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Implications of China's reopening for emerging markets

Macro focus: Last week we catalogued the implications of China's reopening on EM EMEA (see [here](#)). We expand on the analysis to examine how much of a lift to EMs as a whole can markets expect from China's reopening. We see three main spillovers to the rest of the EM complex, namely, (i) increased services imports (mainly outbound Chinese tourism); (ii) a rise in goods imports; and (iii) a boost to prices for major global commodities (see [here](#) and [here](#)).

FX views: It has been a strong start to the new calendar year with our MUFG EM FX index set to record its 3rd consecutive month of gains (+2.5% vs. USD). The best EM currencies have been RUB, COP, CLP, HUF, IDR, MXN, and MYR, while there have been a handful of clear laggards including the ZAR, PEN, and TRY.

Trading views: Last week we reduced our bullishness on EM based on the worry that the path for gains was getting narrower and we had seen quite a significant move. As we head into a very busy week (Fed, ECB, Indian budget, China coming back, etc.) we see no reason to change this more defensive stance.

Week in review: South Africa slowed the pace of its tightening to 25bp, taking policy rates to 7.25%. Hungary left its policy rates unchanged at 13.00%. The Saudi NDMC has published its annual borrowing report for 2023. Finally, the Central Bank of Kuwait hiked its key discount rate by 50bp to 4.0%.

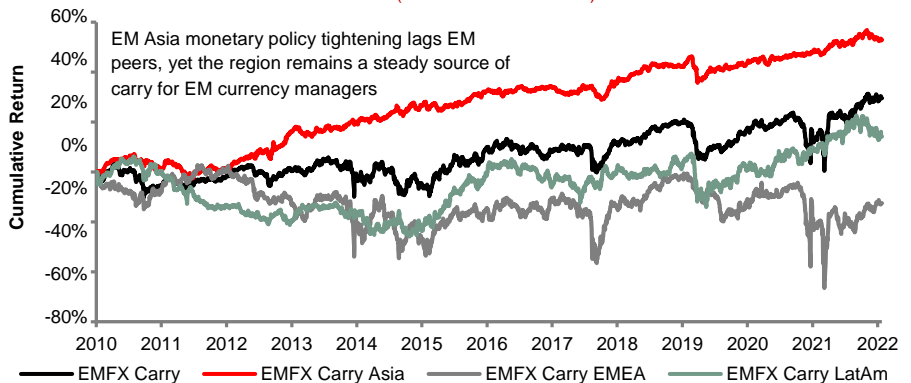
Week ahead: The Czech Republic to keep rates on hold at 7.00% with a dovish tilt, whilst we expect Egypt to hike rates by 200bp, taking deposit rates to 18.25%.

Forecasts at a glance: Fundamental obstacles facing the complex in H1 2023 are profound. This makes the EM space a difficult investment proposition until we see the end of the current rate hiking cycle, the US dollar weakening and the Chinese economy rebounding – all of which we anticipate by H2 2023 (see [here](#)).

Core indicators: EMs have witnessed three consecutive weeks of weekly capital inflows, thanks to the sharp improvement in risk sentiment led by the repricing of the monetary policy by core central banks, particularly the Fed.

CHART OF THE WEEK: EM NEEDS REGIONAL LENS – ASIA SOURCE OF CARRY

EM FOREIGN EXCHANGE CARRY BY REGION (REBASED 2010 = 100)



Source: Bloomberg, MUFG Research

Macro focus

Implications of China's reopening for emerging markets

Our modelling estimates point to EM GDP growth of 4.0% in 2023 stemming from China's abrupt exit from its zero COVID policy as well as the eventual easing of financial conditions

Last week we catalogued the implications of China's reopening on EM EMEA (see [here](#)). We expand on the analysis to examine how much of a lift to EMs as a whole can markets expect from China's reopening. Whilst our China analyst anticipates a broadly large lift to Chinese real GDP growth of 5.1% this year with proactive fiscal and quasi-fiscal policies top of mind, we see three main spillovers to the rest of the EM complex, namely, (i) increased services imports (mainly outbound Chinese tourism); (ii) a rise in goods imports; and (iii) a boost to prices for major global commodities (see [here](#)). With this, our modelling estimates point to EM GDP growth of 4.0% in 2023 stemming from China's abrupt exit from its zero COVID policy as well as the eventual easing of financial conditions (see [here](#)).

Three main transmission channels from China's reopening to EMs

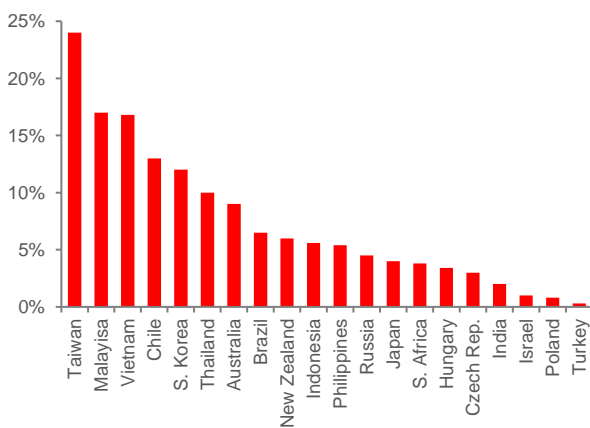
We put the three transmission channels from China's reopening to EMs into context:

1. **Higher services imports (mainly outbound Chinese tourism).** Whilst the volumes of tourists from Asia ex-China is at around half pre-COVID levels, in China's case, this recovery is only just beginning with the potential impact very considerable, particularly for economies geographically close to China.
2. **A rise in goods imports.** Both manufactured goods and commodities are set to gain from China's reopening. China's imports fell acutely in H2 2022 amid broadly mobility restrictions, weighing on global goods demand. Although, China's current rebound is likely to be focused in services, it should be robust enough to provide a marked uplift to goods demand as well.
3. **A boost to major global commodities.** We have recently documented the expected push up in prices across a range of commodities from the China reopening (see [here](#) and [here](#)). This is a positive demand shock rather than a negative supply shock, but nonetheless will be a modest drag on consumption in energy importers (and/or on fiscal resources, where retail fuel prices are subsidised). Weakness in China in recent months has alleviated energy price pressures in Europe this winter, but our we expect a resurgence in both oil and natural gas prices in coming months (see [here](#)).

