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Declining headline, persistent core bodes ill for the inflation (and rates) outlook

Macro focus: Despite China's GDP topping 9.1% on a sequential basis in Q1 2023 on a robust reopening, EM ex-China as a whole remains lacklustre. We highlight two key factors. First, the Chinese reopening has been less about infrastructure spending that historically channels effectively into other EMs, and more domestically contained thus far. Second, EM outperformed markedly against its US dollar beta in 2022 (driven by earlier rate hikes and steep real rate differentials), but since the US dollar peaked in October 2022, EMs have given up this outperformance as it appears the US dollar is more expensive than EMs are cheap.

FX views: EM FX strengthened on the whole against the USD although our MUFG EM FX index is still trading just below year to date highs from earlier in the year. The MXN and THB have had the strongest upward trends against the USD recently.

Trading views: While we think carry trades could unwind it is hard to go against such a strong trend, better is to put on paid rates positions in some local markets.

Week in review: Hungary initiated policy normalisation by lowering the top end of its interest rate corridor. Turkey and Russia both kept their policy rates unchanged at 8.50% and 7.50%, respectively. Qatar is expanding its LNG fleet on higher output.

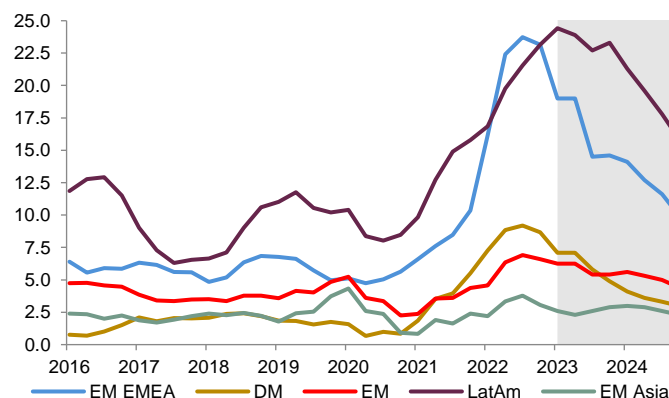
Week ahead: Czech Republic is set to hold rates at 7.00%, inflation in Turkey to ease by 5.9ppts to 44.6% y/y in April and EM EMEA PMI readings for April.

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: EM investors turned net sellers of EM equities (USD1.2bn) while turning net buyers of EM bonds (USD0.1bn) in the last week.

CHART OF THE WEEK: PEAKING BUT HIGHER-FOR-LONGER ON INFLATION

HEADLINE INFLATION ACROSS REGIONS (% Y/Y)



Source: Bloomberg, MUFG Research

Whilst we have likely witnessed the peak in inflation across the EM complex, core pricing pressures continue to persist with evidence of a destabilisation in inflation expectations (including in the behaviour of price-setting behaviour, measures of long-term expectations and wage growth).

Macro focus

Declining headline, persistent core bodes ill for the inflation (and rates) outlook

Headline inflation rates across EM EMEA have (finally) started to decline

Despite some cause for optimism on the outlook for EM EMEA growth with our nowcast model pointing to a trough in economic activity in Q1 2023 (see [here](#)), it is difficult to extend that optimism to inflation. On the positive side, headline inflation rates across EM EMEA have (finally) started to decline, driven by strong base effects in energy and food inflation. On the assumption that commodity prices and exchange rates evolve in line with forward pricing, our projections imply that the contribution from these sources should continue to fall during 2023.

Notwithstanding the declining trend, inflation data in EM EMEA has continued to surprise to the upside in recent months, driven by stronger-than-expected core inflation dynamics

However, notwithstanding the declining trend, inflation data in EM EMEA has continued to surprise to the upside in recent months, driven by stronger-than-expected core inflation dynamics. This rise has been especially marked in the CEE-4 and Russia. There is also evidence of a destabilisation in inflation expectations (including in the behaviour of price-setting behaviour, measures of long-term expectations and wage growth).

The ongoing rise in core pricing pressures and the de-anchoring of inflation expectations in EM EMEA economies are reasons to expect high inflation to prove more persistent

The extent of this inflation problem appears unusual to EM EMEA. That is, whilst inflation remains high in other EM regions, underlying inflationary pressures is stronger in EM EMEA and inflation expectations are significantly higher. Even if one takes a relatively optimistic view on the outlook for global inflation, the ongoing rise in underlying inflationary pressures and the de-anchoring of inflation expectations in EM EMEA economies are reasons to expect high inflation to prove more persistent.

Our front-end interest rate views are more hawkish than market pricing across most of the region

Given the strength of underlying inflationary pressures, our front-end interest rate views are more hawkish than market pricing across most of the region (notably for the CEE-4, Russia and Turkey) and do not anticipate any rate cuts until 2024. In frontier markets across EM EMEA, markets have become increasingly concerned that the current pace of policy adjustment may be insufficient to address external financing and/or fiscal challenges in Egypt, Kenya, Nigeria, and Ghana, as evidenced by heightened pricing of credit and FX depreciation risk. Given the IMF's key role in the external financing picture (and some positive developments on the policy front), we are more constructive in Kenya and Ghana. By contrast, in Nigeria, we are unsure of the new administration's appetite to implement the reforms required to reverse the trend deterioration in credit metrics. In Egypt, external financing risks are rising as progress on asset sales remains slow and authorities delay a move to a more flexible exchange rate regime, as required by the IMF.

OUR INFLATION FORECASTS ARE PREDOMINANTLY ABOVE CONSENSUS ACROSS EM EMEA

EM EMEA INFLATION FORECASTS (% AVERAGE)

Country	2022	MUFG 2023	Consens 2023	MUFG 2024	Consens 2024
Czech Rep.	15.1	11.8	10.6	5.4	2.8
Egypt	13.9	31.8	24.1	13.5	12.0
Hungary	14.6	19.0	18.0	5.6	4.8
Israel	4.4	4.6	4.0	3.2	2.6
Kenya	7.7	7.5	7.6	5.5	6.3
Nigeria	19.1	16.7	7.6	11.2	6.3
Poland	14.4	13.1	12.8	5.7	6.3
Romania	13.8	11.3	10.3	5.6	5.3
Russia	13.9	6.1	5.8	6.9	4.9
S. Arabia	2.0	2.9	2.6	2.6	2.1
S. Africa	6.9	6.1	5.8	4.3	4.8
Turkey	72.4	45.1	45.9	29.4	28.7
UAE	2.7	2.5	3.4	3.0	2.0
EM EMEA	18.8	14.2	13.5	8.7	8.9

