (-2.4%), MYR (-1.9%), INR (-1.7%), ZAR (-1.5%) and TWD (-1.4%). In contrast, the top performers have been the HUF (+4.4% vs. USD), PLN (+4.2%), CLP (+2.7%), BRL (+2.0%), RON (+1.8%), CZK (+1.5%), and MXN (+1.2%). One clear trend that remains in place is the bearish trend for CNY with weakness spilling over to other Asian currencies as well. USD/CNY is currently retesting resistance at the 7.3000-level which if broken could open the door to further CNY weakness in the near-term. The Communist party conference and recent activity reports from China for September have failed to dampen fears over the weakening growth outlook. As a further indication of negative investor sentiment towards China at present, the Hang Seng China Enterprises equity index has fallen to within touching distance of the Global Financial Crisis low from October 2008.

Fed will have to deliver bigger dovish policy pivot to trigger sustained & more broad-based EM FX rebound

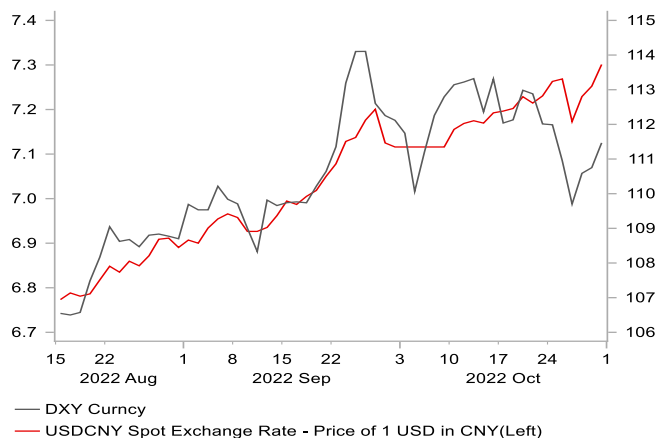
The key event for EM currencies in the week ahead will be the Fed's latest FOMC meeting on Wednesday. Another 75bps rate hike from the Fed is seen as a done deal this week, but more importantly for market participants will be the updated guidance for future rate hikes. There has been building speculation in recent weeks that the Fed will signal a slower pace of rate hikes from December as the policy rate moves further into restrictive territory beyond 4.00%. It has been notable though that EM currencies have failed to stage a stronger and more broad-based relief rally in recent weeks as the US rate market has scaled back expectations for the size of the Fed hike in December. The unfavourable price action supports our view that it is still premature to expect a more sustained rebound for EM currencies/ reversal of USD strength. We are not expecting the Fed to go as far as setting the stage for an bigger dovish policy pivot in the week ahead given there is limited clear evidence yet that underlying inflation risks have diminished. At the same time growth and financial stability risks are not yet sufficient to trigger a bigger dovish policy pivot.

EM FX HAS FAILED TO BENEFIT FROM SCALING BACK OF FED RATE HIKE EXPECTATIONS FOR DECEMBER



Source: Bloomberg, MUFG Research

CNY HAS FAILED TO RALLY EVEN AS USD HAS WEAKENED MORE BROADLY



Source: Bloomberg, MUFG Research

Week in review

EM capital flows: investors continue to reduce their exposures to EMs last week

EMs oscillated on a favourable technical picture juxtaposed against weak macro fundamentals

Total returns (spot and interest returns) might still be negative on an aggregate basis, but this does not change the fact EM FX has been the best performing asset class across all EM assets thus far this year. Indeed, despite the ~16% surge in the broader USD (DXY) index, dynamically weighted EM FX index is down by 8.8% year-to-date, while on a total return basis losses are limited to 6.5% vs ~29% for EM equities, ~25% for EM external debt, and ~18% for EM local debt. A large part of the better performance relates to pre-emptive monetary policy tightening by EM central banks, which seems to have helped with the carry outlook, particularly in LatAm currencies such as BRL, MXN, and PEN. Moreover, many central banks, particularly in EM Asia and EM EMEA, have been active in FX markets in an attempt to reduce depreciation pressures. On net, the more aggressive Fed tightening path, along with the ongoing deterioration in the global liquidity backdrop, should mean tighter financial conditions. Thus, we anticipate further downside risks to growth, amidst a stickier inflation outlook. As a result, we do not see any reason to change our cautious EM stance (see [here](#)).

Investors continued to reduce their exposures to EMs last week

According to IIF data, investors reduced their exposure to EM risk (USD-4.2bn), with both equity (USD-3.2bn) and debt (USD-1.0bn) funds suffering redemptions. The overarching bleak prospects of EMs remains undeterred – the upward repricing of Fed policy has led to an upward adjustment in expectations for EM policy rates, with investors on edge surrounding the Fed pivot, the speed at which global supply-disruptions improve and the Chinese economy rebounds. Mounting global recession risk is weighing on EM flows as anxiety builds over geopolitical events, realised inflation and uncertainty about the capacity of policymakers to weather the current context. The continued volatility in equity markets has spilled over debt flows, worsening the outlook.