We also expect global markets to witness reduced volatility and the support of Chinese inbound FDI

Beyond these three channels, there may also be some positive spillovers in the form of reduced volatility emanating from China – both in the form of downside economic shocks and also policy shocks. Chinese policymakers have engaged in a flurry of diplomacy following the party Congress and to encourage inbound FDI.

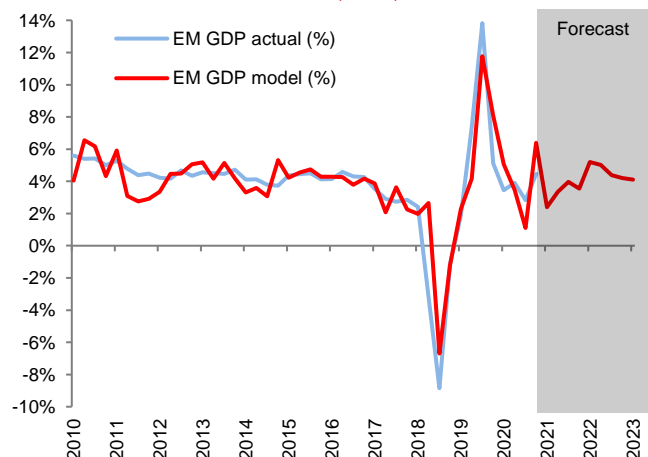
SIGNIFICANT PROCESSING TRADE IN CHINA SIGNALS THAT EXPORT EXPOSURES TO CHINA ARE VERY LARGE
GROSS EXPORT EXPOSURES TO CHINA (% OF GDP)



Source: Bloomberg, UNCTAD, MUFG Research

MUFG'S EM GDP MODEL SIGNALS A PICKUP IN GROWTH TO 4.0% IN 2023, MAINLY ON CHINA'S REOPENING

EM GDP ACTUAL AND MUFG MODEL (% Y/Y)



Source: Bloomberg, EM statistical offices, MUFG Research

FX views

Does Fed policy update threaten strong start to the year for EM FX?

Strong start to year for EM FX although there have been a handful of laggards including ZAR.

It has been a strong start to the new calendar year for emerging market currencies on the whole. Our MUFG EM FX index is set to record its third consecutive month of gains (+2.5% in January) against the USD which takes the cumulative gains over the last three months to 8.5%. The best emerging market currencies at the start of the new calendar year have been the RUB (+4.5% vs. USD YTD), COP (+4.0%), THB (+3.8%), CLP (+3.6%), HUF (+2.1%), IDR (+1.9%), MXN (+1.9%), and MYR (+1.8%). However, it has not all been good news for emerging market currencies. There have been a handful of clear laggards including the ZAR (-3.3% vs. USD YTD), PEN (-2.5%), and TRY (-2.4%).

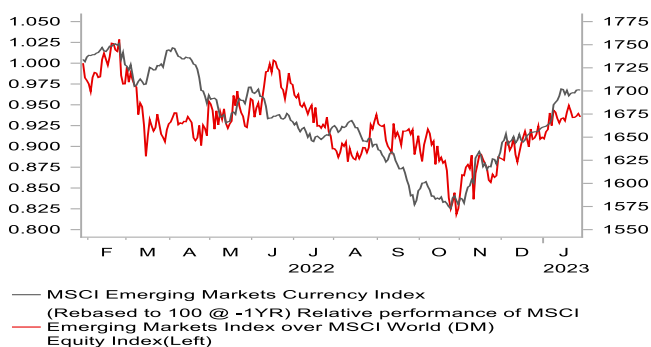
Does Fed policy update threaten recent bullish trend for EM FX?

The most important event for emerging currencies in the week ahead will be the Fed's latest policy update. Emerging market currencies have benefited in recent months from the dovish shift in Fed policy. We expect the Fed to slow further the pace of rate hikes at the upcoming FOMC meeting by reverting back to a more normal 25bps hike. Building evidence of slowing US inflation pressures over the last three months combined with leading indicators signalling that there is an increasing risk of a sharper slowdown in US growth have made market participants more confident that the Fed can continue to slow down tightening at the start of this year. However, we still believe it is too early to expect the Fed to follow the BoC from last week and send a dovish signal as well that it is getting closer to pausing their hiking cycle. The recent easing of financial conditions could encourage the Fed to stick to hawkish policy guidance from last month when they outlined plans to raise rates above 5.00% this year. It poses downside risks for emerging market currencies if the Fed's guidance lift US rates and the USD although we believe market participants are more likely to keep looking through Fed guidance by anticipating a sooner end to their hiking cycle.

SARB & CNB policy updates highlight dovish shifts taking place at central banks.

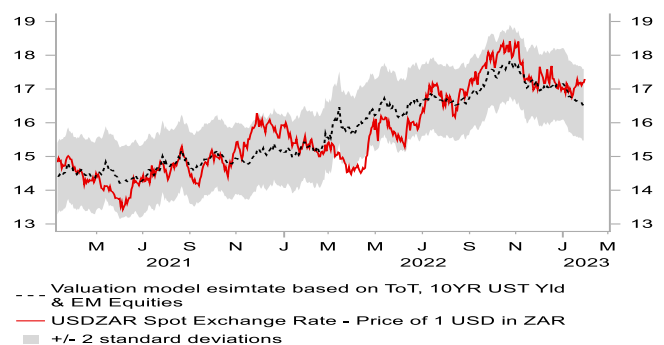
The ongoing dovish shift in central bank policies was also evident last week when the SARB delivered a smaller than expected 25bps hike that lifted the policy rate up to 7.25%. In our view that smaller rate hike reflects the significant downward revision to their growth forecasts for South Africa in response to the worsening domestic energy supply situation and the overall improvement in global investor risk sentiment at the start of this year that is helping to ease downside risks for the ZAR. The ZAR has not though fully benefitted from the recent improvement in fundamental drivers. The CNB will be the next EMEA central bank to update policy. The ongoing strengthening of the CZK is dampening the need for further CNB hikes although rate cuts are not yet imminent. It has been speculated that the CNB could drop their commitment to CZK stability now that the CNB is trading well above levels it last intervened at in October.

