

Global Strategy

Slide Deck: EM opportunities into YE

Global Strategy

Emerging Markets

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UBS' EM Strategy trade recommendations

- **Long CNH, TWD, ILS vs. \$ tactically** via options (risks of deeper Q4 US NFP drop, low FX hedge ratios)
- **Short IDR and SGD NEER, short KRW vs. JPY, short CLP** (peak EM export growth, idiosyncratic risks)
- **Long BRL and HUF** (structural, idiosyncratic carry trades)

- **Tactically OW MSCI EM vs. US** (cyclical \$ weakness; China-centric upside)
- **OW MSCI China** (resilient earnings, particularly internet, high ERP)
- **OW MSCI Brazil** (valuations cheap vs. RoE, prospects for deeper m/term rate cuts)
- **UW MSCI India** (valuations unconvincing vs. earnings performance, limited AI support)

Rates

- **Receive BRL Jan 27 & 5y MXN** (high real rates, weakening L mkts, contained fiscal risk)
- **Receive 2y2y ZAR. Avoid CZK and PLN** (RRF boost & loose(r) CEE fiscal vs. credible SARB CPI target)
- **Long Asia (5y KRW, 5y IDR, 2y INR) vs. 5y JPY** (little Asia easing priced; China's 2nd trade shock)
- **Long CNY 1s5s steepeners** (no easing priced; bond-equity rotation may extend)

- **UW Poland vs Hungary and Romania** (potential for divergent fiscal, ratings outlook)
- **OW UAE and Oman over KSA** (low supply, fiscal breakevens)



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Key dates into year end

- **Oct:** New BoT Governor (1), RBI (1), **Czech elections** (3-4), **Japan LDP leadership election** (4), OPEC meeting (5), Philippines Congress session ends (10), MAS meeting (14), Malaysia Budget (10), **China 4th Plenum** (20-23), Mex start of public hearings in the US on USMCA (Oct), Colombia budget bill deadline (20), **FOMC (29), ECB (30), BoJ (30), APEC summit** (31 & 1 Nov)
- **Nov:** BCB (5), **US Supreme Court hearing on tariffs** (5), NBP new forecasts (5), Banxico (6), new CNB forecasts (6), **US-CN tariff deadline** (10), SA MTBPS (12), **Chile presidential and congressional elections** (16), G20 Summit (22-23), PBC Monetary policy report (TBD), India Bihar elections (TBD)
- **Dec:** China CEWC (TBD); S. Africa ANC NGC (8-12), **FOMC (10)**, BCB (10), 2026 budget approval deadline (Dec-17) and potential soft confirmation of Tarcisio as candidate (Dec/Jan); Chile runoff presidential elections (14), Banxico (18), ECB (18), NBH new forecasts (18), BoJ (19), Turkey minimum wage decision, **US S232 investigations** on semiconductors and pharmaceutical products due to conclude (27)



Recent UBS EM Strategy publications

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- [Around Emerging Markets](#)
- [Realigning our preferences: upgrade Taiwan, downgrade India](#)
- [What do China's surging exports mean for the world?](#)
- [A cyclical EM bull case ...and a structural study](#)
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Cyclical risks to US domestic demand



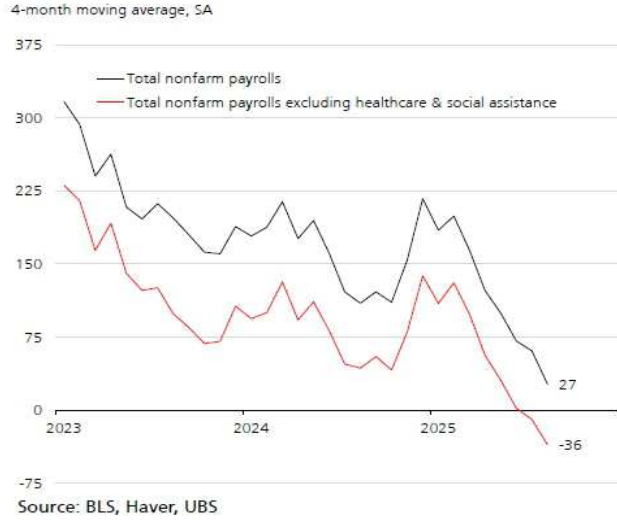
US: Key economic forecasts

	Actual Data				UBS Forecasts				
	2023-24 average	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Real GDP	2.9%	-0.6%	3.8%	2.6%	0.4%	1.1%	2.0%	1.9%	1.9%
PCE consumption	3.2%	0.6%	2.5%	2.7%	0.9%	0.6%	1.6%	1.2%	1.6%
Import	3.8%	38%	-29%	-2.1%	-2.3%	-4.5%	-3.9%	-3.5%	-3.2%
Private domestic final purchases	3.3%	1.9%	2.9%	2.1%	0.7%	0.6%	2.0%	1.8%	2.1%
Nonfarm payrolls (monthly pace, 000s)	192	111	55	57	-13	17	48	60	75
Unemployment rate	4.0%	4.1%	4.2%	4.3%	4.6%	4.7%	4.7%	4.7%	4.7%
Fed Funds (midpoint)	4.9%	4.4%	4.4%	4.1%	3.4%	3.4%	3.4%	3.1%	3.1%
CPI YoY	3.0%	3.8%	1.6%	3.2%	4.0%	4.6%	3.0%	2.2%	2.6%
Core CPI YoY	3.7%	3.5%	2.1%	3.4%	4.1%	4.7%	3.1%	2.7%	2.6%
Core PCE YoY	3.2%	3.3%	2.6%	3.0%	3.8%	4.3%	3.1%	2.6%	2.5%

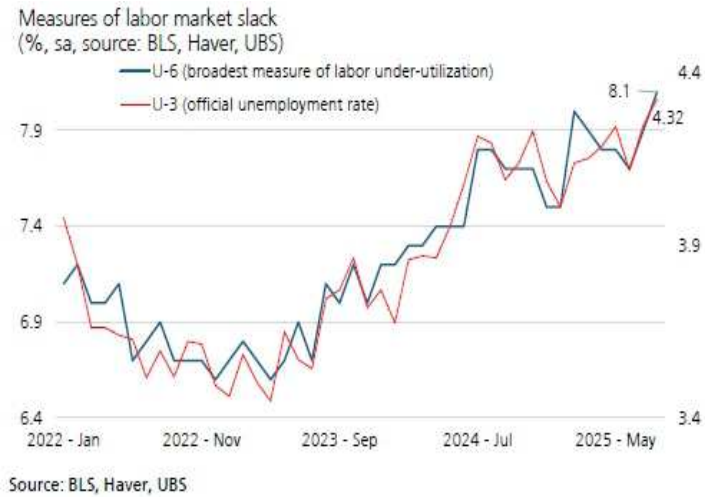


Source: UBS. Note All data above is on Q/Q saar metric, unless otherwise mentioned. Annual numbers based on Q4/Q4 change.

Narrowing NFP breadth; rising slack signal downside risk to consumption



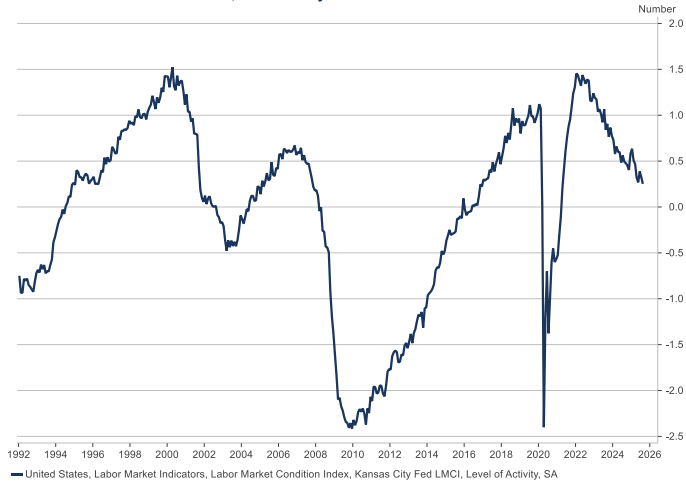
Source: Haver, UBS



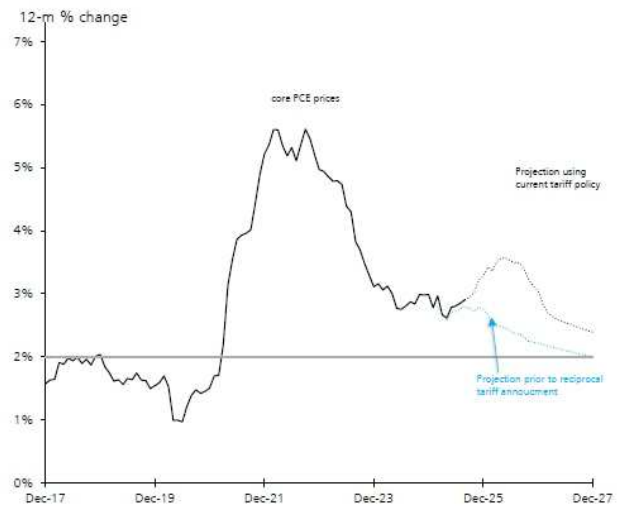
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Higher inflation to cyclically weigh on real income growth

Labor Market Conditions Index, Kansas City Fed



Source: Haver, UBS



Source: BLS, UBS estimates.

Limited room for Fed easing to further boost EM risk appetite



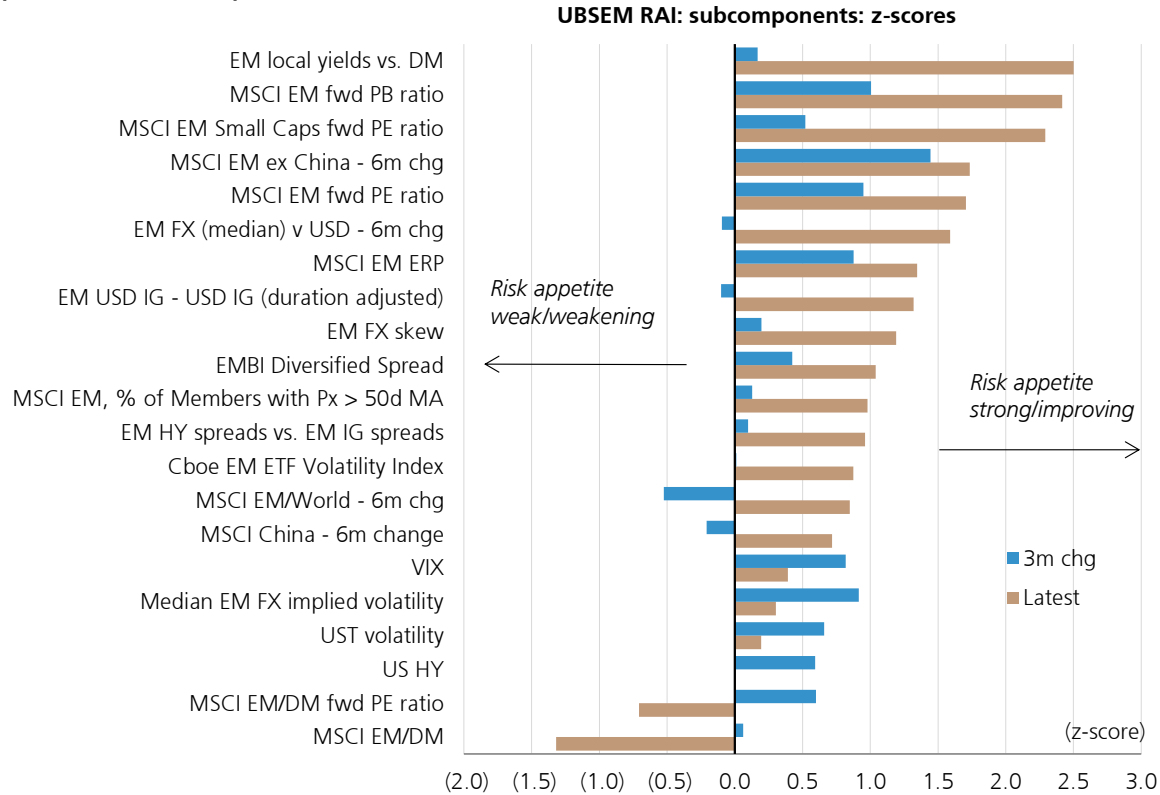
UBS EM Risk appetite index vs global manufacturing PMI

UBS EM Risk appetite index



Subcomponents of the UBS EM RAI

UBS EM Risk appetite index - subcomponents

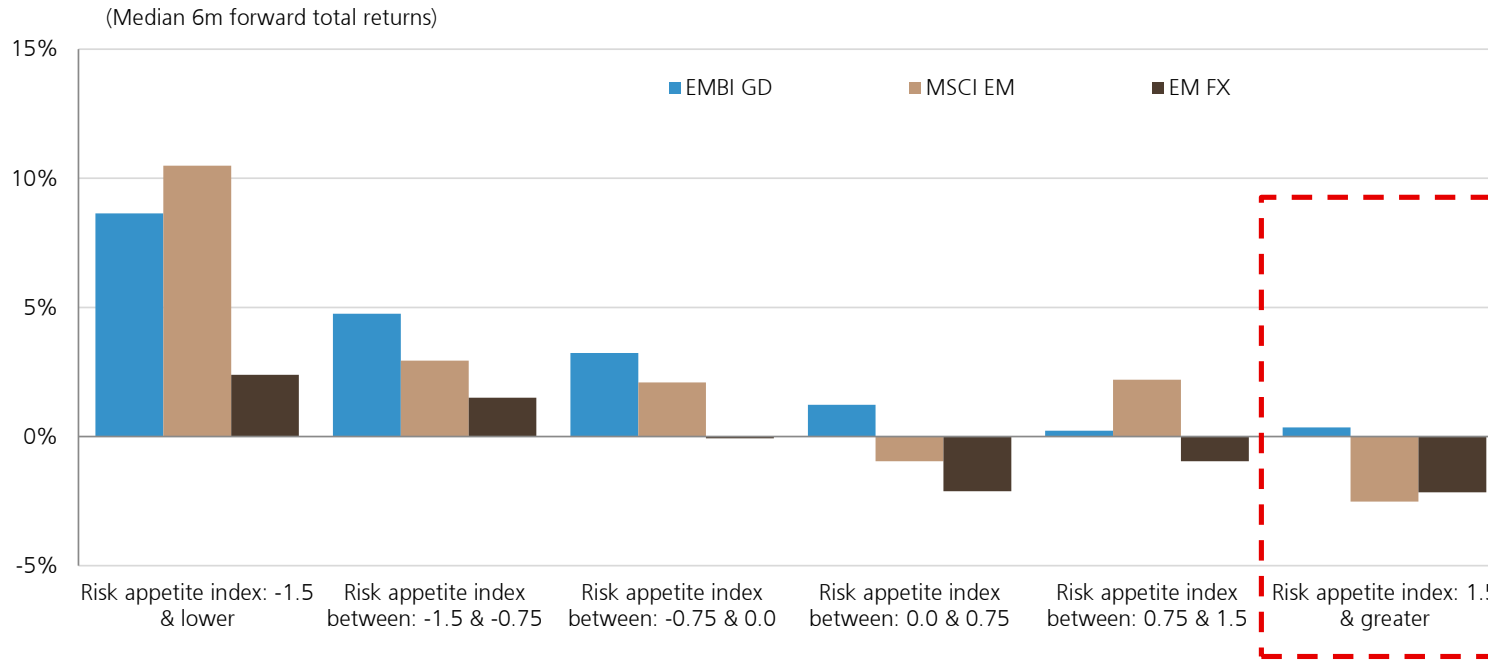


Source: Macrobond, Bloomberg, UBS



Historical EM asset returns in different RAI regimes

Historical 6m ahead returns in different EM RAI buckets



Source: Haver, MSCI, Datastream, Macrobond, UBS. EM FX is calculated as average of 18 EM currencies.



Consensus expects much stronger earnings growth than in Trade War 1.0

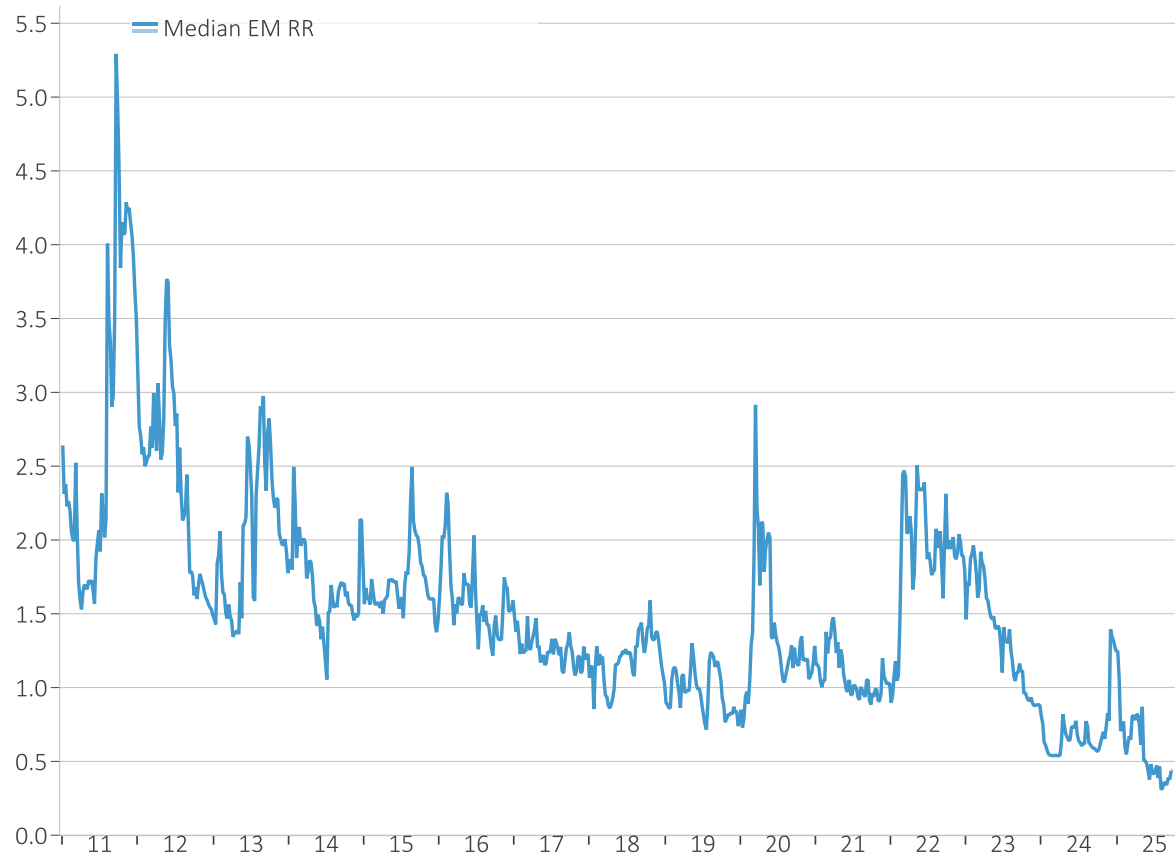
Consensus expects much stronger EM earnings growth than in Trade War 1.0. But UBS expects much higher US tariffs on China ahead

	2018-2019 realized avg. earnings growth	Consensus 2025E-2026E avg. earnings growth exp.
MSCI World	6.0	10.4
Automobiles	-21.0	7.5
Auto components	-11.2	14.4
Electrical Equipment	5.6	22.8
Transportation infrastructure	14.0	10.5
Metals & mining	-9.8	8.3
MSCI EM	3.3	12.2
Automobiles	-14.7	13.8
Auto components	7.2	7.6
Electrical Equipment	61.3	38.0
Transportation infrastructure	7.5	10.9
Metals & mining	2.0	31.1
MSCI China	20.7	8.4
Automobiles	5.0	79.5
Auto components	3.5	18.8
Electrical Equipment	-1.1	23.9
Transportation infrastructure	13.5	0.4
Metals & mining	-0.4	21.6

Source: IBES, MSCI, Datastream, UBS

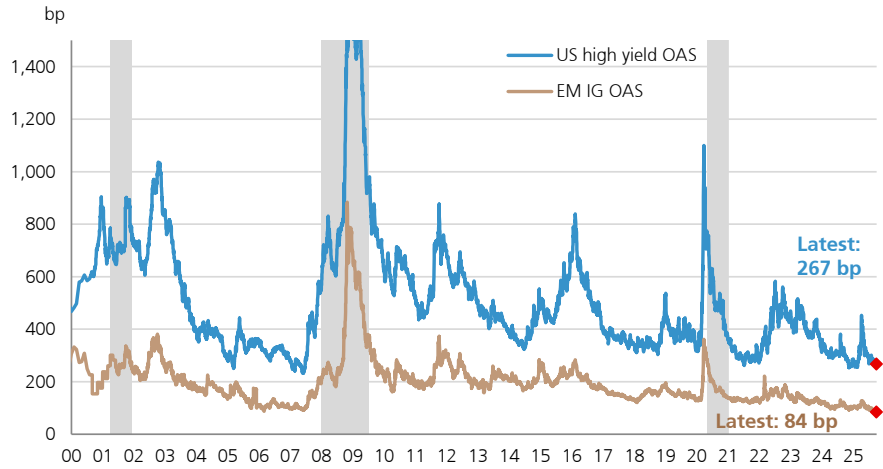


\$/EM skew at lowest levels since 2007, EM's growth heyday



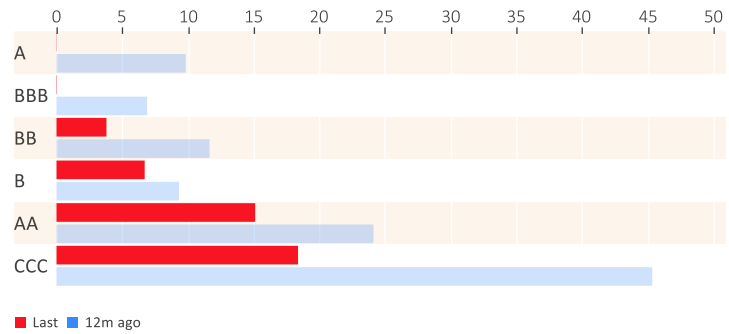
Source: Bloomberg, UBS. Median of 12 most liquid EM currencies





Source: Bloomberg, UBS. Shaded regions represent NBER-defined US recession periods.