Source: Bloomberg, MUFG Research

WE FORECAST MOST EM EMEA CENTRAL BANKS TO DELAY RATE CUTS INTO 2024 GIVE HIGHER CORE CPI

EM EMEA INTEREST RATES (% END-PERIOD)

Country	2022	MUFG 2023	Consens 2023	MUFG 2024	Consens 2024
Czech Rep.	7.00	7.00	6.00	5.00	3.80
Egypt	16.25	16.25	13.75	13.25	13.00
Hungary	13.00	11.00	10.25	8.00	6.10
Israel	3.25	4.50	4.05	3.50	3.65
Poland	6.75	6.75	6.65	5.25	5.40
Romania	6.75	7.00	6.90	5.00	5.35
Russia	7.50	8.75	7.75	9.00	6.95
S. Africa	7.00	8.00	7.75	7.25	6.90
Turkey	9.00	32.00	23.60	18.50	16.20

Source: Bloomberg, MUFG Research

FX views

Market expectations for pause in Fed hiking cycle supporting EM FX

EM FX strengthen vs. USD. MXN & THB currently have strongest upward momentum at start of May.

Emerging market currencies have strengthened on the whole against the USD over the past week although our MUFG EM FX index is still trading just below year to date highs from earlier in the year. The best performing EM currencies over the past week have been the COP (+4.1% vs. USD), RUB (+3.5%), CLP (+1.6%), THB (1.4%), KRW (1.4%) and MXN (1.2%). The MXN and THB have had the strongest upward trends against the USD recently with USD/MXN hitting a fresh year to date low of 17.741. The lowest levels since September 2017. The next important support level is provided by the low from July 2017 at 17.450. In contrast, the PHP (-0.7% vs. USD), TRY (-0.3%), INR (-0.2%) and IDR (-0.2%) have underperformed.

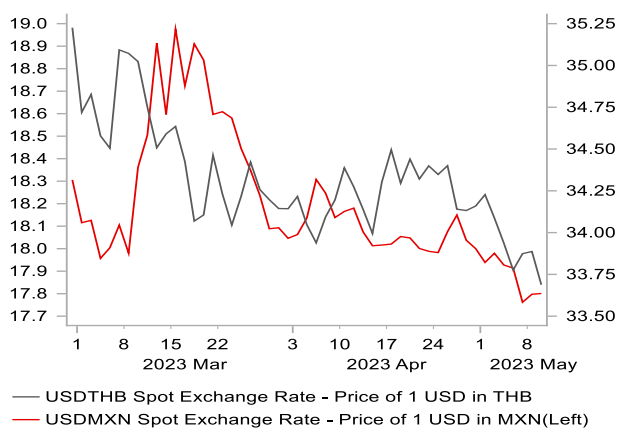
FOMC update supports market expectations for no more rate hikes from Fed leaving USD trading on softer footing. Latest US CPI report will be in focus alongside debt ceiling talks in week ahead.

Emerging market currencies have derived support from last week's less hawkish policy update from the Fed that has reinforced market expectations that it has reached the end of their hiking cycle. While the Fed did not explicitly signal that it had paused their hiking cycle, we believe there is a higher hurdle now for further hikes in the near-term. The ongoing loss of confidence in US regional banks and tightening in credit conditions argues for more caution from the Fed now that rates have risen back up to 5%. Secondly, fears over disruption to economic activity and financial stability from the looming US debt ceiling stand-off are set to intensify. A timely compromise deal to extend the debt ceiling appears unlikely. However, the US rate market has already gone a long way to price in dovish shift from the Fed which could help to limit further downside for the USD for now. There are almost 75bps of cuts priced in by year end. The latest NFP report highlighted that the US economy is not yet slowing as sharply as feared that would be needed to open the door to imminent rate cuts. The main data release in the week ahead will be the latest US CPI report for April. Further evidence of softening underlying inflation pressures will be required to encourage a softer USD.

Latest CPI reports are not expected to undermine higher yield appeal of CEE-3 currencies.

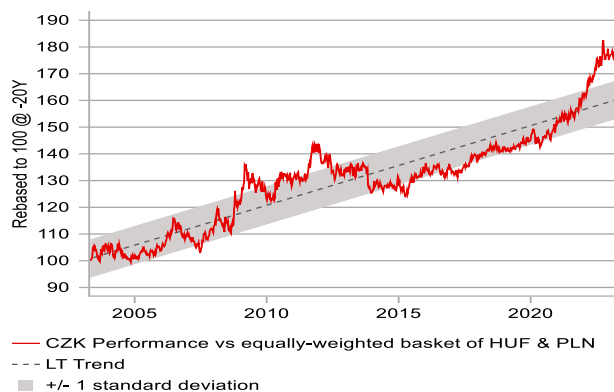
Inflation will also be the focus in the EMEA region in the week ahead. The latest CPI reports will be released in the Czech Republic (Thurs), Hungary (Wed), Romania (Fri) and Russia (Fri). As highlighted in the above "Macro focus" piece, underlying inflation pressures are proving stickier in the CEE-4 which casts doubt on expectations for rate cuts as soon as later this year. The Central European currencies continue to benefit from the higher yields on offer in the region especially in Hungary alongside the easing of last year's negative terms of trade shock from higher energy and food prices.

UPWARD MOMENTUM FOR MXN & THB VS. USD



Source: Bloomberg, Macrobond & MUFG GMR

CZK OUTPERFORMANCE PEAKED LATE LAST YEAR



Source: Bloomberg, Macrobond & MUFG GMR

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: Lots of intraday vol but net net we remain at depressed levels

While we think carry trades could unwind it is hard to go against such a strong trend, better is to put on paid rates positions in some local markets

Again this week we have seen large bouts of intraday volatility but end up not too different to where we were at the start of the week. This has seen overall term vol continue to drift lower as such encouraging the carry trades that were already very well favoured. It is notable to note that even after what looked like a good NFP number likes of USDMXN made new cycle lows. We have long liked the idea of carry trades unwinding as some "Known unknown" factor comes to the fore and we see FX vol play catch up to the move in bond vol. However, it is very hard to go against a trend and likewise these trends tend to go on a lot longer than expected making to cost of being short unfeasible. As such we will wait on the sidelines for clear indication of a turn (such as FX Vol rising) rather than position anti carry. The better place to put on risk off bets are in higher local rates which have ok roll down and also have started to get quite large positioning.

