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MUFG Bank, Ltd.
A member of MUFG, a global financial group

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Peaking US inflation and emerging markets

Macro focus: The Fed pivot narrative is making a comeback, as peak US inflation appears to be finally in – both the October headline and core CPI level surprised to the downside last week. This offers a supportive backdrop for the Fed to slow the pace of rate hikes to 50bp in December, following four consecutive 75bp hikes. Such a dovish "pivot" suggests that the worst of the EM sell-off may be behind us, though opportunities are likely to be seldom in scope and in the form of tactical bounces.

FX views: After bottoming on 3 November, our equally-weighted EM FX basket has rebounded against the USD by around 3.6%. The main trigger for the accelerated rebound for EM currencies over the past week has been heightened optimism that US inflation is peaking out and China reopenings.

Trading views: Last week we discussed how the three key indicators (US rates, China COVID and European risk) were turning positively for EM strength. Based on last week's price action in risk assets and EMFX, one would have thought not that they had just turned but rather flipped completely in a complete U-turn.

Week in review: The UAE and the US have signed an agreement to develop 100GW of clean energy projects around the world by 2035. The National Bank of Romania (NBR) raised policy rates by 50bp to 6.75%. Inflation in Russia fell from 13.7% y/y in September to 12.6% y/y in October. The current account deficit in Turkey widened from USD2.7bn in September.

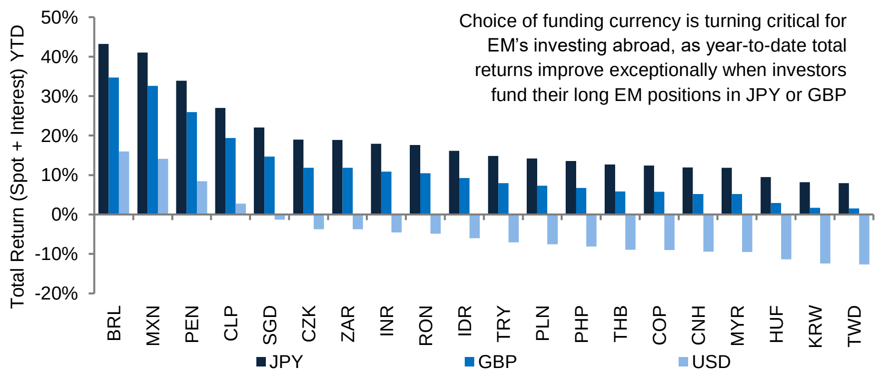
Week ahead: This week we will have October inflation in Israel (MUFG: 4.2% y/y; consensus 4.9% y/y). In Poland, we expect confirmation of the preliminary estimate of inflation (17.2% y/y to 17.9% y/y. In the CEE and Russia, we expect GDP to have contracted in Q3 2022 – as reflected I high frequency PMI activity indicators.

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 increased their exposures to EM equities (USD3.1bn), whilst reducing their EM bonds (USD-0.5bn) exposures.

CHART OF THE WEEK: CHOICE OF FUNDING CURRENCY IS NOW KEY IN EM'S

TOTAL RETURN (SPOT AND INTEREST) YEAR-TO-DATE



Source: Bloomberg, MUFG Research

Macro focus

Peaking US inflation and emerging markets

Peak US inflation is suggests that the worst may be behind us across the EM complex

The Fed pivot narrative is making a comeback, as peak US inflation appears to be finally in – both the October headline and core CPI level surprised to the downside last week. This offers a supportive backdrop for the Fed to slow the pace of rate hikes to 50bp in December, following four consecutive 75bp hikes. Such a dovish pivot suggests that the worst of the EM sell-off may be behind us, yet opportunities are likely to be seldom in scope and in the form of tactical bounces supported by a favourable technical picture, i.e. depressed sentiment, low positioning and high cash levels of institutional investors. Ultimately, peaking of US rates may not be enough to offer relief for EM assets – as long as the cash rate stays high, it will likely keep the pressure on.

Fed's aggressive tightening path and how it manages to navigate an overheated labour market – a key requirement to tame inflation – without a sharp rise in unemployment, remains front and centre of attention for global markets

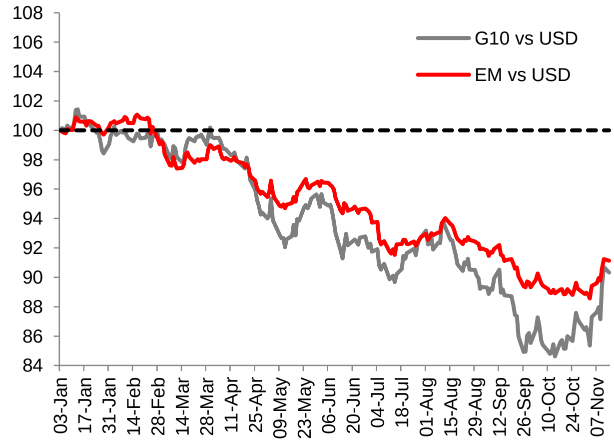
The Fed's aggressive tightening path and how it manages to navigate an overheated labour market – a key requirement to tame inflation – without a sharp rise in unemployment, remains top of mind for global markets. On the one side, there is the narrative that there is little chance of job openings declining without a large increase in unemployment with the historical evidence pointing to a substantial decline in job vacancies having never occurred without a sharp increase in unemployment. On the other hand, is the perspective that the labour market can rebalance without a sharp rise in unemployment as COVID-era shifts in demand and supply has led to significant labour market overheating and as these shifts begin to unwind the post-COVID era, then job vacancies can decline without a considerable rise in unemployment.

EM inflation may still higher for longer

Historically, EMs experience pressure on adverse global shocks. Yet in the first three months following the onset of the war in Ukraine the US dollar was stable against much of EMs, while it rose sharply against G10 currencies. Despite the hawkish data from the US, the past month has seen a notably more balanced distribution of headline inflation surprises across EM. For the first time since mid-2021, an average of EM inflation surprises has been marginally negative for the August reports released so far. Having said that, we recently catalogued our view that price inertia and persistence will dominate over the coming quarters across EM economies as inflation is not a mean-reverting phenomenon – as is more the case across DMs (see here). Of particular concern are underlying inflationary pressures within core goods and services, which are now above the majority of EM central banks targets. It is this broadening of price pressures beyond volatile energy and food into sticky core that convicts us to anticipate EM inflation remaining high through 2023. Given persistently high inflation, we expect further monetary tightening across most of EMs this year and our rate forecasts.