STRONG START TO NEW YEAR FOR EM



Source: Bloomberg, Macrobond & MUFG Research

ZAR NOT FULLY REFLECTING BETTER FUNDAMENTALS



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: We continue to stay defensive waiting for the weeks event risks to pass before adding risk positions

Ahead of a big event week we see no reason to change our more defensive stance

Last week we reduced our bullishness on EM based on the worry that the path for gains was getting narrower and we had seen quite a significant move. The gains in FX since the November Fed pivot are very sizeable on a historical basis and the valuation gap between EM and DM had narrowed. Still a very long way to go for the gap to close, but maybe enough of narrowing to see some pausing. As we head into a very busy week (Fed, ECB, Indian budget, China coming back, etc.) we see no reason to change this more defensive stance.

Chinese rate profile looks at odds with an economy forecast to produce growth close to 6% for this year

Note we think EM weakness, if it comes will be a pause not a reversal. While we wait for events to pass we look at more local stories. In Asia two main themes stand out for us. Firstly the paid China rates story which is getting quite popular. We were wondering whether the opening up of China would see a spike in COVID cases that would make people stay at home even if it was not mandatory. The mobility data however does not suggest this is occurring therefore we are getting confident this is not a false dawn but rather a significant pick up in Chinese activity. As much as authorities will cool speculation and try to keep expectations anchored, GDP growth close to 6% in 2023 in China will be at odds with the current rate profile. Thus accepting we are quite late to this we do like paying local rates and look to add on dips.

Local stories will get more attention with each country's beta to US and Chinese growth a key determinant in economic performance this year..

The other theme in Asia is how far the FX of regional currencies can rally based on the China reopening. While the med term factors for outperformance are still very clear on China / Europe lifting growth expectations vs lowering US growth expectations. The question is how much of that is now priced. Nowhere is this better exemplified than in THB which has had a +15% rally vs USD since November and has spent all of Jan in oversold territory according to the RSIs. We were surprised BOT did not show concern of FX strength last week but even so we very keen to fade this move and reverse the strength. However we need a catalyst to do so. To fade such a strong trend without this would be foolhardy. Nonetheless we are on watch with a flare up in China COVID cases or repricing of US rate path the two biggest ones.

Elsewhere local stories are starting to get more attention. The announcement of Turkey election date may centre minds back to that risk (probably still a few weeks away). Meanwhile the infrastructure problems in South Africa are starting to have quite a notable risk premium built into the currency. It is certainly an early nomination for the EM currency candidate for this year.

We feel the focus on local stories will become more notable this year with beta to China and US economies a key factor in determining growth for many EM economies this year. The other big topic is of course geopolitical risk. It was notable that last week South Africa strengthen ties with Russia, no doubt to help its power crisis. We are of the belief that geopolitical risk will improve for EM this year led by thawing US China relations (note Lui and Yellen meet at Davos). However we may be wrong here and this move by South Africa alongside the uncertainty of Russian /Ukraine currently makes us a bit more nervous and again more defensive for the time being.

Week in review

EM capital flows: Chinese rebound in focus

Implications of China's reopening in focus

Chinese markets might be closed due to Lunar New Year holidays, but this does not stop us from focusing on the spillovers that result from the expected strong recovery in China (see *macro focus* section above). The favourable outlook in China should also help with the EM growth outlook (4.0% in 2023 and 4.4% in 2024), as China has become a major destination for EM exports, with its share soaring from 4.8% of total exports in 2022 to 17.0% in 2022.

Last week, investors increased their exposures to EMs

According to IIF data, investors increased their EM exposure for the third consecutive week (USD11.0bn) as of 20 January, with equity inflows (USD10.2bn) predominantly driving the gains as well as debt inflows (USD0.8bn). To put this into context, whilst the market is squarely focused on DM central bank rate hikes, the ongoing tightening in global liquidity – which turned negative last year – is equally important for EMs. Less favourable liquidity conditions have had an impact on EM secondary markets, which has been clearly seen not only in EM fund outflows but also in balance of payments data. Yet, the eventual end of rate hikes and loosening in financial conditions, is beginning to show a rebound in EM flows.

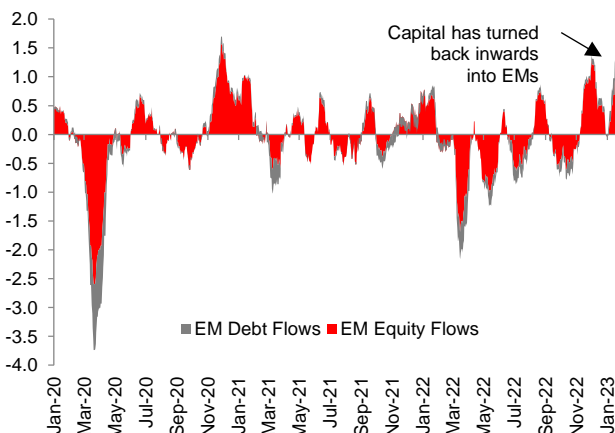
South Africa: SARB slows tightening to 25bp from 75bp in the prior two meetings

SARB hikes by 25bp to 7.25%, in line with our expectations

The South African Reserve Bank (SARB) moderated its pace of tightening from 75bp at its prior two meetings to 25bp in January, in line with our forecast but delivering a dovish surprise to consensus (50bp) and market pricing. There were relatively few changes to the SARB's inflation forecast, but big downward adjustments to growth estimates following worsening energy shortages. The SARB now estimates growth of 0.3% in 2023 (1.1% previously), 0.7% in 2024 (1.4%), and 1.0% in 2025 (1.5%) as ongoing power cuts weigh on domestic demand, confidence, and the broader outlook. Yet, at the same time, the SARB also cut its estimates of potential growth, meaning that the output gap is more or less closed over the forecast. As such, inflation forecast revisions were small but nonetheless incrementally dovish. In our view, the dovish policy shift likely reflects concerns over the weak growth outlook as well as a positive re-assessment of the global backdrop insofar as it affects market risk appetite and risks to the South African Rand (ZAR).