Turkish elections may be very closely watched by locals but contagion to broader EM universe should be limited for now, big positive reaction may have some effect but that is a month or more down the line

The big event risk of the week will be the Turkish election. The market has a significant concern of a big FX adjustment post this result with FX forwards implying interest rate levels well over 100% for the 1week tenor that now covers the first round election result. While this may be interesting (and obviously crucial to local watchers) we don't expect too much immediate contagion to the broader EM universe. Given the many Turkish crisis over recent years there is not much left to pull out of Turkey for most funds. The more interesting factor will be if (and this is a big if) the result of the election sees a more traditional monetary policy framework return. In such a scenario, once the initial Lira adjustment took place we could expect to see significant inflows return to Turkey. The scale of these could see some EM countries underperform as Turkey's weighting starts to rise again. However we don't see this happening for a few weeks/months yet so it is more on the watchlist rather than for right now.

Key data point will be US CPI this week

The key data print for EM as a whole will be CPI. As we sit at different places on the USD smile, some of the data reactions are hard to predict. You get the situation of wanting data to be neither too hot or too cold. US inflation though is different with the expected direction of EMFX pretty clearly correlated with the beat/miss of CPI.

Last week we saw EM countries mixed to hawkish during their CB meetings. This could be seen in developed markets as well with RBA's hawkishness notably different to the markets expectations. This leaves US more dovish (for now) than the rest of the world and should be another reason for USD underperformance. However against this a lot of received positions have built up in EM in recent weeks thus too much hawkishness from a local central bank may have see currency go the other way. Poland meets on 10th and this is one of the banks that could easily signal a tilt in rate path projections to a more dovish one.

Week in review

Capital flows: weekly outflows from EM equities and bonds

Last week, investors decreased their exposures to EMs

The overall momentum continues to be positive across the EM space, with the 28 day moving average of fund flows staying in positive territory. According to IIF data, in the week ending 5 May, EM funds witnessed minor weekly outflows to the tune of USD0.9bn, with the bond outflows at USD0.5bn and equity outflows at USD0.4bn. EM equity outflows was led by Taiwan (USD-0.4bn) and Brazil (USD-0.3bn). EM bond outflows was led by South Africa (USD-0.5bn).

EM assets supported by weakening USD

As US regional banks continued to sink on fears of a crisis in the financial sector, outflows of capital along in the run-up to critical political elections in Turkey has contributed to increased global risk sentiment. However, EM assets closed the week, registering marginal gains, supported by a weakening dollar. Year-to-date returns on EM assets are at 6.1% for local debt, 2.6% for equities, 3.3% for rates and 2.1% for EM FX.

Robust MENA PMI in April despite increased global risk

EMEA PMI: MENA April PMI continues to show resilience

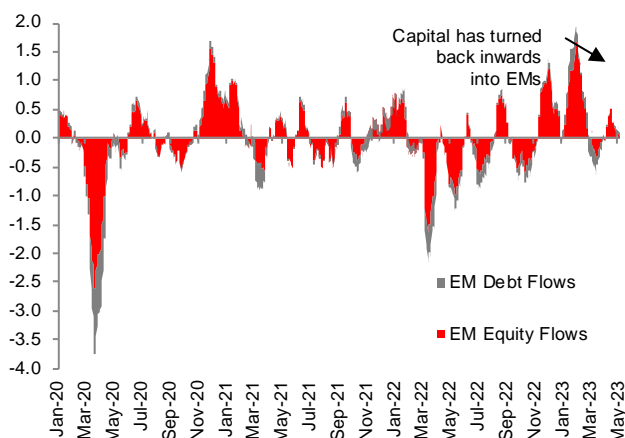
Despite growth worries and banking angst in the developed markets, April PMI manufacturing data in EM EMEA countries improved over the previous month reading. The PMI improved in Qatar (from 53.8 to 54.4), Saudi Arabia (from 58.7 to 59.6), South Africa (from 48.1 to 49.8), Turkey (from 50.9 to 51.5), and, in the UAE (from 55.9 to 56.6). Amongst the CEE-3, the Hungary PMI improved (from 55.3 to 61.9) while Poland (from 48.3 to 46.6) and the Czech PMI (from 44.3 to 42.8) saw declines. Elsewhere in Russia, the composite PMI fell from 56.8 to 55.1. Robust EMEA PMI print continues in the month of April as well dominating the EM investor risk despite increased financial market volatility, consistent to our EM GDP Nowcast Model (see [here](#)).

Turkey inflation continues to fall ahead of the elections

Turkey: Inflation slowed to 43.7% y/y in April; lower than expectations

Turkey's April inflation came in at 43.7% y/y, from 50.5% in the previous month, below market expectations. The drop in the headline rate is largely explained by last

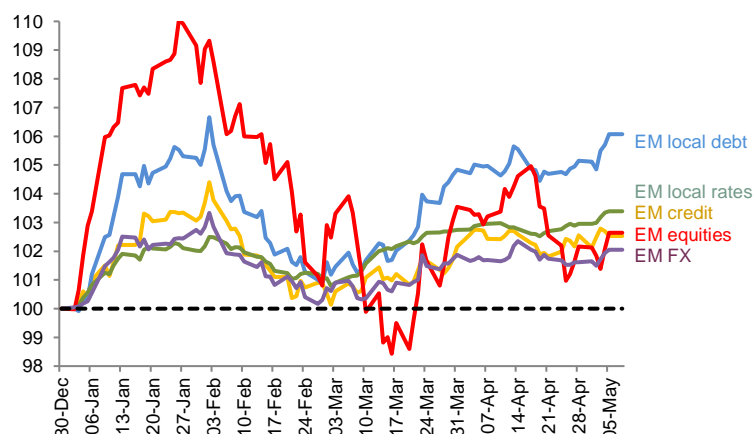
CAPITAL INFLOWS TO EM ASSETS CONTINUE THEIR POSITIVE 2023 TREND WITH USD9.5BN MARCH INFLOWS EM EQUITY AND DEBT FLOWS, 28 DAY ROLLING BASIS (USD BN)



Source: IIF, MUFG Research

WEAKENING US DOLLAR SUPPORT EM ASSETS IN THE LAST WEEK

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



Source: Bloomberg, MUFG Research

year's energy price surge creating a high base-effect. A 15% price cut on electricity bills and a close to 20% price cut on gas prices for industrial users also helped cool consumer price gains. Going forward, we forecast the inflation to average 42.0% in 2023. However, given the elections later this week, further disinflation path will depend on the post-election results and Turkish Lira (TRY) stability.