EM credit spreads by ratings bucket, post-2011 percentiles

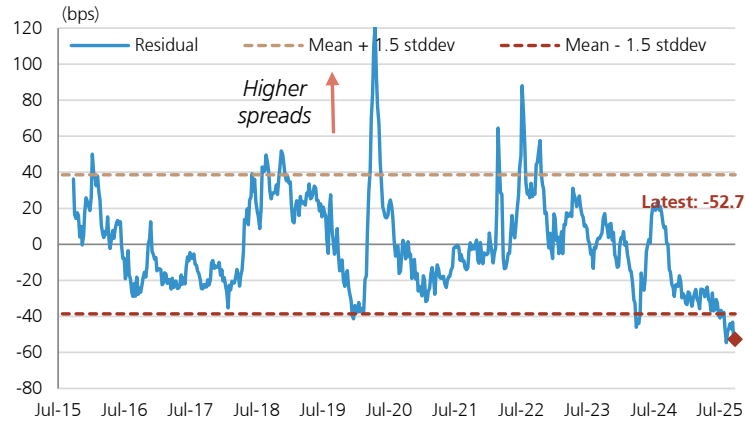


Source: Bloomberg, Macrobond, UBS



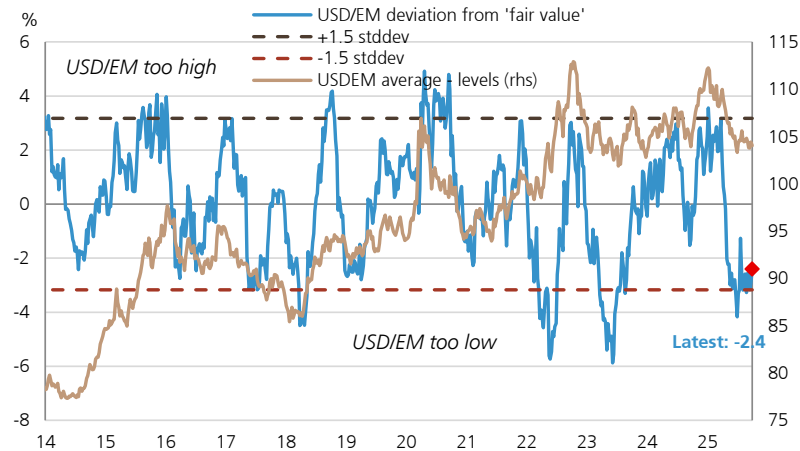
EM fair value models

EMBI fair value model



Source: Bloomberg, Haver, UBS. Residual is an average of 3 valuation model residuals, based on EMBI against variables such as US IG HY, oil prices, equity and FX volatility

USD vs. EM FX (GBI weighted) fair value model - currencies close to historical 'speed limits'



Source: Bloomberg, UBS estimates. Model based on regression of 15 major EM currencies against a combination of US yields, EM vs. DM earnings expectations, commodities and credit spreads. average residuals from 2 models.



Today's macro/market context vs. last 3 major EM bull markets

Period of high MSCI EM returns		4/28/2005	5/25/2010	1/20/2016	Latest
		10/30/2007	4/6/2011	1/26/2018	
EM core inflation (GBI weighted)	Start of period	2.9%	3.9%	3.3%	3.1%
	End of period	2.8%	3.8%	3.0%	
	Average	2.9%	3.7%	3.2%	
EM 10y real rates* (GBI weighted, ex Turkey)	Start of period	4.2%	3.8%	3.2%	3.5%
	End of period	3.3%	2.3%	3.0%	
	Average	3.6%	3.2%	2.7%	
EM-DM 10y real rates*	Start of period	6.2%	2.0%	2.9%	2.6%
	End of period	5.3%	1.1%	2.7%	
	Average	5.7%	1.6%	2.7%	
EMBI GD spread (bps)	Start of period	412.0	363.0	485.5	283.5
	End of period	219.9	259.8	263.8	
	Average	226.2	293.0	338.2	
US ERP	Start of period	2.3	4.9	4.6	0.2
	End of period	2.4	4.1	2.7	
	Average	2.2	4.9	3.7	
EM ERP	Start of period	4.5	4.1	4.7	3.2
	End of period	0.4	3.3	2.8	
	Average	3.0	3.4	3.7	
MSCI EM 12m fwd P/E premium/discount relative to MSCI World	Start of period	-33%	-14%	-28%	-32%
	End of period	2%	-10%	-23%	
	Average	-20%	-9%	-26%	
US ISM (3mma)	Start of period	54.3	58.1	48.5	48.6
	End of period	52.9	58.5	58.9	
	Average	53.4	57.3	54.1	
Global manufacturing PMI (3mma)	Start of period	52.8	56.1	50.7	50.4
	End of period	52.5	54.5	54.1	
	Average	53.5	54.2	51.9	
German IP (% y/y, 3mma)	Start of period	1.9%	11.9%	0.8%	-0.1%
	End of period	5.8%	11.1%	5.8%	
	Average	5.0%	11.4%	2.2%	
EM median trade balance (% of GDP, 3m saar)	Start of period	0.0%	2.8%	0.4%	2.5%
	End of period	2.0%	2.0%	1.4%	
	Average	1.0%	2.2%	1.5%	
EM ex China IP ex construction (6m saar)	Start of period	3.5%	3.7%	2.0%	4.9%
	End of period	4.5%	3.7%	2.4%	
	Average	3.6%	3.2%	1.9%	
EM ex China export volume index (y/y, 3mma)	Start of period	11.0%	15.1%	-6.9%	2.9%
	End of period	1.1%	10.0%	3.5%	
	Average	3.5%	10.9%	-1.3%	
EM FX carry (ex Turkey, GBI weighted, 4wkma)	Start of period	3.22%	3.34%	4.53%	1.71%
	End of period	3.25%	3.45%	2.28%	
	Average	2.20%	3.29%	3.36%	
EM ex China real GDP growth (GDP weighted)	Start of period	5.6%	8.1%	2.9%	3.5%
	End of period	7.0%	5.9%	4.7%	
	Average	6.1%	7.0%	3.6%	

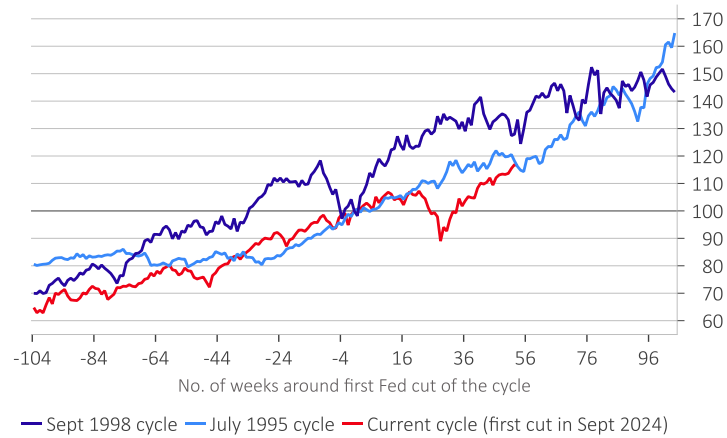


Source: Haver, Bloomberg, MSCI, Datastream, UBS. *denotes 10y nominal yields deflated by sequential core inflation

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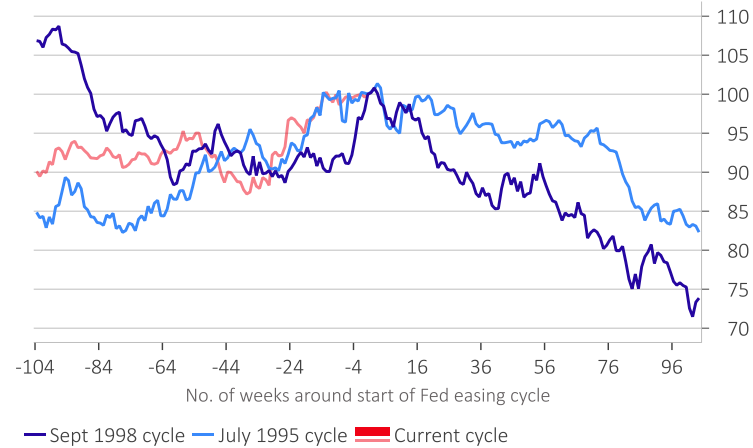
A potential US equity bubble would likely be challenging for EM currencies

S&P 500 performance around 1995 & 1998 Fed easing cycles



Source: Macrobond, Bloomberg

EUR/USD performance around 1995 & 1998 Fed easing cycles



Source: Bloomberg, Macrobond, UBS

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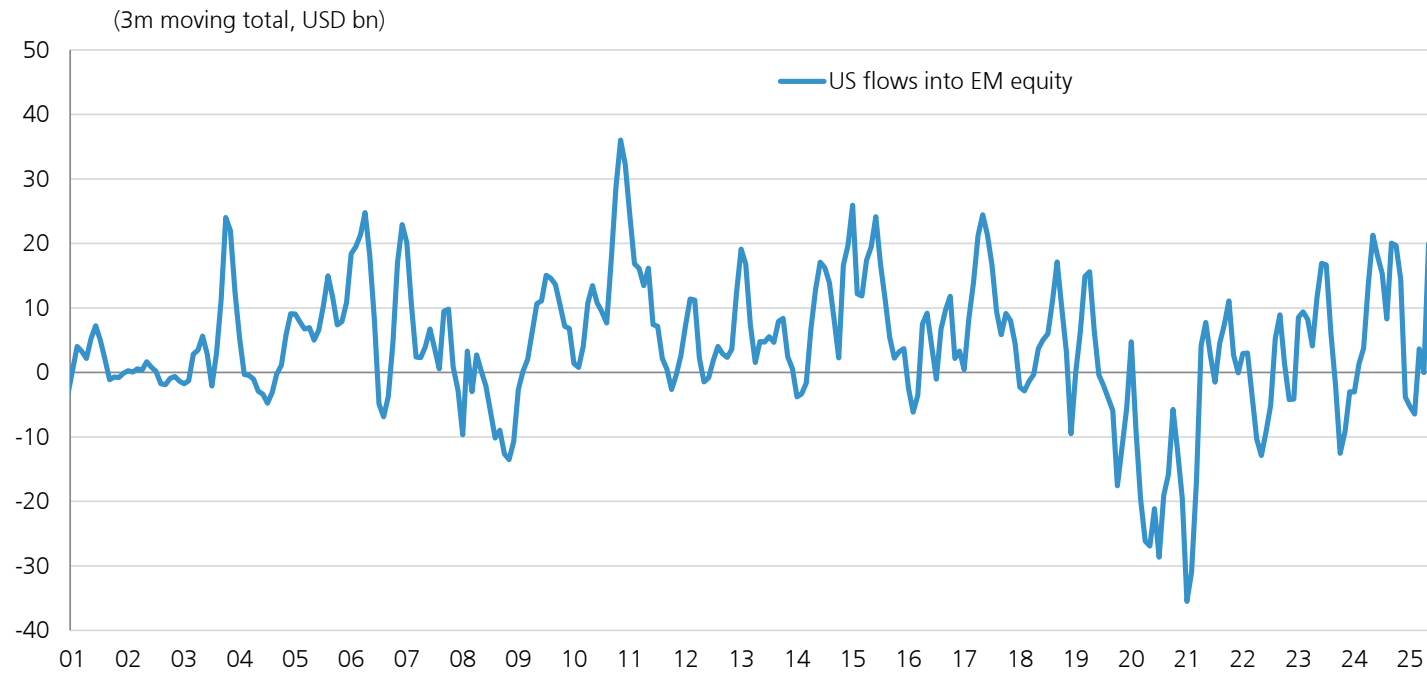
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How quickly are global flows rotating into EM?



How quickly are global flows rotating to EM?

US flows into EM equities

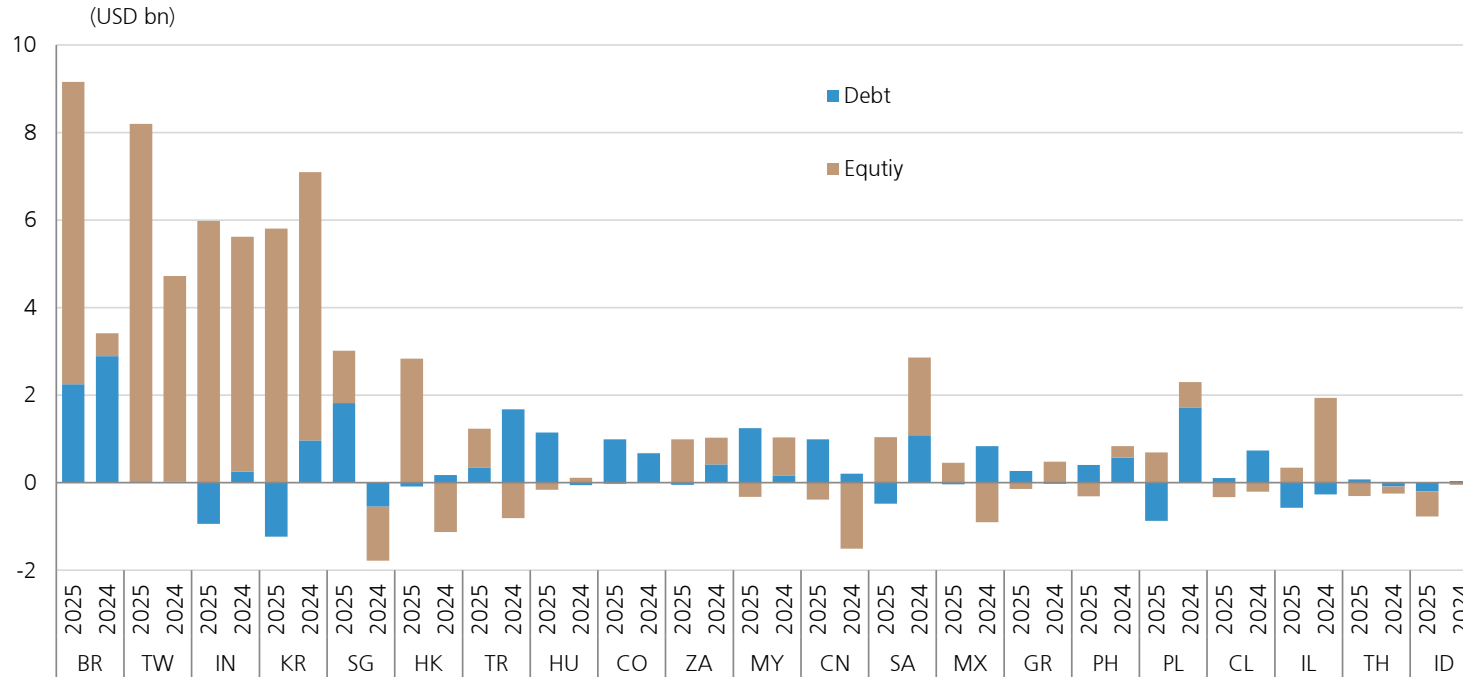


Source: Haver, UBS. Data to July 2025. EM defined as sum of 21 major EM economies.



How quickly are global flows rotating to EM?

US flows into EM debt and equity: April-July 2025 vs. same period of 2024

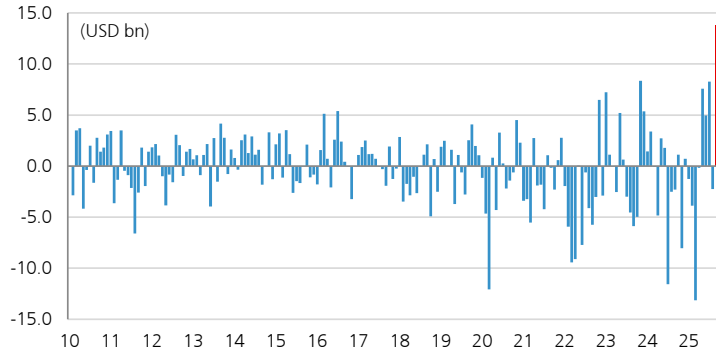


Source: Haver, UBS



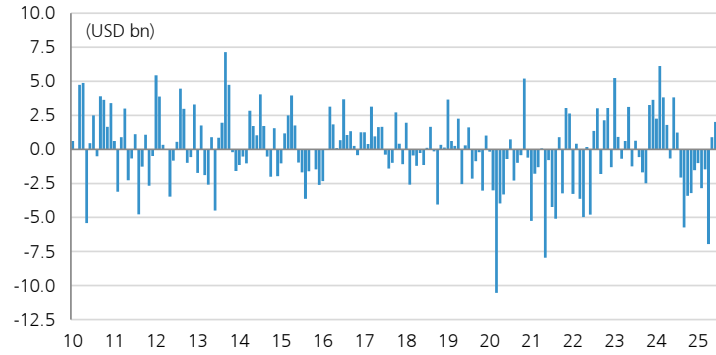
How quickly are global flows rotating to EM?

Monthly foreign flows into Taiwan equity



Source: Macrobond, UBS

Monthly foreign flows into Korea equity

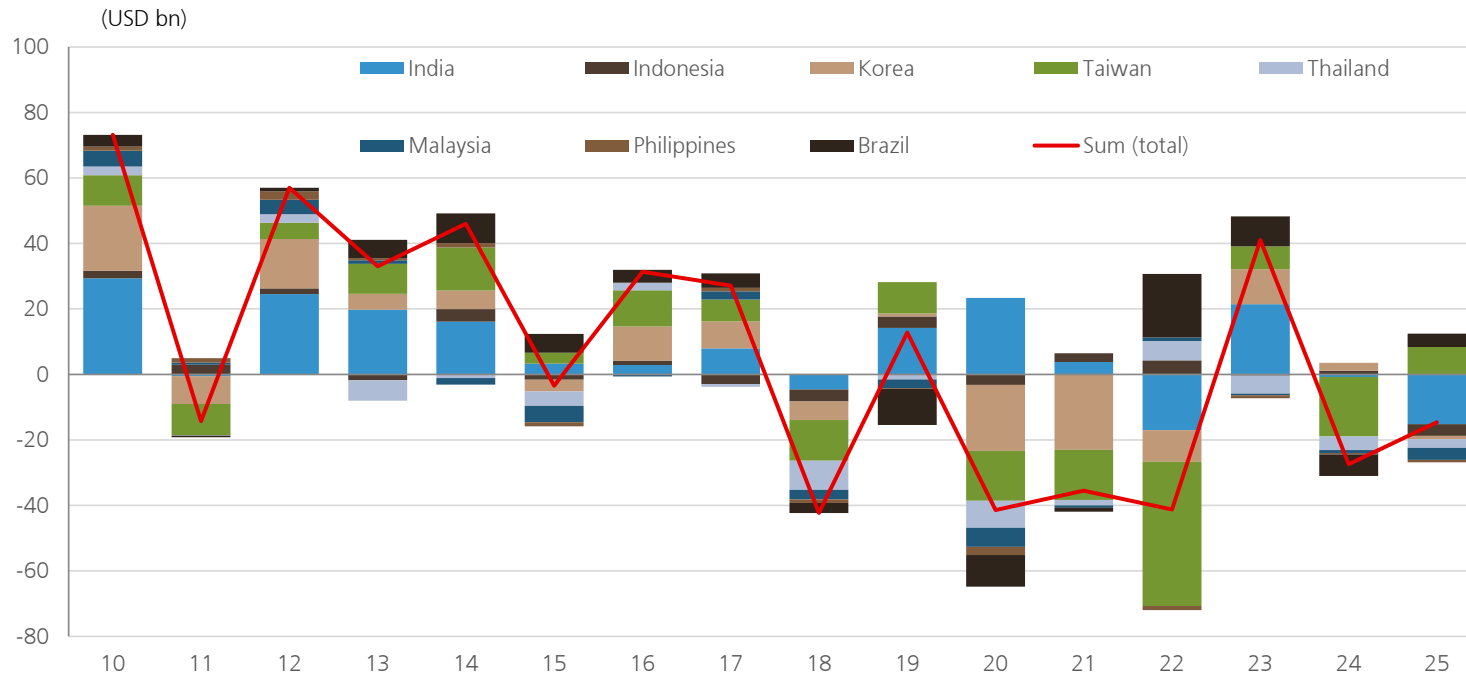


Source: Macrobond, UBS



How quickly are global flows rotating to EM?

Flows into EM ex China/HK equities: still net outflows YTD

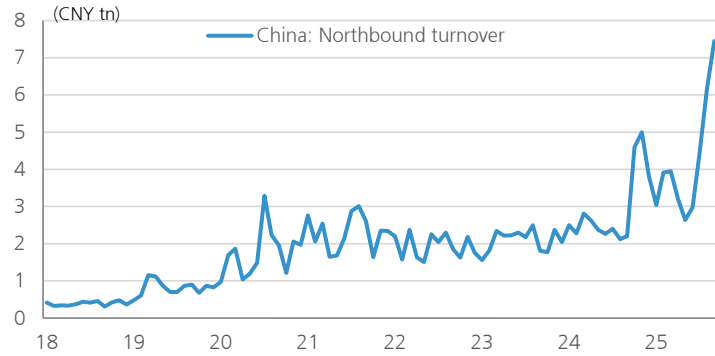


Source: Macrobond, UBS



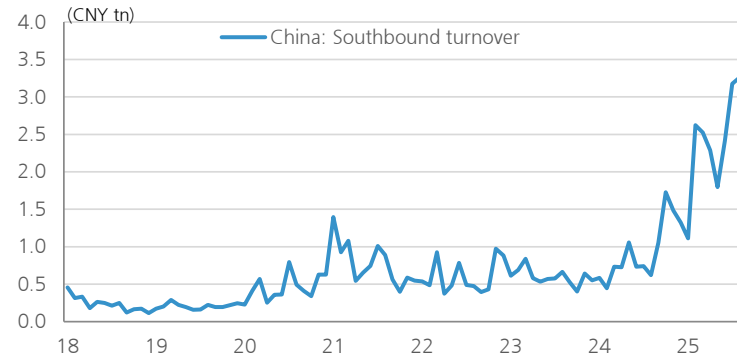
How quickly are global flows rotating to EM?

China: Northbound turnover



Source: Macrobond, UBS. Charts shows Shanghai+Shenzhen HK Stock Connect northbound buy+sell turnover

China: Southbound turnover

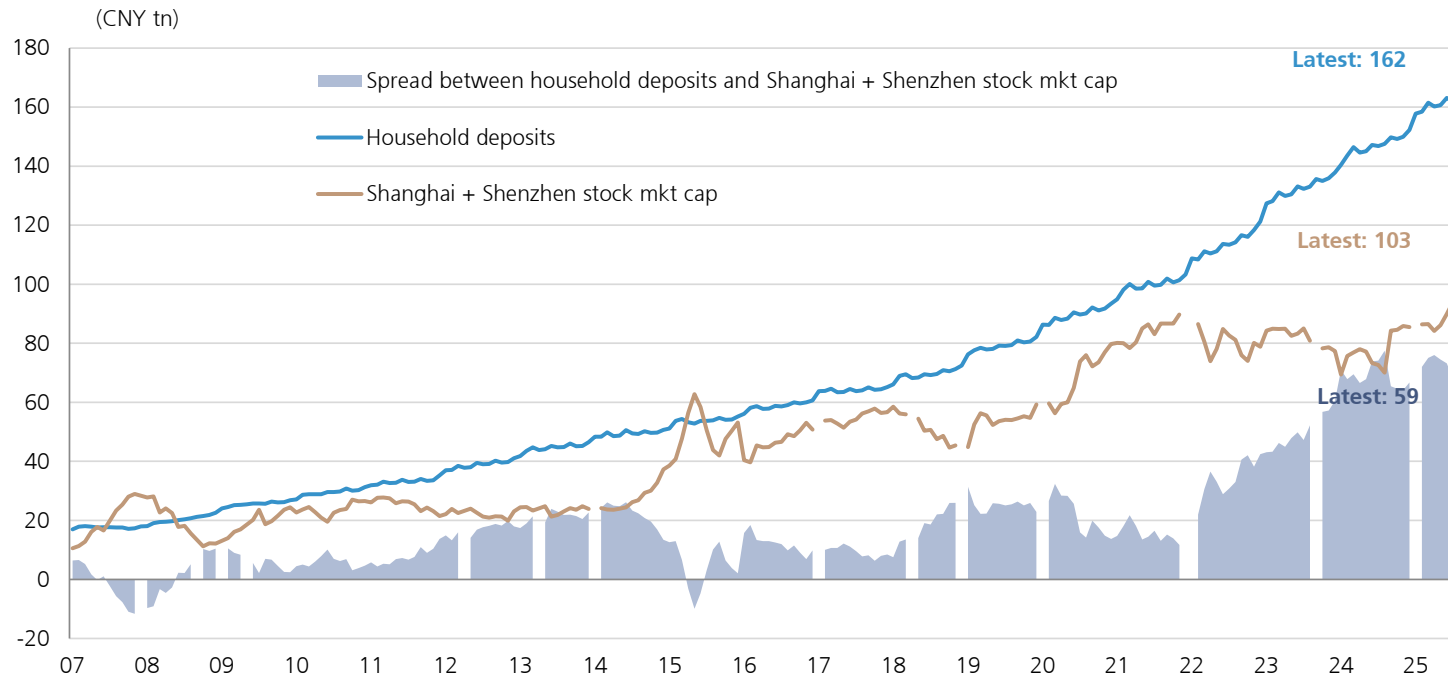


Source: Macrobond, UBS. Charts shows Shanghai+Shenzhen HK Stock Connect southbound buy+sell turnover



How quickly are global flows rotating to EM?