EM FX HAS REBOUNDED SINCE THE SOFTER US CPI READING ALTHOUGH SHARPLY DOWN YEAR-TO-DATE

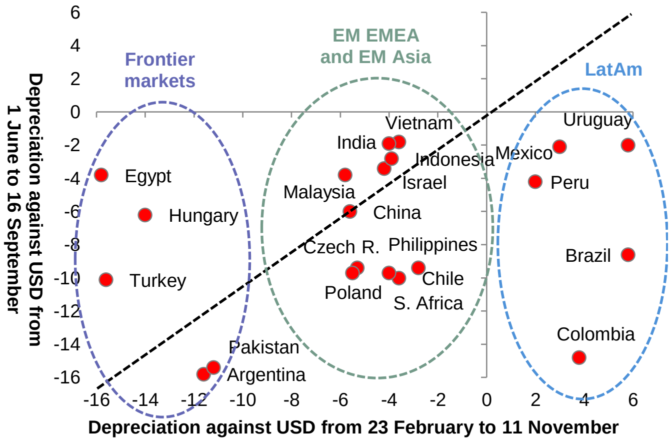
EM FX AGAINST USD VS G10 AGAINST USD (1 JANUARY 2022 = 100)



Source: Bloomberg, MUFG Research

ALL EM'S HAVE UNDERPERFORMED SINCE THE FED BEGAN ACCELERATING HIKES FROM JUNE

EM DEPRECIATION AGAINST USD FOR CORE EM FX (%)



Source: IIF, MUFG Research

EM opportunities are seldom in scope

Whilst EMs are never one unified market, what is clear is that the fundamental headwinds facing the complex are strong, making it a difficult investment case until we see Fed pivoting, global supply-disruptions improving and the Chinese economy rebounding more rapidly. In the meantime, EM opportunities will likely be seldom in scope and in the form of tactical bounces supported by a favourable technical picture, i.e. depressed sentiment, low positioning and high cash levels of institutional investors. A key question is how much will need to be sacrificed from growth to navigate inflation – we anticipate "inflation persistence" and a higher "sacrifice ratio" across EMs.

Our current EM macro, FX and fixed income preferences

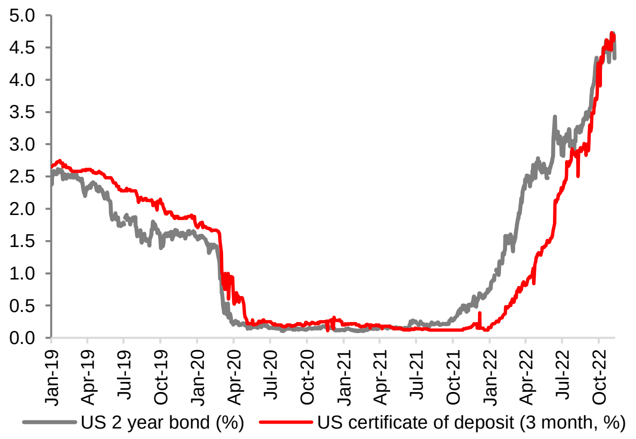
We continue to favour EMs with flexible policy manoeuvre, attractive risk premiums and commodity links – the GCC region, South Africa, Brazil as well as Mexico stand-out. For EM FX, with US recession risks rising, the core arguments for a USD bull run are still intact, and thus the external backdrop for EM currencies remains fraught with danger. For EM fixed income, EM yields are likely to remain sensitive to inflation and policy developments in the US and DM, but historically, domestic inflation dynamics have been – by and large – the key driver of both absolute and relative EM duration returns in this economic cycle, with plenty of differentiation across the EM spectrum. As the latest example, the market reaction to the most recent batch of inflation releases has been both significant and differentiated across EM curves – owing to the more two-sided surprises we have observed. In addition, the developments on the domestic inflation front have contributed to leaving EM yields mostly tighter month-to-date relative to the US. If we abstract from near-term inflation dynamics in the US, we believe that better balanced inflation surprises in EM could support the EM rates outlook, at least in relative terms.

US cash is an increasing competitor to EM assets

Looking ahead, with the Fed due to continue its twin tightening on the back of a strong domestic demand and a tight labour market, the USD reigns supreme. We have seen, in effect, the rise of a new financial asset which was not in evidence as recently as a year ago: US dollar cash in various shapes and forms, either in very liquid front end US Treasuries or certificate of deposits. While still negative in real terms, the sizable nominal returns it offers may be attractive as a risk-free, zero-volatility investment vehicles and is a major competitor for riskier assets, including many parts of EM – and especially the deficit economies. In sum, our message is still the same as we articulated over the summer – remain cautious on EMs (see here). Even though EM financial assets have been mired in stagflationary pricing since H2 2020, the growth-inflation mix is still very challenging. The rise in the global cost of funding has been accompanied by a fall in the global quantity of funding as DM central banks, led by the Fed, rein in their balance sheets. For us to turn from tactical to strategic opportunities and re-engage with EM assets as longer-term investment stories, we would like to see an easing in the Fed's twin tightening, a stronger rebound in China and an improvement in geopolitical risk perceptions.

US CASH RATES HAVE SURGED – ACTING AS A CORE COMPETITOR TO EM ASSETS

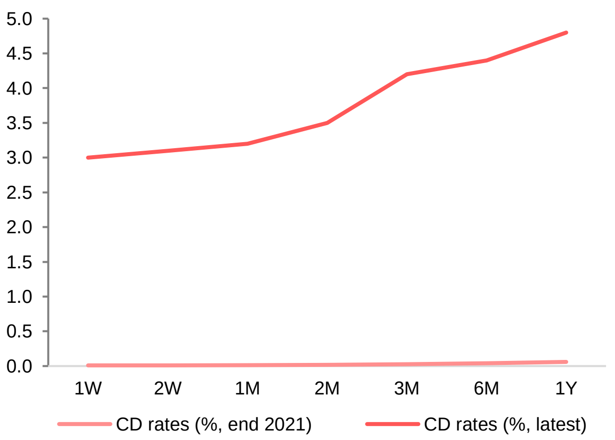
US CERTIFICATE OF DEPOSITS (%) AND US 2 YEAR BOND YIELDS (%)



Source: Bloomberg, MUFG Research

US CASH NOW OFFERS ROBUST RETURNS ACROSS ALL SHORT-TERM MATURITIES

US CD RATES (%, END 2021) VS US CD RATES (%, CURRENT)



Source: Bloomberg, MUFG Research

FX views

Fed policy pivot adds to optimism over easing of China's COVID restrictions

EM FX continues to rebound sharply after weaker US CPI report

It has been another good week for emerging market currencies. After bottoming on 3rd November, our equally-weighted EM FX basket has rebounded against the USD by around 3.6%. The scale of the rebound has just exceeded the last temporary correction higher recorded between July and August, and is now the largest upward adjustment for EM FX since between March and June 2021 when our EM FX basket strengthened by 3.9% against the USD. The best performing EM currencies since the lows recorded on 3rd November have been the KRW (+7.4% vs. USD), CZK (+6.7%), ZAR (+6.5%), PLN (+6.1%), THB (+5.9%), CLP (+5.9%), RON (+5.9%), HUF (+5.8%) and COP (+5.5%). It marks a sharp reversal for those EM currencies that have been amongst the worst performers this year. In contrast the only EM currencies that have weakened against the USD since 3rd November have been the BRL (-3.9%) and ARS (-1.7%).