Czech National Bank keeps interest rates unchanged

Czech Republic: interest rates unchanged at 7.00%; economic outlook upgrade

The Board of the Czech National Bank (CNB) kept interest rates unchanged at 7.00%, in line with expectations. It is interesting to note that three board members voted for a 25bp hike, more so in the interest of the currency. The CNB is now expecting 2023 GDP to rise by 0.5%, compared with a -0.3% decline anticipated in its February forecast. On the inflation front, the CNB raised its forecast from 10.8% to 11.2% for 2023. That said, CNB reassured that it will continue to prevent excessive fluctuations of the CZK. With increased inflation expectations for 2023, a policy shift to rate hikes will be necessary to bring inflation back to the 2% target.

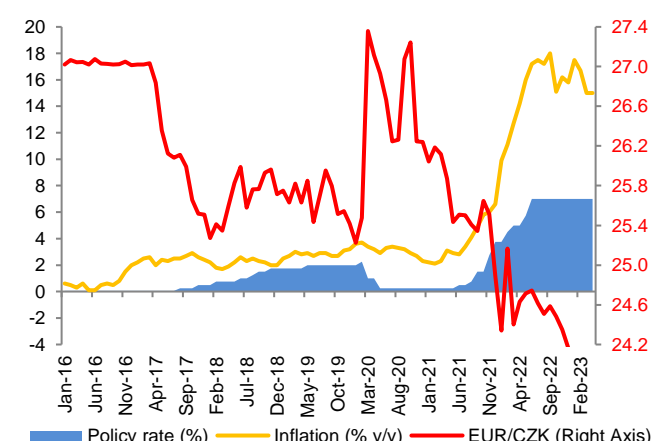
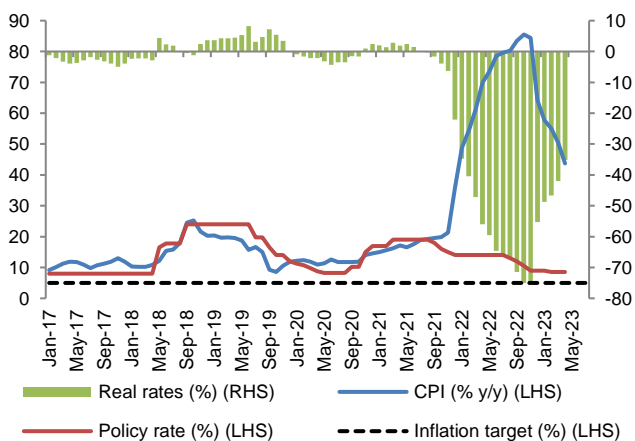
Fitch downgrades Egypt to 'B'; outlook negative

Egypt: Fitch downgrades Egypt to 'B' from 'B+'; Outlook remains negative

Fitch Ratings has downgraded Egypt's sovereign credit rating to B from B+. The outlook remains negative. This brings Fitch's rating on par with S&P Global Ratings, which lowered Egypt's credit outlook to "negative" in April. According to Fitch Ratings, the downgrade came due to high uncertainty on the exchange rate trajectory and reduced external liquidity buffer. Further, risk of delayed transition to a flexible exchange rate is expected to undermine investor confidence, and, potentially, delay the IMF programme.

TURKEY APRIL INFLATION AT 43.7% Y/Y V/S 50.5% IN MARCH
TURKEY ACTUAL AND TARGET CPI (%Y/Y), REAL RATE (%) AND POLICY RATE (%)

CZECH CENTRAL BANK LEAVES POLICY RATE UNCHANGED
CZECH POLICY RATE (%Y/Y), INFALTION (%) AND EUR/CZK (%)



Source: CBRT, Bloomberg, MUFG Research

Source: Bloomberg, MUFG Research

Week ahead

Poland to keep rates on hold at 6.75%

Poland: NBP to leave rates on hold at 6.75% with a dovish tilt

The National Bank of Poland (NBP) will meet for its rates decision on 10 May and we expect the Monetary Policy Committee (MPC) to leave policy rate unchanged at 6.75%, in line with consensus expectations. We also expect the NBP to maintain its dovish guidance, with NBP president Glapinski likely reiterating his anticipation that policy rates can be lowered this year. The NBP may also point to the latest inflation print that showed headline falling more than expected from 16.1% y/y to 14.7% y/y in April. We note that the breakdown of the April inflation print revealed a telling picture. Food inflation was the primary driver of the decline whilst core inflation continued to increase in April, rising by 0.1pp to 12.4% y/y. We view that the strength of core CPI reflects destabilised inflation expectations and strong wage growth, all of which likely implies a prolonged inflation target overshoot. Given the strength of underlying inflation, we view that the room to ease policy is likely to be limited until 2023, and we maintain our hawkish bias towards front-end rate pricing.

Romania to maintain rates at 7.00%

Romania: NBR to keep rates unchanged at 7.0% given elevated inflation risks

The National Bank of Romania (NBR) will meet for its rates decision on 10 May and we expect the Monetary Policy Committee (MPC) to leave policy rate unchanged at 7.0%, in line with consensus expectations. Headline inflation fell from 15.5% y/y in March to 14.5% y/y in April on the back of base effects in non-core components, as well as a decline in the sequential price growth (primarily driven by lower energy prices through the month). While we expect the decline in headline inflation to continue in the coming months – a view that is consistent with the NBR's projections – we nevertheless think that a tight monetary policy stance needs to be maintained for some time given underlying price pressures that remain strong. Core inflation is expected to remain ~10% in coming months, well above the NBR's target of 2.50% ± 1ppt until 2024.

