UBS

For Marketing Purposes
For qualified investors/Professional clients only
Global ex-US and ex-Australia

Emerging Markets Fixed Income

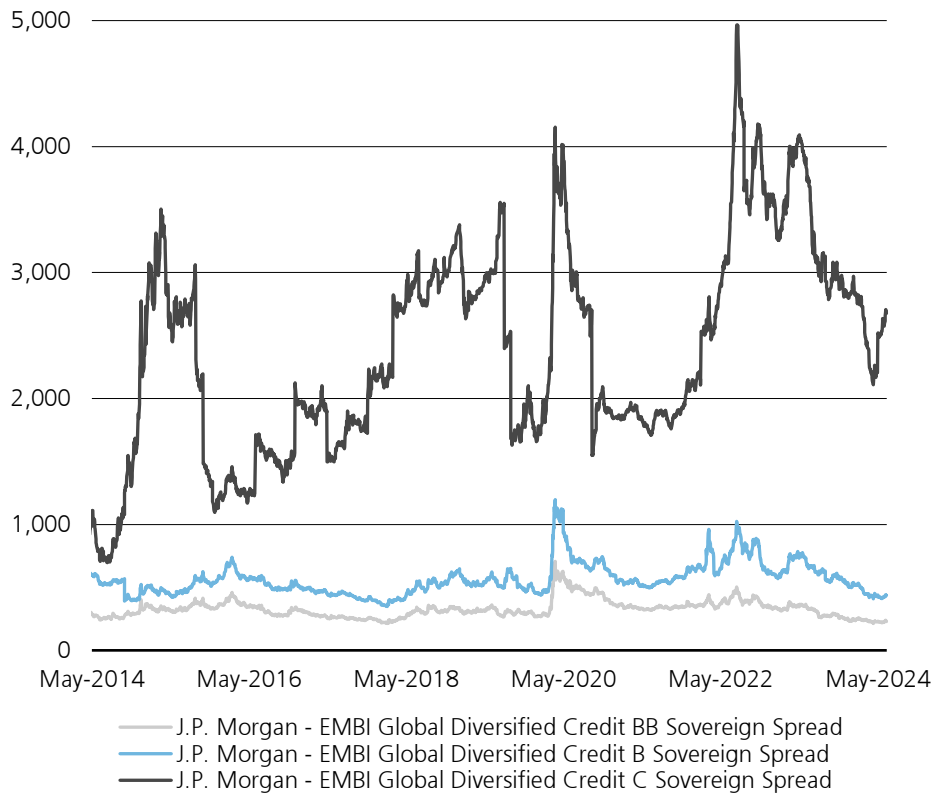
Shamaila Khan
Head of Global Emerging Markets and Asia Pacific Fixed Income,
UBS AM, New York

June 2024

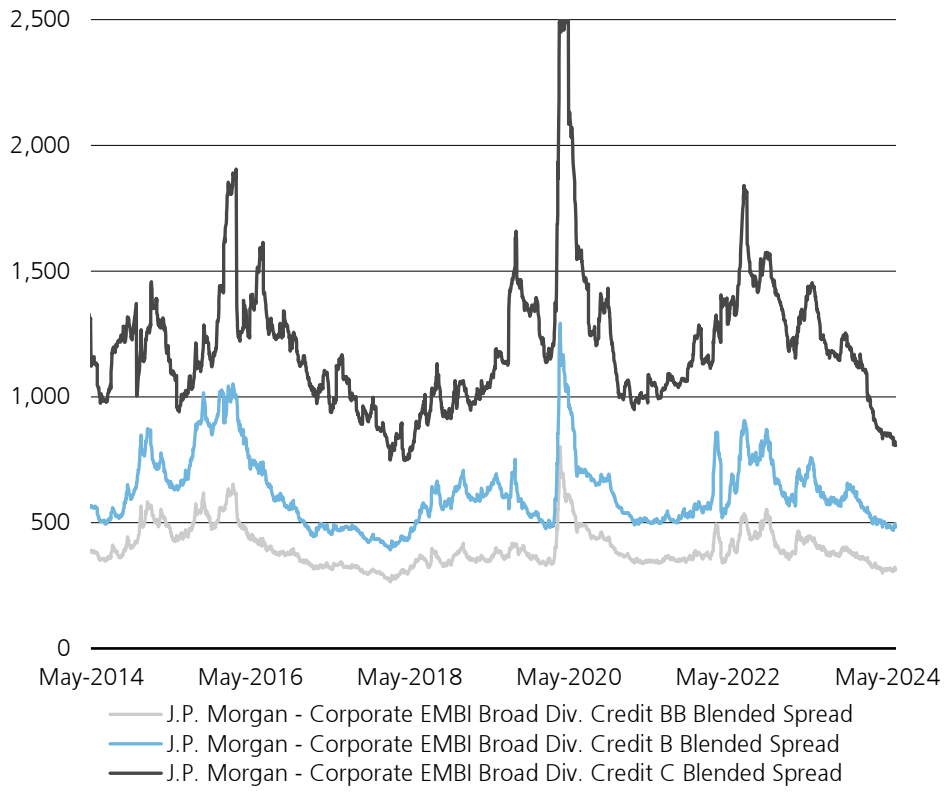
1. How will EM perform in a higher for longer environment?