China household deposits vs. A-share market cap



Source: Haver, UBS



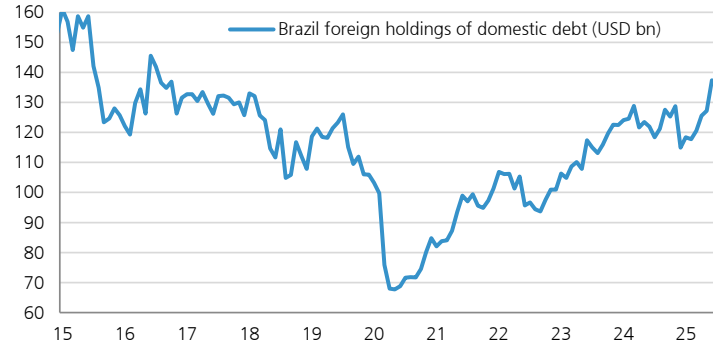
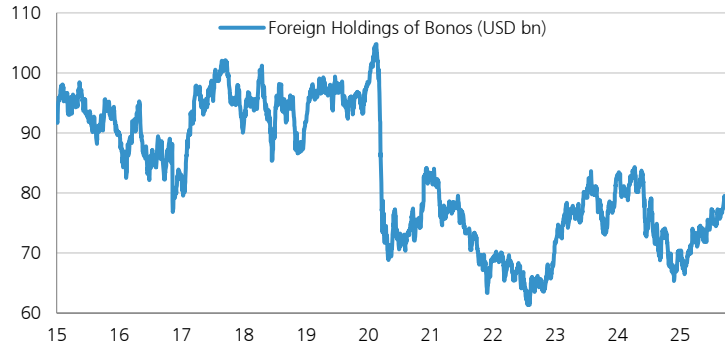
How quickly are global flows rotating to EM?

Korea - retail flows into foreign bonds and equities



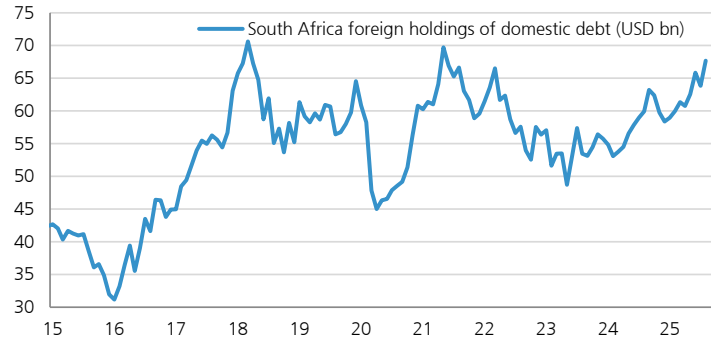
How quickly are global flows rotating to EM?

Mexico foreign holding of Bonos (stocks)



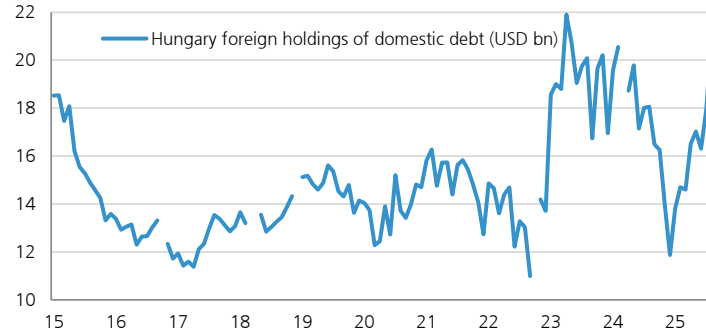
How quickly are global flows rotating to EM?

South Africa foreign holdings of domestic debt



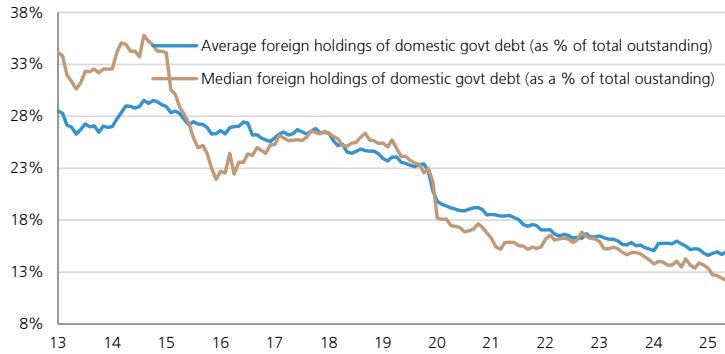
Source: Haver, UBS

Hungary foreign holdings of domestic debt



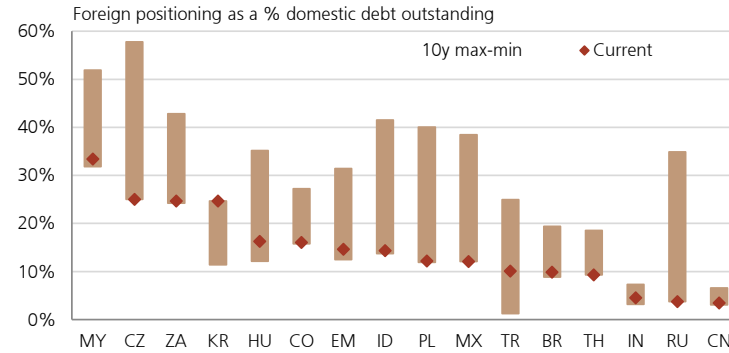
Foreign positioning in EM local debt hasn't yet recovered

Foreign holdings of EM local debt failed to recover the ground lost in 2020



Source: Haver, UBS

Foreign ownership in 12 out of 15 major EM markets is in the bottom quartile of 5y range

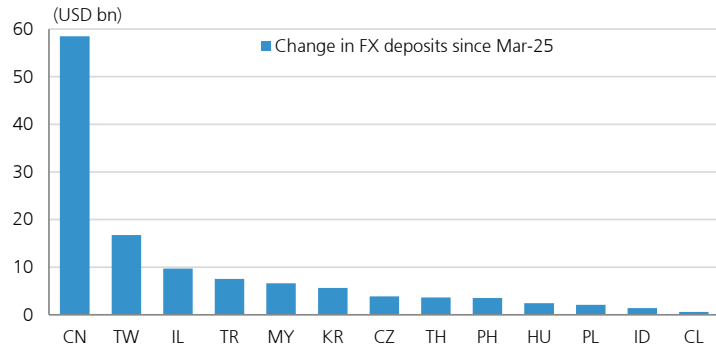


Source: Haver, UBS



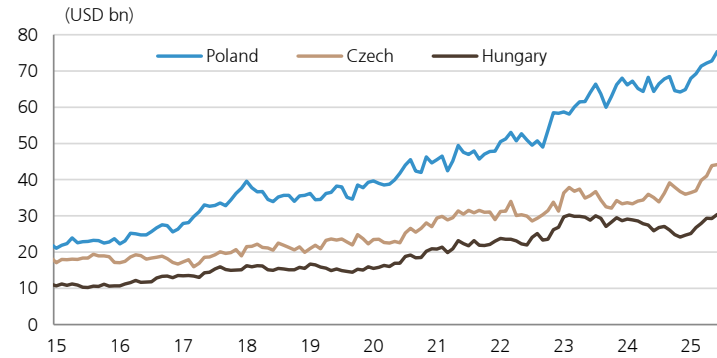
How quickly are global flows rotating to EM?

Change in FX deposits since Mar-25



Source: Haver, UBS

FX deposits (CE3)

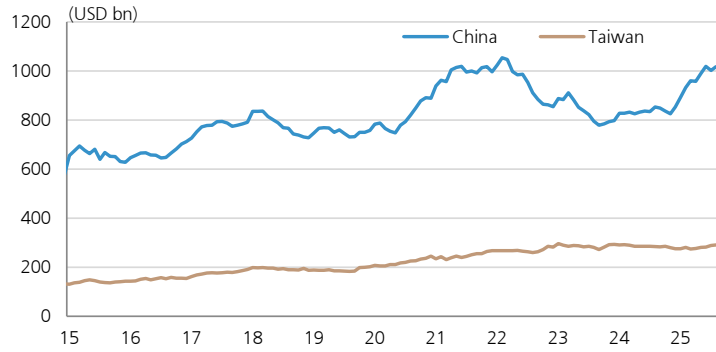


Source: Haver, UBS



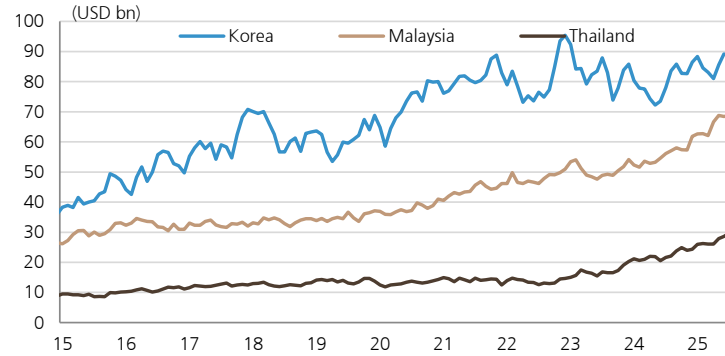
How quickly are global flows rotating to EM?

FX deposits (China and Taiwan)



Source: Haver, UBS

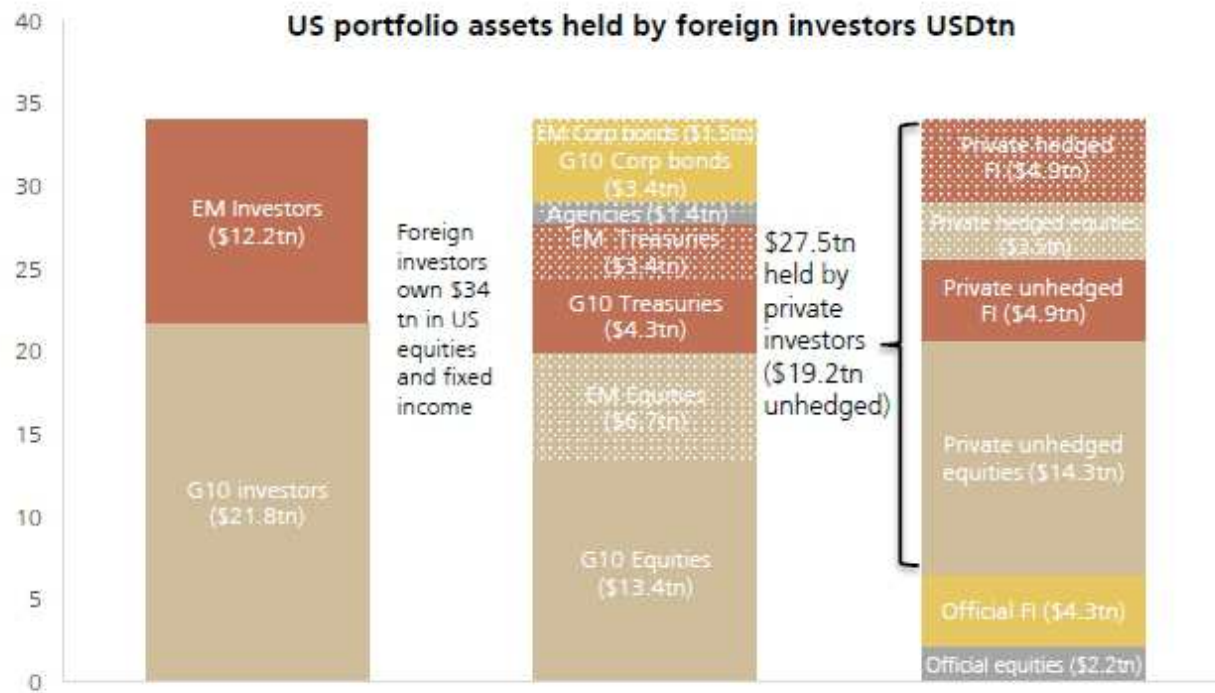
FX deposits (Korea, Malaysia and Thailand)



Source: Haver, UBS



USD: exceptionalism doubts can produce sizeable USD sales

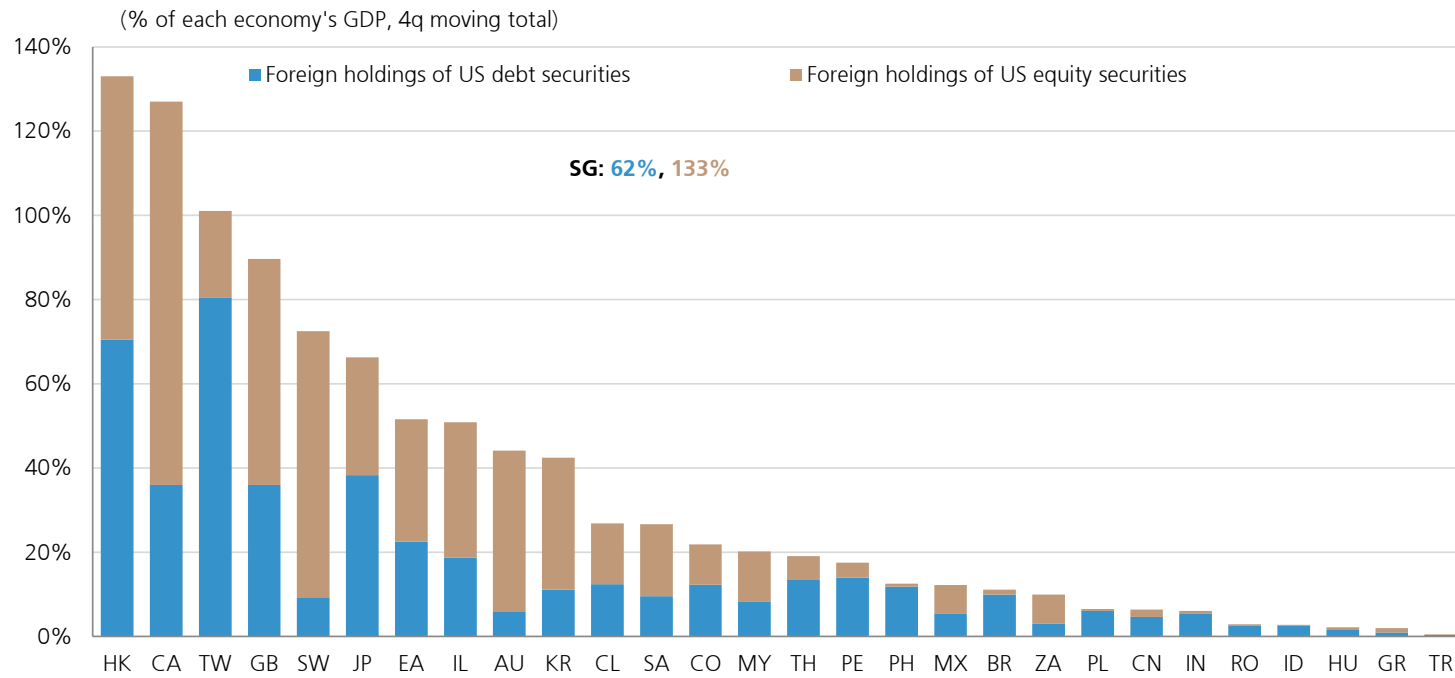


Source: TIC, Haver, Bloomberg, UBS G10 FX Strategy team. We assume a 20% FX hedge ratio for equities and 50% for fixed income.



...with some major exceptions in Asia (watch composition, too)

EM vs DM holdings of US debt and equity securities



Source: Haver, UBS



Estimated impact of a 5pp increase in FX hedge ratios

(1= Most impacted; 10= Least impacted)

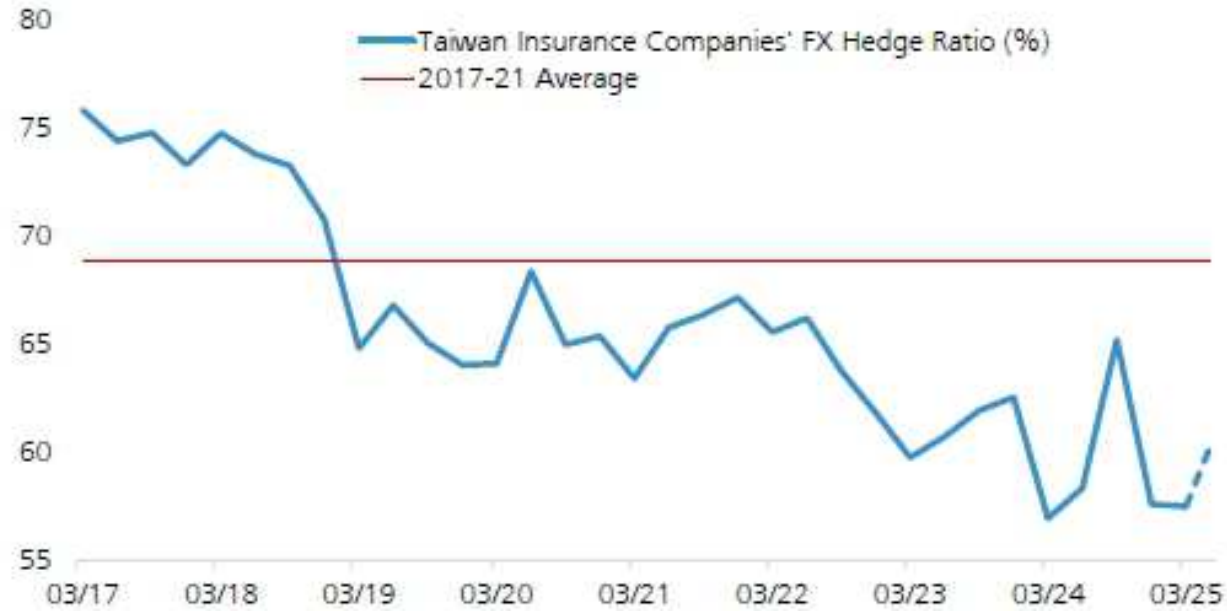
	Total US portfolio asset holdings \$tn	Equities \$tn	Treasuries and Agency bonds \$tn	Corporate bonds \$tn	USD sales on a 5pp increase in FX hedge ratio (bn)	USD sales as % of quarterly spot turnover	USD sales as % of 2024 average quarterly gross portfolio flows	Ranking from most impact (1) to least impact (10)
CAD	2.55	1.83	0.48	0.23	127.3	1.75%	228%	1
TWD	0.82	0.15	0.48	0.19	40.9	2.81%	175%	1
KRW	0.72	0.51	0.15	0.05	35.9	1.59%	138%	3
CHF	1.23	0.85	0.26	0.12	61.6	1.19%	275%	3
GBP	3.09	1.81	0.79	0.49	154.6	1.23%	146%	5
EUR	8.09	4.37	1.74	1.98	404.5	1.34%	94%	6
SEK	0.40	0.34	0.05	0.01	20.2	1.27%	89%	7
JPY	2.62	1.04	1.27	0.31	131.1	0.73%	136%	8
CNY	1.22	0.33	0.87	0.02	60.9	0.70%	65%	9
AUD	0.74	0.63	0.07	0.04	36.8	0.54%	62%	10

Source: Bloomberg, UBS estimates. Note: overall rank is the average of ranks calculated on a) USD sales as % of quarterly spot turnover and b) USD sales as % of 2024 average quarterly gross portfolio flows.



Taiwan FX hedge ratios

Insurance Companies' foreign assets are underhedged vis-à-vis pre-pandemic trend by ~8ppt



Source: Haver, UBS estimates. See "_____"



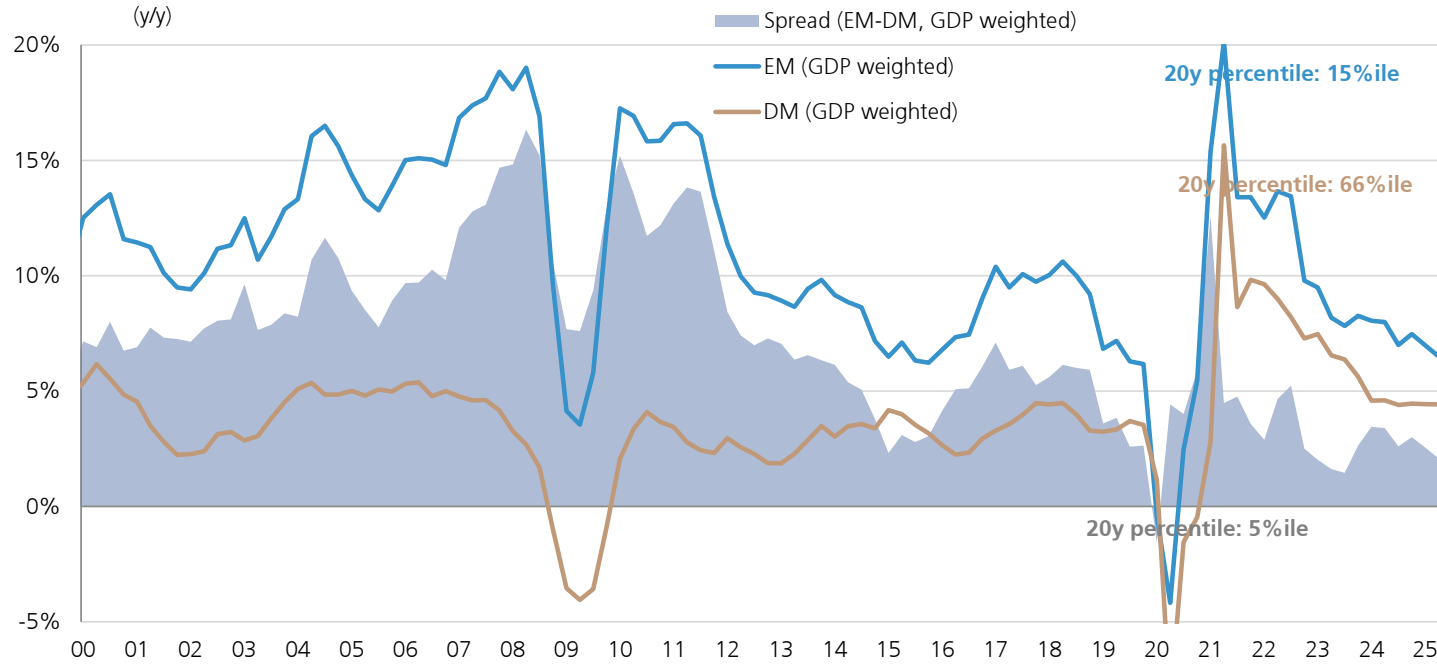
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Where are we in the EM growth cycle?



