

Macro Microscope

Valuation re-rating of emerging markets



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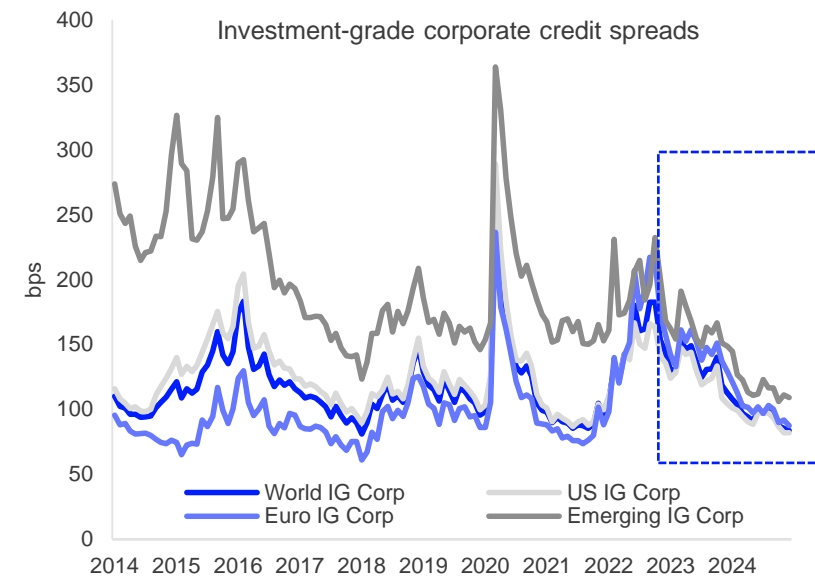
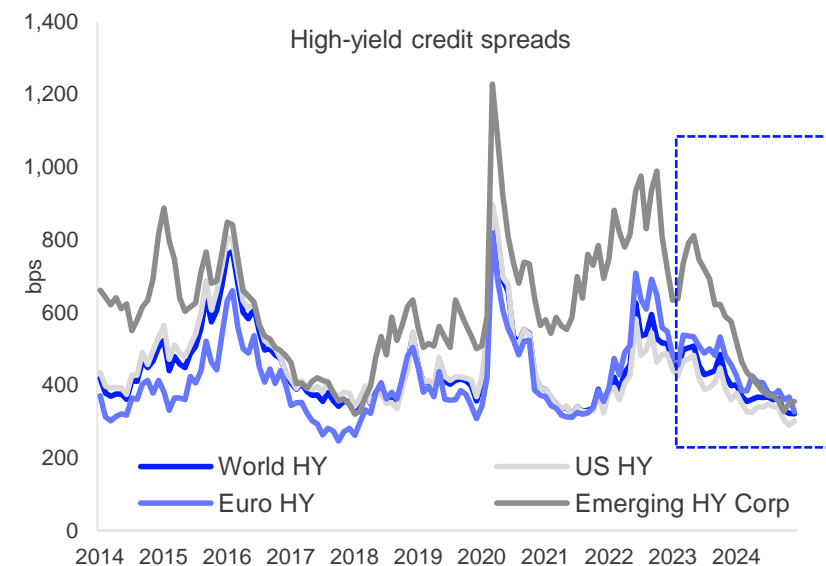