EM HY sovereigns – Switching to orthodox macroeconomic policies driving outperformance

EMBI-GD HY spread by rating



CEMBI-BD HY spread by rating



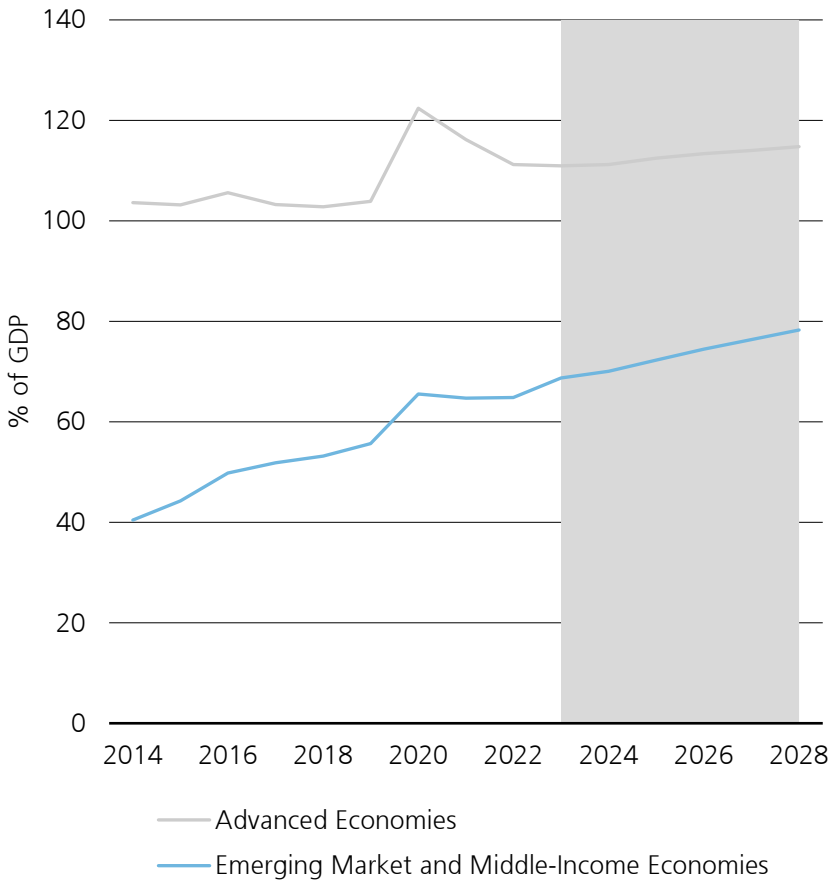
UBS

Source: Bloomberg Finance L.P., JP Morgan. Data as at May 2024

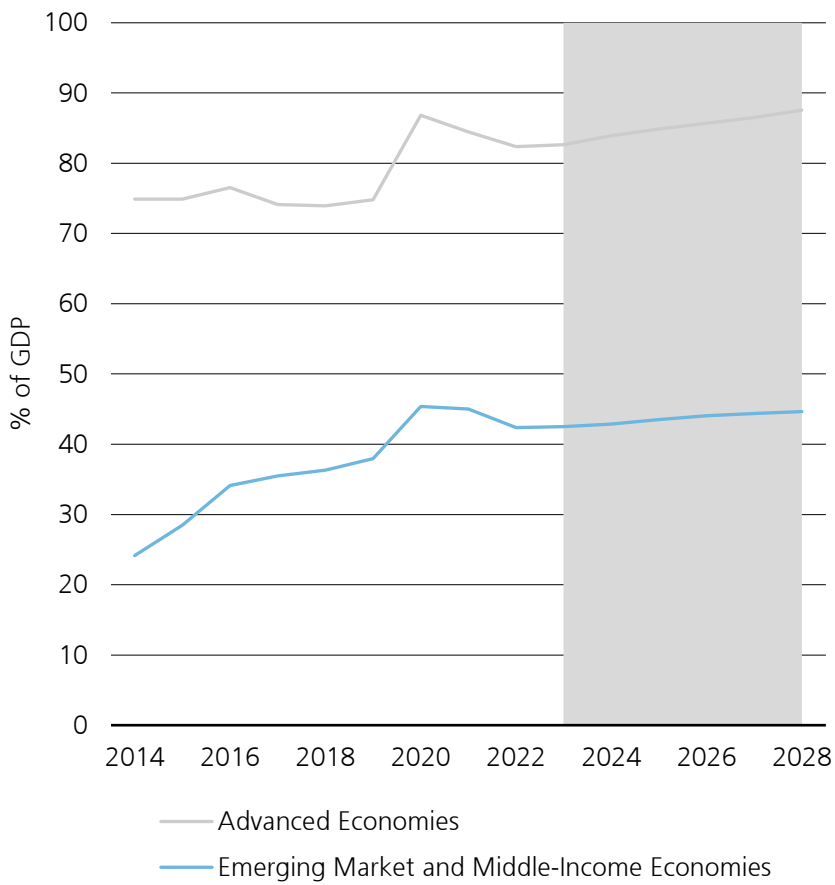
2. EM articles highlight high debt levels, what does that look like in reality?