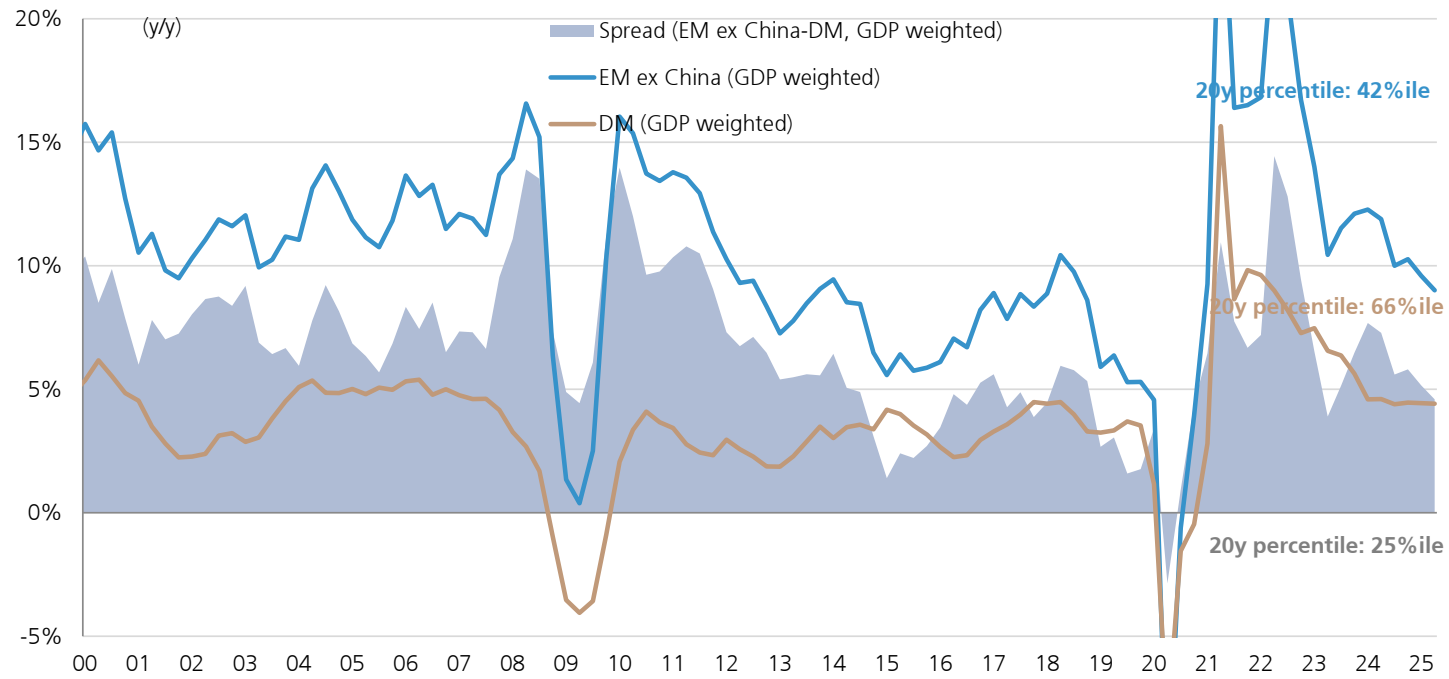
EM-DM growth spread at 5th %ile of its 20y distribution

EM vs DM nominal GDP growth



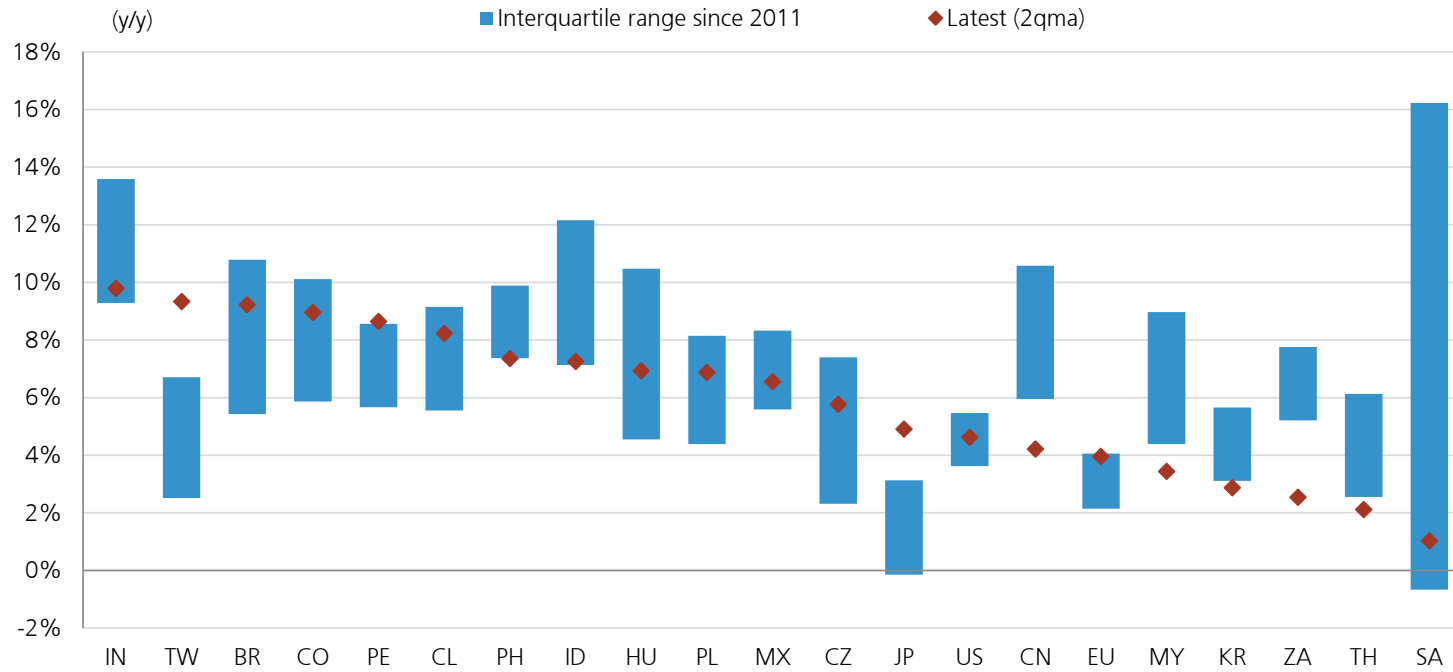
Source: Haver, UBS





Economy-wise breakdown of nominal GDP growth

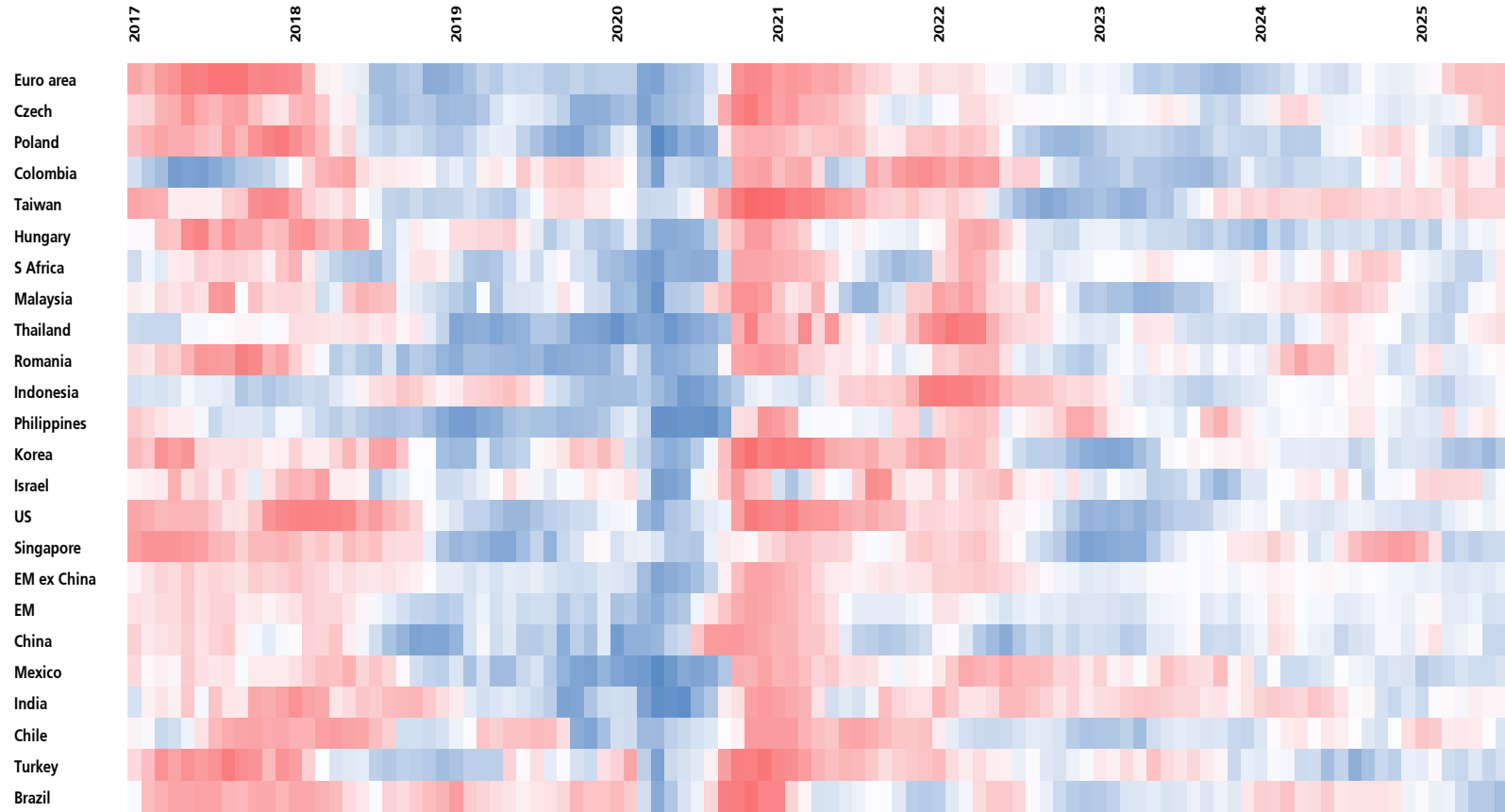
Nominal GDP growth



Source: Haver, UBS

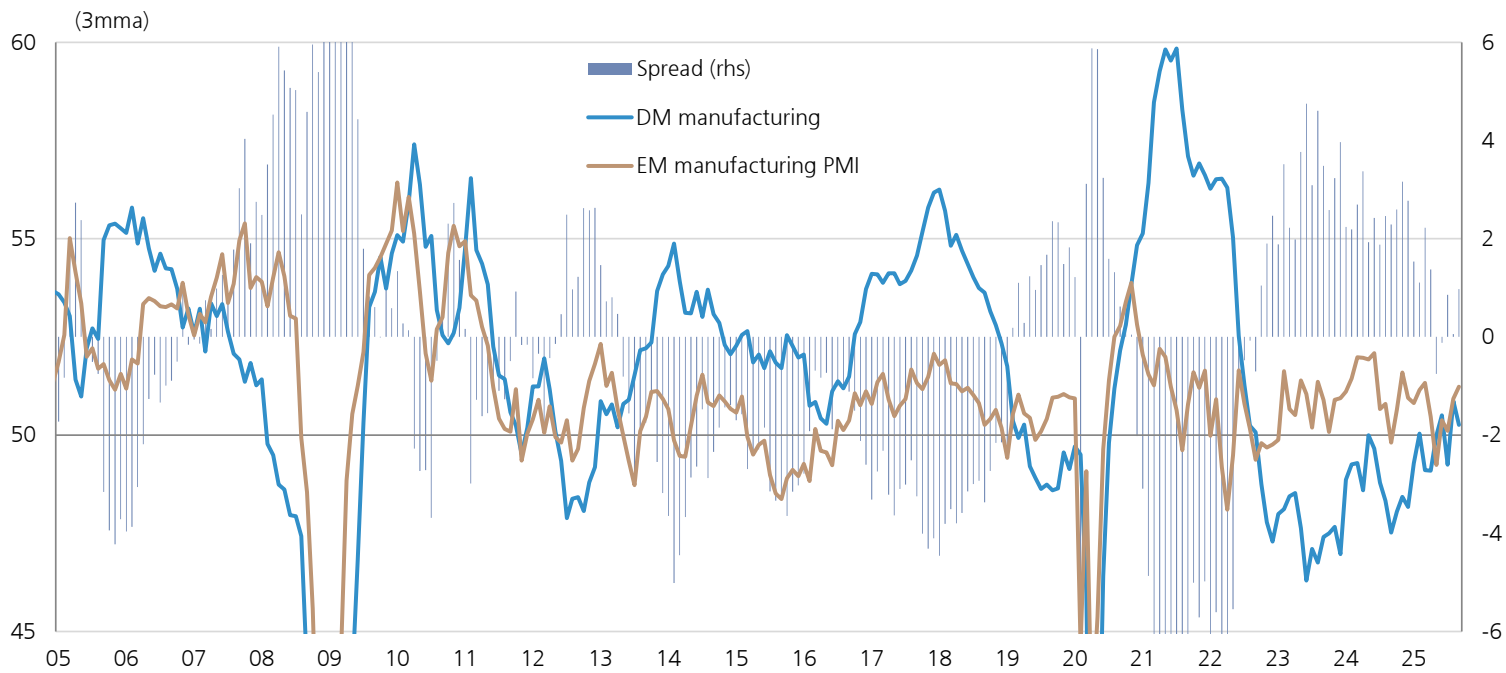


UBS Macro Income Statement Scorecard *(Red denotes accelerating growth momentum)*



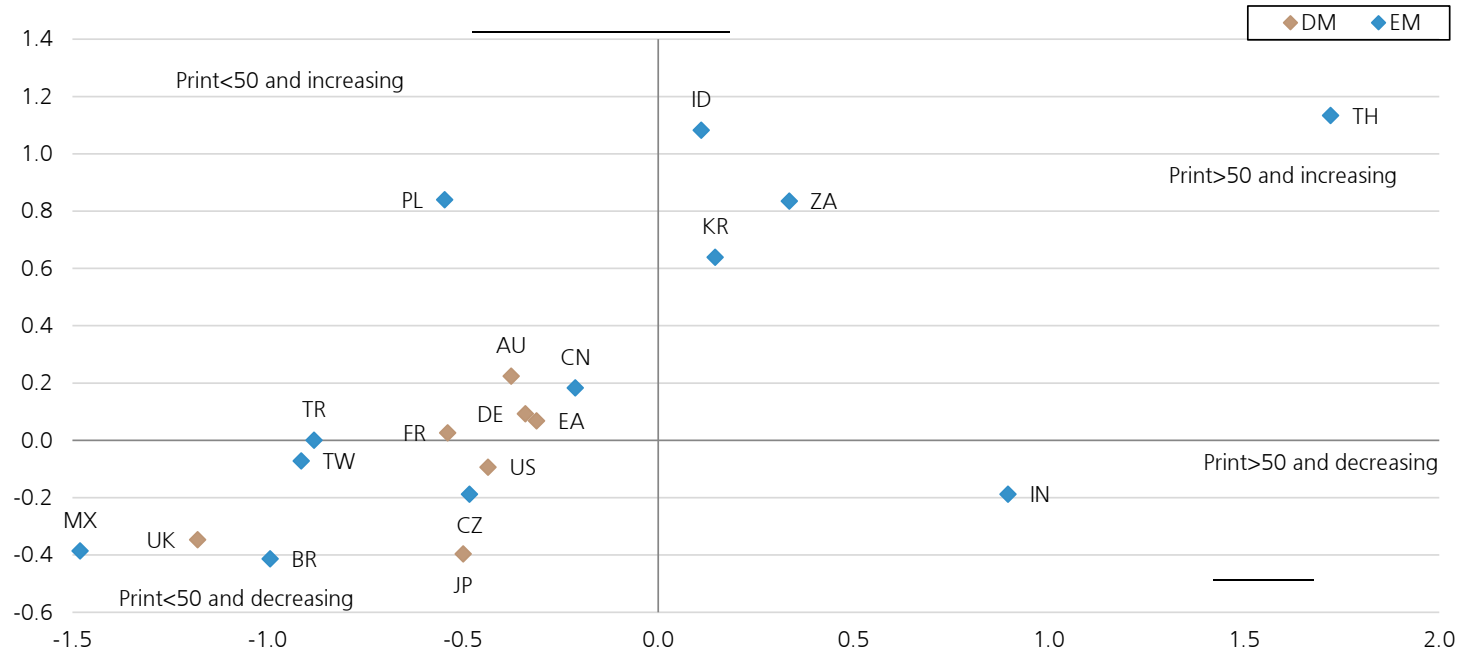
Source: Haver, Macrobond, UBS. Based on weighted average of credit growth (15%), manufacturing IP (25%), export growth (25%), PMI (25%) and retail sales (10%).





EM PMIs have shown resilience (2)

Manufacturing PMI z scores

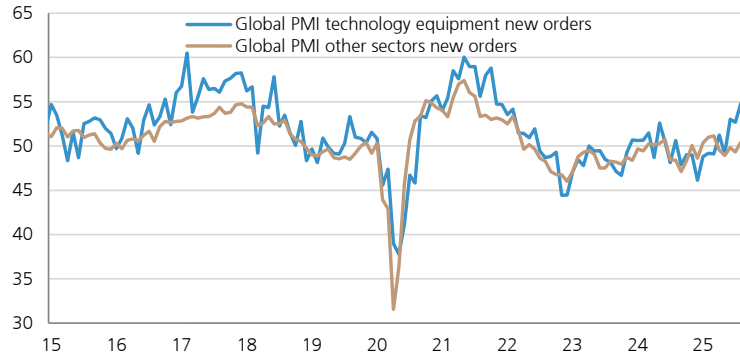


Source: Haver, UBS



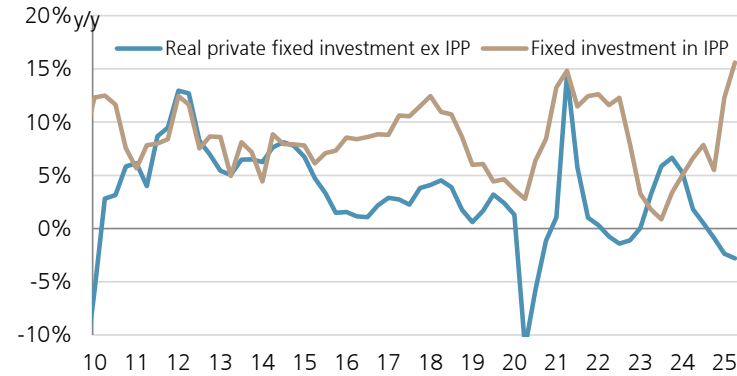
But this signal may be exaggerated by a robust tech cycle

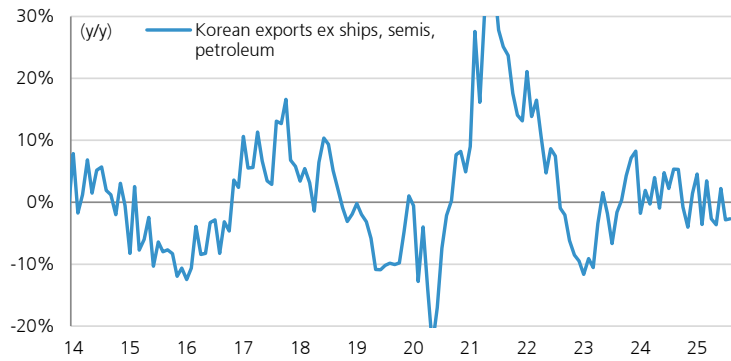
Sectoral manufacturing PMIs



Source: Haver, Markit, UBS

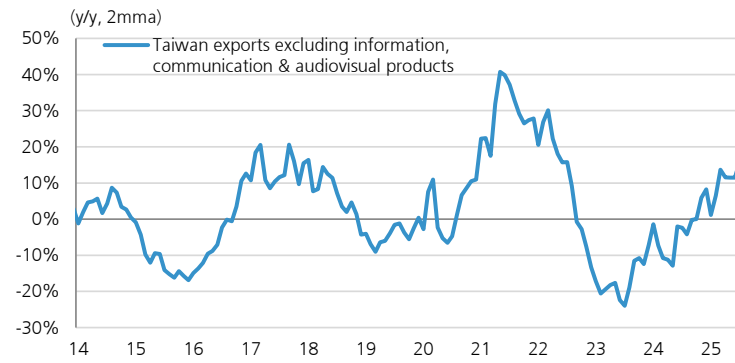
US investment growth





Source: Haver, UBS

Taiwan export orders



A US slowdown would imply clear downside risks for EM export growth

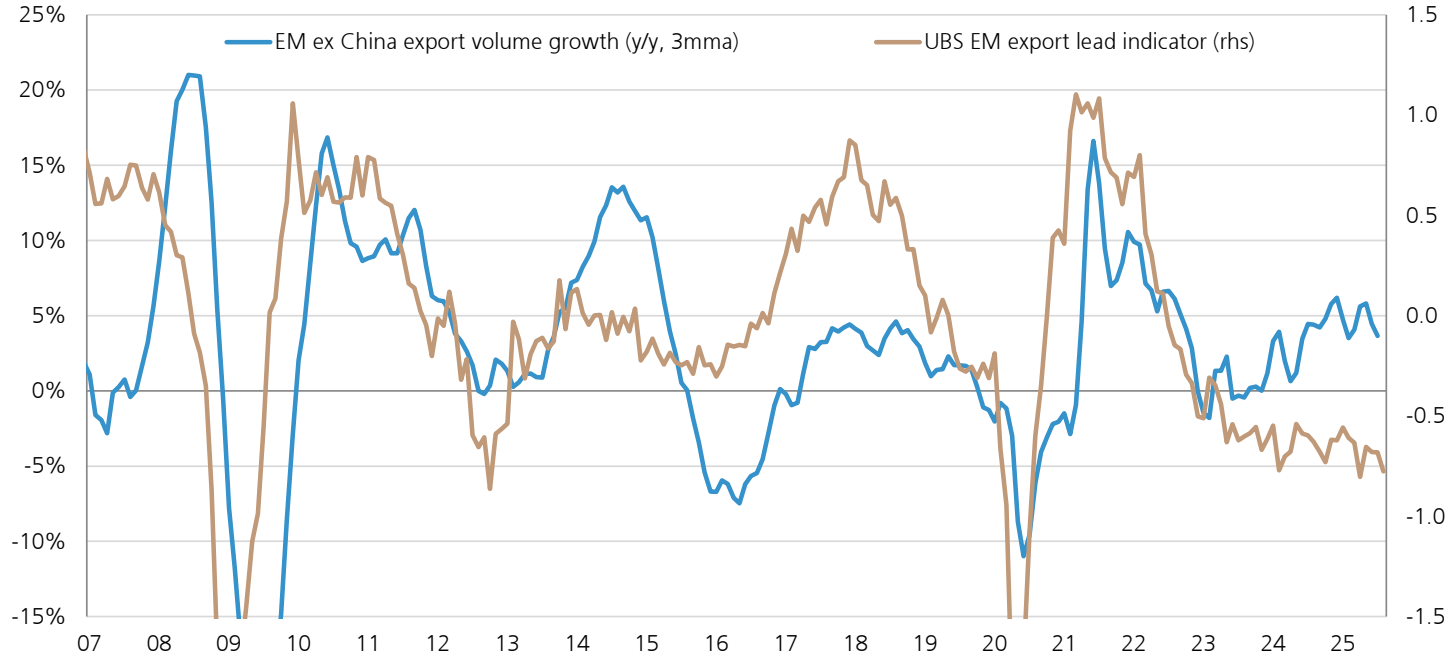
Major Asian markets export of goods to G3 (US, China and EU)Ma

<i>y/y, 3mma</i>	Total exports	Exports to US	Exports to China	Exports to EU
South Korea*	3.8%	-3.8%	-2.9%	-1.7%
Malaysia	10.4%	6.0%	11.1%	16.7%
Philippines	19.9%	16.2%	-7.6%	20.9%
Thailand	10.8%	28.0%	16.6%	6.7%
Singapore	11.5%	6.3%	-3.5%	35.6%
India	6.5%	19.6%	22.1%	-6.3%
Indonesia	10.3%	29.1%	9.7%	22.1%
Taiwan	36.9%	73.0%	6.5%	-3.9%
Vietnam*	15.8%	25.3%	17.2%	2.9%
Average	14.0%	22.2%	7.7%	10.3%

Source: Haver, UBS. *for Korea and Vietnam we are showing exports to Germany instead of EU.