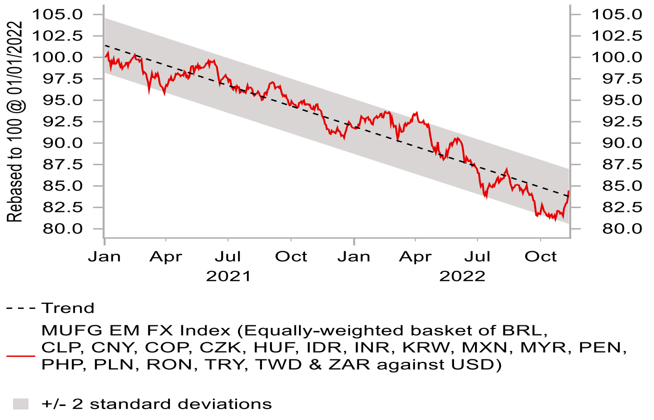
Fed to slow pace of rate hikes easing downward pressure on EM FX. CLP, MXN, RON & ZAR have been most sensitive to US yields this year

The main trigger for the accelerated rebound for EM currencies over the past week has been heightened optimism that US inflation is peaking out and will allow the Fed more room to deliver a dovish policy pivot at upcoming policy meetings. Market participants are more convinced now that the Fed will slow the pace of hikes to 50bps at the 14th December FOMC meeting although further softer inflation reports will be required to convince the Fed to pause their hiking cycle at the start of next year. For now Fed officials are more likely to reiterate that higher rates are still required and they will remain at higher levels for some time. The US rate market is already pricing in around 25-50 bps of cuts by the end of next year. Our analysis reveals that the CLP (+0.20), MXN (+0.27), RON (+0.22) and ZAR (+0.26) have had the strongest correlations with US yields so far this year (average correlations with 2YR & 10YR UST yields). In contrast other EM currencies have displayed little correlation with US yields.

Optimism over easing of China COVID restrictions is providing a tailwind for EM FX as well. More support provided for housing market

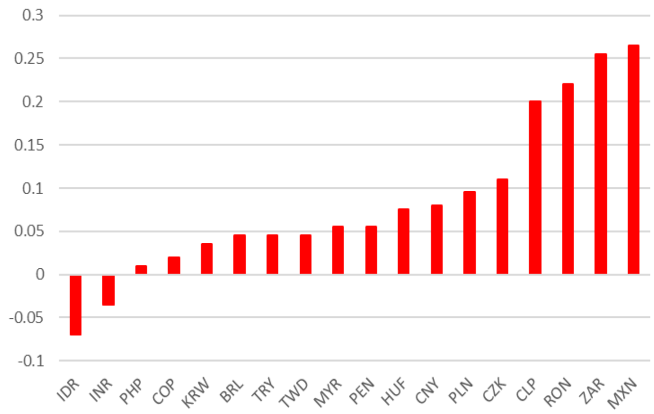
At the same time, emerging currencies have been boosted by easing of investor pessimism over the outlook for China's economy and assets which was triggered at first by building speculation over a potential easing of the hardline zero-COVID policy by the spring of next year. It has since been reported over the weekend that policymakers in China have taken steps to provide more support to the beleaguered housing market. In last week's report (click here) we found that the CNY, TWD, KRW, THB, MYR and ZAR have had the strongest correlations to China risk this year. The ZAR stands out amongst EM currencies as would benefit the most both from a dovish Fed policy pivot and a further improvement in investor sentiment towards China.

EM FX REBOUNDS WITHIN BEARISH TREND



Source: Bloomberg, Macrobond & MUFG Research

EM FX CORRELATIONS TO US YIELDS THIS YEAR



Source: Bloomberg, Macrobond & MUFG Research

Trading views

Disclaimer: "Trading views" offers an overview of what our professional traders and desk analysts are watching in the markets, their commentary and views are theirs alone and are not intended to be construed as investment advice. This material is intended to be of general interest only and should not be considered a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region or market.

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Trading views: A soft US CPI has seen US rates move in its favour in most of EM.

While the indicators had flipped, the scale of moves is more about positioning

Last week we discussed how the three key indicators (US rates, China COVID and European risk) were turning positively for EM strength. Based on last week's price action in risk assets and EMFX, one would have thought not that they had just turned but rather flipped completely in a complete U-turn. The scale of the moves certainly extended more than we had anticipated and showed an element of bearish positioning having to stop out. KRW was a great barometer of this with its near 8% move in the week. We turned on our bias last week and are more favourable EM now however are wary by the size of the move. The directional of travel still looks compelling, especially in China and Russian risk however we are also wary that the terminal rate in US is now lower than when Powell last spoke. We would like to see the Fed vindicate this price action before fully committing to a 1.10 Euro target and whatever that entails for EM.

The turnaround in DXY has seen insurance risk premium built into EM curves heavily reduced – EM rates have moved a lot lower than US rates on the back of the low US CPI print

While the spot moves grabbed all the headlines the most notable, and expected move, has been the huge collapse in implied yields in many EM places with the notable exception being China. In many places especially in CEE a very large risk premium existed in the forward curve. This was due to the market working out how CBs would defend their currency going forward and if there was a chance of further emergency rate hikes like we had from Hungary a few weeks ago. With the market now less convinced of a dollar uptrend, and CBs needing to defend their currency, the need for excess tightening has got to be priced out. This has seen Hungary implied yields go from north of 15% to sub 12%, Others in CEE have similarly followed. In Asia (ex China) where the yield advantage was never there to start with, yields on the offshore markets have fallen almost as much. In part this sell off is due to flows entering the offshore market which the market can not digest. THB where 1mth got to -500% is a clear case in point. The other reason for negative implieds is the fact of pent up USD corporate demand onshore which may have been prevented from entering the market due to certain CB moral suasion. Certainly likes of IDR and PHP where the CB has been very supportive of the local currency seem to be affected here. This collapse in EM yields makes hedging considerably more attractive now and may encourage more participants to hedge their EM exposure providing some support to USD. It is ironic that from a pure rates perspective the soft US CPI has seen the US rate advantage actually significantly increase in many (most EM) pairs.