GLOBAL LIQUIDITY TURNED SHARPLY NEGATIVE IN 2022, ACCELERATING EM FUND FLOWS

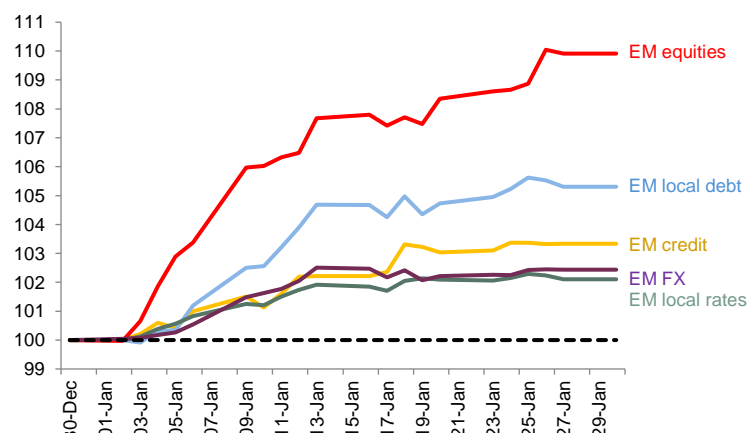
EM CAPITAL AND DEBT FLOWS, 28 DAY ROLLING AVERAGE (USD BN)



Source: Bloomberg, IIF, MUFG Research

EM RISK ASSETS HAVE STARTED THE YEAR STRONG ON THE BACK OF A REPRICING LOWER OF DM RATE HIKES

EM EQUITIES, FX, RATES, CREDIT AND DEBT (1 JANUARY 2023 = 100)



Source: Bloomberg, MUFG Research

Hungary leaves its policy rate on hold, with rhetoric that it needs to see improvement in risk before committing to a policy reversal

Hungary: MNB left its policy rates unchanged at 13.00%, in line with expectations

The National Bank of Hungary (MNB) left its policy rate (base rate) unchanged at 13.00%. The rate decision was unanimously expected by the market and the question was whether the MNB would roll back the measures that were introduced in October 2022 and which pushed overnight rates to 18.00%. In this regard, the MNB stated that the October measures will remain in place until there is a sustained improvement in risk perceptions. In the near term, the MNB remains primarily focused on the Hungarian Forint (HUF), and although the HUF has now stabilised and is on a gradual appreciation trend, most of this recovery is due to an improvement in the external environment – that is, lower energy prices and a more dovish repricing for global monetary policy.

Saudi capital market needs this year are negligible on the back of twin surpluses

Saudi Arabia: borrowing plans for 2023 announced

The Saudi National Debt Management Centre (NDMC) has published its annual borrowing report for 2023. According to report, annual needs are expected at SAR93bn (USD26bn) from the original SAR108bn (USD29bn). The total amount was pushed lower by debt management transactions taking place in 2022, which involved a buyback of SAR31bn (USD8.3bn) cutting down 2023 bill by SAR15bn (USD4bn). Moreover, SAR48bn (USD13bn) were already pre-funded in 2022, leaving only SAR45bn (USD12bn) to be financed in the current year. The plan highlights that 2023 debt portfolio split between domestic and international debt will remain largely unchanged in 2022. Authorities will consider additional funding from all available channels monitoring market opportunities and taking into consideration interest rates moves. Considering the recent large issuance of USD10bn (SAR 37.5bn) in January, we consider that further issuance, in particular on the external side, will be limited.

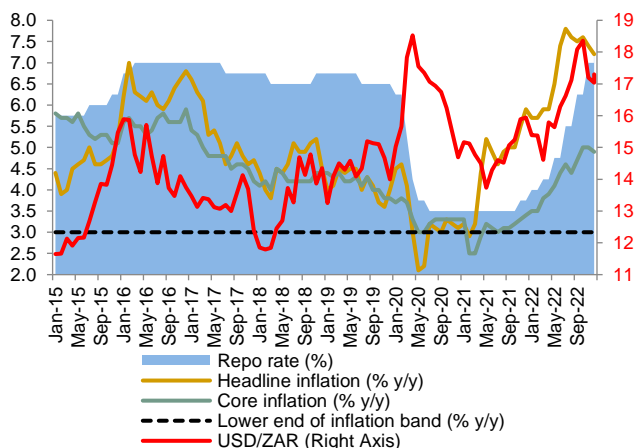
Kuwait hiked its discount rate by 50bp to 4.0%

Kuwait: a CBK unsynchronised hike delivered out of step with the Fed

The Central Bank of Kuwait (CBK) hiked the key discount rate by 50bp to 4.0%. Akin to what happened in December 2022, the CBK moved ahead of the Fed meeting which is set for 1 February. In August, the CBK went even further hiking with no upcoming Fed meeting, while in November it did not react to the Fed increase. The ability for CBK to deviate from the Fed (contrary to the rest of the GCC pack) relies on a very comfortable external outlook thanks to a substantial current account surplus and a currency not fully pegged to the USD but rather to a basket of currencies, in our view.

SOUTH AFRICA MODERATES ITS RATE HIKE TO 25BP TO 7.25% ON A LOWER INFLATION TRAJECTORY

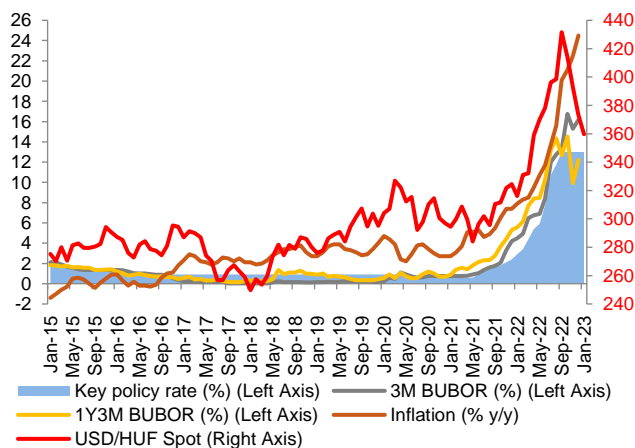
SOUTH AFRICA INFLATION (% Y/Y), POLICY RATES (%) AND USD/ZAR



Source: Bloomberg, SARB, MUFG Research

HUNGARY KEEPS RATES ON HOLD AT 13.00% AND LOOKS FOR RISK GAINS BEFORE REVERSING COURSE

HUNGARY INFLATION (% Y/Y), POLICY RATES (%) AND USD/HUF



Source: Bloomberg, MNB, MUFG Research

Week ahead

Czech Republic to keep rates on hold at 7.00%, with a dovish tilt

Czech Rep.: CNB to keep rates on hold at 7.00%

The Czech National Bank (CNB) is scheduled to meet on 2 February, and we are in line with consensus of an unchanged stance at 7.00%. The CNB Board continues to be split into a dovish majority (who believe that the current high inflation rates 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 tightening should be implemented to mitigate this risk). Beyond the rate decision, the CNB will also publish revised forecasts on 2 February. The November Monetary Policy Report implied that policy rates should be 1.5ppts higher than their current level – 8.5% vs. 7.0% – but then begin to decline in 2023. All else equal, factoring in a significantly lower starting level of rates will result in a downward revision to the near-term rate projection against the previous forecast.