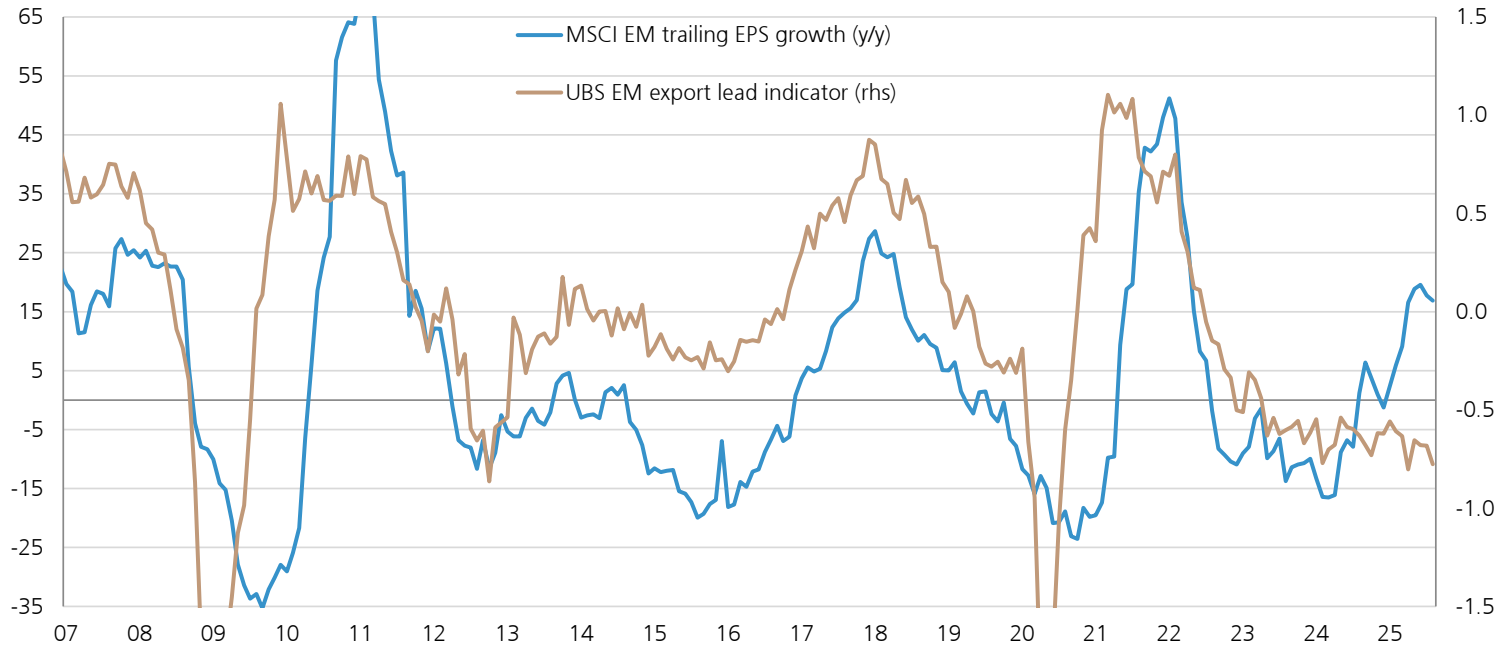


EM export lead indicator vs EM (ex China) export volume growth



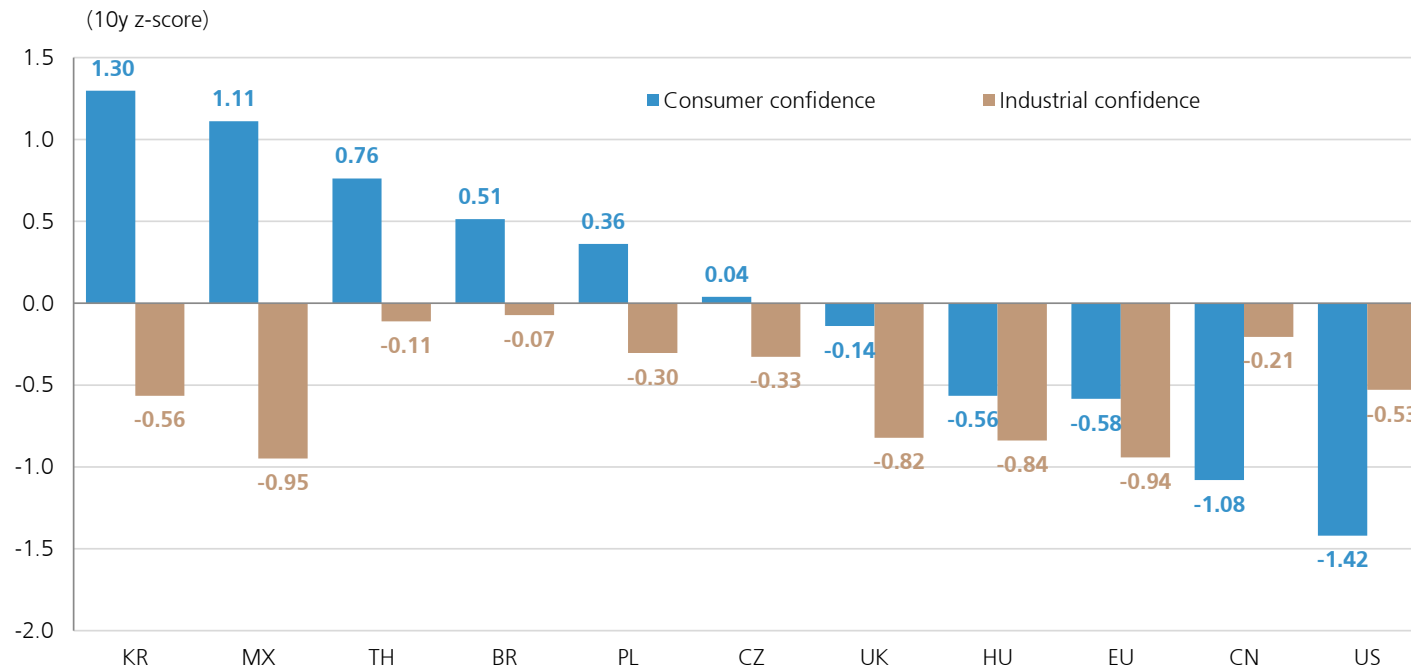
Consensus earnings expectations for the next 12m of ~13% appear high

EM export lead indicator vs MSCI EM trailing EPS growth



Industrial confidence lagging consumer confidence

Industrial confidence vs consumer confidence

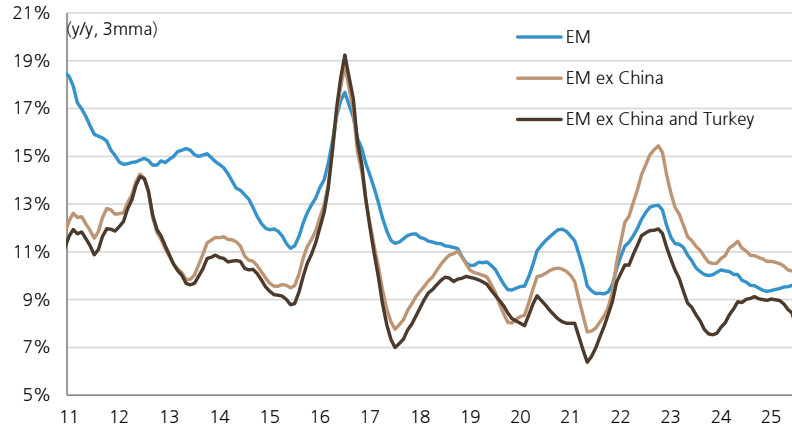


Source: Haver, UBS

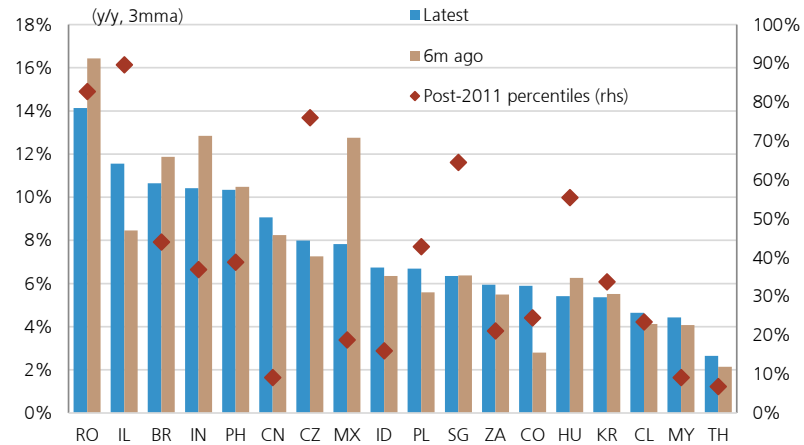


Credit growth subdued across the largest EM economies

EM credit growth not responding much yet to monetary easing thus far



EM credit growth - by market

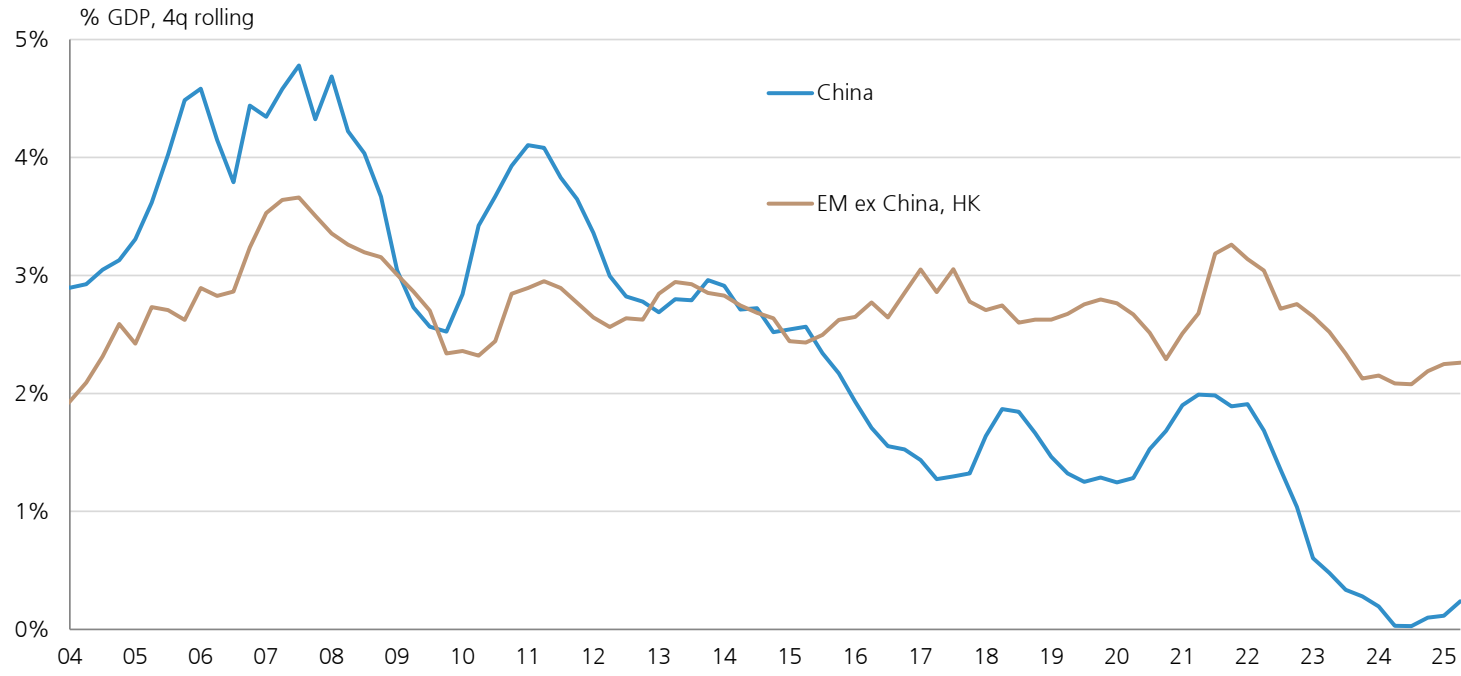


Source: Haver, IMF, UBS



FDI not in great shape for most of EM

Gross FDI inflows into China and EM ex China/HK

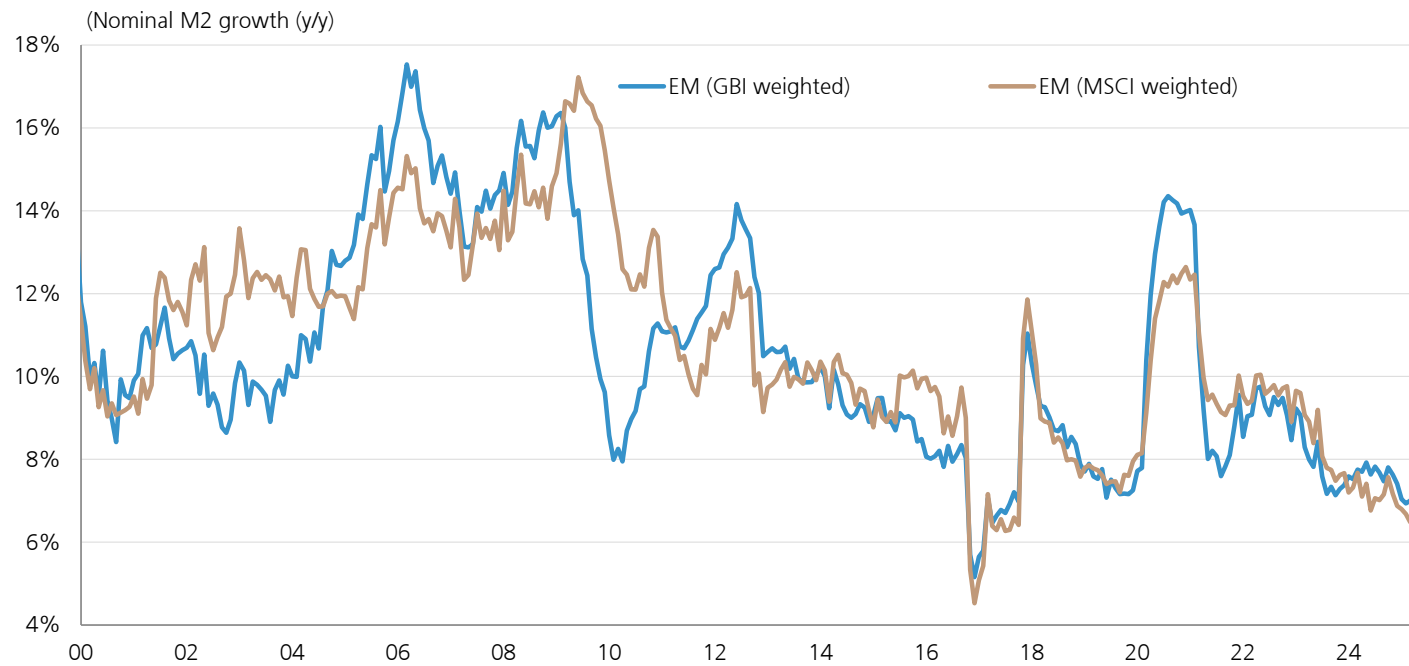


Source: Haver, UBS



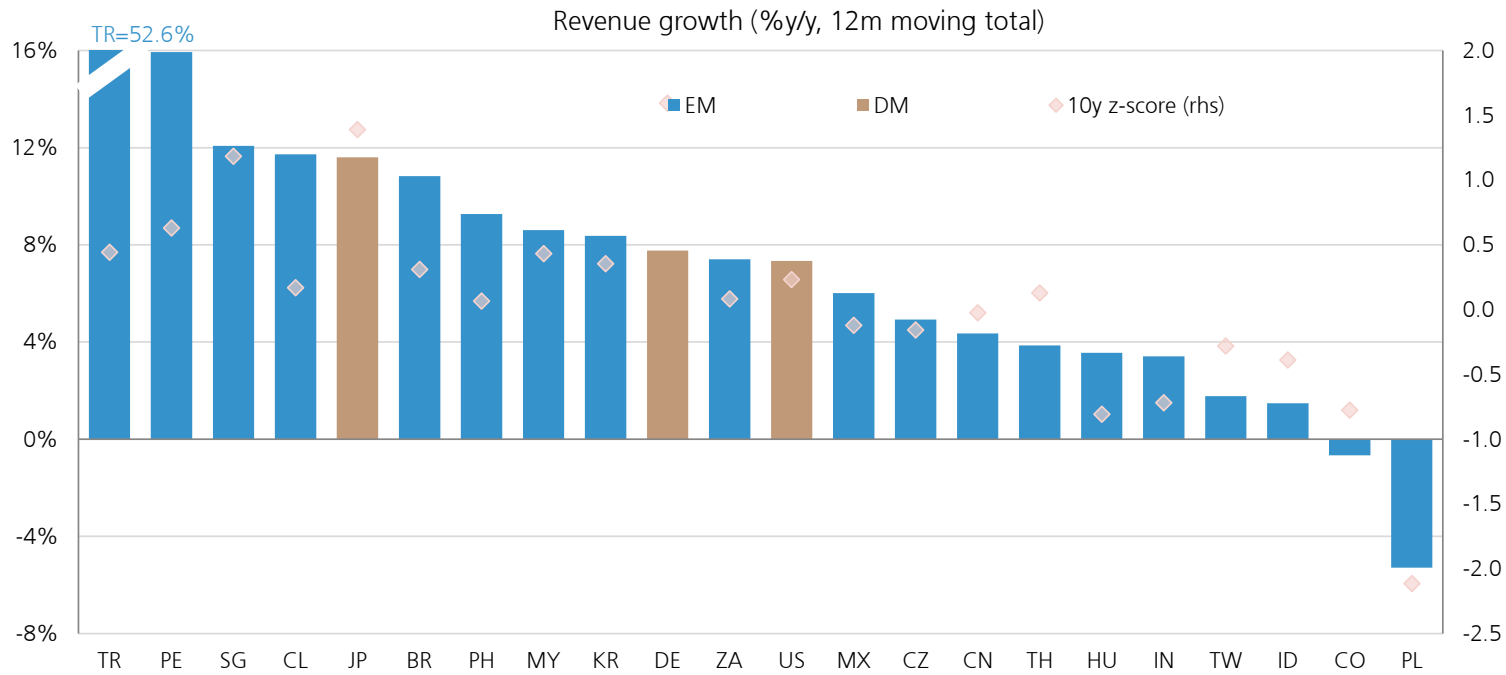
Barring India demonetization, record-low money supply growth in EM

M2 growth in EM



Source: Haver, UBS



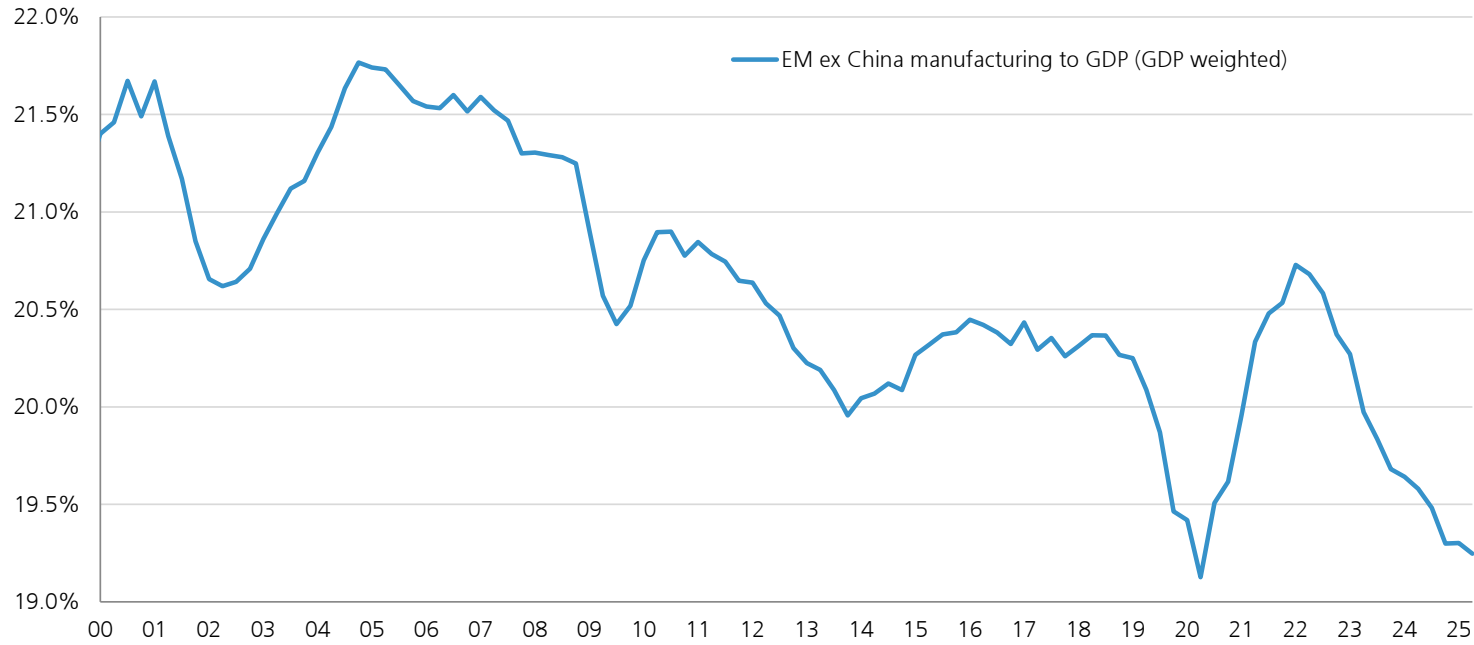


Source: Haver, UBS



EM ex China manufacturing/GDP near Covid lows...