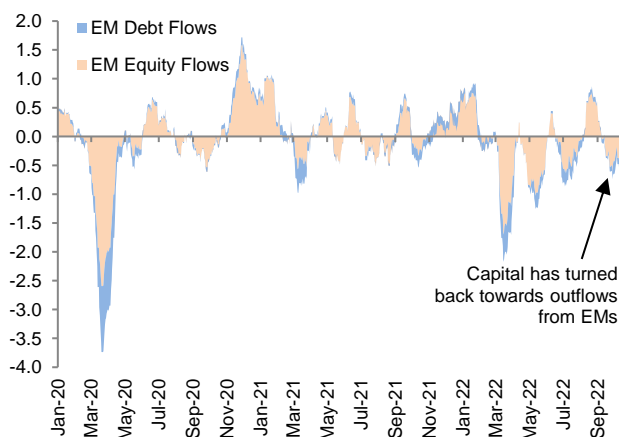
Egypt: IMF-anchored, FX-driven deal accentuates reform over financing

Egypt secures USD3bn from the IMF but uncertainty still remains

On 27 October, the Egyptian authorities reached a staff-level agreement with the IMF on a 46 month, USD3bn Extended Fund Facility (EFF). The programme size is consistent with guidance from the Egyptian authorities in recent months, but smaller than Egypt's external financing gap over the period. Indeed, the programme implies annual funding for Egypt of around USD780m per year, around 3% of average annual

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

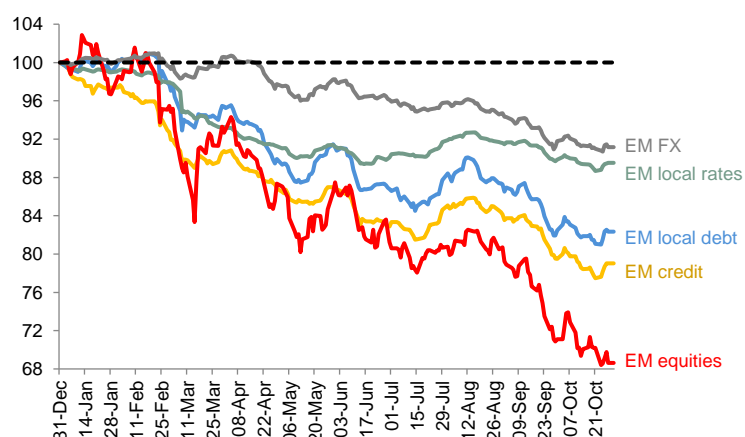
EM EQUITY AND DEBT FLOWS (USD BN), 28 DAY ROLLING AVERAGE



Source: IIF, MUFG Research

SELL-OFF ACROSS MAJOR EM ASSET CLASSES CONTINUES ON RISING GLOBAL RECESSION RISKS

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



Source: Bloomberg, MUFG Research

gross external financing requirements for Egypt over the next four years. Although the precise structure of the programme have yet to be published, we take it as a given that it is designed to be fully-funded, meaning that the residual external financing gap projected in the programme, after IMF and third-party financing, is zero. The IMF funding being made available aims to shore up investor confidence and restore market access gradually through an ambitious external adjustment combined with reforms aimed at addressing the structural imbalances. Central policy initiatives include, (i) the move to a more flexible FX regime; (ii) a focus on enhancing export competitiveness; (iii) a reduction in the pace of implementation of government-led mega-projects; (iv) divestiture of state assets and; (v) the levelling of the competitive playing field for private sector/foreign investment in the economy. On net, the precipitous collapse in the value of the Egyptian pound (EGP) (see below), coupled with the new IMF programme, signals the start of the drive to rebalance the country's external accounts. We anticipate domestic policy commitment and support from multilateral agencies as well as bilateral regional allies to deliver an orderly transition that can both relieve Egypt's cyclical funding strains and open the way for longer-term recovery.

Egypt: CBE out-of-cycle 200bp hike and sharp EGP devaluation in line with IMF deal

The Central Bank of Egypt hiked rates by 200bp with sharp EGP weakness

The Central Bank of Egypt (CBE) unexpectedly hiked key interest rates by 200bp on 27 October, to 13.25% (taking cumulative hikes to 500bp this year), surprising markets both in terms of timing (the Monetary Policy Committee was due to meet this week) and in terms of magnitude (we had been expecting a 50bp hike). As highlighted above, the move – one of the central prerequisites of new IMF package – was indicative of the ongoing shift towards a more flexible FX regime, referenced in the CBE's statement announcing the hike. The CBE's decision was followed by a sharp devaluation of the EGP, which fell from 19.7 EGP/USD to 22.5 when local trading opened – and now currently trading at 24.0. The devaluation will add to near-term inflationary pressures, and we now anticipate CPI to peak at 19.6% y/y in January 2023, before returning to the current inflation target band of 7% ± 2ppts by Q1 2024. From a monetary policy perspective, our Taylor rule estimates an additional 300bp of hikes through 2023, taking the deposit rate to 16.75%, while we forecast USD/EGP at 26.5 by end-2023.