Egypt to hike rates by 200bp to 18.25% on elevated inflationary pressures

Egypt: CBE to hike rates further – we estimate an 200bp increase in the deposit rate



















We expect the Central Bank of Egypt (CBE) to hike the deposit rate by 200bp to 18.25% when it meets on 2 February. Whilst we acknowledge that the CBE may keep on hold to assess the impact of previous rate hikes on the economy, we view that tighter monetary policy may be required to manage inflation expectations following the most recent depreciation of the Egyptian Pound (EGP) earlier this month. Rates may also need to rise to stimulate further portfolio inflows as the CBE continues its efforts to clear the FX backlog and transition to a more flexible exchange rate regime, in line with the recent IMF agreement.

Turkey inflation to fall further from 64.3% y/y in December to 52.8% y/y in January

Turkey: inflation to continue falling owing to base effects and TRY stability

We expect headline inflation in Turkey to fall to 52.8% y/y (consensus: 53.8% y/y) in January, continuing its sharp fall from December (64.3% y/y). A reasonably stable TRY since mid-2022 and lower global goods inflation have a dampening impact on core goods inflation, which was sharply negative in sequential terms in December. Although we expect it to rise in January, we view the increase will be well below rates observed in 2022. Instead, we expect service inflation to continue to be sticky. In non-core inflation we view that the impact of substantial alcohol and tobacco tax hikes in January are balanced by the continued downside pressure on energy prices keeping the dynamics of headline roughly in line with core inflation.

Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Iraq	23/01/2023	--	CPI YoY	Dec	--	--	4.20%	!!
	Poland	30/01/2022	09:00	Annual GDP (% y/y)	2022		4.8%	5.7%	!!!
	Saudi Arabia	31/01/2022	06:00	GDP (% y/y)	4Q P		--	8.8%	!!!
	Czech Republic	31/01/2022	08:00	GDP (% y/y)	4Q A		0.2%	1.5%	!!!
	Russia	01/02/2022	06:00	PMI Manufacturing	Jan		--	53.0	!!!
	Turkey	01/02/2022	07:00	PMI Manufacturing	Jan		--	48.1	!!!
	Poland	01/02/2022	08:00	PMI Manufacturing	Jan		46.5	45.6	!!!
	Czech Republic	01/02/2022	08:30	PMI Manufacturing	Jan		43.4	42.6	!!!
	South Africa	01/02/2022	09:00	PMI Manufacturing	Jan		52.1	53.1	!!!
	Egypt	02/02/2022		Policy rate decision (%)	Jan		--	0.16	!!!
	Czech Republic	02/02/2022	13:30	Policy rate decision (%)	Jan	7.0%	7.0%	7.0%	!!!
	UAE	03/02/2022	04:15	PMI Composite	Jan		--	54.2	!!!
	Russia	03/02/2022	06:00	PMI Composite	Jan		--	48.0	!!!
	Turkey	03/02/2022	07:00	CPI (% y/y)	Jan	52.8%	53.8%	64.3%	!!!
	South Africa	03/02/2022	07:15	PMI Composite	Jan		50.0	50.2	!!!
	Lebanon	03/02/2022	09:00	PMI Composite	Jan		--	47.3	!!!
	Saudi Arabia	05/02/2022	04:15	PMI Composite	Jan		--	56.9	!!!
	Qatar	05/02/2022	09:00	PMI Composite	Jan		--	49.6	!!!

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	2023	2024	Latest	2023	2024	Latest	2023	2024
Bahrain	10.87	2.93	3.20	-17.86	0.20	-0.40	-9.34	5.40	3.90
Czech Rep.	1.50	0.46	2.48	-5.88	-3.90	-2.80	-0.93	-3.00	-2.20
Egypt	74.71	4.27	5.00	-6.96	-6.70	-6.20	-4.36	-3.40	-3.00
Greece	9.63	0.80	1.91	-7.95	-1.88	-1.26	-6.49	-6.33	-6.11
Hungary	4.00	0.40	2.50	-6.77	-3.90	-3.20	-3.17	-5.10	-3.60
Iraq	4.43	3.96	2.48	-0.85	9.17	6.95	7.83	12.96	9.28
Israel	-100.00	4.00	4.50	-10.66	0.90	-0.20	4.19	3.00	3.90
Jordan	2.56	2.60	2.54	-8.59	-6.55	-5.90	-5.73	-4.75	-3.99
Kenya	5.18	5.00	5.00	-8.02	-5.80	-5.20	-5.20	-4.90	-4.20
Kuwait	-8.86	2.20	2.50	-12.86	3.40	1.90	3.21	26.70	19.20
Lebanon	-25.91	-	-	-3.53	-	-	-15.83	-	-
Morocco	1.60	3.10	3.00	-5.94	-4.90	-4.80	-2.27	-5.10	-4.20
Nigeria	2.25	2.50	3.00	-5.58	-5.30	-5.40	-3.95	0.30	0.70
Oman	3.09	2.80	2.70	-3.24	2.40	1.80	-6.07	4.20	2.70
Poland	3.60	0.80	2.90	-1.87	-5.20	-3.70	-0.67	-3.30	-2.20
Romania	3.75	2.40	3.50	-6.86	-5.10	-4.40	-6.98	-7.80	-6.70
Qatar	4.30	2.80	2.10	4.39	10.20	8.90	-1.98	19.60	11.90
Russia	-2.46	-3.30	1.40	0.80	-2.50	-1.90	6.88	5.80	4.20
Saudi Arabia	8.78	4.40	3.24	-2.35	3.50	3.10	5.32	11.80	10.20
South Africa	4.10	1.49	1.41	-6.04	-5.30	-4.90	3.68	-1.40	-1.90
Turkey	3.85	2.93	3.12	-3.86	-4.00	-3.90	-1.66	-4.20	-3.40
Ukraine	-30.80	2.00	6.00	-3.33	-	-	3.31	-	-
UAE	3.90	3.78	4.50	2.14	6.00	4.30	5.88	12.90	11.70
