Manufacturing/GDP

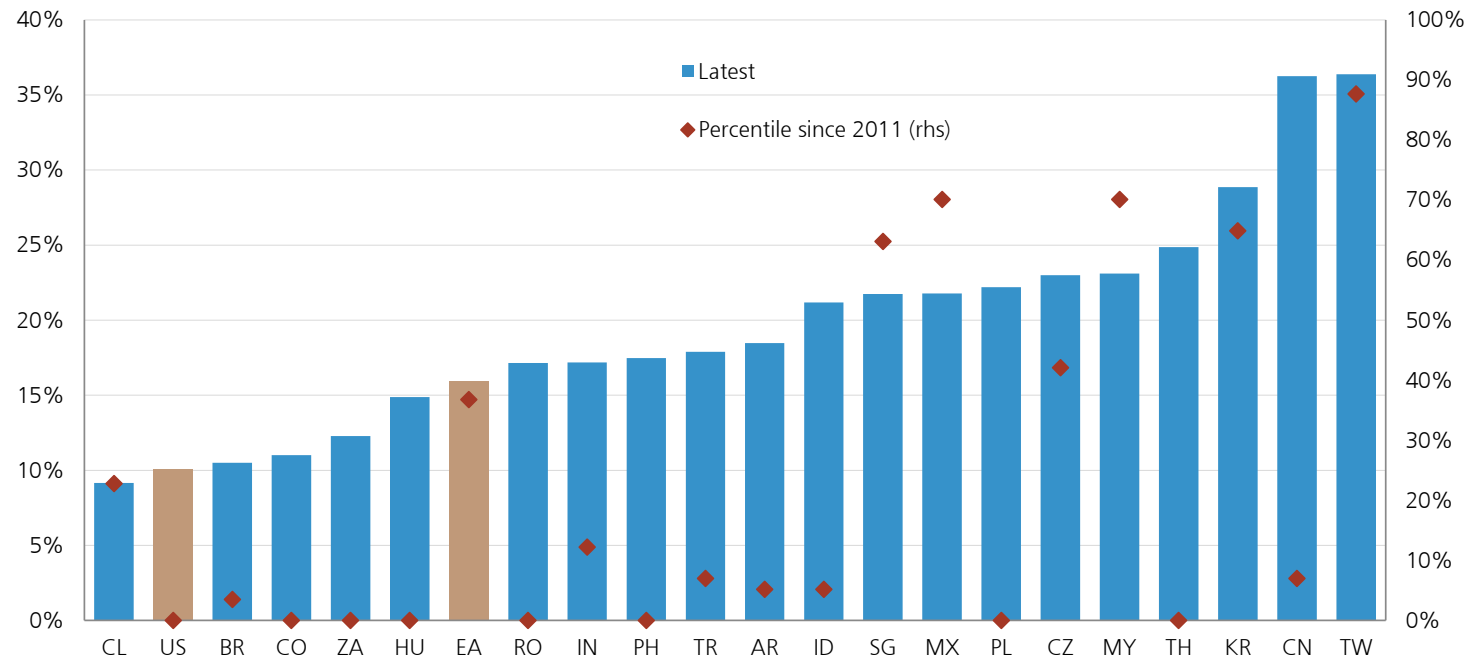


Source: Haver, UBS



Little evidence of 'friendshoring'

Manufacturing/GDP - by economy

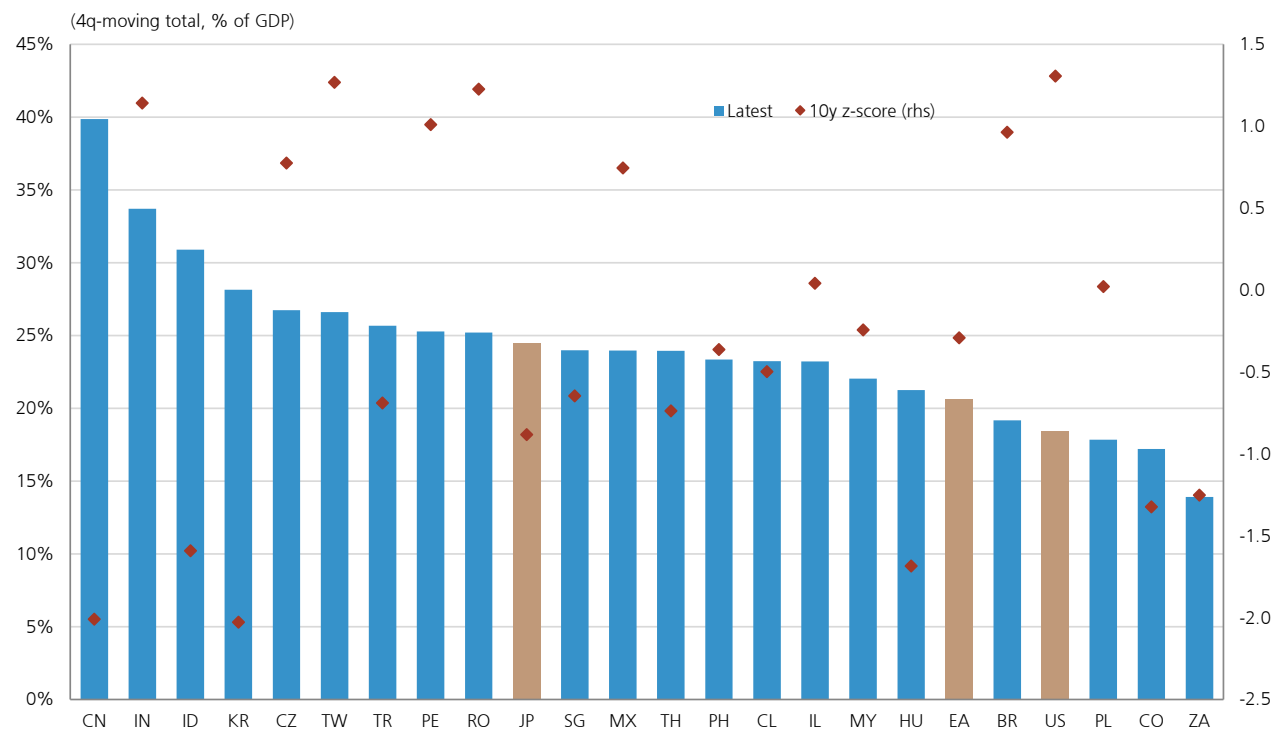


Source: Haver, UBS



Investment/GDP a mixed bag. Not so for the US

Investment/GDP



Source: Haver, UBS



UBS EM fiscal vulnerability scorecard

UBS EM fiscal vulnerability scorecard

	Public debt (% GDP)	10y change in debt/GDP	2025e Primary balance/GDP (a)	'Breakeven' primary balance/GDP (b)	Primary balance gap (a-b)	G-R	FX share in public debt	Saving rate (% of GDP)	Average term to maturity (years)	CAPB 2025-2024	
Turkey	27	-1	-1.7	-4.5	2.9	22.6	43	23.3	4.8	1.7	Lesser fiscal vulnerability ↑ ↓ Greater fiscal vulnerability
Czech Republic	44	8	-1.3	-0.5	-0.8	1.3	0	25.3	3.2	-0.4	
Indonesia	41	13	-0.5	-0.8	0.3	2.0	33	29.7	7.5	-0.4	
Korea	54	15	-0.4	-0.5	0.0	0.9	1	35.0	10.1	0.5	
Chile	43	22	-1.1	-1.3	0.2	3.2	35	21.3	7.3	1.1	
India	80	11	-1.6	-2.8	1.3	3.9	0	32.4	11.9	0.8	
Philippines	58	21	-1.2	-1.8	0.6	3.4	31	19.2	6.5	0.3	
Peru	34	9	-0.8	0.2	-1.0	-0.5	46	19.6	12.9	0.9	
Malaysia	70	14	-1.3	-2.5	1.2	3.8	2	23.5	9.4	0.9	
Poland	61	7	-3.6	-1.4	-2.2	2.5	21	17.7	5.5	0.5	
Mexico	61	6	1.6	2.5	-0.9	-4.4	16	24.0	7.0	1.6	
China	96	47	-7.3	-2.6	-4.8	2.8	0	42.4	6.1	-0.9	
Hungary	74	-1	-0.4	-0.6	0.1	0.8	31	24.4	4.9	0.0	
Colombia	60	10	-0.2	0.2	-0.4	-0.3	34	16.3	11.4	0.5	
Romania	62	22	-5.5	-1.3	-4.2	2.2	52	17.8	6.5	1.4	
Thailand	65	23	-1.8	-0.2	-1.6	0.3	1	19.1	8.2	-1.7	
South Africa	80	32	-0.9	1.6	-2.5	-2.1	11	12.1	10.7	0.0	
Brazil	92	15	-0.6	3.0	-3.6	-3.4	4	14.5	5.4	-0.1	
US	122	16	-2.6	-1.3	-1.4	1.1	0	17.8	5.8	1.1	
Germany	65	-3	-2.1	-0.9	-1.3	1.4	4	26.2	7.1	-0.1	
France	116	18	-3.4	-0.7	-2.7	0.6	0	20.6	8.3	0.6	
Italy	137	3	0.6	0.2	0.4	-0.1	4	24.0	7.0	0.5	

Source: UBS estimates, Bloomberg, IMF, Haver. Ranking based on 40% weight for debt/GDP, 20% weight for G-R, 20% weight for savings rate/GDP, 10% weight for FX debt share in government debt and 10% weight for Change in debt to GDP over past 10y.



Estimated change in primary breakeven balance for a 100bp shift in G-R

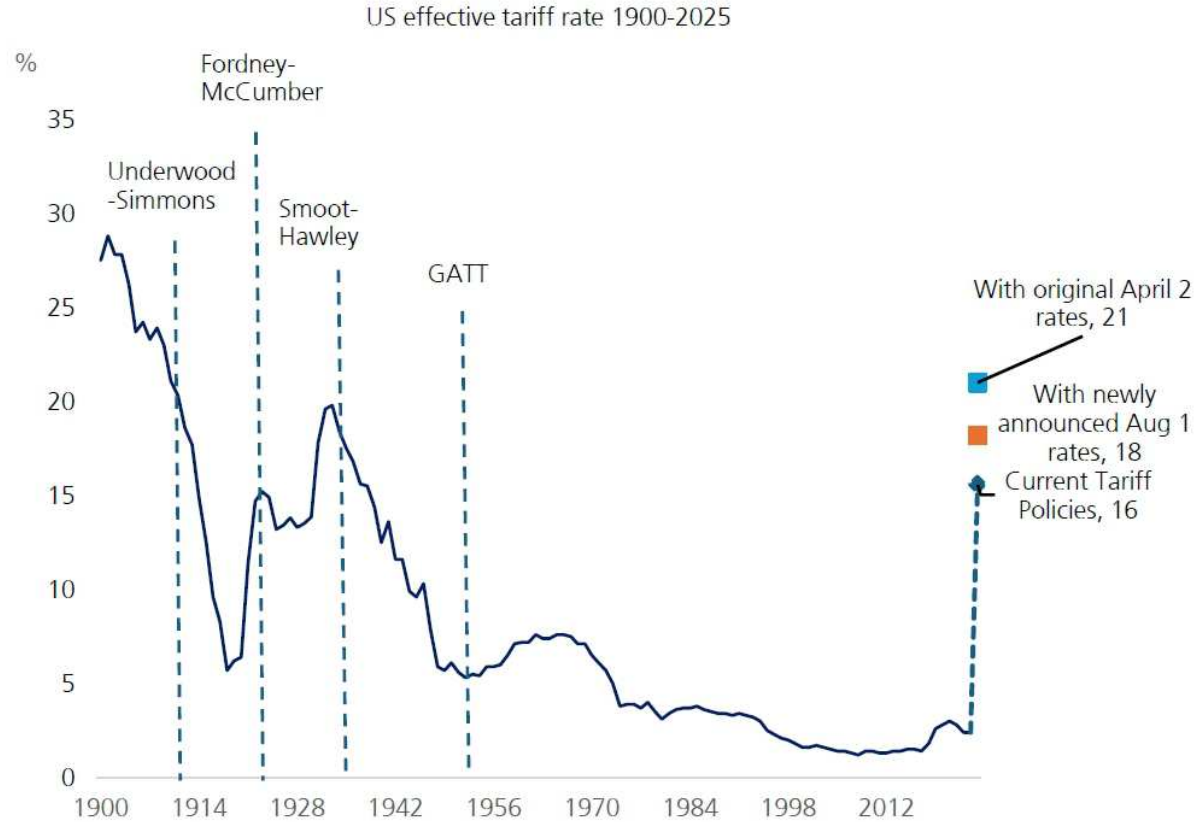
Estimated change in primary breakeven balance for a 100bp shift in G-R

	Fiscal tightening required to shift primary balance to debt-stabilising level (% of GDP)	Additional tightening needed if r rises 100bp or g declines 100bp (% of GDP)
Turkey	-2.9	0.2
Czech Republic	0.8	0.4
Indonesia	-0.3	0.4
Korea	0.0	0.5
India	-1.3	0.7
Philippines	-0.6	0.5
Peru	1.0	0.3
Malaysia	-1.2	0.7
Poland	2.2	0.6
Mexico	0.9	0.6
China	4.8	0.9
Hungary	-0.1	0.7
Singapore	-2.8	1.7
Colombia	0.4	0.6
Romania	4.2	0.6
Thailand	1.6	0.6
South Africa	2.5	0.8
Brazil	3.6	0.9
US	1.4	1.2

Source: UBS estimates, Bloomberg, IMF, Haver



One of the sharpest US tariffs shocks in history



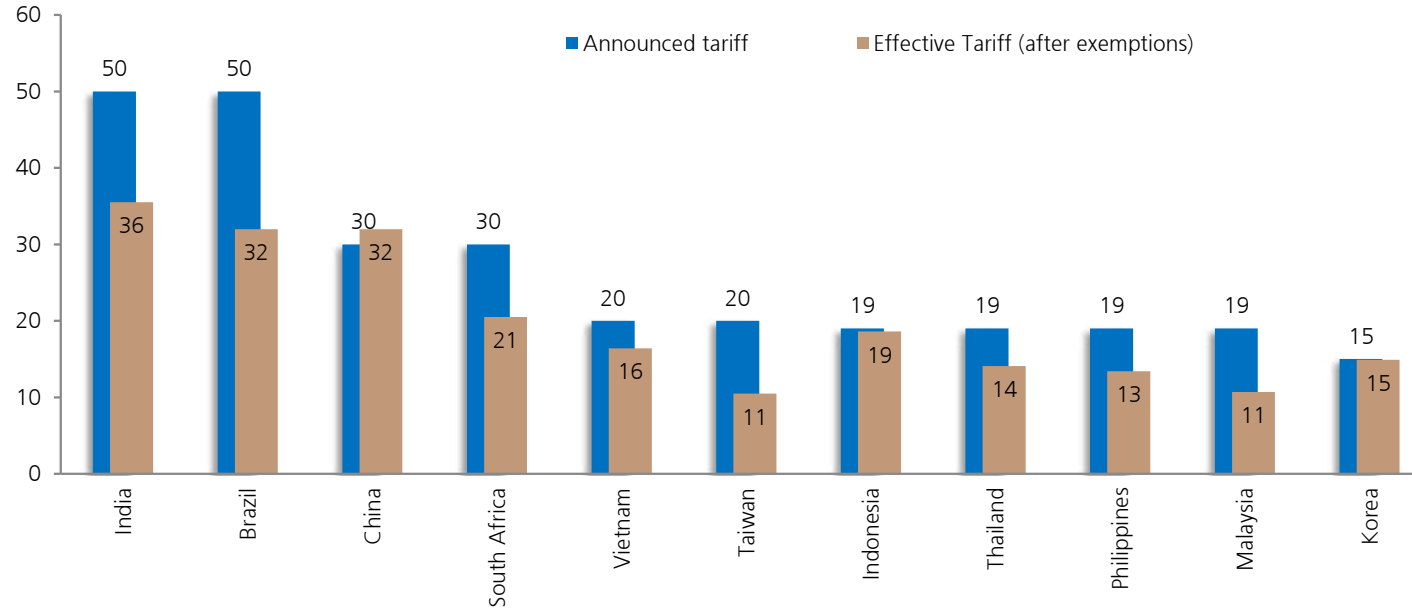
Source: Federal register, Census Bureau, Haver, UBS estimates



See UBS Economics Weekly, 11 July 2025

Tariff rates on selected EMs

US trade tariffs and effective rates



Source: White House, UBS estimates. Note: The weighted average tariff rate is calculated after adjusting for the US\$28bn (or c30% of exports to US) of goods exempted from tariff and are currently under section 232 investigations.



EM macro fundamentals vs 2018-19

EM macro fundamentals vs 2018-19 average (higher ERP in much of EM, but weaker trade, FX carry and fiscal balances suggest high bar to look through any new trade war escalation)

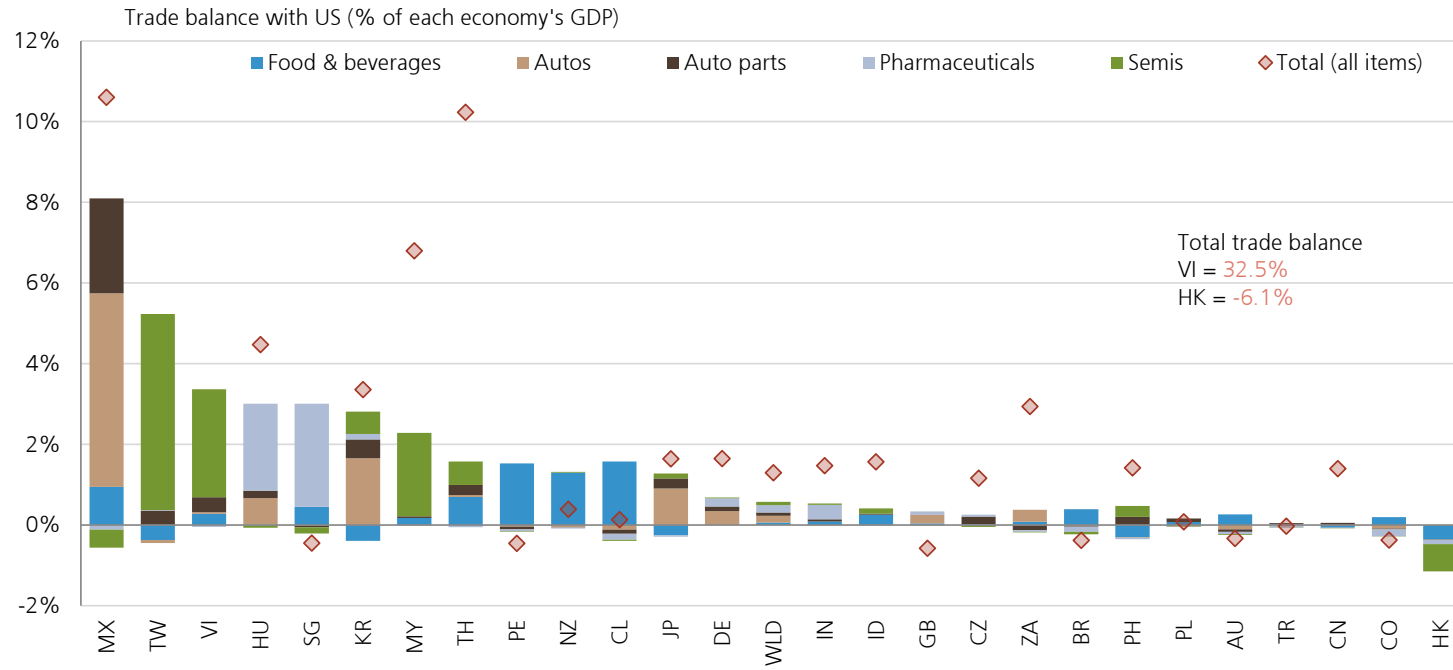
	Rates		Growth		Macro				Valuations			Risk premia		
	12m FX carry vs USD	10y real yield	Manufacturing IP growth, % v/v, 3mma	Export growth, % v/v, 3mma	Trade balance/GDP (3m saar)	CA+FDI+E&O (% of GDP)	Net IIP portfolio investments (% of GDP)	Primary fiscal balance/GDP	Average 12m fwd. P/E and Price to book (20y %ile)	RoE (20y %ile)	REER (20y %ile)	ERP	3m FX implied vol	5y CDS spread
Brazil	8.8 (3.1)	8.9 (6.3)	0.7 (0.2)	2.9 (2.6)	3.0 (2.1)	-1.7 (0.0)	-18.6 (-25.3)	-0.2 (-1.4)	42 (74)	67 (38)	18 (41)	-2.4 (-0.6)	11.5 (14.2)	136 (177)
Chile	0.4 (0.0)	1.7 (2.2)	4.4 (1.7)	2.7 (1.6)	3.6 (1.3)	-0.8 (-1.6)	16.6 (26.4)	-1.1 (-1.3)	34 (58)	72 (53)	5 (51)	1.7 (2.3)	12.7 (10.0)	51 (47)
China	-2.1 (0.9)	1.7 (1.7)	5.9 (6.0)	5.8 (6.0)	6.1 (2.8)	2.7 (0.0)	-2.5 (-5.0)	-4.1 (-3.2)	70 (55)	19 (43)	35 (72)	5.6 (5.3)	3.0 (5.4)	38 (54)
Colombia	5.4 (2.1)	6.2 (3.2)	3.4 (2.2)	-1.2 (3.7)	-4.5 (-2.6)	0.7 (-1.1)	1.3 (-8.3)	-3.0 (-0.2)	31 (41)	86 (56)	43 (44)	0.0 (2.5)	11.8 (11.6)	192 (106)
Czech	-0.5 (-1.3)	2.0 (-0.4)	1.4 (1.8)	10.7 (6.2)	9.4 (7.6)	1.2 (1.5)	-4.8 (-14.0)	-1.8 (0.5)	86 (45)	53 (22)	97 (50)	1.9 (5.6)	3.4 (3.7)	25 (41)
Hungary	2.4 (-2.2)	2.4 (0.1)	-2.8 (4.9)	5.7 (4.7)	4.8 (3.7)	0.2 (0.3)	-18.1 (-23.8)	-0.2 (-1.0)	31 (64)	53 (54)	65 (32)	8.5 (7.7)	6.1 (4.9)	111 (84)
Indonesia	1.0 (5.0)	4.2 (4.5)	-0.8 (4.1)	9.0 (0.5)	4.0 (-0.5)	0.6 (-1.2)	-16.7 (-23.1)	0.1 (-0.3)	15 (56)	40 (34)	9 (37)	2.2 (-0.7)	7.1 (7.4)	82 (106)
Israel	-0.4 (-2.4)	1.4 (1.3)	7.1 (2.6)	-4.2 (-1.0)	-6.8 (-6.0)	3.5 (3.8)	8.7 (9.7)	-2.5 (-0.7)	84 (39)	79 (30)	95 (73)	4.1 (7.5)	9.4 (5.9)	80 (63)
India	2.4 (4.4)	3.0 (2.3)	3.3 (3.2)	6.5 (5.5)	-6.7 (-6.5)	-0.4 (-0.7)	-6.2 (-8.6)	-1.5 (-0.5)	81 (45)	30 (11)	37 (56)	-2.1 (-1.8)	3.4 (6.6)	54 (110)
Korea	-1.7 (-1.3)	1.0 (1.3)	1.8 (0.5)	6.5 (-1.4)	3.3 (3.1)	4.2 (0.0)	8.2 (-12.0)	-0.8 (1.3)	74 (35)	41 (57)	7 (72)	6.0 (8.6)	7.6 (7.6)	25 (38)
Mexico	4.0 (5.8)	4.8 (4.1)	-1.4 (-0.7)	7.3 (6.6)	0.4 (-0.4)	2.2 (-0.4)	-21.7 (-35.2)	-0.4 (0.5)	32 (40)	69 (27)	62 (19)	-0.7 (-0.6)	9.1 (11.9)	91 (118)
Malaysia	-1.3 (0.8)	1.7 (2.6)	2.4 (2.9)	10.4 (6.3)	8.6 (9.2)	3.8 (2.2)	2.2 (-16.3)	-0.8 (-1.0)	25 (65)	43 (34)	34 (45)	3.7 (2.4)	6.5 (6.5)	43 (73)
Poland	0.7 (-0.7)	2.4 (1.1)	1.0 (5.3)	8.6 (8.5)	-0.7 (-0.5)	-0.5 (1.1)	-10.6 (-21.7)	-5.1 (1.0)	49 (46)	61 (38)	97 (29)	5.0 (6.1)	4.4 (4.7)	65 (62)
Thailand	-2.2 (-0.8)	1.6 (1.7)	-2.6 (0.9)	10.8 (2.9)	-0.2 (1.4)	6.2 (4.0)	-0.2 (-20.6)	-0.4 (1.1)	44 (64)	36 (46)	83 (92)	4.4 (4.5)	7.4 (5.3)	41 (39)
Turkey	32.9 (17.2)	-3.2 (0.3)	5.6 (0.9)	5.7 (4.8)	-5.1 (-5.5)	-2.1 (0.0)	-7.8 (-18.0)	-0.2 (-0.1)	22 (28)	0 (41)	22 (31)	-11.7 (0.6)	13.4 (18.2)	254 (338)
Taiwan	-3.7 (-2.5)	0.0 (0.5)	7.5 (1.5)	36.6 (2.7)	14.9 (3.9)	10.4 (11.8)	59.2 (84.5)	-0.4 (2.0)	97 (45)	93 (50)	92 (53)	4.1 (6.3)	7.5 (4.8)	42 (17)
South Africa	3.0 (4.8)	5.7 (4.9)	0.3 (0.3)	3.2 (1.5)	1.5 (0.4)	-0.8 (-2.3)	10.3 (-20.9)	1.2 (-1.0)	40 (57)	65 (16)	22 (56)	0.1 (-1.1)	9.9 (15.4)	165 (186)
EM MSCI Weighted	-0.5 (0.9)	2.2 (2.1)	4.1 (3.0)	11.4 (3.8)	4.7 (1.5)	3.4 (2.0)	8.4 (5.9)	-1.8 (-0.7)	70 (50)	45 (39)	41 (61)	3.3 (4.0)	5.8 (7.0)	54 (69)
EM GBI Weighted	1.6 (2.3)	3.7 (3.0)	1.1 (2.5)	6.9 (4.5)	2.2 (1.2)	1.3 (0.2)	-7.1 (-18.0)	-1.3 (-0.5)	46 (55)	49 (33)	45 (49)	1.8 (1.8)	6.9 (8.3)	79 (97)