Lower government debt than developed markets

General Government Gross Debt Forecast



General Government Net Debt Forecast



Notes: All values are % of GDP. General Government Debt = Gross debt minus financial assets. Source: IMF Fiscal Monitor, Apr 2024

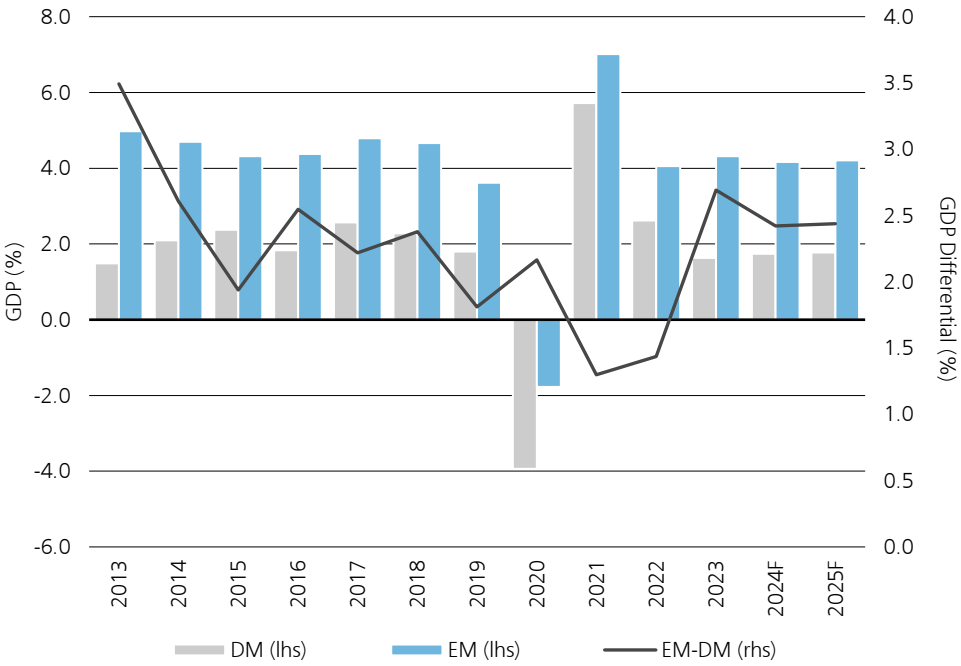
3. How does slower growth in China impact EM?