EM EMEA inflation, interest rates and FX									
	Inflation (% y/y, average)			Policy interest rates (%)			FX (against USD)		
	Latest	2023	2024	Latest	End-2023	End-2024	Latest	End-2023	End-2024
Bahrain	3.60	2.30	2.10	6.50	5.75	5.25	0.38	0.38	--
Czech Rep.	15.80	9.20	3.40	7.00	8.00	6.00	23.81	20.98	--
Egypt	21.30	22.40	13.50	16.25	19.25	19.25	0.03	28.60	--
Greece	7.22	3.20	1.62	2.50	3.55	2.65	1.09	1.12	--
Hungary	24.50	15.20	4.60	13.00	11.50	7.50	359.98	366.10	--
Iraq	4.20	4.52	2.97	4.00	4.00	4.00	1460.00	1460.00	--
Israel	5.30	3.60	2.10	3.75	4.00	3.00	3.44	3.10	--
Jordan	4.36	2.99	2.49	7.25	6.40	6.40	0.71	0.71	--
Kenya	9.10	8.30	6.70	8.75	9.50	9.50	124.51	113.14	--
Kuwait	3.15	2.80	2.00	4.00	4.00	3.50	0.31	0.30	--
Lebanon	121.99	-	-	2.75	-	-	1514.73	1512.33	--
Morocco	8.30	3.80	3.20	2.00	2.00	2.00	10.18	9.25	--
Nigeria	21.30	18.90	14.20	17.50	17.50	16.00	460.28	--	--
Oman	1.98	2.60	2.10	3.94	5.50	5.00	0.38	0.39	--
Poland	16.60	13.10	8.20	6.75	8.00	6.00	4.33	4.11	--
Romania	16.37	11.30	5.60	7.00	8.00	6.00	4.51	4.48	--
Qatar	5.93	3.20	2.50	5.25	5.75	5.25	3.64	3.64	--
Russia	11.94	6.10	4.20	7.50	8.75	9.00	118.69	69.26	--
Saudi Arabia	3.30	2.90	2.60	4.50	5.00	4.50	3.75	3.75	--
South Africa	7.20	5.50	4.30	7.25	7.25	5.75	17.20	16.25	--
Turkey	64.27	45.10	32.60	9.00	30.00	18.50	0.05	23.00	--
Ukraine	26.60	-	-	25.00	25.00	22.50	36.93	--	--
UAE	6.77	3.20	2.10	4.41	4.90	4.40	3.67	3.67	--

Core indicators

EM EMEA sovereign bond yields (%)									
	Maturity	30-Dec	06-Jan	13-Jan	20-Jan	27-Jan	Change in yield (basis points)		
							Week	MTD	YTD
Bahrain	10 years	6.16	5.99	5.97	5.89	5.89	0.10	-26.43	-26.43
Czech Rep.	10 years	5.20	4.64	4.40	4.49	4.70	20.10	-49.86	-49.86
Egypt	9 years	12.12	11.55	11.27	11.00	11.41	40.70	-70.75	-70.75
Greece	8 years	4.04	3.78	3.54	3.49	3.50	0.50	-53.69	-53.69
Hungary	8 years	9.85	8.63	7.90	8.13	8.41	27.50	-144.44	-144.44
Israel	8 years	3.37	3.40	3.39	3.29	3.32	2.90	-5.00	-5.00
Jordan	5 years	6.48	6.34	6.27	6.01	5.98	-3.40	-50.26	-50.26
Kenya	7 years	10.31	10.22	10.00	9.62	9.69	6.50	-62.53	-62.53
Kuwait	6 years	3.60	4.04	3.97	2.48	3.70	121.10	9.14	9.14
Lebanon	9 years	101.52	101.52	101.92	104.01	98.49	-552.00	-284.62	-284.62
Morocco	11 years	5.23	5.37	5.27	5.00	5.02	1.60	-20.91	-20.91
Nigeria	9 years	12.03	11.63	10.50	10.50	10.98	47.30	-105.28	-105.28
Oman	9 years	5.91	5.80	5.75	5.57	5.46	-11.30	-45.09	-45.09
Poland	8 years	3.49	3.45	3.44	3.40	3.38	-2.60	-11.33	-11.33
Romania	7 years	5.85	5.78	5.49	5.48	5.26	-22.10	-58.83	-58.83
Qatar	9 years	4.37	4.31	4.21	4.12	4.10	-2.50	-27.61	-27.61
Russia	5 years	32.86	33.07	33.29	33.50	33.68	18.60	85.16	85.16
Saudi Arabia	8 years	4.61	4.51	4.46	4.28	4.31	2.90	-30.72	-30.72
South Africa	9 years	7.03	6.68	6.50	6.58	6.45	-13.40	-58.56	-58.56
Turkey	7 years	8.33	8.37	8.55	8.69	8.62	-6.90	29.88	29.88
Ukraine	8 years	41.11	41.73	41.62	41.56	41.38	-18.20	29.39	29.39
Abu Dhabi	6 years	4.16	4.18	4.08	3.90	3.93	3.40	-23.04	-23.04
Dubai	8 years	4.62	4.55	4.42	4.10	4.05	-5.50	-57.26	-57.26




















EM EMEA equity market (index)									
	23-Dec	30-Dec	06-Jan	13-Jan	20-Jan	27-Jan	Change (%)		
							Week	MTD	YTD
Bahrain	1,852	1,895	1,893	1,890	1,927	1,928	0.02	1.82	1.82
Czech Rep.	1,198	1,202	1,249	1,270	1,281	1,331	3.94	10.76	10.76
Egypt	14,483	14,599	16,002	15,551	16,066	16,791	4.51	19.27	19.27
Greece	921	930	951	968	979	1,015	3.72	9.22	9.22
Hungary	45,008	43,794	45,420	46,098	46,440	46,645	0.44	6.51	6.51
Israel	1,786	1,797	1,790	1,820	1,831	1,782	-2.65	-2.79	-2.79
Jordan	2,475	2,502	2,584	2,624	2,656	2,680	0.90	7.40	7.40
Kenya	128	127	127	123	124	126	1.45	-1.10	-1.10
Kuwait	7,209	7,292	7,122	7,131	7,257	7,311	0.75	0.54	0.54
Lebanon	1,376	1,410	1,395	1,419	1,423	1,448	1.73	2.66	2.66
Morocco	10,955	10,720	9,718	10,325	10,213	10,070	-1.40	-6.06	-6.06
Nigeria	49,706	51,251	51,222	52,512	52,595	52,658	0.12	2.74	2.74
Oman	4,838	4,857	4,868	4,879	4,798	4,751	-0.98	-1.95	-1.95
Poland	1,780	1,792	1,856	1,923	1,892	1,912	1.01	6.67	6.67
Romania	12,147	11,664	12,135	12,227	12,076	12,186	0.91	4.48	4.48
Qatar	10,989	10,681	11,145	10,990	10,811	11,110	2.77	4.42	4.42
Russia	2,124	2,154	2,156	2,200	2,167	2,189	1.05	1.64	1.64
Saudi Arabia	10,216	10,478	10,532	10,744	10,682	10,822	1.31	3.45	3.45
South Africa	67,324	66,955	70,810	73,193	73,193	74,766	2.15	11.67	11.67
Turkey	5,455	5,509	5,342	4,985	5,490	5,192	-5.44	-5.76	-5.76
Ukraine	519	519	514	507	507	507	0.00	-2.34	-2.34
Abu Dhabi	10,306	10,211	10,198	10,211	10,187	9,738	-4.41	-4.64	-4.64
Dubai	3,316	3,336	3,302	3,324	3,353	3,329	-0.70	-0.21	-0.21