Inflation readings for April

Inflation for April: headline CPI to ebb lower for all places but core to remain high


















We will get a host of inflation readings for April across the EM EMEA region:

1. **Egypt.** While Egyptian Pound (EGP) weakness in the parallel market is likely to signal other components of the CPI basket are likely to have continued rising at pace in April, we forecast that headline inflation is likely to have dipped to 30.2% y/y, compared with 32.6% y/y in March. The relief, however, is likely to be temporary, given the raising of administered price of basic commodities, alongside the increased domestic price of diesel prices.
2. **Czech Republic.** We expect headline inflation to decline from 15.0% y/y in March to 13.4% y/y in April (consensus 13.3% y/y) driven by base effects and lower energy prices. Our inflation expectation for April is 0.3pp higher than the Czech National Bank' (CNB) revised forecast (13.2% y/y) published on 3 May. We continue to expect the CNB to maintain policy rates at 7.00% for the remainder of the year, with the risks to this view now being tilted towards higher rates in the short term.
3. **Hungary.** We forecast inflation to decrease from 25.2% y/y in March to 23.5% y/y (consensus 24.0% y/y), owing to lower food and household energy inflation. We have seen a divergence appearing within core in recent months, with durable goods inflation coming off from its highs, whereas services

inflation still rising at a rapid sequential pace. We view the former can continue, supported by the ongoing appreciation of the Hungarian Forint (HUF). However, we believe we will need to see a meaningful improvement in the latter, in order to get more comfortable that inflation in Hungary can return to the central bank's target over its policy horizon.

4. **Romania.** We forecast inflation to fall significantly from 14.5% y/y in March to 11.2% y/y (consensus 11.5% y/y), reflecting strong base effects in energy and food components, and implying that inflation has declined to the lowest level in over a year. In terms of core price pressures, we expect the disinflation in the core component through March to have continued in April, although core inflation remained ~10% on our estimates.
5. **Russia.** We expect headline inflation to have declined to from 3.5% y/y in March to 2.3% y/y in April (consensus 2.4% y/y) , and further below the Central Bank of Russia's (CBR) long-term target of 4%. The continued decline in inflation is likely to have been driven by base effects and the surprisingly muted sequential price growth – the latter is evident in the March monthly inflation print. We continue to view that rates will be raised around mid-year by the CBR, in line with the CBR's 2023 projections to tame the likely intensifying price pressures going forward as well as to compensate for the likely continuing fiscal stimulus as signalled in our view by the considerable increases in spending and the government revenues running close to the stated budget plans.

Weekly calendar

	Country	Day	GMT	Indicator/Event	Period	MUFG Forecast	Consensus	Previous	Market Moving
	Jordan	08/05/2022	--	CPI (% y/y)	Apr	--	--	3.9%	!!
	UAE	09/05/2022	--	Dubai PMI Composite	Apr	--	--	55.50	!!!
	Egypt	10/05/2022	--	Urban CPI (% y/y)	Apr	30.2%	--	32.7%	!!!
	Egypt	10/05/2022	--	Core CPI (% y/y)	Apr	--	--	39.5%	!!!
	Poland	10/05/2022	--	Policy rate decision (%)	Apr	6.75%	6.75%	6.75%	!!!
	Romania	10/05/2022	--	Policy rate decision (%)	Apr	7.00%	7.00%	7.00%	!!!
	Hungary	10/05/2022	10:30	CPI (% y/y)	Apr	23.5%	24.0%	25.2%	!!!
	Ukraine	10/05/2022	16:30	CPI (% y/y)	Apr	--	--	21.3%	!!
	Czech Republic	11/05/2022	11:00	CPI (% y/y)	Apr	13.4%	13.3%	15.0%	!!!
	Romania	12/05/2022	10:00	CPI (% y/y)	Apr	11.2%	11.5%	14.5%	!!!
	Russia	12/05/2022	20:00	CPI (% y/y)	Apr	2.3%	2.4%	3.5%	!!!
	Russia	12/05/2022	20:00	Core CPI (% y/y)	Apr	--	--	3.7%	!!!
	Nigeria	15/05/2022	--	CPI (% y/y)	Apr	--	--	22.0%	!!
	Qatar	15/05/2022	05/25	CPI (% y/y)	Apr	--	--	4.0%	!!!
	Saudi Arabia	15/05/2022	10:00	CPI (% y/y)	Apr	--	--	2.7%	!!!
	Poland	15/05/2022	12:00	CPI (% y/y)	Apr F	--	--	14.7%	!!!
	Israel	15/05/2022	19:30	CPI (% y/y)	Apr	--	--	5.0%	!!