EM growth is forecast to outstrip DM by just under 3% in 2024 and 2025

EM growth is forecast to outstrip DM by just under 3% in 2024 and 2025

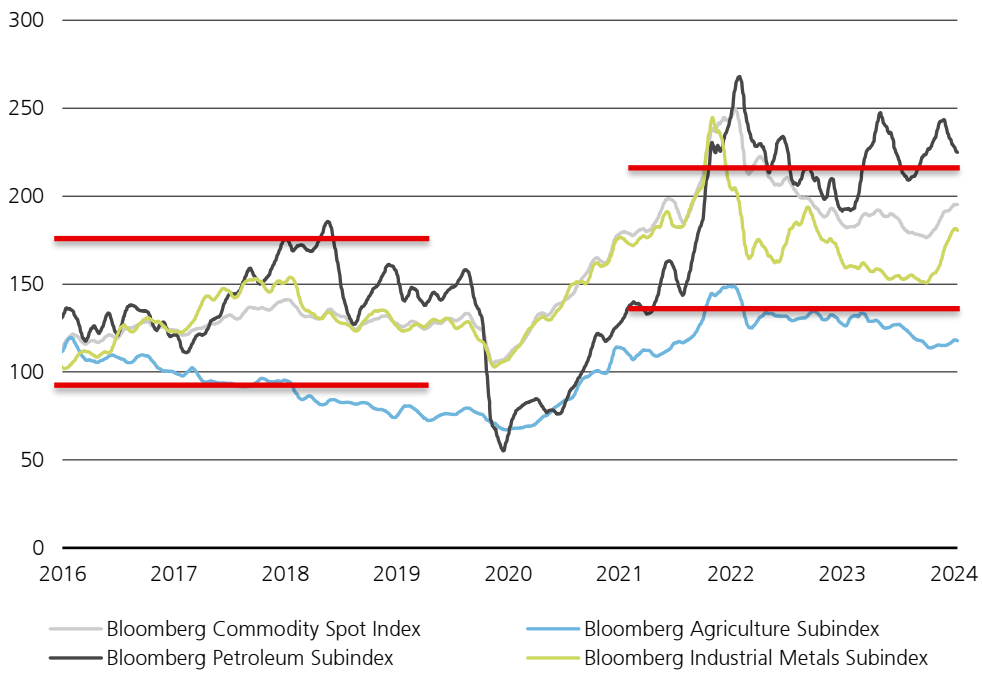
60% of the countries in the JPM EMBI Global Diversified Index are net exporters of commodities. Elevated commodity prices have supported EM exporters.

EM-DM Growth Differential



Source: IMF, Macrobond. Data as as at Apr 2024

Bloomberg Commodities Price Indices (rebased Mar'16 = 100)