Week in review

EM capital flows: inflows into equities, outflows from bonds

Ems surged last week on attractive valuations

In an unprecedented week, global risk assets ended last week with one of the best weekly performances of the year, as the lower than expected October US CPI inflation print (see *Macro Focus* section above) led to a marked recovery in market sentiment, which triggered a sharp decline in EM financial stress. We had previously highlighted the likelihood of tactical bounces in EM assets (see here), and last week's sharp rebound should be perceived as one of these, given the attractive valuations, low positioning and very high cash levels. For us to turn more constructive on EM, we would need to see an improvement in the fundamental macro backdrop, which seems unlikely for now amid a slowing global economic activity, a less supportive global liquidity backdrop, higher core rates, and ongoing geopolitical risks. Moreover, the global liquidity backdrop continues to deteriorate, which implies less inflows into EM. As a result, we do not see any reason to change our cautious EM stance (see here).

Last week, investors increased their exposures to EM equities on attractive valuations, whilst reducing their EM bonds exposures

According to IIF data, investors increased their exposure to EM risk (USD2.7bn), with equity inflows (USD3.1bn) offsetting debt outflows (USD-0.5bn) funds. As we have regularly documented, 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.

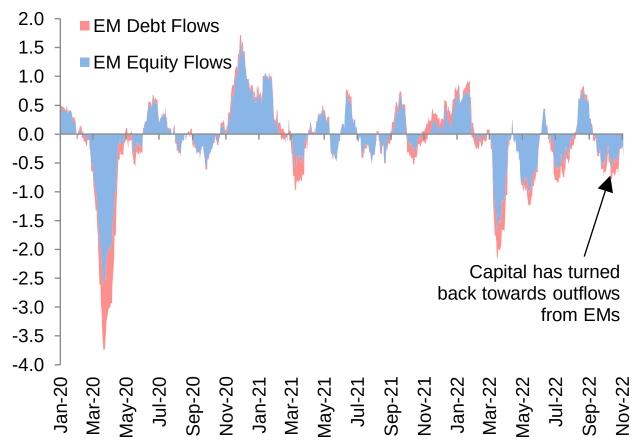
UAE: USD100bn investments to developed 100GW of clean energy with the US

UAE to develop 100GW of clean energy investments by 2035

The UAE and the US have signed a memorandum of understanding to develop 100GW of clean energy projects around the world by 2035. The countries signed a deal named Partnership for Accelerating Clean Energy (PACE), which aims to invest USD100bn in clean energy projects over the period. The deal comprises four key areas: including development of clean energy and supply chains; managing carbon and methane emissions; nuclear energy; and industrial and transport sector decarbonisation.

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

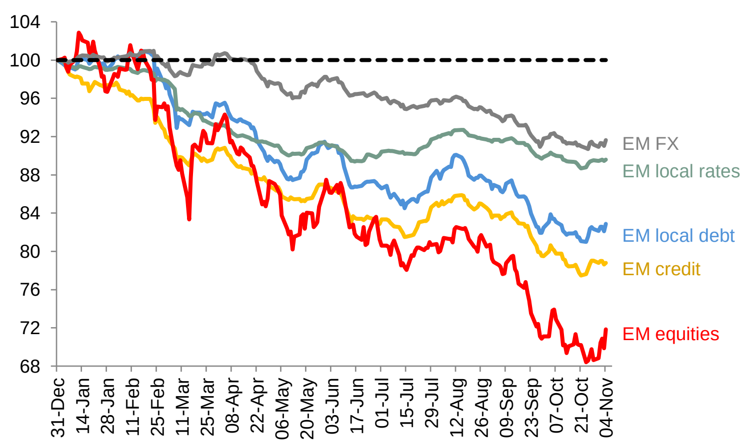
EM EQUITY AND DEBT FLOWS (USD BN), 28 DAY ROLLING AVERAGE



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

An additional 100GW over the next 13 years would be a significant increase in global and regional clean energy capacity, in our view. To give some context, the entire MENA region is expected to add 5.6GW of installed capacity from renewables in 2022 (as per Arab Petroleum Investments Corporation). However, the deal aims to develop clean energy projects around the world, therefore more details regarding the timelines of the projects, the investment split across the four pillars, and destination markets of these projects, are critical. Looking ahead, to achieve its aim of net-zero emissions by 2050, the UAE has made a number of announcements over the past couple of years (see here). As the host of the 28th session of the Conference of the Parties (COP28) to the UNFCCC, which will take place in November 2023, we see this as a positive build-up by the country and expect more announcements over the next 12 months. Moreover, the broader MENA region showcases enormous clean energy potential, and we view this should encourage other countries in the region to raise their clean energy related investments.

Romania: NBR slows the pace of tightening to 50bp, taking rates to 6.75%

Romania eases the pace of tightening to 50bp, with rates now at 6.75%

The National Bank of Romania (NBR) raised policy rates by 50bp to 6.75%, in line with our and consensus expectations. It also increased its lending facility rate and the deposit facility rate by 50bps, keeping the interest rate corridor unchanged, and repeated that it will maintain firm control over money market liquidity. In the press release, the NBR suggested that inflation was higher than its forecast, however, it expects that economic growth to fall to a "quasi-standstill" in both QQ3 and Q4 2022. Going forward, the NBR expects inflation to rise "some more towards end-2022 and then to embark on a gradual downward path", remaining above the NBR's target variation band throughout its projection horizon. This implies the need for further monetary tightening, in our view – we continue to expect Romanian policy rates to rise to a terminal rate of 8.00%

Poland: NBP holds rates unchanged at 6.75%, with slowing growth in focus

Poland keeps rates on hold at 6.75%

The National Bank of Poland (NBP) left its policy rate unchanged at 6.75%, in line with our (and consensus) forecast. The NBP also released its updated macro projections, in which it showed a higher inflation path in the years ahead, with the mid-point of the inflation forecast not returning to the NBP's 2.5% ± 1ppt band even by 2025. Set against this, the NBP lowered its growth projections and, together with lower growth