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	2.44	2.93	3.20	-11.56	0.20	-0.40	6.62	5.40	3.90
Czech Rep.	-0.20	0.46	2.48	-5.10	-3.90	-2.80	-0.84	-3.00	-2.20
Egypt	1.08	4.27	5.00	-5.78	-6.70	-6.20	-3.48	-3.40	-3.00
Greece	9.70	0.80	1.91	-7.98	-1.88	-1.26	-7.10	-6.33	-6.11
Hungary	0.40	0.40	2.50	-7.14	-3.90	-3.20	-4.18	-5.10	-3.60
Iraq	4.43	3.96	2.48	-0.37	9.17	6.95	7.76	12.96	9.28
Israel	2.70	4.00	4.50	-10.76	0.90	-0.20	4.30	3.00	3.90
Jordan	2.10	2.60	2.54	-7.77	-6.55	-5.90	-8.17	-4.75	-3.99
Kenya	0.90	5.00	5.00	-6.05	-5.80	-5.20	-5.21	-4.90	-4.20
Kuwait	-8.86	2.20	2.50	2.34	3.40	1.90	3.99	26.70	19.20
Lebanon	-25.91	-	-	-3.53	-	-	-15.10	-	-
Morocco	0.50	3.10	3.00	-5.94	-4.90	-4.80	-2.27	-5.10	-4.20
Nigeria	3.52	2.50	3.00	-5.48	-5.30	-5.40	-0.42	0.30	0.70
Oman	3.09	2.80	2.70	6.32	2.40	1.80	-4.86	4.20	2.70
Poland	2.00	0.80	2.90	-1.84	-5.20	-3.70	-1.40	-3.30	-2.20
Romania	4.55	2.40	3.50	-5.77	-5.10	-4.40	-9.28	-7.80	-6.70
Qatar	8.00	2.80	2.10	4.35	10.20	8.90	14.72	19.60	11.90
Russia	-2.28	-3.30	1.40	0.77	-2.50	-1.90	6.66	5.80	4.20
Saudi Arabia	3.90	4.40	3.24	-2.26	3.50	3.10	5.10	11.80	10.20
South Africa	0.90	1.49	1.41	-4.49	-5.30	-4.90	-0.48	-1.40	-1.90
Turkey	3.50	2.93	3.12	-1.64	-4.00	-3.90	-5.38	-4.20	-3.40
Ukraine	-31.40	2.00	6.00	-16.68	-	-	-1.62	-	-
UAE	3.90	3.78	4.50	4.03	6.00	4.30	11.55	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	-0.10	2.30	2.10	7.00	5.75	5.25	0.38	0.38	--
Czech Rep.	15.00	11.80	5.40	7.00	7.00	5.00	23.40	20.09	--
Egypt	32.70	31.80	13.50	18.25	16.25	13.25	30.86	34.50	--
Greece	4.57	3.20	1.62	3.75	3.55	2.65	1.10	1.16	--
Hungary	25.20	19.00	5.60	13.00	11.00	8.00	337.58	340.50	--
Iraq	5.30	4.52	2.97	4.00	4.00	4.00	1310.00	1460.00	--
Israel	5.00	4.60	3.20	4.50	4.50	3.50	3.64	3.10	--
Jordan	3.91	2.99	2.49	7.75	6.40	6.40	0.71	0.71	--
Kenya	7.90	7.50	5.50	9.50	9.50	9.50	136.59	113.14	--
Kuwait	3.70	2.60	2.00	4.00	4.00	3.50	0.31	0.30	--
Lebanon	263.84	-	-	2.75	-	-	15037.13	1512.33	--
Morocco	8.20	3.80	3.20	3.00	2.00	2.00	9.98	9.25	--
Nigeria	22.00	16.70	11.20	18.00	17.50	16.00	462.83	--	--
Oman	1.58	1.80	2.00	4.73	5.50	5.00	0.38	0.39	--
Poland	14.70	13.10	5.70	6.75	6.75	5.25	4.14	4.05	--
Romania	14.53	11.30	5.60	7.00	7.00	5.00	4.46	4.30	--
Qatar	4.01	2.80	2.50	5.75	5.75	5.25	3.64	3.64	--
Russia	3.51	6.10	6.90	7.50	8.75	9.00	118.69	82.09	--
Saudi Arabia	2.74	2.90	2.60	5.25	5.25	4.50	3.75	3.75	--
South Africa	7.10	6.10	4.30	7.75	8.00	7.25	18.36	17.75	--
Turkey	43.68	45.10	29.40	8.50	32.00	18.50	0.05	23.00	--
Ukraine	21.30	18.00	12.40	25.00	23.00	15.00	36.93	--	--
UAE	5.59	2.50	3.00	5.08	4.90	4.40	3.67	3.67	--

Core indicators

EM EMEA sovereign bond yields (%)									
	Maturity	07-Apr	14-Apr	21-Apr	28-Apr	05-May	Change in yield (basis points)		
							Week	MTD	YTD
Bahrain	10 years	6.04	5.75	5.92	5.89	6.34	45.40	45.92	19.37
Czech Rep.	10 years	4.69	5.04	4.94	4.66	4.81	14.40	14.41	-38.86
Egypt	9 years	16.19	16.19	17.99	18.13	18.28	15.60	15.97	616.58
Greece	8 years	3.71	3.91	3.98	3.82	3.75	-7.40	-7.43	-28.80
Hungary	8 years	9.26	9.66	9.12	8.69	8.68	-1.00	-0.92	-117.46
Israel	8 years	3.83	3.83	3.89	3.82	3.80	-1.70	-1.54	42.55
Jordan	5 years	6.96	6.97	7.21	6.71	6.85	14.00	14.15	37.12
Kenya	7 years	12.41	12.59	14.25	13.84	13.50	-33.60	-33.26	319.56
Kuwait	6 years	3.81	3.74	3.92	3.87	3.84	-3.20	-3.18	23.41
Lebanon	9 years	86.04	87.96	91.21	92.55	93.95	139.90	153.90	-742.79
Morocco	11 years	5.04	5.04	5.19	5.18	5.21	3.00	3.04	-1.46
Nigeria	9 years	12.60	12.82	13.27	12.72	12.93	21.20	21.29	90.31
Oman	9 years	5.67	5.69	5.73	5.51	5.54	2.70	2.62	-37.00
Poland	8 years	3.63	3.73	3.78	3.63	3.62	-0.80	-0.62	12.89
Romania	7 years	5.54	5.62	5.63	5.45	5.39	-6.10	-5.95	-45.74
Qatar	9 years	3.84	3.97	4.13	4.00	4.01	1.00	0.82	-36.14
Russia	5 years	36.09	36.09	36.34	36.62	36.91	28.30	32.35	408.34
Saudi Arabia	8 years	0.03	3.74	4.18	3.58	4.10	51.40	51.41	-51.87
South Africa	9 years	6.92	6.92	7.12	6.96	7.05	9.60	9.67	2.14
Turkey	7 years	8.43	8.28	8.79	8.39	8.59	19.80	19.95	26.40
Ukraine	8 years	48.26	48.26	48.74	49.81	50.42	60.80	64.66	934.05
Abu Dhabi	6 years	3.80	3.89	4.09	3.98	3.96	-1.50	-1.45	-20.13
Dubai	8 years	4.37	4.37	4.31	4.35	4.24	-11.20	-11.23	-37.64