EM EMEA FX against USD*

		23-Dec	30-Dec	06-Jan	13-Jan	20-Jan	27-Jan	Change (%)		
								Week	MTD	YTD
	USD Index	104.31	103.52	103.88	102.20	102.01	101.93	0.08	-1.58	-1.58
	Bahrain**	0.38	0.38	0.38	0.38	0.38	0.38	0.03	0.00	0.00
	Czech Rep.	22.80	22.56	22.57	22.15	22.03	21.91	0.56	3.02	3.02
	Egypt	0.04	0.04	0.04	0.03	0.03	0.03	0.00	20.60	20.60
	Greece***	1.06	1.07	1.06	1.08	1.09	1.09	-0.11	1.54	1.54
	Hungary	377.05	373.34	370.72	366.13	361.56	359.15	0.67	3.71	3.71
	Israel	3.51	3.51	3.50	3.41	3.40	3.44	-1.20	2.25	2.25
	Jordan**	0.71	0.71	0.71	0.71	0.71	0.71	0.00	0.00	0.00
	Kenya	0.01	0.01	0.01	0.01	0.01	0.01	1.23	1.25	1.25
	Kuwait	0.31	0.31	0.31	0.31	0.31	0.31	0.00	0.33	0.33
	Lebanon	1517.68	1519.75	1518.95	1516.59	1519.75	1514.73	0.33	0.33	0.33
	Morocco	10.50	10.44	10.33	10.08	10.20	10.18	0.26	2.58	2.58
	Nigeria	454.25	460.82	461.11	461.21	461.23	461.36	-0.03	0.12	0.12
	Oman**	0.39	0.39	0.39	0.39	0.39	0.39	0.05	-0.05	-0.05
	Poland	3.77	3.77	3.77	3.77	3.77	3.77	0.01	0.02	0.02
	Romania	4.62	4.62	4.63	4.57	4.53	4.51	0.42	2.47	2.47
	Qatar**	3.66	3.66	3.66	3.67	3.68	3.68	-0.01	-0.32	-0.32
	Russia	69.10	74.19	72.47	68.99	69.12	69.76	-0.93	6.69	6.69
	Saudi Arabia**	3.77	3.77	3.77	3.77	3.77	3.77	0.01	0.02	0.02
	South Africa	17.02	17.04	17.11	16.83	17.13	17.19	-0.33	-0.92	-0.92
	Turkey	18.66	18.71	18.72	18.79	18.77	18.81	-0.17	-0.53	-0.53
	Ukraine	36.92	36.92	36.75	36.88	36.92	36.93	-0.02	-0.04	-0.04
	UAE**	3.67	3.67	3.67	3.67	3.67	3.67	0.00	0.00	0.00

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)

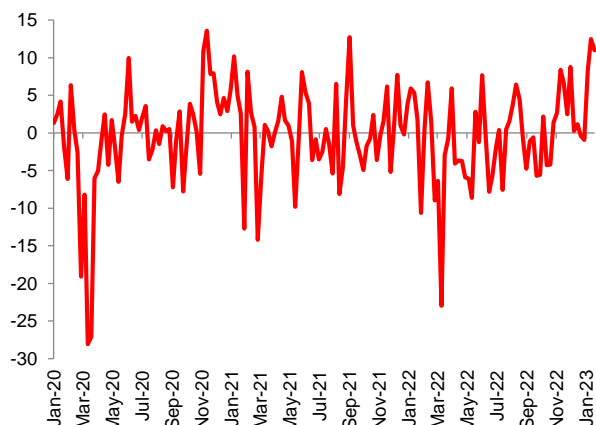
		23-Dec	30-Dec	06-Jan	13-Jan	20-Jan	27-Jan	Change in yield (basis points)		
								Week	MTD	YTD
	Bahrain	232.13	233.06	230.83	243.49	237.41	228.30	-9.12	-2.53	-2.53
	Czech Rep.	49.94	48.68	46.28	45.06	45.91	46.12	0.21	-0.16	-0.16
	Egypt	759.65	792.66	877.06	832.55	764.92	818.56	53.64	-58.50	-58.50
	Greece	136.75	129.44	138.00	129.26	112.33	108.63	-3.71	-29.38	-29.38
	Hungary	216.68	196.79	197.80	212.36	202.80	196.31	-6.50	-1.50	-1.50
	Israel	38.50	40.94	45.67	46.05	46.24	45.34	-0.89	-0.32	-0.32
	Kenya	732.11	716.98	757.75	758.07	582.21	583.73	1.51	-174.02	-174.02
	Kuwait	50.07	49.97	50.03	50.00	50.02	50.01	-0.02	-0.02	-0.02
	Morocco	235.00	230.03	161.96	161.04	171.53	172.66	1.13	10.70	10.70
	Nigeria	799.15	795.95	794.37	775.96	631.74	645.31	13.57	-149.06	-149.06
	Oman	160.18	166.51	187.60	182.77	170.37	159.44	-10.94	-28.16	-28.16
	Poland	127.99	118.81	114.95	120.39	117.83	107.61	-10.23	-7.35	-7.35
	Romania	295.75	265.00	267.25	283.96	284.15	273.27	-10.88	6.02	6.02
	Qatar	47.17	47.30	47.90	47.84	47.57	45.41	-2.16	-2.50	-2.50
	Saudi Arabia	58.04	60.11	61.05	62.75	63.66	62.23	-1.43	1.18	1.18
	South Africa	266.78	265.53	250.13	251.11	261.07	252.07	-9.00	1.94	1.94
	Turkey	511.02	524.66	510.18	526.90	561.27	554.43	-6.85	44.25	44.25
	Abu Dhabi	45.91	46.50	44.19	43.03	44.08	43.10	-0.98	-1.09	-1.09
	Dubai	95.33	87.27	84.04	84.38	81.72	74.34	-7.38	-9.70	-9.70