Source: Haver, Bloomberg, MSCI, IBES, Datastream, UBS. *Numbers in the bracket represent average 2018-19 values. ERP denotes equity risk premia - higher values represent cheaper valuations vs. bonds. Real policy rates are calculated by deflating nominal policy rates with 6m sequential core annualized inflation.



US trade balances by partner economy

US trade balance with EM by product (% of GDP)



Source: Haver, UBS

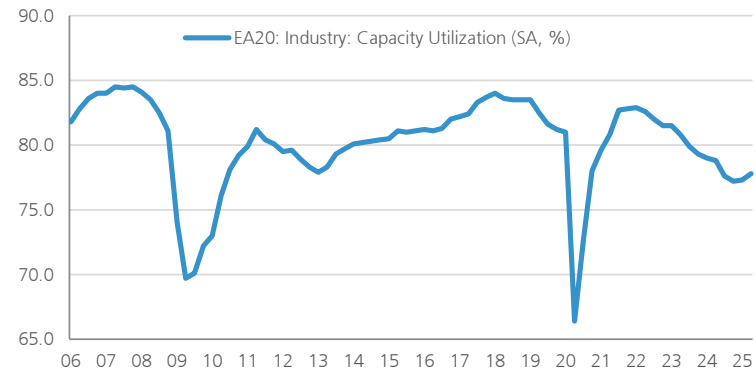


Europe acceleration more likely in 2027

Volume of export order books



Source: Markit, Haver, UBS



EM export growth snapshot

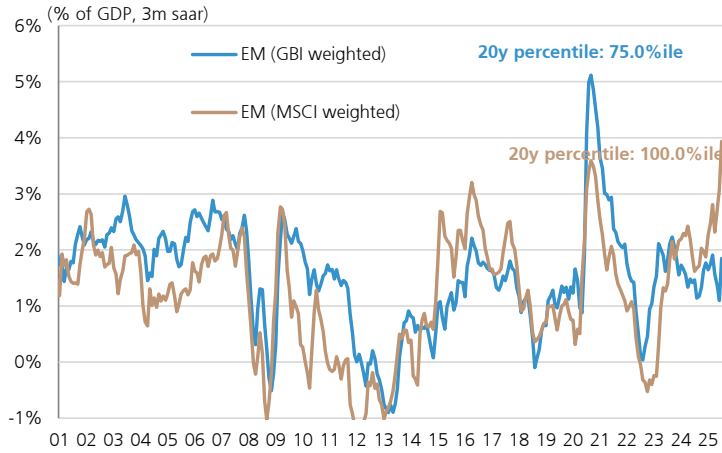
	Exports (y/y, 3mma)			Exports (3m saar)			Momentum
	Latest	12m ago	10y percentile	Latest	12m ago	10y percentile	3m saar - y/y, 3mma
Taiwan	36.6%	14.4%	98.3%	63.1%	78.5%	95.0%	26.5%
Philippines	17.1%	-6.1%	89.2%	0.5%	-12.5%	42.5%	-16.6%
Romania	14.7%	-3.7%	84.2%	26.7%	-30.2%	79.1%	12.0%
Singapore	11.5%	5.6%	74.1%	-6.2%	0.7%	30.0%	-17.8%
Thailand	10.8%	7.4%	74.1%	-33.4%	6.9%	2.5%	-44.1%
Czech Republic	10.7%	-0.3%	81.8%	25.1%	-5.1%	79.1%	14.4%
Malaysia	10.4%	9.2%	55.8%	7.0%	19.0%	50.8%	-3.4%
Indonesia	10.3%	4.2%	68.5%	27.9%	6.8%	73.3%	17.7%
Poland	8.6%	-2.2%	69.4%	33.3%	0.0%	84.1%	24.7%
Hungary	7.9%	-5.7%	71.0%	36.6%	4.2%	84.1%	28.7%
Turkey	7.2%	5.4%	68.5%	-24.1%	-13.6%	17.5%	-31.3%
India	6.5%	-5.4%	67.5%	-18.5%	-40.2%	16.6%	-25.0%
Peru	5.9%	23.4%	47.9%	45.3%	130.9%	79.1%	39.3%
China	5.8%	8.0%	53.3%	0.0%	-0.7%	42.5%	-5.8%
Mexico	4.7%	4.6%	52.0%	4.3%	25.7%	47.5%	-0.4%
Korea	3.8%	10.1%	53.3%	18.2%	6.0%	67.5%	14.4%
Brazil	2.9%	-0.5%	50.8%	1.1%	-17.2%	48.3%	-1.8%
Chile	2.7%	8.2%	43.3%	-19.8%	10.9%	15.0%	-22.4%
South Africa	1.2%	2.8%	51.2%	32.4%	-9.6%	80.8%	31.2%
Colombia	-1.2%	1.9%	42.9%	-4.6%	-13.0%	39.1%	-3.4%
Israel	-4.2%	-7.0%	31.6%	17.1%	63.8%	65.0%	21.3%
EM (GBI weighted)	10.8%	3.1%	69.0%	14.8%	7.5%	57.8%	4.0%
EM (MSCI weighted)	18.2%	5.2%	79.7%	25.1%	21.5%	65.0%	6.9%
EM (Median)	7.2%	4.2%	67.5%	7.0%	0.7%	50.8%	-0.4%



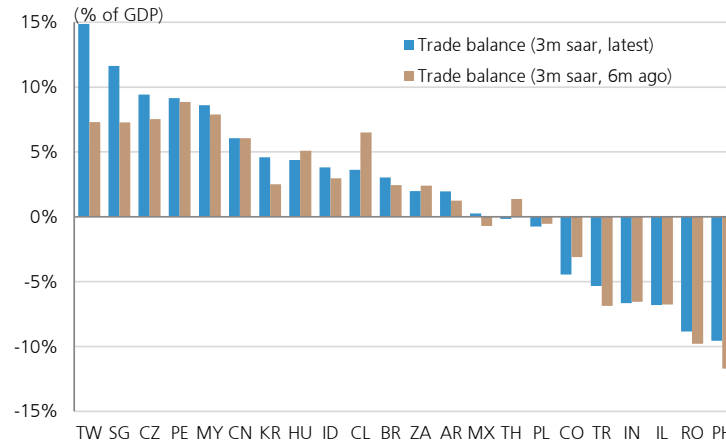
Source: Haver, UBS

EM trade balances – resilient, particularly in Asia

EM trade balance (% of GDP, 3m saar)



EM trade balance – by country (% of GDP, 3m saar)



Source: Haver, UBS

EM trade balance snapshot

	Trade balance (12m moving total, % of GDP)			Trade balance (3m saar, % of GDP)			Momentum
	Latest	12m ago	10y percentile	Latest	12m ago	10y percentile	3m saar - 12m total
China	6.1%	4.9%	100.0%	6.1%	6.1%	94.1%	0.0%
India	-7.2%	-7.1%	17.5%	-6.7%	-6.6%	45.0%	0.5%
Indonesia	2.7%	2.3%	76.8%	3.8%	3.0%	86.7%	1.1%
Korea	3.4%	2.3%	62.5%	4.6%	2.5%	75.8%	1.2%
Malaysia	7.5%	7.5%	23.3%	8.6%	7.9%	41.6%	1.2%
Philippines	-11.1%	-11.3%	47.1%	-9.6%	-11.7%	66.1%	1.6%
Singapore	10.3%	9.6%	42.5%	11.6%	7.3%	56.6%	1.3%
Taiwan	13.8%	11.5%	100.0%	14.9%	7.3%	100.0%	1.1%
Thailand	-0.3%	-0.8%	27.5%	-0.2%	1.4%	29.1%	0.1%
Czech Republic	8.6%	8.1%	67.7%	9.4%	7.5%	82.6%	0.9%
Hungary	5.2%	5.1%	65.2%	4.4%	5.1%	47.1%	-0.8%
Poland	-0.7%	0.8%	19.8%	-0.7%	-0.5%	29.7%	0.0%
Romania	-9.5%	-9.3%	25.6%	-8.8%	-9.8%	46.2%	0.7%
Israel	-7.0%	-5.7%	15.8%	-6.8%	-6.8%	27.5%	0.2%
South Africa	2.5%	2.7%	63.6%	2.0%	2.4%	53.7%	-0.5%
Brazil	3.0%	4.0%	55.8%	3.0%	2.4%	60.0%	0.1%
Chile	5.5%	5.8%	80.8%	3.6%	6.5%	61.6%	-1.8%
Colombia	-4.3%	-3.1%	47.9%	-4.5%	-3.1%	22.3%	-0.2%
Mexico	-0.3%	-0.9%	77.6%	0.3%	-0.7%	82.6%	0.5%
Peru	8.5%	7.1%	95.8%	9.1%	8.8%	96.6%	0.6%
Turkey	-6.1%	-7.0%	76.8%	-5.3%	-6.9%	81.8%	0.8%
EM (GBI weighted)	1.6%	1.5%	54.5%	1.9%	1.7%	60.1%	0.3%
EM (MSCI weighted)	3.6%	2.8%	70.0%	4.1%	2.5%	76.1%	0.5%
EM (Median)	2.7%	2.3%	62.5%	3.0%	2.4%	60.0%	0.5%

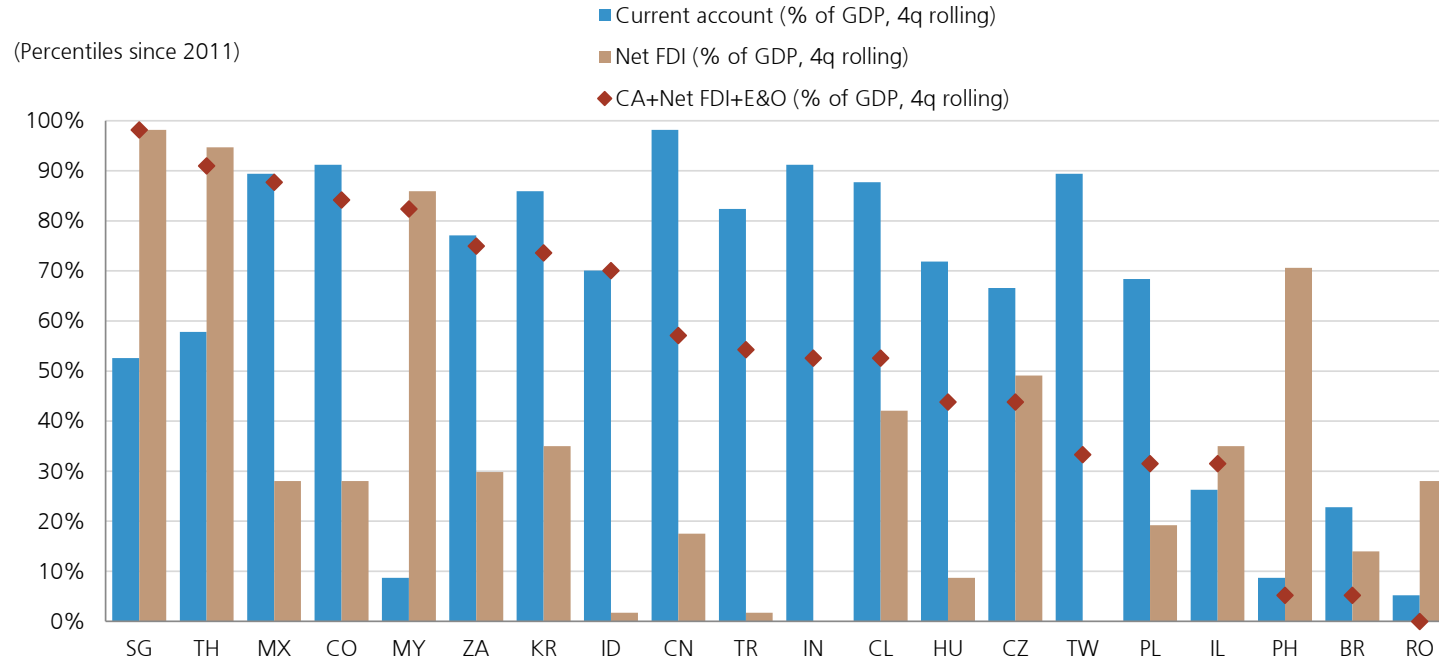


Source: Haver, UBS

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But...trade balances can be an over-discussed driver of BoP

EM external balances



Source: Haver, UBS



Making sense of China's second shock to global trade



What do China's surging exports mean for the world?

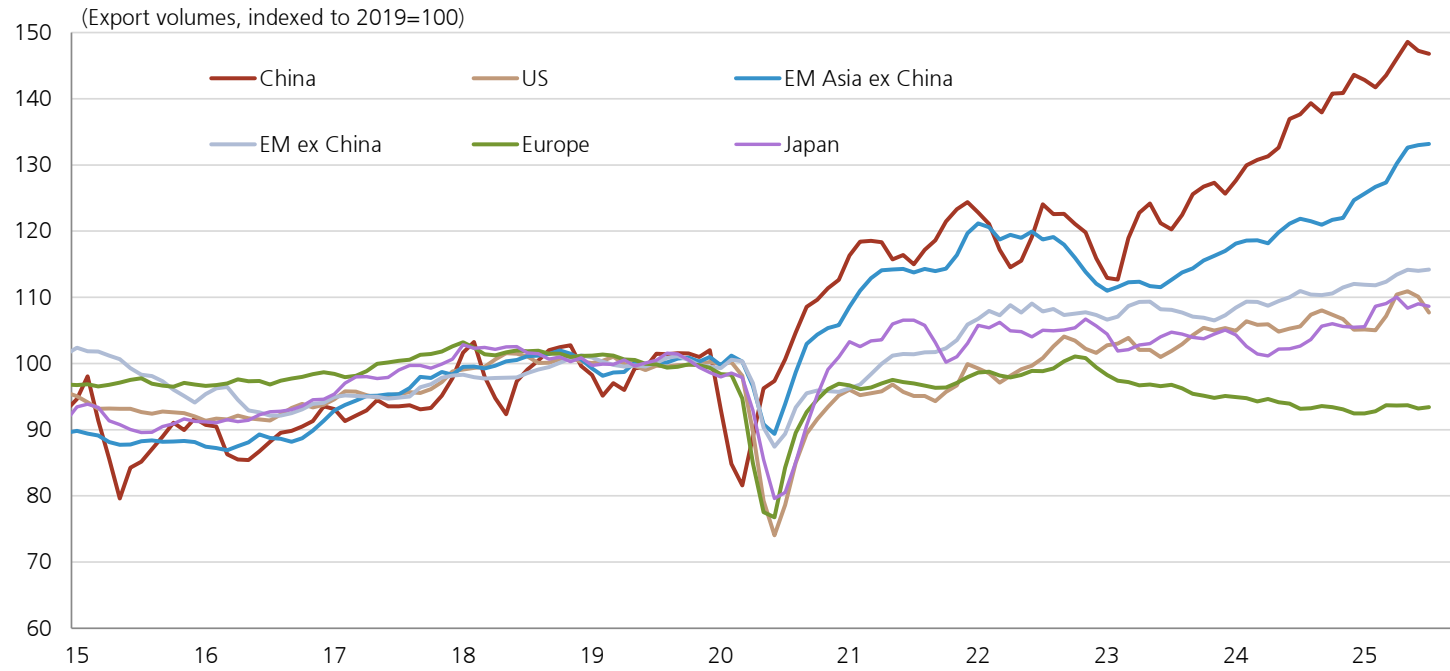
CN exports are dominating the world by the strongest margin in ~20y



Source: Haver, UBS estimates. 3mma shown. Latest data point is Jul-25.



Even with potential 'transshipping', EM can't keep up with China



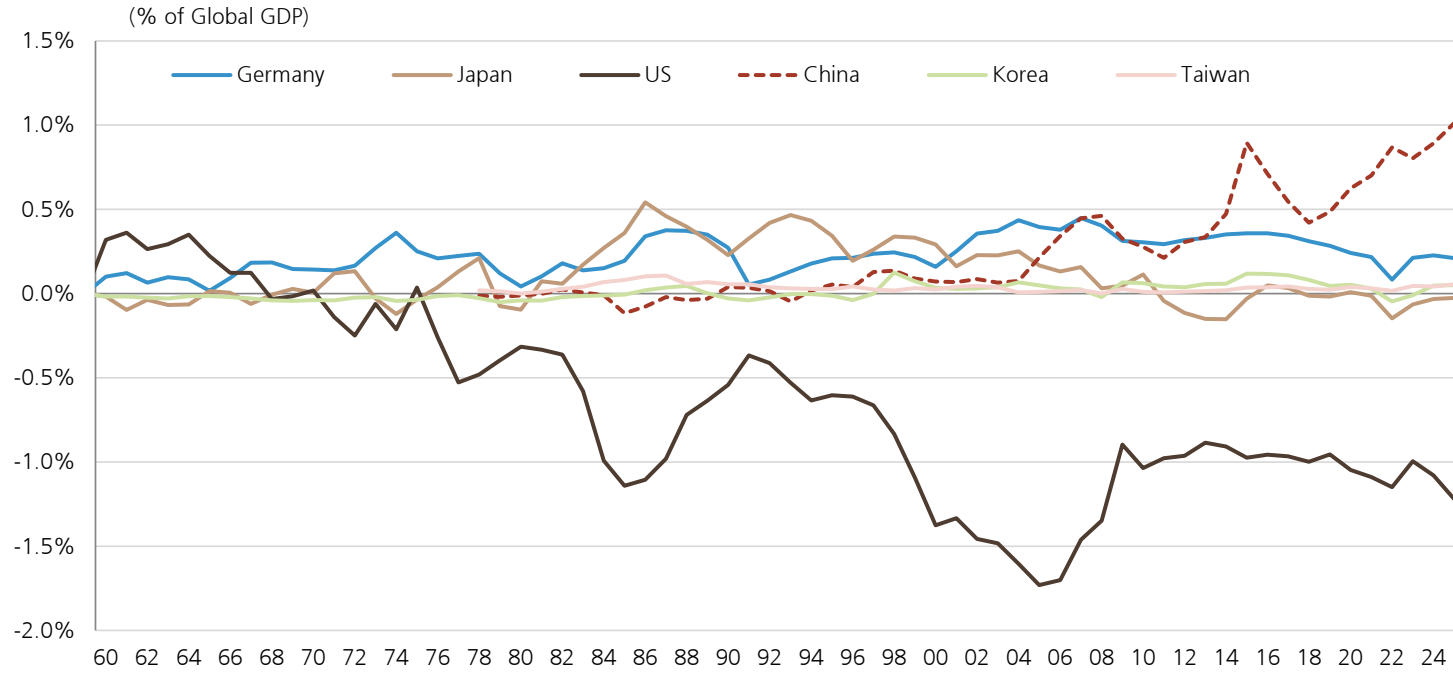
Imbalanced external trade

China import and export volumes, levels



China trade imbalances remain in the spotlight

Trade balance to Global GDP



Source: Haver, Macrobond, UBS



What do China's surging exports mean for the world?