EM EMEA equity market (index)									
	31-Mar	07-Apr	14-Apr	21-Apr	28-Apr	05-May	Change (%)		
							Week	MTD	YTD
Bahrain	1,887	1,886	1,882	1,887	1,895	1,906	0.63	-0.21	0.27
Czech Rep.	1,352	1,381	1,418	1,417	1,378	1,390	0.90	0.90	15.70
Egypt	16,419	16,709	17,671	17,516	17,797	17,295	-2.82	-2.45	18.06
Greece	1,055	1,074	1,103	1,111	1,085	1,111	2.41	2.41	19.52
Hungary	42,318	44,218	43,285	44,101	44,822	46,331	3.37	3.37	5.79
Israel	1,739	1,742	1,740	1,712	1,751	1,784	1.90	1.70	0.00
Jordan	2,601	2,505	2,470	2,476	2,461	2,456	-0.22	-0.69	-2.28
Kenya	113	114	112	108	108	103	-4.26	-4.26	-19.16
Kuwait	7,051	6,969	6,990	7,156	7,163	7,034	-1.80	-1.52	-3.55
Lebanon	1,840	1,881	1,879	1,914	1,880	1,831	-2.57	-2.57	29.86
Morocco	10,391	10,461	10,470	10,495	10,525	10,391	-1.28	-1.28	-3.07
Nigeria	54,858	52,994	51,904	51,356	52,404	52,467	0.12	0.12	2.37
Oman	4,863	4,756	4,811	4,743	4,735	4,724	-0.22	-0.02	-2.88
Poland	1,759	1,754	1,854	1,901	1,923	1,912	-0.56	-0.56	6.72
Romania	12,112	12,363	12,460	12,397	12,268	12,186	-0.67	-0.67	4.48
Qatar	10,213	10,342	10,090	9,930	10,145	10,640	4.87	4.83	-0.08
Russia	2,451	2,508	2,555	2,640	2,635	2,538	-3.67	-3.67	17.83
Saudi Arabia	10,590	10,906	10,965	11,164	11,271	11,119	-1.35	-0.45	7.43
South Africa	70,498	71,379	73,134	72,345	72,583	72,510	-0.10	-0.10	8.30
Turkey	4,813	4,925	5,093	5,012	4,618	4,401	-4.70	-4.70	-20.12
Ukraine	507	507	507	507	507	507	0.00	0.00	-2.34
Abu Dhabi	9,430	9,462	9,623	9,634	9,789	9,706	-0.85	-0.85	-4.95
Dubai	3,407	3,411	3,492	3,471	3,545	3,583	1.08	1.08	7.40

EM EMEA FX against USD*

	31-Mar	07-Apr	14-Apr	21-Apr	28-Apr	05-May	Change (%)		
							Week	MTD	YTD
USD Index	102.51	102.09	101.55	101.82	101.66	101.21	0.44	-0.53	-2.32
Bahrain**	0.38	0.38	0.38	0.38	0.38	0.38	-0.01	-0.01	0.00
Czech Rep.	21.65	21.44	21.21	21.40	21.35	21.23	0.58	0.66	6.38
Egypt	0.03	0.03	0.03	0.03	0.03	0.03	0.31	0.00	24.69
Greece***	1.08	1.09	1.10	1.10	1.10	1.10	0.00	0.18	3.12
Hungary	350.56	343.85	339.82	342.20	338.62	337.47	0.34	0.51	10.82
Israel	3.60	3.61	3.67	3.65	3.63	3.64	-0.29	-0.10	-3.28
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	1.35	1.37	10.96
Kuwait	0.31	0.31	0.31	0.31	0.31	0.31	0.00	0.26	0.00
Lebanon	15032.50	15138.00	15050.50	15051.00	15038.38	15038.38	0.00	0.00	-89.89
Morocco	10.24	10.19	10.13	10.12	10.05	9.99	0.62	0.65	4.53
Nigeria	460.75	461.75	461.58	461.63	461.59	462.46	-0.19	-0.26	-0.43
Oman**	0.39	0.39	0.39	0.39	0.39	0.39	-0.05	-0.05	-0.28
Poland	3.76	3.76	3.76	3.76	3.76	3.76	-0.02	-0.01	0.22
Romania	4.56	4.52	4.50	4.49	4.47	4.47	0.04	0.22	3.48
Qatar**	3.64	3.64	3.64	3.64	3.64	3.64	0.06	0.06	0.00
Russia	77.72	81.19	82.28	81.57	79.88	77.80	2.60	2.67	-4.64
Saudi Arabia**	3.76	3.76	3.76	3.76	3.76	3.76	-0.02	-0.01	0.22
South Africa	17.80	18.19	18.09	18.11	18.29	18.41	-0.64	-0.56	-7.37
Turkey	19.18	19.25	19.36	19.40	19.45	19.51	-0.31	-0.25	-4.05
Ukraine	36.94	36.78	36.95	36.93	36.92	36.93	-0.03	-0.03	-0.04
UAE**	3.67	3.67	3.67	3.67	3.68	3.68	0.00	0.01	-0.03

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)

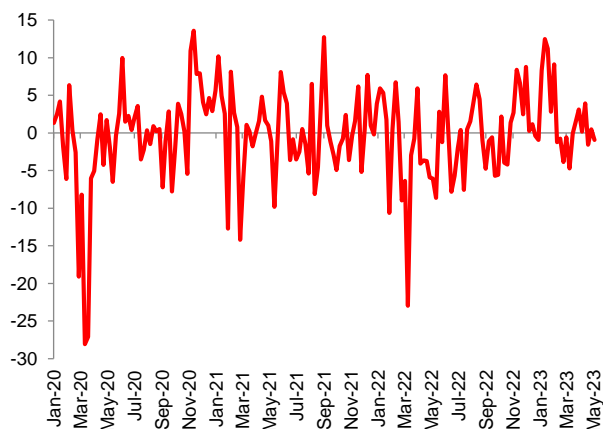
	31-Mar	07-Apr	14-Apr	21-Apr	28-Apr	05-May	Change in yield (basis points)		
							Week	MTD	YTD
Bahrain	243.42	253.46	249.97	255.59	257.17	260.88	3.71	3.71	34.61
Czech Rep.	35.34	35.26	35.08	35.21	35.37	35.07	-0.30	-0.30	-10.31
Egypt	1311.46	1369.33	1473.03	1625.64	1722.45	1810.17	87.72	87.72	942.92
Greece	119.74	119.74	119.74	119.74	119.74	119.74	0.00	0.00	-12.31
Hungary	168.97	169.06	171.74	174.07	171.91	172.25	0.34	0.34	-29.70
Israel	60.24	59.68	59.57	62.65	63.71	64.05	0.34	0.34	20.91
Kenya	734.50	758.00	725.00	713.00	731.00	754.00	23.00	23.00	307.50
Kuwait	55.29	55.22	52.11	52.21	52.30	52.09	-0.21	-0.21	1.91
Morocco	158.98	159.06	156.27	159.12	163.88	162.21	-1.67	-1.67	2.86
Nigeria	1233.00	1273.00	1217.00	1197.00	1227.50	1266.00	38.50	38.50	889.00
Oman	155.33	157.04	158.00	159.69	161.16	161.58	0.42	0.42	-20.38
Poland	101.98	100.00	95.02	95.03	91.08	90.05	-1.03	-1.03	-24.87
Romania	207.95	204.20	200.56	203.31	201.15	201.60	0.45	0.45	-80.88
Qatar	44.09	44.09	44.09	44.09	44.09	44.09	0.00	0.00	-5.06
Saudi Arabia	62.72	64.16	61.06	62.14	62.48	65.56	3.08	3.08	3.45
South Africa	269.98	285.65	271.76	283.15	275.60	282.61	7.01	7.01	32.10
Turkey	514.40	514.40	514.40	514.40	514.40	514.40	0.00	0.00	7.59
Abu Dhabi	42.34	42.52	40.60	41.71	42.85	44.09	1.24	1.24	-1.07
Dubai	82.17	81.15	79.11	80.64	81.68	85.07	3.39	3.39	0.95