Source: Bloomberg, MUFG Research

EM capital flows

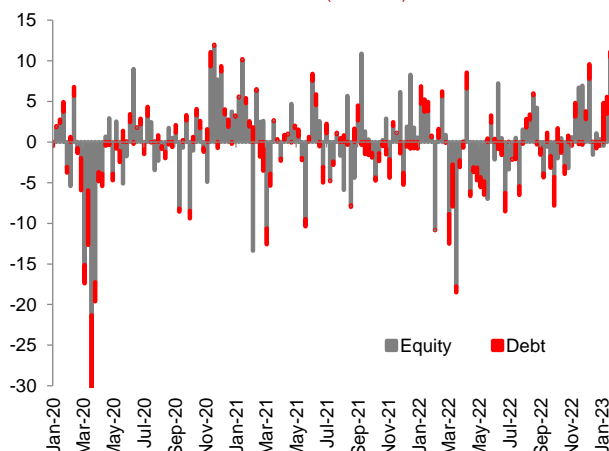
WEEKLY TOTAL EM INFLOWS OF USD11.0BN – 20 JANUARY

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



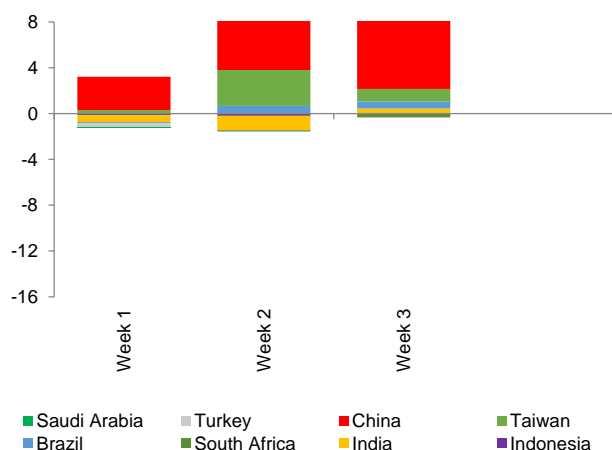
WEEKLY EM INFLOWS FROM EQUITY (USD10.2BN) AND DEBT INFLOWS (USD0.8BN) – 20 JANUARY

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



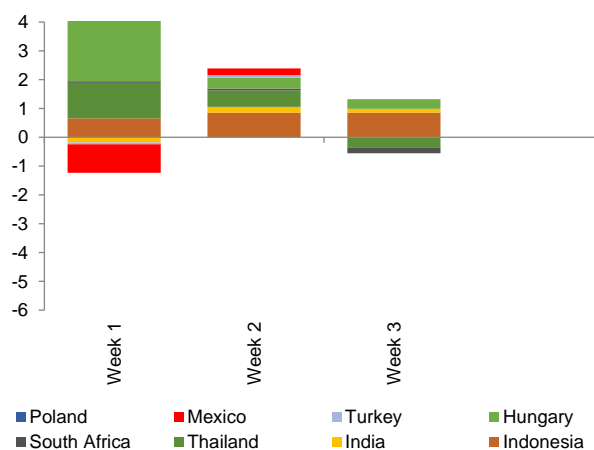
CHINA (USD7.1BN) AND TAIWAN (USD1.1BN) LED WEEKLY EM EQUITY INFLOWS – 20 JANUARY

WEEKLY PORTFOLIO FLOWS BY COUNTRY, WEEK 1 = JANUARY 2023 (EQUITY) (USD BN)



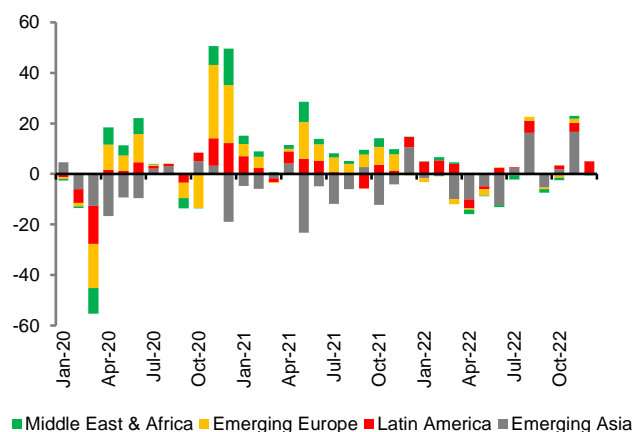
INDONESIA (USD0.8BN) LED EM DEBT INFLOWS LAST WEEK – 20 JANUARY

WEEKLY PORTFOLIO FLOWS BY COUNTRY, WEEK 1 = JANUARY 2023 (DEBT) (USD BN)



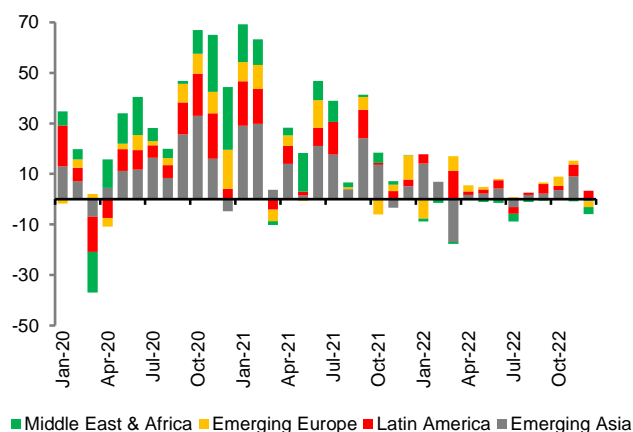
EM EQUITY INFLOWS TOTALLED USD4.3BN IN DECEMBER, LED BY LATAM (USD5.0BN)

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



EM DEBT OUTFLOWS TOTALLED USD-2.6BN IN DECEMBER, LED BY MIDDLE EAST & AFRICA(USD9.0BN)

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



Source: Bloomberg, IIF, MUFG Research

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