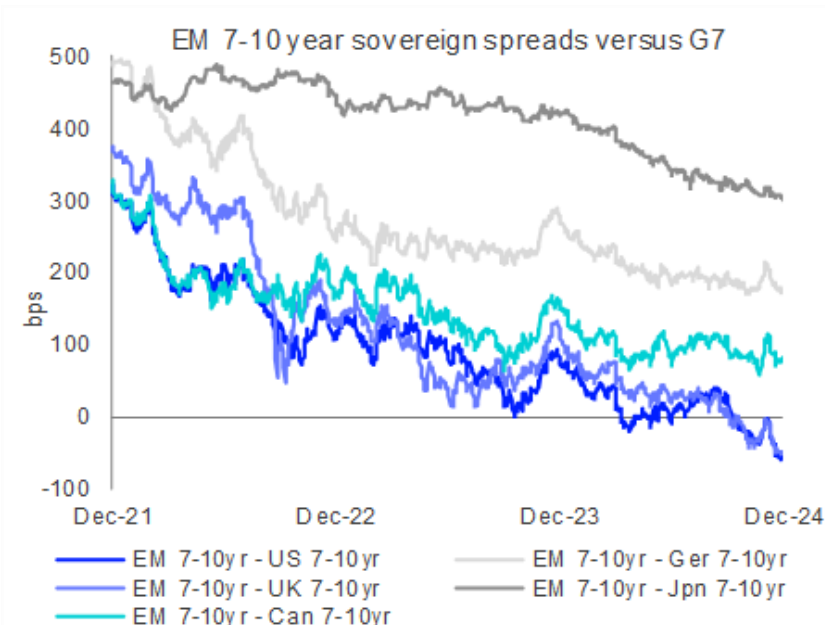
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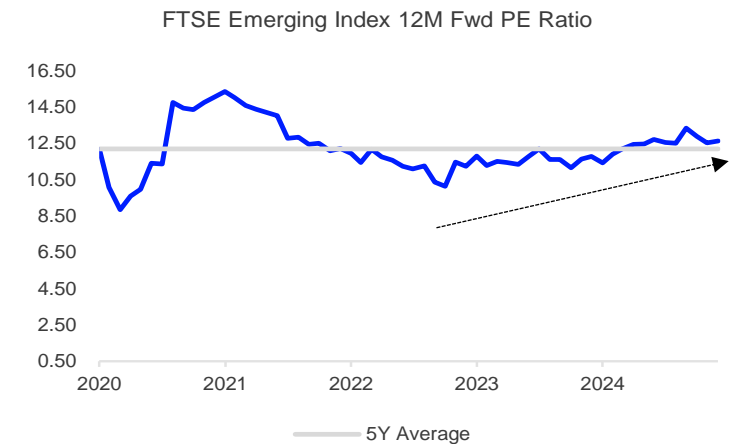
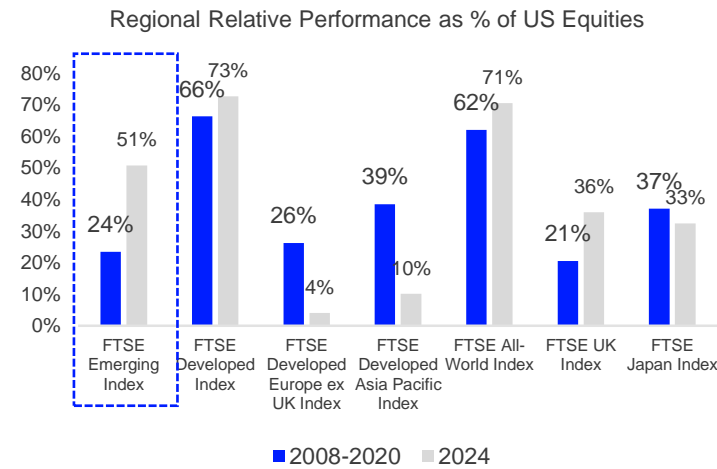