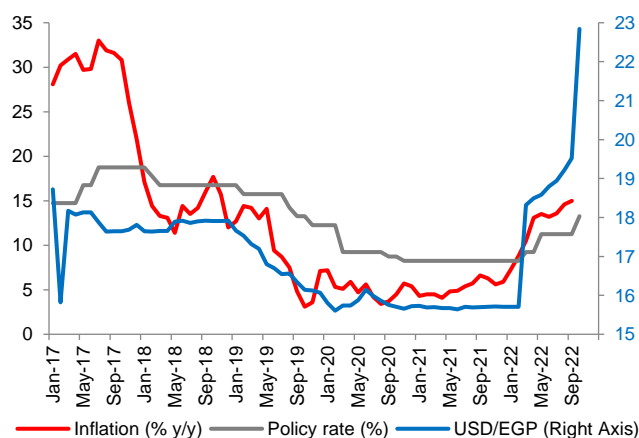
South Africa: mid-term budget improves fiscal projections and debt trajectory

South Africa's favourable fiscal figures

South Africa's Finance Minister Enoch Godongwana presented the 2022 Medium Term

EGYPT HIKES RATES BY 200BP, LEADING TO A SHARP EGP DEVALUATION – IN LINE WITH THE IMF DEAL

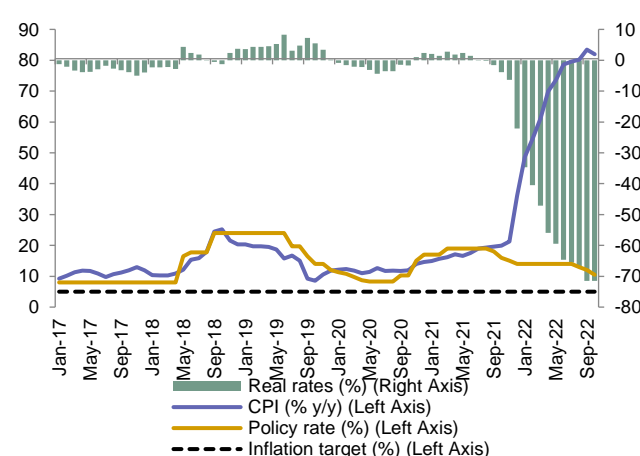
EGYPT INFLATION (% Y/Y), POLICY RATE (%) AND USD/EGP



Source: Bloomberg, CBE, MUFG Research

TURKEY RAISES ITS YEAR-END INFLATION TARGET TO 65% Y/Y – REAL RATES STILL UNSUSTAINABLE

TURKEY INFLATION (% Y/Y), NOMINAL AND REAL POLICY RATES (%)



Source: Bloomberg, CBRT, MUFG Research

Budget Policy Statement (MTBPS) to parliament on 26 October. The estimate for the FY 2022/23 consolidated budget deficit was revised from -6.0% of GDP at the 2022 Budget to -4.9%. Moreover, the National Treasury now sees a smaller fiscal deficit over the medium term, with a primary deficit estimate for the current fiscal year declining from -1.2% of GDP at the Budget to close to balanced and with a projected primary fiscal surplus of 0.7% of GDP in FY23/24 (revised from 0.3%). The core improvements stem from higher assumed revenues (with the larger revenues in the current fiscal year assumed to remain permanent), while planned spending restraint remains intact. This implies the revenue ratio to GDP remains flat at ~28%, while primary expenditure continues to decline over the forecast horizon as share of GDP. The debt trajectory was also revised lower with debt now expected to stabilise at 71.4% of GDP in the current fiscal year, in line with the Treasury's strategy to use revenue windfalls to reduce fiscal deficits and lower debt. All in, the MTBPS points to improvements in the fiscal forecast, amid revenues gains and expenditure curtailments. Yet, key issues such as Eskom's debt, public wages and social spending remains unresolved.

Hungary: MNB on hold as anticipated, with guidance on new measures open-ended

Hungary keeps rates on hold at 13.00% in line with our (and consensus) expectations

The National Bank of Hungary (MNB) left the base rate unchanged at 13.00%, in line with our (and consensus) expectations. It is important to put this into context that the base rate has had a diminishing role at the current juncture given the one day deposit facility and the FX swap facility, which were introduced a few weeks ago amid significant depreciation pressures on the Hungarian Forint (HUF) and which pay 18.0% and 17.0%, respectively, currently anchor short-term market rates. There was negligible guidance regarding the new measures, with the MNB declaring that they will remain in place for as long as necessary. The broader communication on economic developments was relatively dovish and positive on the macroeconomic rebalancing that is taking place, as the MNB observed that demand-sensitive inflation eased in September and economic growth.