Source: Bloomberg, MUFG Research

EM capital flows

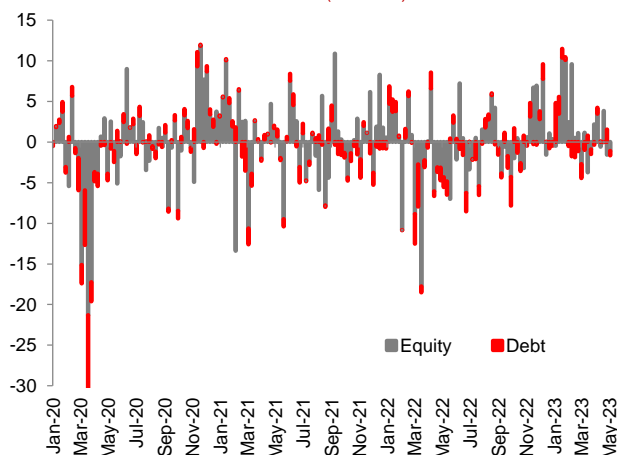
WEEKLY TOTAL EM OUTFLOWS OF USD-0.9BN – 05 MAY

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



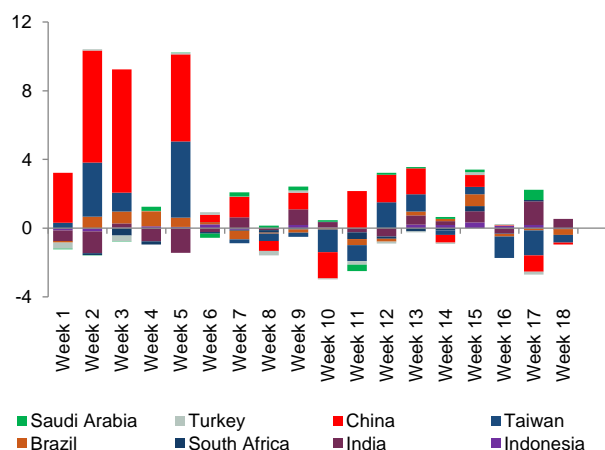
WEEKLY EM OUTFLOWS FROM EQUITY (USD-0.4BN) AND DEBT OUTFLOWS (USD-0.5BN) – 05 MAY

WEEKLY DEBT AND EQUITY FLOWS (USD BN)



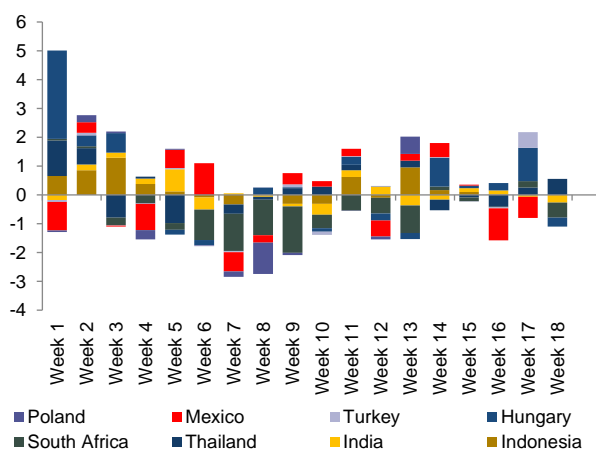
TAIWAN (USD-0.4BN) AND BRAZIL (USD-0.3BN) LED WEEKLY EM EQUITY OUTFLOWS – 05 MAY

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



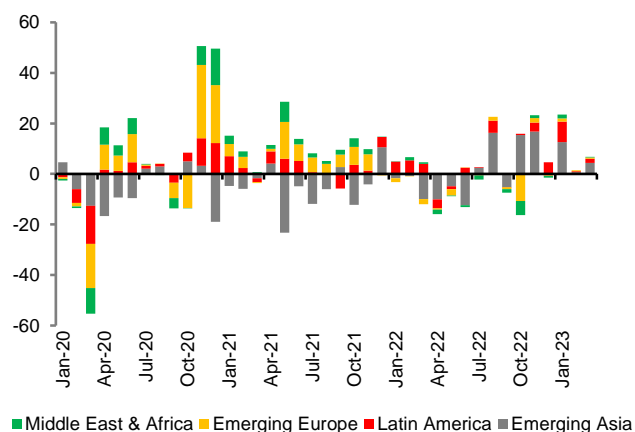
SOUTH AFRICA (USD-0.5BN) LED WEEKLY EM DEBT OUTFLOWS – 05 MAY

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



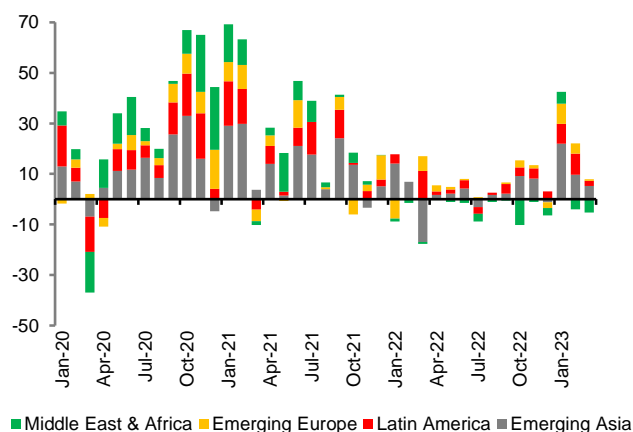
EM EQUITY INFLOWS TOTALLED USD6.8BN IN MARCH, LED BY EM ASIA (USD4.4BN)

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



EM DEBT INFLOWS TOTALLED USD2.6BN IN MARCH, LED BY EM ASIA (USD5.2BN)

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



Source: Bloomberg, IIF, MUFG Research

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