UAE SIGNALS POSITIVE MOMENTUM TOWARDS DECARBONISATION WITH A NEW PACT WITH THE US

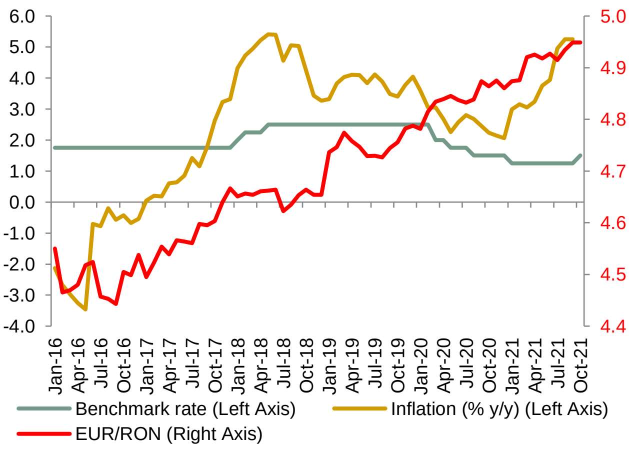
PACE'S FOUR PILLARS AND THEIR AREAS OF FOCUS

Clean energy innovation, deployment and supply chains	Develop & finance clean energy projects globally; invest in responsible supply chains; investment in green mining and processes for minerals vital for clean energy production
Carbon & methane management	Investments in fossil fuel emissions mitigation; develop CCUS technologies and advance methane measurement and management
Nuclear energy	Engage in the areas of advanced nuclear reactors, including small modular reactors, and to promote nuclear power as a clean energy solution
Industrial & transport decarbonisation	Investment towards decarbonisation across all industrial sectors by 2030; scale-up clean fuels in aviation & shipping transport sector; promote electrification & energy efficiency

Source: Bloomberg, www.whitehouse.gov, MUFG Research

ROMANIA SLOWS THE PACE OF TIGHTENING IN LINE WITH OUR (AND CONSENSUS) EXPECTATIONS

ROMANIA INFLATION (% Y/Y), BENCHMARK RATES (%) AND EUR/RON



Source: Bloomberg, CBR, MUFG Research

abroad and its expectation that external price pressures will begin to ease, argued that this should be sufficient to bring inflation lower in Poland over the medium term (therefore negating the need for further tightening). It also reiterated its previous view that higher headline and core inflation is largely driven by factors that lie outside the control of monetary policy. In the schedule press conference, NBP Governor Glapinski left the door open for further rate increases, stating that last weke's decision to keep rates unchanged at 6.75% marked a pause rather than the end to the tightening cycle. In his view, slowing growth both in Poland and abroad should weigh on inflation over time, and a more gradual return to the inflation target is preferable, rather than more aggressive tightening that would hurt the economy. Nevertheless, Governor Glapinski stated that, in the event that inflation surprises the NBP's updated projections significantly to the upside, it will look to resume tightening policy.

Russia: inflation falls to 12.6% y/y in October – more than expectations

Inflation in Russia continues on its deceleration path

Inflation in Russia fell from 13.7% y/y in September to 12.6% y/y in October (MUFG: 12.9% y/y; consensus: 12.8% y/y) as prices continue to normalise. The disinflationary outcome was reflected widely within the basket – food segments fell from 14.7% y/y to 12.4% y/y and non-food items from 16.9% y/y to 16.0% y/y. In its October meeting, the Central Bank of Russia (CBR) kept the policy rate unchanged at 7.5%, with the CBR acknowledging that household inflation expectations have recently deteriorated. The Russian Rouble (RUB) has recovered fully since its large depreciation and stands stronger than its pre-shock levels, having contributed to a great extent to the ongoing disinflation. In line with the CBR's quarterly macro forecasts, we estimate headline inflation to fall to 12.0% y/y by the end of the year and then continue to decline towards 4.8% y/y through Q1 2023 given base effects. Looking forward, however, we expect inflation to pick up mainly on the back of the loose fiscal stance given the removal of the fiscal rule as well as the elections in early 2024.

Turkey: current account deficit widened to USD3.0bn in September

Turkey's current account deficit widened in September on higher energy and gold imports

The current account deficit in Turkey widened from USD2.7bn (revised downwards from USD3.1bn) in August to USD3.0bn in September, above our (USD2.7bn) and the consensus (USD2.5bn) expectations. On a seasonally adjusted basis, the deficit deteriorated from USD5.0bn to USD6.0bn on the back of high energy and gold imports. With the deterioration in Turkey's energy import bill, on top of record high gold import numbers, we estimate that the deficit will reach USD58bn (prior USD51bn) for 2022 as a whole, totalling 6.7% of GDP. A deficit of this quantum – higher than most previous crisis periods (bar 2001 when Turkey's current account deficit reached 8.8%), indicates a material deterioration in external balance. With access to international funding increasingly limited, closing the funding gap is becoming top of mind. Though we recognise that the evidence thus far still points to the flow of errors and omissions plus bilateral funding from non-G7 countries as adequate to close the funding gap and the Central bank of Turkey's (CBRT) gross reserves have remained broadly unchanged since August.

Week ahead

CEE: Q3 2022 GDP to contract across the region – reflected in the PMI data

CEE economic growth to contract in Q3 2022

GDP flash estimates for Q3 2022 in Poland, Hungary and Romania are set to demonstrate a strong contraction. We anticipate GDP falling by 0.8% q/q in Poland, 0.3% q/q in Hungary and 0.5% q/q in Romania. These expected readings would be consistent with CEE early releaser the Czech Republic, where growth contracted by 0.4% q/q in Q3 2022. High frequency activity indicators are suggesting an ongoing slowdown or contraction in activity, with the most acute weakness reflected in the PMI data. The weakness in activity reflects the impact of the war in Ukraine – via its effects on energy prices and supply-chain issues –combined with the ongoing tightening in global financial conditions. Looking ahead, we expect the CEE economies to contract further in Q4, given continued pressures from the external environment.

Russia: Q3 2022 GDP down on higher imports and weaker consumption

Economic growth in Russia to ease materially in Q3 2022

Russia will publish its initial estimate of third quarter GDP this week and we expect output growth to have reached -4.4% y/y (consensus -4.7% y/y), down from -4.1% y/y in Q2 2022. Whilst there will be no breakdown, we view that there will be sequential growth in domestic demand, partially driven by inventory accumulation. Instead, the contribution to growth from net exports likely fell despite some recovery in export volumes due to higher imports. Imports appear to have rebounded in Q3 2022, after having plummeted following international sanctions in the previous quarters.

Poland: final inflation reading to confirm increase in October

Inflation in Russia set to fall further in October

We expect the preliminary inflation reading in Poland to be confirmed, signalling a rise from 17.2% y/y to 17.9% y/y, in line with expectations. The available partial breakdown pointed to upward pressures from higher food and household energy inflation, as well as higher core inflation, which we estimate increased by 0.4pp to 11.1% y/y. Inflation dynamics in Poland continue to be characterised by strong underlying inflation, which we view reflects an ongoing de-anchoring of inflation expectations. Therefore, while the National bank of Poland (NBP) kept rates unchanged at 6.75% last week, with subsequent communication clearly indicating its intention to keep rates at this level going forward, we nevertheless believe that further tightening is warranted and we maintain our terminal rate forecast of 8.0%.

Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Romania	15/11/2022	07:00	Real GDP (% q/q)	Q3-22	-0.5%	---	1.8%	!!!
	Hungary	15/11/2022	08:00	Real GDP (% q/q)	Q3-22	-0.3%	---	1.0%	!!!
	Poland	15/11/2022	09:00	Real GDP (% q/q)	Q3-22	-0.8%	---	-2.1%	!!!
	Poland	15/11/2022	09:00	CPI (% y/y)	Oct F	17.9	17.9	17.9%	!!
	Israel	16/11/2022	11:00	CPI (% y/y)	Oct	4.2%	4.9%	4.6%	!!!
	Russia	16/11/2022	16:00	Real GDP (% q/q)	Q3-22	-4.4%	-4.7%	-4.1%	!!!

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	22.87	6.00	3.50	-10.61	-8.00	-8.02	-2.06	-2.90	-2.87
Czech Rep.	1.60	2.90	3.00	0.27	-8.03	-5.47	5.01	1.57	0.82
Egypt	5.80	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	4.90	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	3.09	2.70	0.90	-7.06	-2.57	1.11	-4.38	-5.75	-0.94
Poland	5.80	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	8.57	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	6.00	6.00	3.00	0.377	0.377	0.377
Czech Rep.	15.10	3.90	11.30	7.00	3.75	5.50	24.272	24.886	21.380
Egypt	16.20	5.40	7.90	13.25	7.75	11.50	24.450	15.723	15.420
Greece	9.07	-0.10	0.40	2.00	2.00	0.40	1.029	1.137	1.132
Hungary	21.10	4.90	7.80	13.00	2.40	5.50	395.0	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	3.428	3.103	3.100
Jordan	5.23	1.60	2.00	6.75	6.75	2.00	0.709	0.709	0.709
Kenya	9.60	6.00	5.90	8.25	8.25	9.50	121.870	113.140	113.040
Kuwait	3.19	2.90	3.40	3.00	3.00	3.00	0.308	0.303	0.303
Lebanon	162.47	124.10	85.00	2.75	2.75	7.75	1516.500	1512.330	1512.330
Libya	4.56	21.10	8.00	3.00	3.00	3.00	4.974	4.597	4.597
Morocco	8.30	1.40	1.20	2.00	2.00	2.00	10.733	9.252	9.250
Nigeria	20.80	17.30	12.00	15.50	15.50	14.00	443.970	424.830	440.500
Oman	2.36	1.30	2.00	1.95	1.95	14.00	0.385	0.385	0.385
Poland	17.90	4.90	10.00	6.75	1.75	5.50	4.558	4.035	3.948
Romania	15.32	5.30	11.90	6.75	6.75	5.50	4.759	4.353	4.388
Qatar	6.03	1.60	4.00	4.75	4.75	2.50	3.667	3.642	3.642
Russia	12.63	6.60	16.60	7.50	5.75	15.00	60.591	74.679	71.130
Saudi Arabia	3.07	3.10	2.20	4.00	4.00	2.50	3.759	3.755	3.755
South Africa	7.50	4.50	6.20	6.25	3.50	4.75	17.355	15.937	15.800
Turkey	85.51	17.90	62.00	10.50	14.00	20.00	18.608	13.317	14.250
Ukraine	26.60	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	14-Oct	21-Oct	28-Oct	04-Nov	11-Nov	Change in yield (basis points) Week	MTD	YTD
Bahrain	10 years	5.24	5.52	5.35	5.68	5.59	-9.47	8.52	305.02
Czech Rep.	10 years	5.60	6.26	5.90	5.91	5.09	-81.97	-85.62	200.72
Egypt	9 years	15.64	16.05	14.57	14.39	13.14	-124.86	-147.80	597.95
Greece	8 years	4.39	4.57	4.14	4.27	4.03	-23.61	-21.50	292.68
Hungary	8 years	11.81	11.80	11.10	10.80	9.39	-141.39	-173.79	492.21
Israel	8 years	3.99	4.10	3.98	4.01	3.85	-16.02	-14.28	363.74
Jordan	5 years	8.34	8.52	7.60	6.79	6.13	-65.69	-140.31	186.27
Kenya	7 years	14.15	14.97	13.73	12.70	10.34	-236.12	-336.06	463.17
Kuwait	6 years	4.83	4.82	4.58	4.67	4.48	-19.06	-11.13	278.56
Lebanon	9 years	86.93	87.79	89.79	89.80	90.55	74.70	42.84	2654.57
Morocco	11 years	6.79	6.86	6.42	6.31	5.74	-57.32	-67.49	333.92
Nigeria	9 years	14.73	16.15	14.96	13.85	11.98	-187.37	-313.34	458.71
Oman	9 years	7.17	7.33	6.98	6.79	6.14	-65.45	-74.32	138.42
Poland	8 years	4.01	4.40	4.10	4.10	3.80	-30.28	-27.14	362.62
Romania	7 years	7.84	8.01	7.31	7.26	6.30	-95.57	-98.26	475.37
Qatar	9 years	5.14	5.25	4.98	5.10	4.70	-39.54	-35.07	245.70
Russia	5 years	29.02	29.79	29.33	29.82	30.13	30.81	61.91	-62.56
Saudi Arabia	8 years	5.13	5.49	5.10	5.26	4.85	-41.17	-31.02	270.39
South Africa	9 years	8.61	8.60	7.76	7.61	6.92	-68.51	-88.15	270.49
Turkey	7 years	10.81	10.61	9.73	9.26	8.69	-56.56	-108.10	147.53
Ukraine	8 years	41.72	41.74	42.69	43.34	39.09	-425.46	-426.43	2960.54
Abu Dhabi	6 years	4.89	4.98	4.64	4.66	4.28	-37.52	-36.16	253.27
Dubai	8 years	4.78	4.83	4.77	4.89	4.78	-11.48	0.51	219.53

EM EMEA equity market (index)