Turkey: CBRT raises its year-end inflation forecast to 65.2% y/y by year-end

The Central Bank of Turkey acknowledges that inflationary pressures are rising with higher new forecasts

The Central bank of Turkey (CBRT) raised its year-end and 2023 inflation forecasts by 4.8pp to 65.2% y/y and by 3.1pp to 22.3% y/y, respectively, in its new Inflation Report (IR). At last week's press conference, Governor Kavcioglu emphasised the importance of having a durable current account surplus and ensuring the dominance of the Turkish lira (TRY) in the balance sheets of household, corporates and banks for attaining lasting price stability. According to the CBRT, the following factors played a key role in shaping the revision of its 2022 inflation forecast to 65.2% y/y from 60.4% y/y: (i) food inflation (+0.9pp); (ii) the output gap (+0.2pp); and (iii) deviation from the inflation forecast (+0.9pp); (iv) administered prices (+0.6pp); (v) TRY denominated import prices, including the exchange rate, oil and import prices (+2.2pp).

Week ahead

Israel: opinion polls do not point to a clear outcome in legislative elections

The fifth elections in just under four years to choose the 25th Knesset will take place on 1 November

Legislative elections in Israel (the fifth in just under four years) to choose the 25th Knesset will take place on 1 November. The elections were triggered by a breakdown in coalition that was unusual in Israel's recent history, as it combined a wide range of coalition partners from different ends of the political spectrum. This coalition, led by ex-Prime Minister Naftali Bennett from Yamina alliance and current Prime Minister under the care taker government Yair Lapid from Yesh Atid party, had only a slim majority in the parliament and was widely seen as relatively fragile. Opinion polls and preliminary coalition deliberations do not point to a clear outcome for this week. Ex-Prime Minister's Benjamin Netanyahu Likud party is leading the polls and appears to be set to obtain more than 30 seats in the parliament. However, in order to achieve a majority, a 61 member coalition is necessary. The combined polling of the parties which have expressed willingness to join the Likud led bloc have not consistently polled in excess of this threshold, and it is unclear if there would be anyone else willing to join given earlier statements by other party leaders. From a financial markets perspective, while political uncertainty remains elevated, the implications on Israeli asset prices will be muted, in our view, given the favourable economic dynamics – robust balance of payments strength and strong fiscal health.

Czech Rep.: CNB to keep rates on hold, with FX reserves commitment for CZK support

Czech Republic to keep rates on hold at 7.00%
















The Czech National Bank (CNB) is expected to keep rates on hold at 7.00% when it meets on 3 November. The CNB will also publish updated forecasts, which we expect will project a lower path for inflation in the near-term. We expect the revised forecasts will contain dovish revisions for inflation, following prints consistently below the CNB's forecast in Q3. In September, the headline CPI print was 18.0% y/y, well below the CNB's 19.5% y/y forecast. Growth appears to have been broadly in line with the CNB's forecast. Meanwhile, the Czech Koruna (CZK) has slightly outperformed the CNB's forecast (EUR/CZK is currently 24.5, vs. 24.7 forecast). On net, the CNB Board is currently split into a dovish majority who believe that the current high inflation rates are transitory and thus do not warrant further rate hikes in the face of recessionary concerns, and a hawkish minority who are more concerned about de-anchored inflation expectations and believe that further policy tightening will be required.

Turkey: inflation to continue rising – we expect a print of 84.9% y/y in October

Inflation in Turkey set to rise by 1.4ppt to 84.9% y/y in October

Inflation in Turkey (to be released on 3 November) is set to demonstrate yet another rise. We expect headline CPI to rise from 83.5% y/y in September to 84.9% y/y in October (consensus 85.6% y/y), and core inflation to rise from 68.4% y/y in September to 72.5% y/y in October (consensus 72.0% y/y). Our examination signals that inflationary pressures remain broad-based as 10 out of the 12 subcomponents appear to have contributed positively to the increase in inflation in October, with food price inflation the most severe. The CBRT in its fourth and last inflation report for the year raised its year-end inflation forecast from 60.4% y/y to 65.2% y/y. Looking ahead, we expect Turkish inflation to peak in November at 88.7% y/y, owing to a sharp deterioration in expectations, a relatively high trend inflation and an increase in the exchange rate pass-through, before falling to 73.0% y/y in December on base effects.

Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Poland	31/10/2022	09:00	CPI (% y/y)	Oct	---	9.4%	9.2%	!!!
	Russia	01/11/2022	06:00	PMI manufacturing	Sep	---	50.5	50.2	!!!
	Turkey	01/11/2022	07:00	PMI manufacturing	Sep	---	---	46.9	!!!
	Czech Rep.	01/11/2022	08:00	Real GDP (% y/y)	Sep	1.8%	1.8%	3.7%	!!!
	Czech Rep.	01/11/2022	08:30	PMI manufacturing	Sep	---	44.2	44.7	!!!
	Nigeria	01/11/2022	08:45	PMI manufacturing	Sep	---	---	53.7	!!!
	S. Africa	01/11/2022	09:00	Kagiso PMI	Sep	---	48.0	48.2	!!!
	Poland	02/11/2022	08:00	PMI manufacturing	Sep	---	42.7	43.0	!!!
	Hungary	02/11/2022	08:00	PMI manufacturing	Sep	---	49.0	49.6	!!!
	Egypt	03/11/2022	04:15	Interest rate announcement (%)	Nov	13.25%	---	13.25%	!!!
	Egypt	03/11/2022	04:15	PMI manufacturing	Sep	---	---	47.6	!!!
	S. Arabia	03/11/2022	07:00	PMI composite	Sep	---	---	56.6	!!!
	Turkey	03/11/2022	07:00	CPI (% y/y)	Sep	84.9%	85.6%	83.5%	!!!
	Turkey	03/11/2022	07:00	Core CPI (% y/y)	Sep	72.5%	72.0%	68.1%	!!!
	Kenya	03/11/2022	07:30	PMI composite	Sep	---	---	51.7	!!

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	2.87	6.00	3.50	-10.61	-8.00	-8.02	-2.06	-2.90	-2.87
Czech Rep.	3.70	2.90	3.00	0.27	-8.03	-5.47	5.01	1.57	0.82
Egypt	0.10	3.30	5.50	-7.41	-7.33	-6.33	-4.17	-3.88	-3.66
Greece	16.80	6.50	4.30	0.57	-10.25	-4.29	-2.70	-7.41	-5.14
Hungary	6.50	7.30	4.30	-2.05	-6.60	-5.94	-4.16	0.60	0.88
Iraq	4.43	3.60	6.70	0.86	-1.55	-2.53	1.12	6.16	4.00
Israel	4.80	7.00	5.00	-3.91	-6.81	-4.33	5.54	4.46	3.82
Jordan	1.96	2.00	2.20	-5.98	-7.69	-5.94	-7.16	-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	2.00	5.70	3.10	-4.13	-6.49	-5.91	-3.95	-3.07	-3.25
Nigeria	3.54	2.50	5.60	-4.76	-6.11	-5.96	4.65	-3.22	-2.25
Oman	-0.83	2.70	0.90	-7.06	-2.57	1.11	-4.38	-5.75	-0.94
Poland	5.50	5.00	4.50	-0.74	-4.25	-1.90	1.07	2.26	1.56
Romania	5.05	7.60	3.00	-4.56	-6.70	-5.59	-10.00	-5.71	-5.53
Qatar	6.30	2.90	6.00	4.93	2.78	5.68	-27.67	8.20	11.56
Russia	-2.29	4.40	-7.00	1.92	-0.56	0.02	1.05	5.74	4.41
Saudi Arabia	12.20	4.50	11.20	-4.45	-3.05	2.79	-0.64	3.87	3.79
South Africa	0.20	5.10	1.60	-2.27	-8.44	-6.99	1.23	2.88	-0.86
Turkey	7.58	9.80	1.60	-5.65	-4.92	-5.58	0.00	-2.42	-1.61
Ukraine	-37.20	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	4.00	3.90	1.90	5.25	5.25	3.00	0.377	0.377	0.377
Czech Rep.	18.00	3.90	11.30	7.00	3.75	5.50	24.531	24.886	21.380
Egypt	15.00	5.40	7.90	13.25	7.75	11.50	23.981	15.723	15.420
Greece	12.02	-0.10	0.40	2.00	2.00	0.40	0.994	1.137	1.132
Hungary	20.10	4.90	7.80	13.00	2.40	5.50	415.1	324.5	314.70
Iraq	5.30	6.40	5.00	4.00	4.00	5.00	1460	1460	1460.000
Israel	4.59	1.50	2.80	2.75	2.75	0.50	3.532	3.103	3.100
Jordan	5.39	1.60	2.00	6.00	6.00	2.00	0.710	0.709	0.709
Kenya	9.20	6.00	5.90	8.25	8.25	9.50	121.360	113.140	113.040
Kuwait	3.19	2.90	3.40	3.00	3.00	3.00	0.310	0.303	0.303
Lebanon	162.47	124.10	85.00	2.75	2.75	7.75	1511.710	1512.330	1512.330
Libya	4.56	21.10	8.00	3.00	3.00	3.00	4.978	4.597	4.597
Morocco	8.30	1.40	1.20	2.00	2.00	2.00	10.912	9.252	9.250
Nigeria	20.80	17.30	12.00	15.50	15.50	14.00	441.630	424.830	440.500
Oman	2.36	1.30	2.00	1.95	1.95	14.00	0.385	0.385	0.385
Poland	17.20	4.90	10.00	6.75	1.75	5.50	4.761	4.035	3.948
Romania	15.88	5.30	11.90	6.25	6.25	5.50	4.949	4.353	4.388
Qatar	6.03	1.60	4.00	4.00	4.00	2.50	3.641	3.642	3.642
Russia	13.68	6.60	16.60	7.50	5.75	15.00	118.690	74.679	71.130
Saudi Arabia	3.07	3.10	2.20	3.25	3.25	2.50	3.757	3.755	3.755
South Africa	7.50	4.50	6.20	6.25	3.50	4.75	18.238	15.937	15.800
Turkey	83.45	17.90	62.00	10.50	14.00	20.00	18.615	13.317	14.250
Ukraine	24.60	9.40	15.30	25.00	25.00	14.00	36.854	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	30-Sep	07-Oct	14-Oct	21-Oct	28-Oct	Change in yield (basis points)		
							Week	MTD	YTD
Bahrain	10 years	4.92	5.13	5.24	5.52	5.67	14.48	74.40	313.16
Czech Rep.	10 years	5.37	5.32	5.60	6.26	5.90	-35.17	53.85	282.12
Egypt	9 years	15.29	14.53	15.64	16.05	14.59	-146.00	-69.99	742.91
Greece	8 years	4.31	4.26	4.39	4.57	4.23	-34.68	-7.98	312.02
Hungary	8 years	10.08	10.40	11.81	11.80	11.10	-69.39	102.19	663.80
Israel	8 years	3.68	3.73	3.99	4.10	3.99	-11.46	30.91	377.60
Jordan	5 years	8.33	8.13	8.34	8.52	7.56	-96.70	-77.12	328.47
Kenya	7 years	14.61	13.60	14.15	14.97	13.70	-126.94	-90.99	799.65
Kuwait	6 years	4.47	4.57	4.83	4.82	4.68	-14.46	20.83	298.26
Lebanon	9 years	87.64	89.90	86.93	87.79	90.46	267.87	282.54	2646.33
Morocco	11 years	6.56	6.53	6.79	6.86	6.41	-44.52	-14.35	401.43
Nigeria	9 years	15.17	14.12	14.73	16.15	14.93	-122.11	-23.44	754.18
Oman	9 years	7.31	7.09	7.17	7.33	6.93	-40.09	-38.10	218.18
Poland	8 years	3.99	3.91	4.01	4.40	4.09	-31.36	10.09	391.84
Romania	7 years	7.57	7.54	7.84	8.01	7.34	-67.01	-23.17	578.53
Qatar	9 years	4.79	4.78	5.14	5.25	5.04	-20.67	25.32	279.57
Russia	5 years	26.75	28.93	29.02	29.79	30.07	27.70	331.62	-62.99
Saudi Arabia	8 years	4.75	4.73	5.13	5.49	5.18	-30.95	42.92	303.41
South Africa	9 years	8.31	8.05	8.61	8.60	7.74	-85.86	-56.84	352.14
Turkey	7 years	10.64	10.76	10.81	10.61	9.74	-87.59	-90.51	251.61
Ukraine	8 years	39.03	39.64	41.72	41.74	42.48	73.94	344.50	3,299.94
Abu Dhabi	6 years	4.53	4.58	4.89	4.98	4.68	-30.07	15.11	292.63
Dubai	8 years	4.49	4.48	4.78	4.83	4.76	-6.70	27.36	218.31






