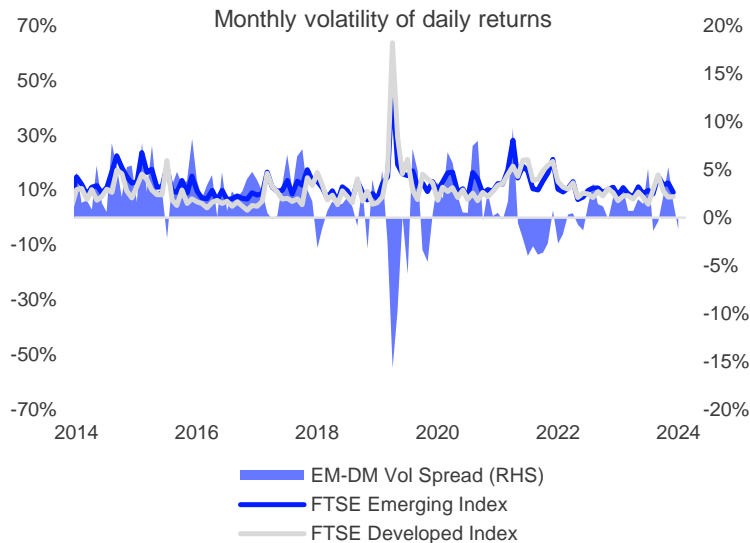
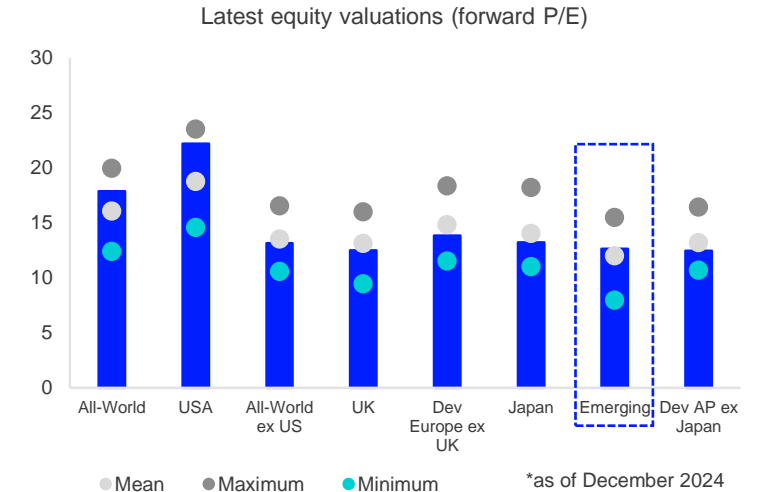
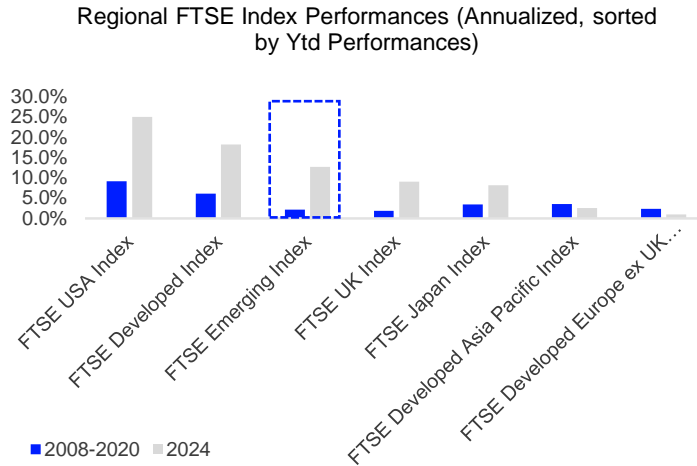
Emerging markets are experiencing a valuation re-rating