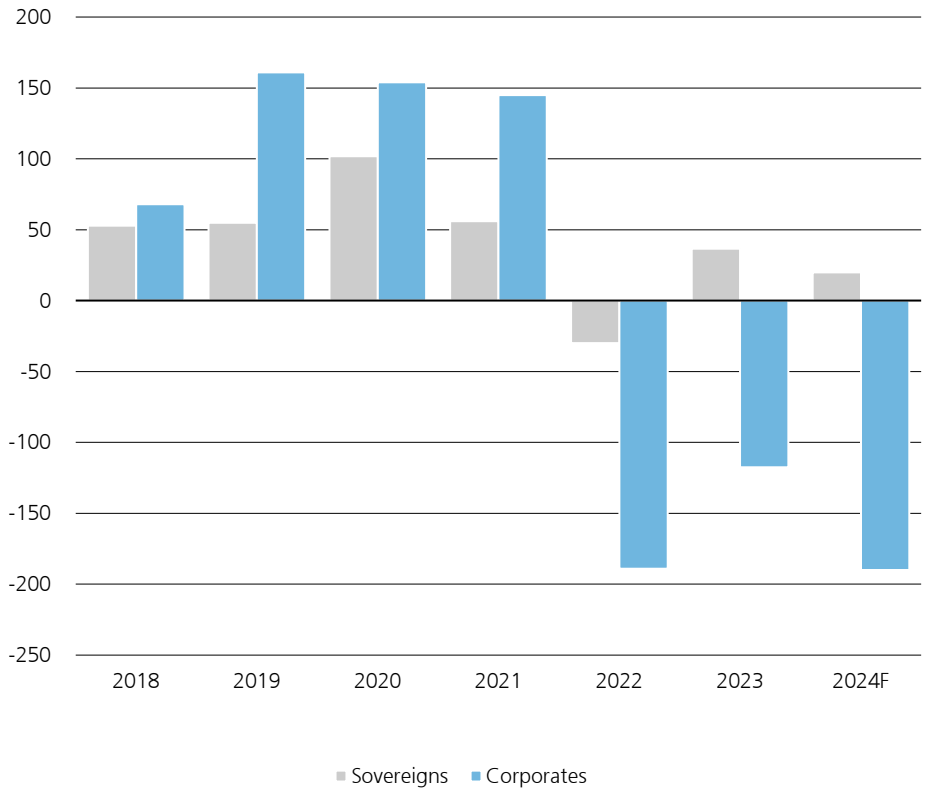


Source: Bloomberg Finance L.P., JP Morgan. Data as at May 2024

4. What is the outlook for EM performance?

Technical factors are tactically in favor given negative supply and scope for foreign demand to revert

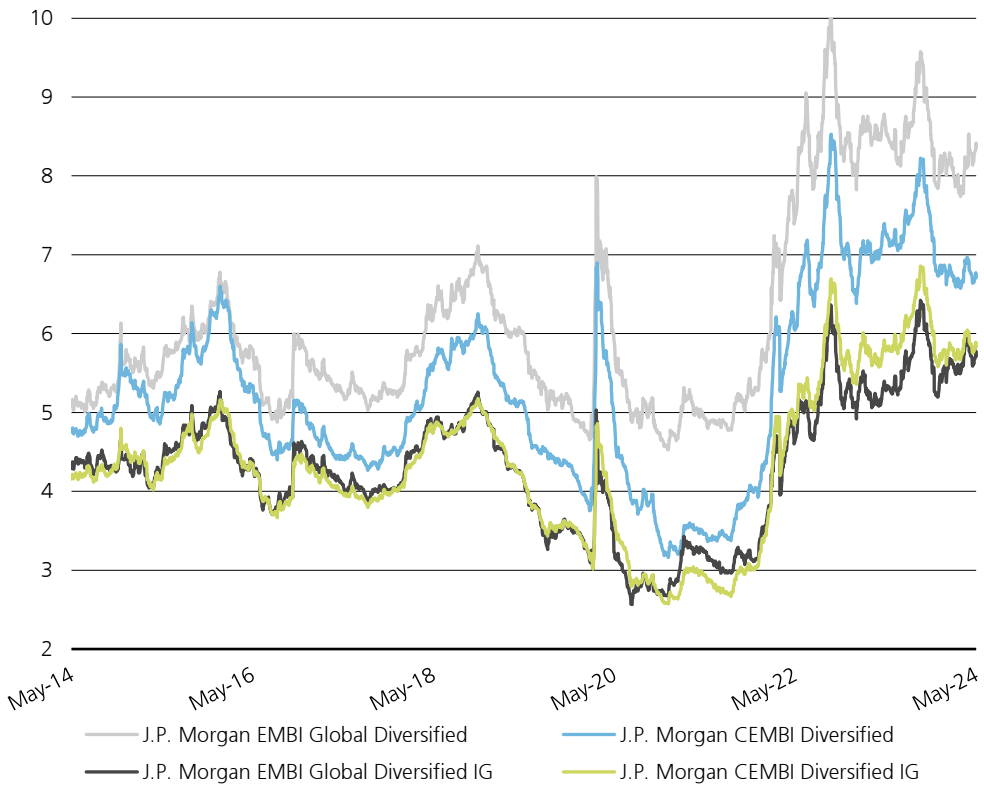
EM sovereign and corporate external issuance – net supply (USDbn)