EM EMEA equity market (index)									
	23-Sep	30-Sep	07-Oct	14-Oct	21-Oct	28-Oct	Change (%)		
							Week	MTD	YTD
Bahrain	1,932	1,882	1,884	1,875	1,867	1,864	-0.15	-0.94	3.73
Czech Rep.	114,070	107,664	117,561	114,300	117,171	114,539	-2.25	4.09	9.27
Egypt	9,817	9,817	9,924	9,867	10,156	11,101	9.30	12.96	-7.10
Greece	826	791	819	818	848	861	1.48	8.56	-3.65
Hungary	39,549	37,731	39,385	38,817	40,071	41,054	2.45	8.50	-19.06
Israel	1,945	1,876	1,838	1,863	1,892	1,951	3.14	6.22	-1.35
Jordan	2,497	2,477	2,473	2,506	2,507	2,468	-1.54	-0.62	16.50
Kenya	135	131	124	130	130	128	-1.06	0.02	-22.85
Kuwait	7,606	7,106	7,249	7,014	7,138	7,282	2.02	2.49	3.40
Lebanon	658	658	658	658	658	658	0.00	4.18	26.09
Morocco	12,231	11,810	11,663	11,661	11,066	10,851	-1.95	-6.57	-18.77
Nigeria	49,422	49,172	48,837	47,532	44,332	43,913	-0.95	-10.43	2.80
Oman	4,509	4,486	4,575	4,544	4,453	4,374	-1.77	-3.41	5.92
Poland	1,509	1,435	1,419	1,377	1,398	1,509	7.94	9.49	-33.45
Romania	11,293	10,669	10,967	10,644	10,803	10,836	0.30	1.85	-17.04
Qatar	12,758	12,550	13,003	12,850	12,657	12,254	-3.19	-3.48	5.40
Russia	2,131	1,964	2,030	1,952	1,978	2,177	10.03	11.21	-42.52
Saudi Arabia	11,461	11,170	11,770	11,551	11,964	11,639	-2.71	2.05	3.17
South Africa	59,818	57,413	59,202	58,177	59,347	59,974	1.06	4.50	-10.56
Turkey	3,246	3,198	3,484	3,518	3,880	3,900	0.50	22.63	109.93
Ukraine	519	519	519	519	519	519	0.00	0.00	-0.68
Abu Dhabi	10,094	9,776	9,897	9,734	10,130	10,295	1.63	5.58	21.29
Dubai	3,461	3,343	3,353	3,325	3,399	3,345	-1.58	0.17	4.66