- ❖ EM government bonds have outperformed the FTSE World Government Bond Index in 2024
- ❖ EM HY credit spreads have tightened more sharply than in the US or Europe
- ❖ EM IG and HY spreads are now close to their historical lows
- ❖ As a result, EM HY spreads (356bps) are close to HY spreads in Europe (326bps) and US (302bps)
- ❖ EM IG spreads(109bps) are also close to IG spreads in Europe (87bps) and US(82bps)



Emerging markets are experiencing a valuation re-rating

- ❖ **EM equities**, supported by solid 12M returns, **are catching up with the US**
- ❖ **EM Equity valuations are improving** and currently above 5 and 10 year averages
- ❖ **Equity volatility in emerging markets has converged with that of developed markets**, in December EM volatility was lower than DM volatility



Source: FTSE Russell/LSEG. All data as of December 31, 2024

Key emerging markets are driving positive investor sentiment – BRICS leading economy

India Rate of Consumer Inflation



Source: LSEG Datastream

India Industrial Production Yearly % Change



Source: LSEG Datastream

Source: FTSE Russell/LSEG. All data as of December 31, 2024

Key emerging markets are driving positive investor sentiment

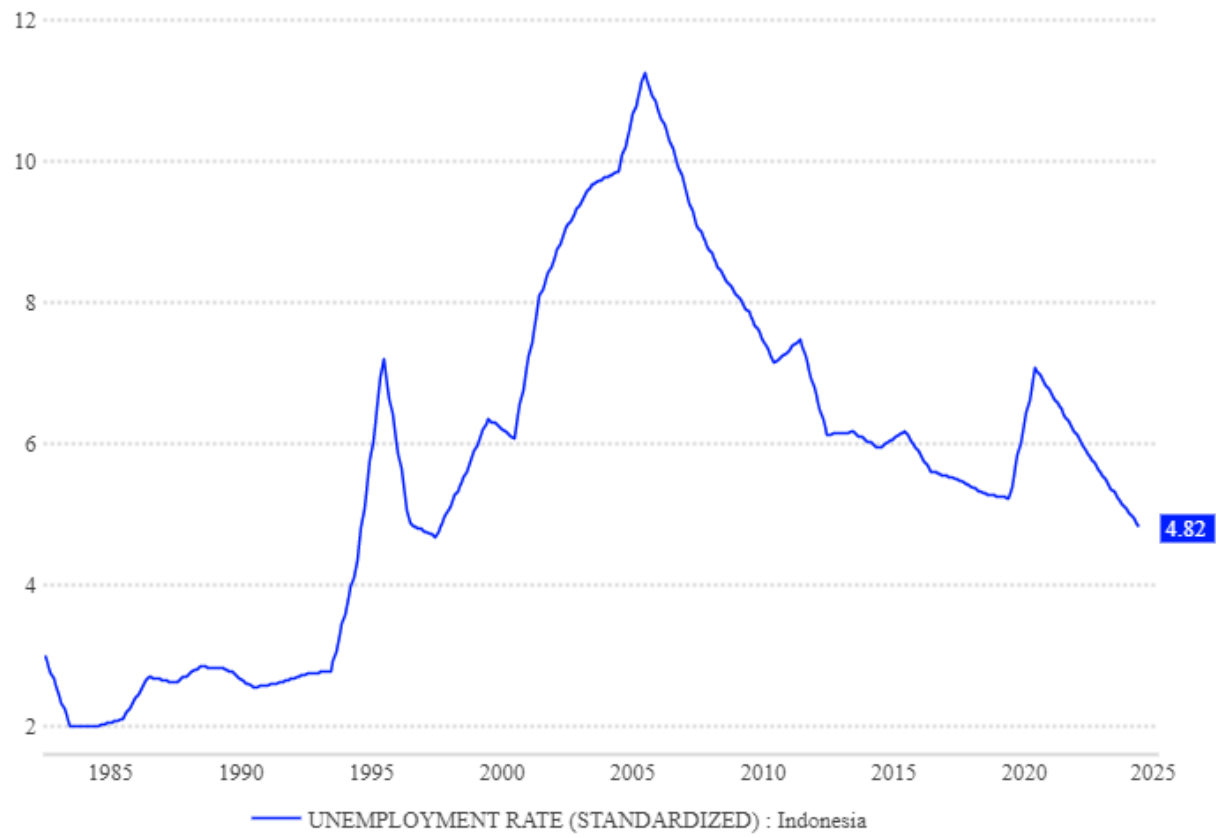
– ASEAN leading economy

Indonesia Consumer Confidence



Source: LSEG Datastream

Indonesia Unemployment Rate



Source: LSEG Datastream

Source: FTSE Russell/LSEG. All data as of December 31, 2024



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