Source: JP Morgan as at April 2024

Increased opportunities in EM debt as all-in yields rise to decade highs

Emerging Market Debt Yields%



Source: Bloomberg Finance L.P., JP Morgan. Data as at May 2024

5. What about elections across EM and in the US?

- Post elections, policy making in certain EM countries was anchored by strong institutions which led to a rally in the sovereign debt of those countries. Increased volatility can be an opportunity to generate alpha
- Sell-off in emerging markets after 2016 US Presidential election was reversed in a few weeks
- In the most recent three major elections, the market had mostly priced in best case scenarios of policy continuity based on polls. We do not believe that polls are predictive and thought that the market was overly complacent in all three cases. The outcomes of all three elections were unexpected.

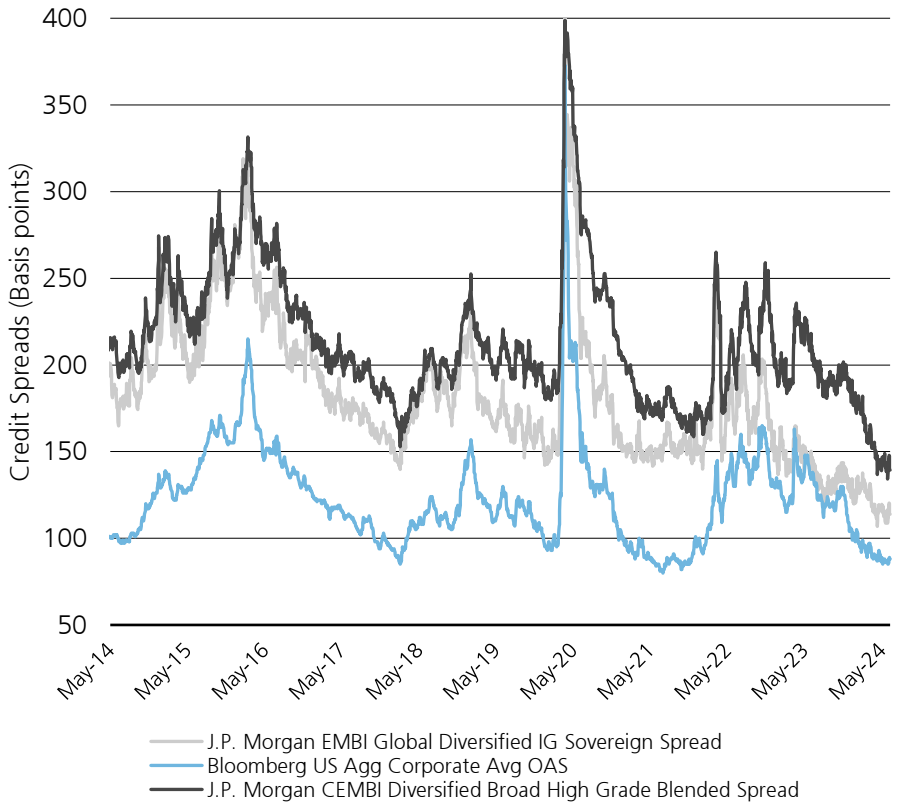
Country	Type of Elections	Date
South Korea	Legislative	10-Apr
Russia	Presidential	15-Mar
North Macedonia	Presidential	Apr-24
India	Legislative	Apr-24
Panama	General	05-May
Dominican Republic	General	19-May
South Africa	Presidential	29-May
Mexico	General	02-Jun
EU	European Parliament	06-Jun
Mongolia	Legislative	30-Jun
Croatia	Legislative	30-Jun
Rwanda	Presidential, Legislative	15-Jul
Mozambique	General	9-Oct
Georgia	Legislative	31-Oct
Uruguay	General	Oct-24
United States	Presidential	05-Nov
Romania	Presidential	07-Dec
Uzbekistan	Legislative	31-Dec
Ghana	General	Dec-24
Croatia	Presidential	Dec-24