	07-Oct	14-Oct	21-Oct	28-Oct	04-Nov	11-Nov	Change (%) Week	MTD	YTD
Bahrain	1,884	1,875	1,867	1,860	1,863	1,865	0.13	0.04	3.79
Czech Rep.	117,561	114,300	117,171	114,641	118,155	112,253	-4.99	-3.26	7.09
Egypt	9,924	9,867	10,164	10,553	11,322	12,054	6.47	5.99	0.88
Greece	819	818	848	863	882	899	1.96	2.87	0.67
Hungary	39,385	38,817	40,071	40,554	42,982	44,097	2.59	7.41	-13.06
Israel	1,838	1,863	1,892	1,935	1,929	1,950	1.09	0.32	-1.41
Jordan	2,473	2,506	2,507	2,470	2,409	2,438	1.18	-0.18	15.05
Kenya	124	130	130	129	128	128	0.07	-0.55	-23.05
Kuwait	7,249	7,014	7,138	7,241	7,475	7,644	2.27	4.45	8.54
Lebanon	658	658	658	658	658	658	0.06	2.52	29.91
Morocco	11,663	11,661	11,311	10,844	10,791	10,476	-2.92	-3.21	-21.58
Nigeria	48,837	47,532	44,318	44,625	44,255	43,943	-0.71	0.24	2.87
Oman	4,575	4,544	4,479	4,401	4,408	4,461	1.19	2.17	8.02
Poland	1,419	1,377	1,398	1,488	1,621	1,726	6.49	12.36	-23.85
Romania	10,967	10,644	10,803	10,806	11,014	11,639	5.68	7.74	-10.89
Qatar	13,003	12,850	12,653	12,262	12,570	12,586	0.13	1.38	8.26
Russia	2,030	1,952	1,978	2,121	2,198	2,242	1.99	3.47	-40.81
Saudi Arabia	11,770	11,551	11,795	11,710	11,523	11,171	-3.05	-4.26	-0.98
South Africa	59,202	58,177	59,210	60,470	62,740	66,435	5.89	10.67	-0.92
Turkey	3,484	3,518	3,880	3,976	4,312	4,557	5.68	14.53	145.31
Ukraine	519	519	519	519	519	519	0.04	0.00	-0.68
Abu Dhabi	9,897	9,734	10,067	10,296	10,566	10,576	0.09	1.57	24.59
Dubai	3,353	3,325	3,389	3,367	3,366	3,386	0.61	1.64	5.96

EM EMEA FX against USD*

	07-Oct	14-Oct	21-Oct	28-Oct	04-Nov	11-Nov	Change (%) Week	MTD	YTD
USD Index	112.258	112.363	112.881	110.752	110.415	107.075	-3.02	-3.99	11.92
Bahrain**	0.376	0.379	0.379	0.376	0.379	0.379	0.05	-0.82	0.05
Czech Rep.	25.122	25.293	24.827	24.591	24.398	23.582	-3.34	5.02	-7.22
Egypt	19.646	19.646	19.646	23.095	24.331	24.450	0.49	1.22	55.50
Greece***	0.974	0.972	0.986	0.997	0.999	1.029	3.03	4.16	-9.47
Hungary	435.540	429.480	416.810	413.630	401.330	395.020	-1.57	4.83	-17.86
Israel	3.543	3.560	3.530	3.527	3.539	3.428	-3.13	2.98	-9.48
Jordan**	0.710	0.710	0.710	0.710	0.715	0.711	-0.55	-0.06	-0.28
Kenya	120.482	0.008	0.008	0.008	0.008	0.008	2.50	0.00	7.32
Kuwait	0.310	0.310	0.310	0.310	0.310	0.308	-0.65	0.57	-1.78
Lebanon	1,512.63	1,512.85	1,513.00	1,513.00	1,513.00	1,516.50	0.23	0.14	-0.28
Morocco	10.981	11.032	10.969	10.898	10.916	10.733	-1.67	2.08	-13.80
Nigeria	435.270	440.500	440.500	441.420	443.010	443.970	0.22	-0.22	-4.31
Oman**	0.385	0.385	0.385	0.385	0.385	0.385	0.10	-0.08	0.26
Poland	3.760	3.764	3.762	3.762	3.761	3.761	0.00	0.00	-0.19
Romania	5.064	5.075	4.983	4.939	4.891	4.759	-2.71	4.37	-8.53
Qatar**	3.666	3.665	3.662	3.659	3.657	3.658	0.03	0.01	0.44
Russia	62.175	62.825	61.590	61.524	61.282	60.591	-1.13	2.21	24.06
Saudi Arabia**	3.760	3.764	3.762	3.762	3.761	3.761	0.00	0.00	-0.19
South Africa	18.096	18.359	18.089	18.134	17.854	17.355	2.88	5.76	-8.17
Turkey	18.572	18.490	18.588	18.592	18.605	18.607	-0.01	0.04	-28.50
Ukraine	36.932	36.932	36.717	36.717	36.932	36.931	0.00	-0.31	-26.12
UAE**	3.672	3.672	3.673	3.673	3.674	3.674	-0.01	-0.01	0.01

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)

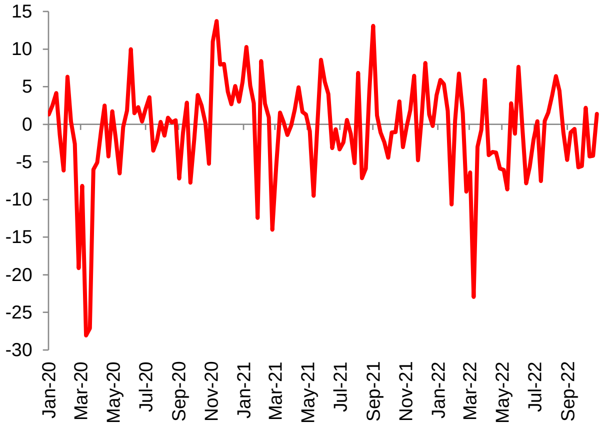
	07-Oct	14-Oct	21-Oct	28-Oct	04-Nov	11-Nov	Change in yield (basis points) Week	MTD	YTD
Bahrain	307.86	323.59	316.00	284.87	268.09	244.03	-24.06	-40.84	-49.81
Czech Rep.	45.00	60.52	57.26	54.90	52.60	52.59	-0.02	-2.32	16.97
Egypt	1,257.66	1,356.33	1,307.80	1,048.56	1,175.73	921.61	-254.12	-126.95	423.57
Greece	196.55	199.60	195.19	173.44	169.11	156.05	-13.06	-17.39	44.06
Hungary	245.36	281.24	283.08	258.62	253.22	231.88	-21.34	-26.74	187.16
Israel	39.14	39.64	39.44	36.84	37.74	38.96	1.22	2.11	-1.26
Kenya	1,390.52	1,165.28	1,227.64	1,108.08	976.55	755.31	-221.24	-352.77	348.43
Kuwait	70.86	71.70	70.00	70.00	68.67	55.43	-13.24	-14.57	10.72
Morocco	303.56	303.29	297.32	295.16	308.24	287.17	-21.07	-7.99	191.78
Nigeria	966.79	1,011.37	1,137.54	1,045.50	1,159.35	1,006.06	-153.29	-39.44	550.99
Oman	260.51	272.42	268.77	240.61	229.48	202.82	-26.66	-37.79	-53.00
Poland	143.57	165.79	159.23	153.14	149.44	130.78	-18.66	-22.37	91.19
Romania	346.07	401.03	414.28	379.86	367.62	328.97	-38.66	-50.90	254.15
Qatar	58.70	65.91	66.56	59.09	57.81	47.88	-9.93	-11.22	4.12
Russia	-	-	-	-	-	-	-	-	-124.42
Saudi Arabia	63.08	74.87	77.72	68.70	68.24	56.63	-11.61	-12.08	7.25
South Africa	333.20	350.87	347.94	298.46	296.91	245.87	-51.04	-52.59	42.85
Turkey	771.02	769.01	738.22	657.89	633.87	558.25	-75.62	-99.64	-4.51
Ukraine	-	-	-	-	-	-	0.00	0.00	-610.89
Abu Dhabi	58.70	66.93	66.70	59.09	58.67	109.96	51.29	50.87	67.06
Dubai	124.64	129.13	128.18	122.73	113.59	109.96	-3.64	-12.77	15.90