EM EMEA FX against USD*

		23-Sep	30-Sep	07-Oct	14-Oct	21-Oct	28-Oct	Change (%)		
								Week	MTD	YTD
	USD Index	111.353	112.254	112.258	112.363	112.012	110.929	-0.97	-1.06	15.95
	Bahrain**	0.379	0.378	0.376	0.379	0.379	0.379	0.00	-0.16	0.11
	Czech Rep.	25.417	25.088	25.122	25.293	24.827	24.678	-0.60	1.66	-11.34
	Egypt	19.493	19.531	19.646	19.646	19.646	23.981	22.06	22.78	52.52
	Greece***	0.969	0.980	0.974	0.972	0.986	0.994	0.80	1.42	-12.57
	Hungary	418.740	431.610	435.540	429.480	416.810	415.100	-0.41	3.98	-21.84
	Israel	3.504	3.561	3.543	3.560	3.530	3.533	0.07	0.80	-12.16
	Jordan**	0.710	0.710	0.710	0.710	0.710	0.711	0.10	0.44	-0.23
	Kenya	120.482	120.482	0.008	0.008	0.008	0.008	-1.20	1.22	7.32
	Kuwait	0.310	0.310	0.310	0.310	0.310	0.310	0.00	-0.47	-2.40
	Lebanon	1,510.25	1,512.75	1,512.63	1,511.71	1,511.71	1,511.71	0.00	0.07	0.04
	Morocco	10.868	10.954	10.981	11.032	10.969	10.912	-0.52	0.39	-15.21
	Nigeria	435.710	437.570	435.270	440.500	440.500	441.630	0.26	-0.92	-3.80
	Oman**	0.385	0.385	0.385	0.385	0.385	0.385	-0.03	0.05	0.34
	Poland	3.759	3.761	3.760	3.764	3.762	3.762	-0.01	-0.02	-0.20
	Romania	5.097	5.049	5.064	5.075	4.983	4.949	-0.67	2.01	-12.05
	Qatar**	3.666	3.668	3.666	3.665	3.662	3.652	-0.26	0.42	0.60
	Russia	57.875	60.133	62.175	62.825	61.590	61.647	0.09	-2.45	21.94
	Saudi Arabia**	3.759	3.761	3.760	3.764	3.762	3.762	-0.01	-0.02	-0.20
	South Africa	17.950	18.086	18.096	18.359	18.089	18.238	-0.82	-0.84	-12.62
	Turkey	18.414	18.529	18.572	18.490	18.588	18.617	-0.15	-0.47	-28.54
	Ukraine	36.717	36.867	36.932	36.932	36.717	36.854	0.37	0.04	-25.96
	UAE**	3.673	3.672	3.672	3.672	3.673	3.673	0.01	-0.02	0.02

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)

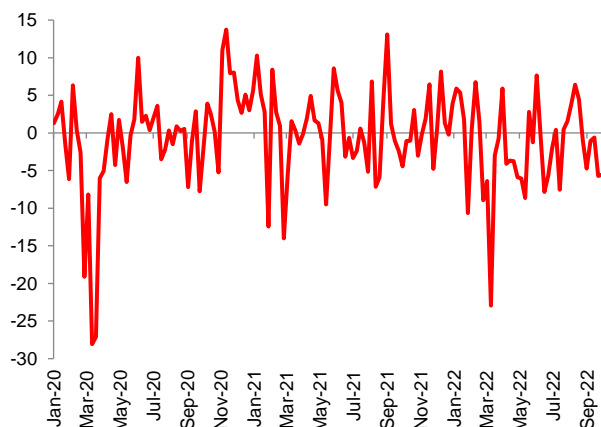
		23-Sep	30-Sep	07-Oct	14-Oct	21-Oct	28-Oct	Change in yield (basis points)		
								Week	MTD	YTD
	Bahrain	317.20	314.82	314.82	290.73	300.17	306.71	6.53	6.53	12.88
	Czech Rep.	39.69	38.10	38.10	46.07	44.23	44.19	-0.04	-0.04	8.57
	Egypt	751.43	778.14	924.42	984.04	1,015.29	942.20	-73.09	-73.09	444.17
	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