Source: UBS Asset Management. UBS AM views as of May 2024

6. How can we invest in EM without the headline risk and volatility?

EM IG valuations are attractive and corporates in particular combine wider spreads with improved ratings

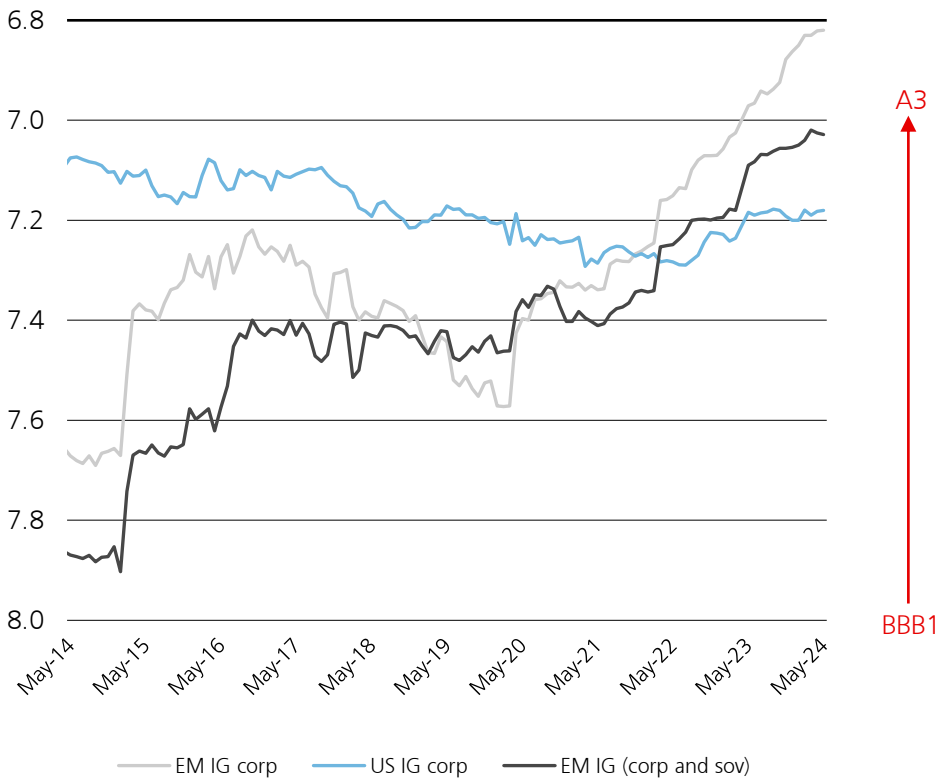
Investment Grade (IG) Credit Spreads



Source: Bloomberg Finance L.P, JP Morgan as at May 2024

Average Credit Rating

(Upward migration for EM VS downward move for US credit)



Source: Bank of America, as at May 2024

Disclaimer

For marketing and information purposes by UBS.

For institutional professional clients only.

The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. Members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments mentioned in this document.

Before investing in a product please read the latest prospectus carefully and thoroughly. Any decision to invest should take into account all the characteristics or objectives of the fund as described in its prospectus, or similar legal documentation. Investors are acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company. Units of UBS funds mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. If whole or part of the total costs to be paid is different from your reference currency, the costs may increase or decrease as a result of currency and exchange rate fluctuations. Commissions and costs have a negative impact on the investment and on the expected returns. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency and exchange rate fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future. The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS Asset Management Switzerland AG or a local affiliated company. Source for all data and charts (if not indicated otherwise): UBS Asset Management

This document contains statements that constitute “forward-looking statements”, including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.