Source: Bloomberg, MUFG Research

EM capital flows

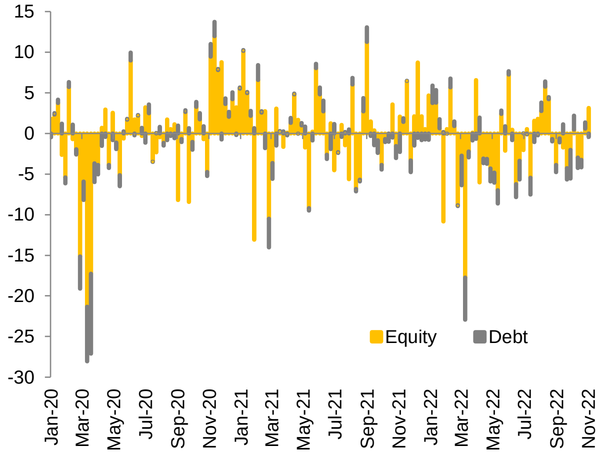
WEEKLY TOTAL EM INFLOWS OF USD2.7BN – 04 NOVEMBER

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



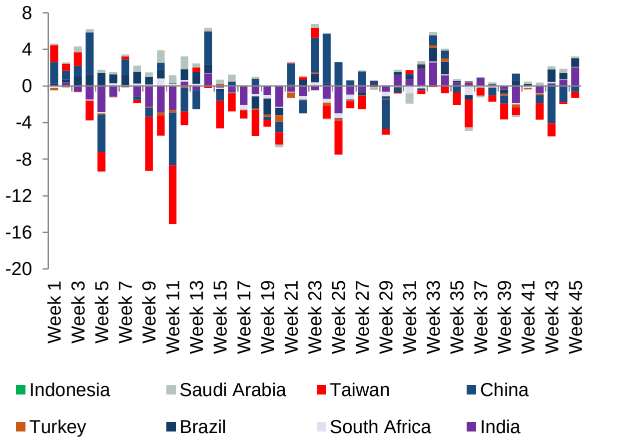
WEEKLY EM INFLOWS FROM EQUITY (USD3.1BN) AND DEBT OUTFLOWS (USD-0.5BN) – 04 NOVEMBER

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



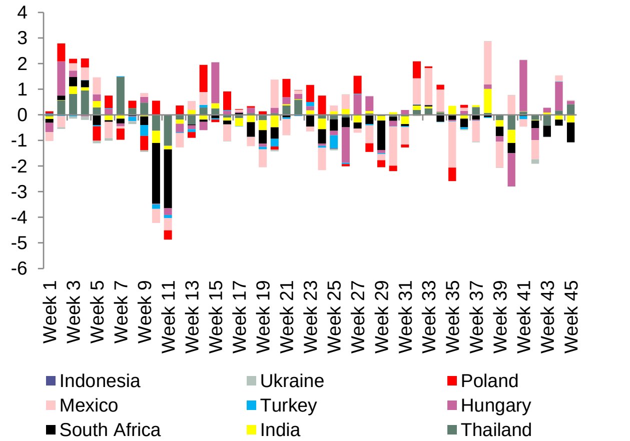
INDIA (USD2.0BN) AND SOUTH KOREA (USD1.0BN) LED WEEKLY EM EQUITY INFLOWS – 04 NOVEMBER

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



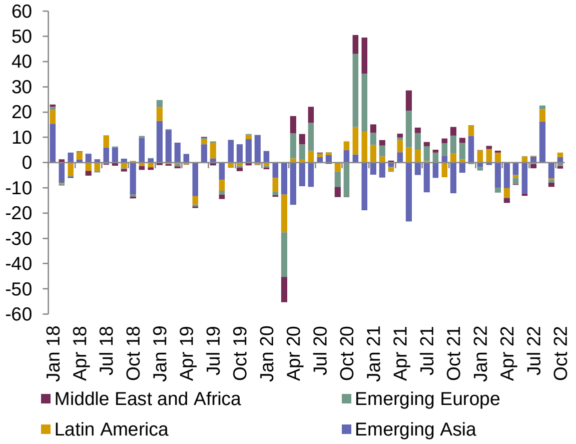
SOUTH AFRICA (USD-0.8BN) LED EM DEBT OUTFLOWS LAST WEEK – 04 NOVEMBER

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



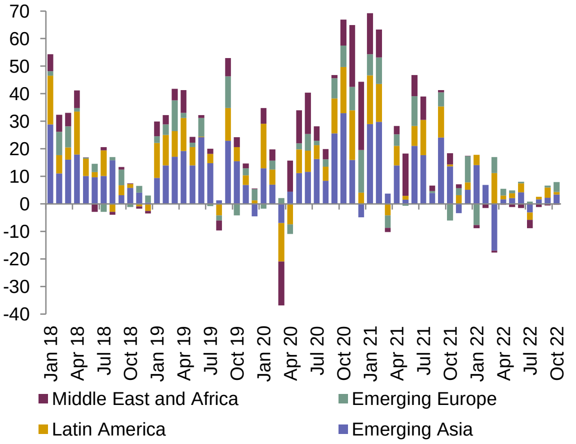
EM EQUITY INFLOWS TOTALLED USD1.7BN IN OCTOBER, LED BY EM ASIA (USD2.2BN)

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



EM DEBT INFLOWS TOTALLED USD7.6BN IN OCTOBER, LED BY EMERGING EUROPE (USD3.7BN)

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



Source: Bloomberg, IIF, MUFG Research

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