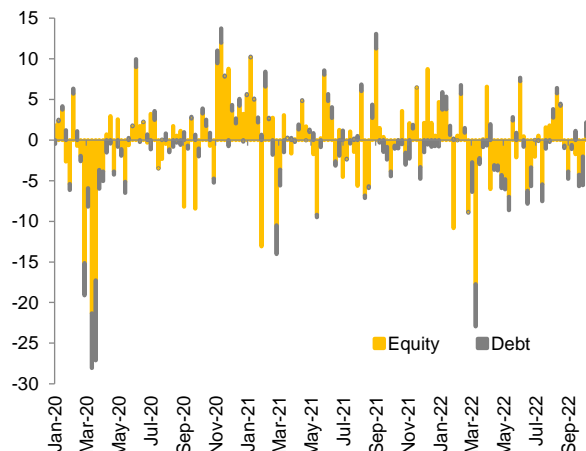
WEEKLY TOTAL EM OUTFLOWS OF USDD-4.2BN – 21 OCTOBER

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



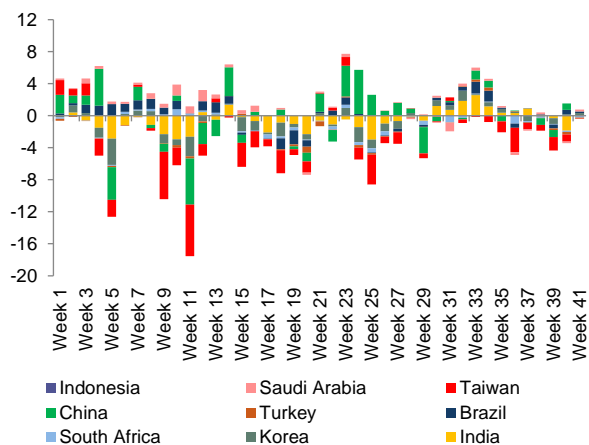
WEEKLY EM OUTFLOWS FROM EQUITY (USD-3.2BN) AND DEBT OUTFLOWS (USD-1.0BN) – 21 OCTOBER

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



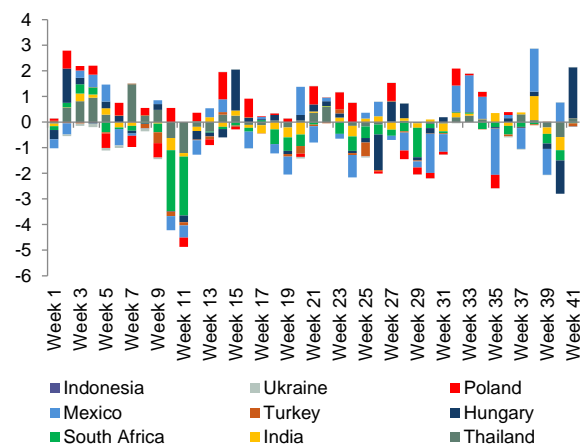
CHINA (USD-4.0BN) AND TAIWAN (-1.5BN) LED WEEKLY EM EQUITY OUTFLOWS – 21 OCTOBER

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



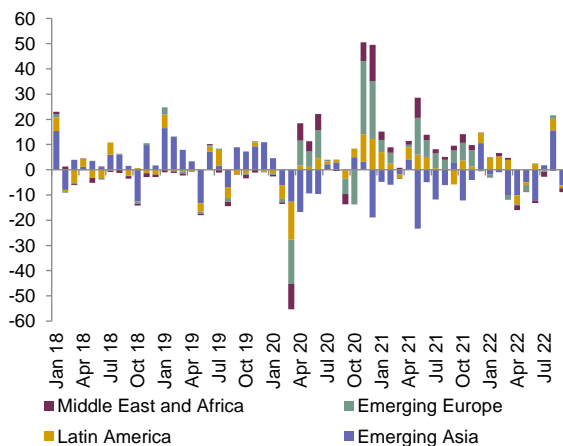
SOUTH AFRICA (USD-0.4BN) AND THAILAND (USD-0.4BN) LED EM DEBT OUTFLOWS LAST WEEK – 21 OCTOBER

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



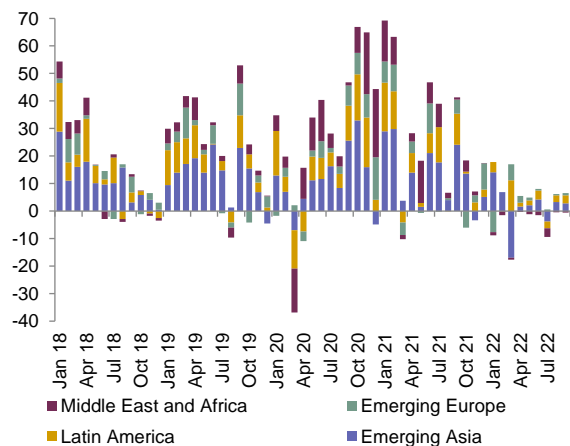
EM EQUITY OUTFLOWS TOTALLED USD-8.9BN IN SEPTEMBER, LED BY EM ASIA (USD-6.2BN)

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



EM DEBT INFLOWS TOTALLED USD6.0BN IN SEPTEMBER, LED BY LATAM (USD3.0BN)

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



Source: Bloomberg, IIF, MUFG Research

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