Relative export prices i.e. the real RMB - fell to 2011 levels last year, but have since stabilised

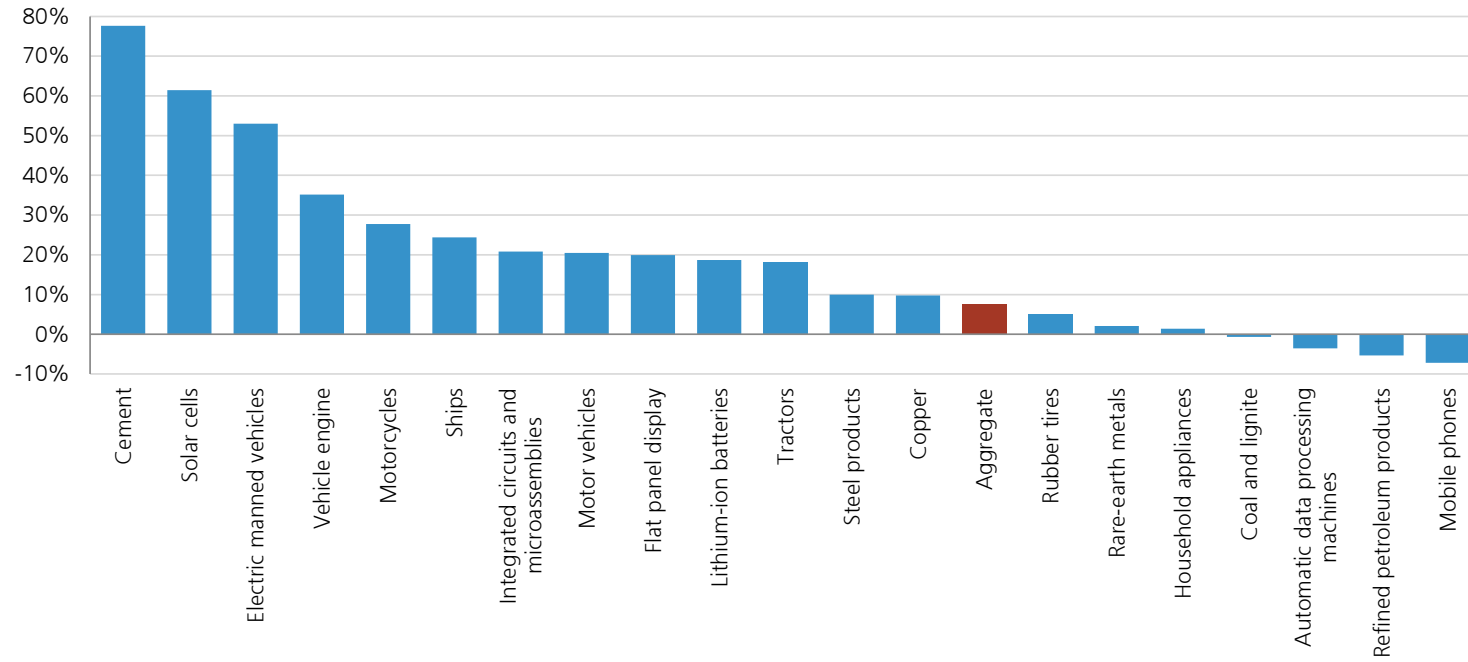


Source: CPB, Haver, UBS. Latest data point is Jul-25.



Not just an autos story

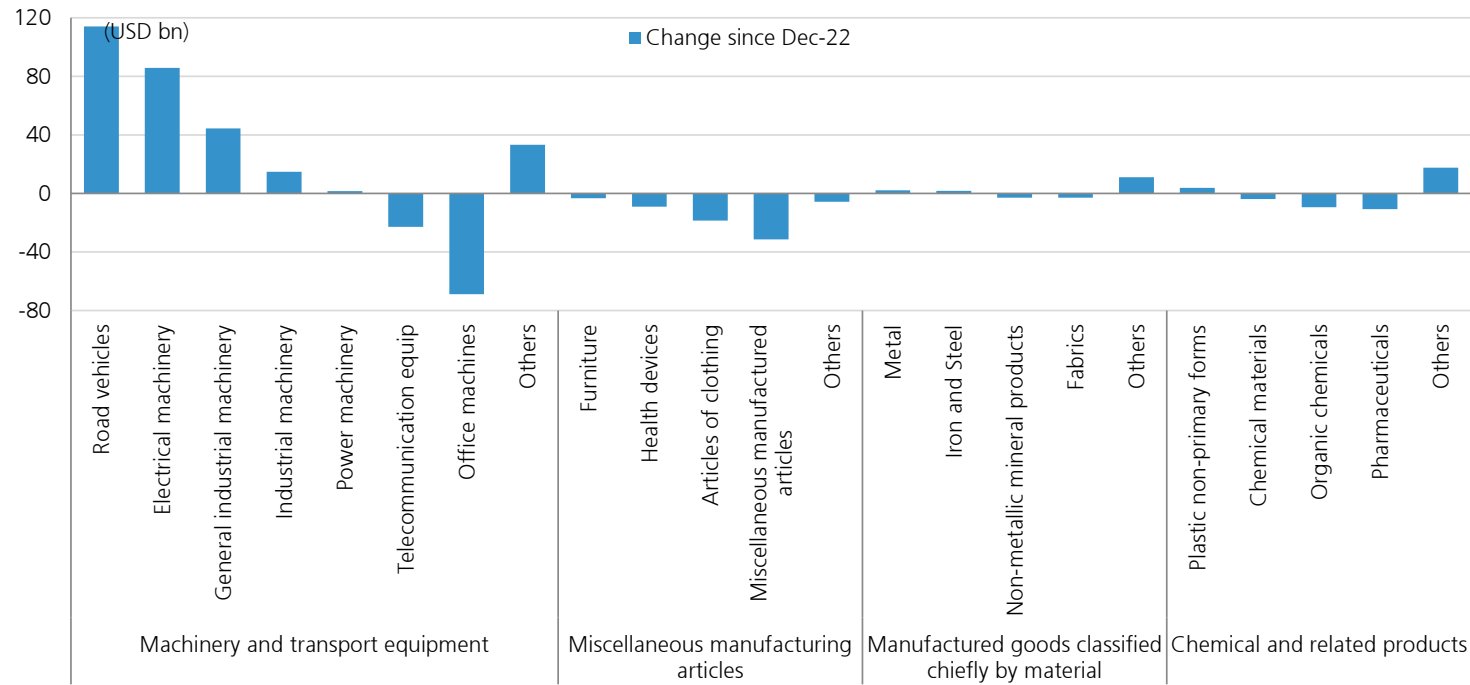
(YTD to May 2025, y/y)



Source: Haver, UBS



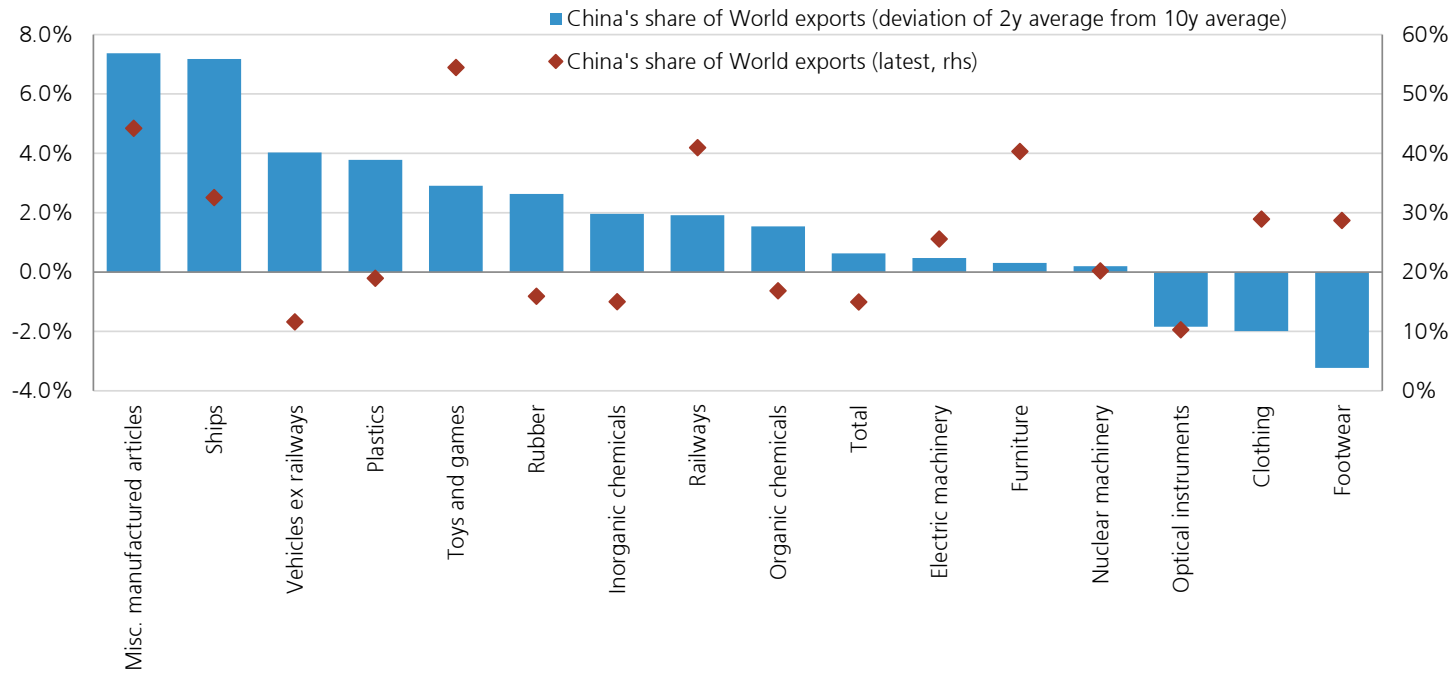
China manufactured goods surplus - change since Dec 2022 - breakdown by sector



Source: Haver, UBS



In which sectors is China gaining market share fastest?

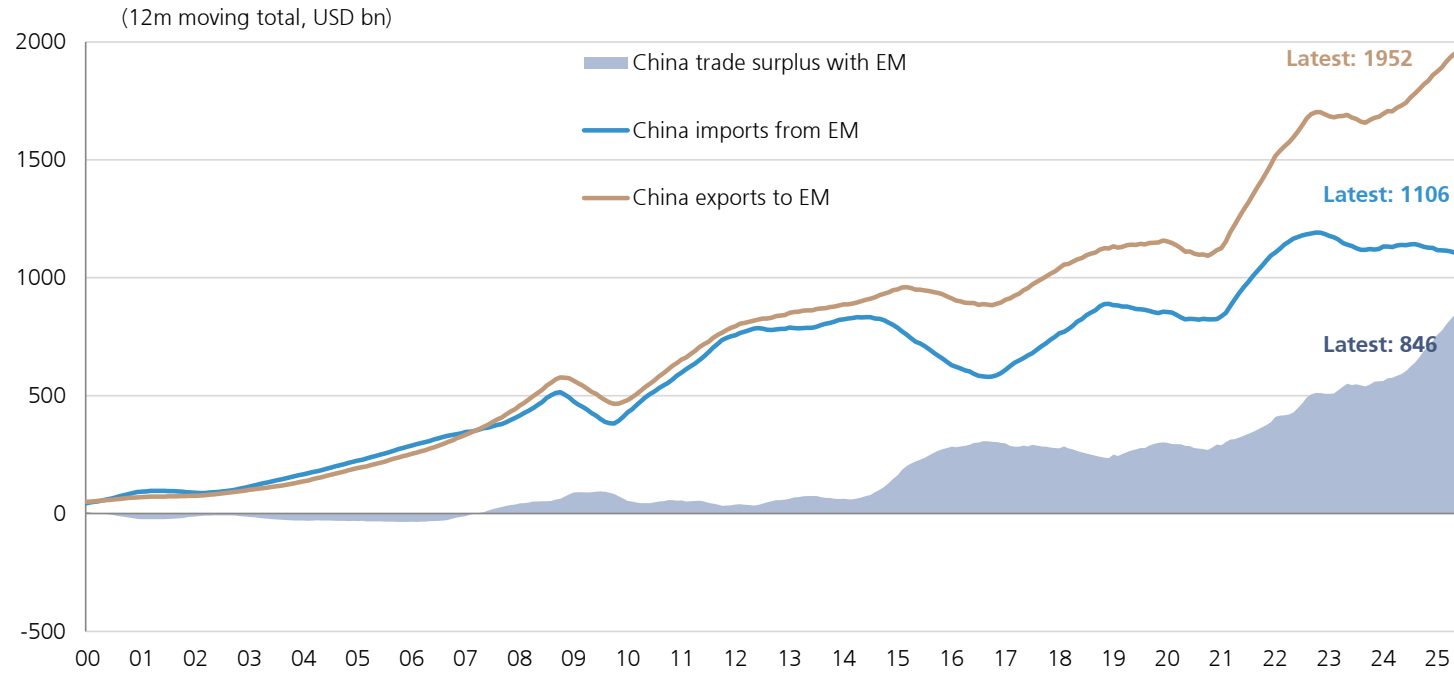


Source: UNdata, UBS. Note: Categories based on selected HS product codes with annual exports from China exceeding \$20bn.



Where are the exports going?

China's bilateral trade surplus with the rest of EM is rising sharply

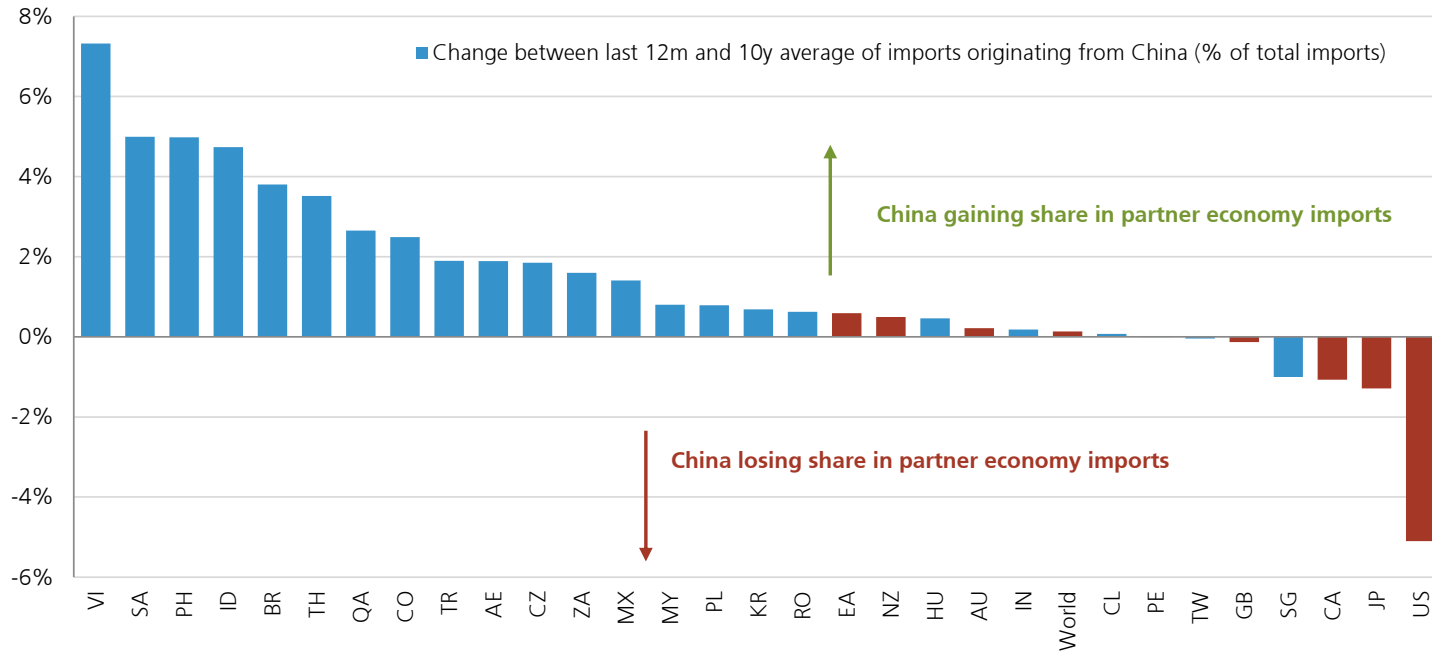


Source: IMF, Haver, UBS. EM aggregate based on IMF definition plus Taiwan, Korea, Singapore, Israel and Czechia.



China export share gains appear to be focused in EM, not DM

China trade with partner countries

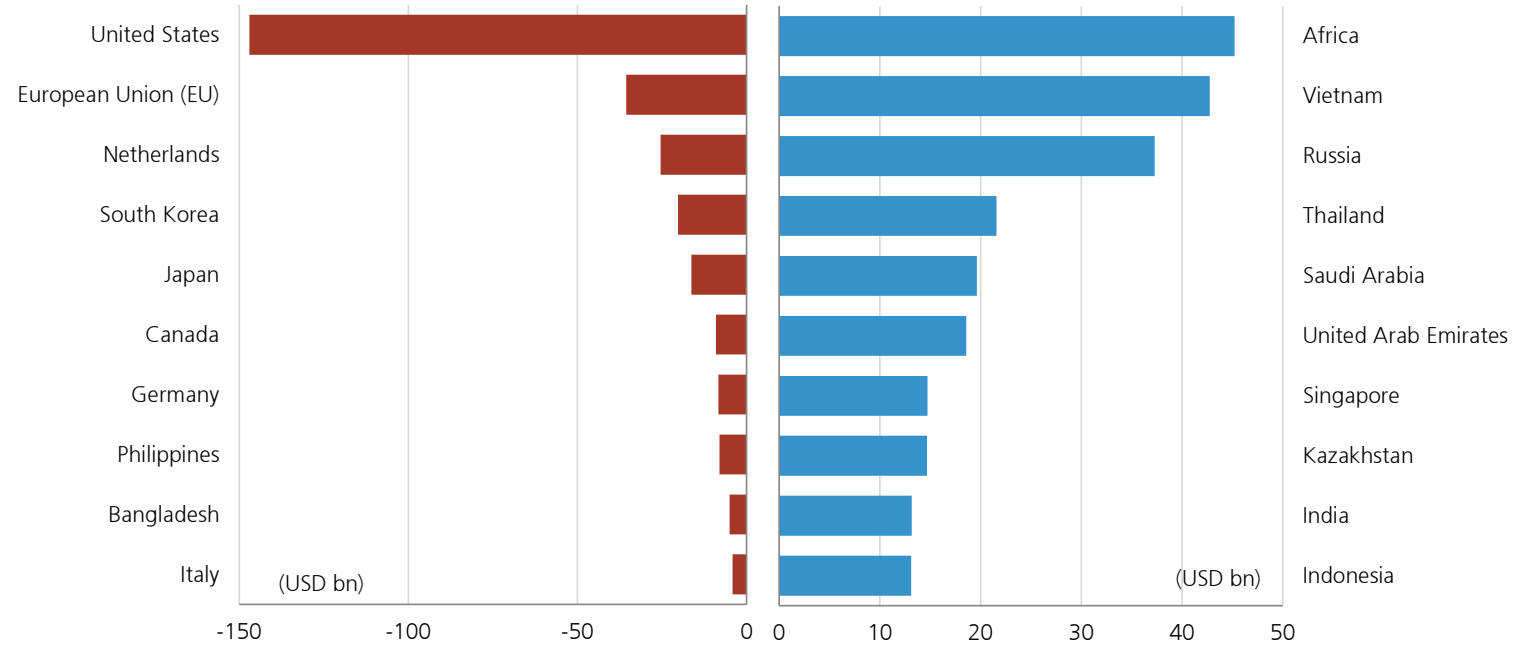


Source: Haver, UBS



The vast majority of China's surging exports are going to EM

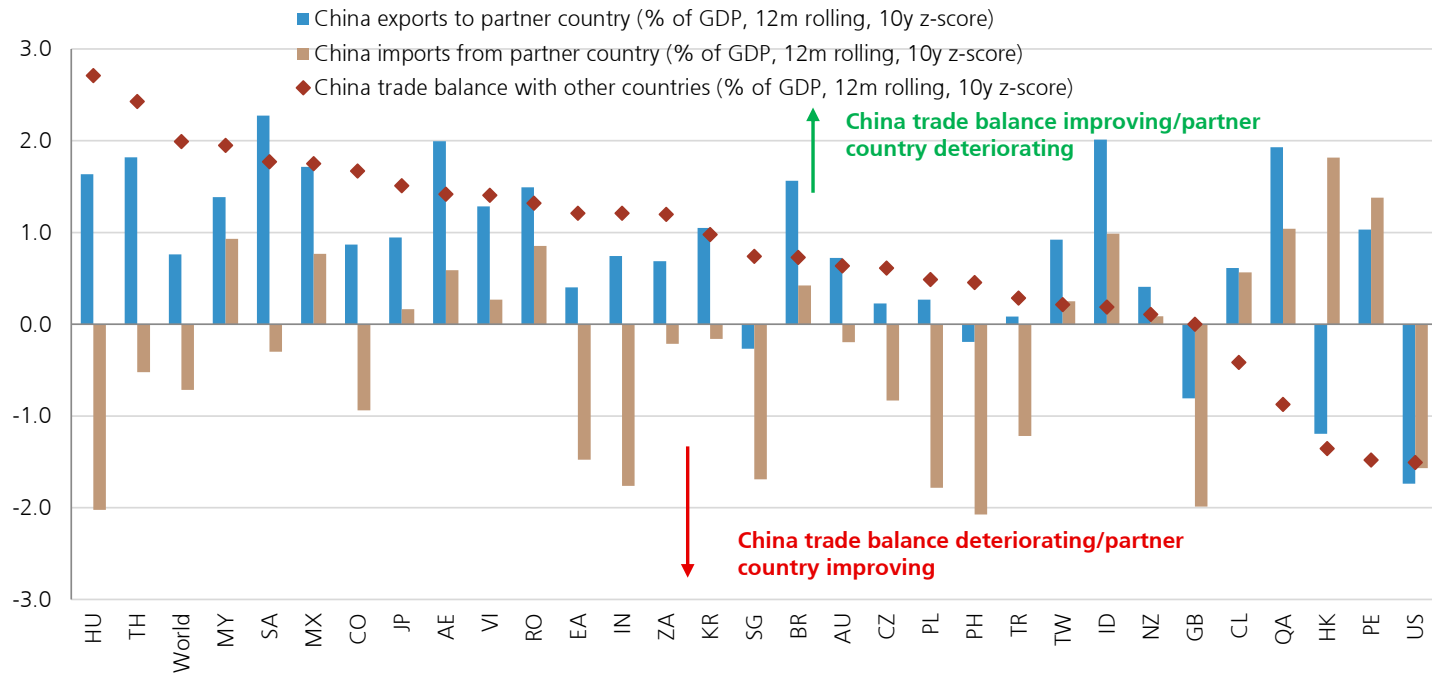
Change in China's export destinations over the last 3y, 12m rolling



Source: Macrobond, UBS



China's bilateral trade balance with other major economies



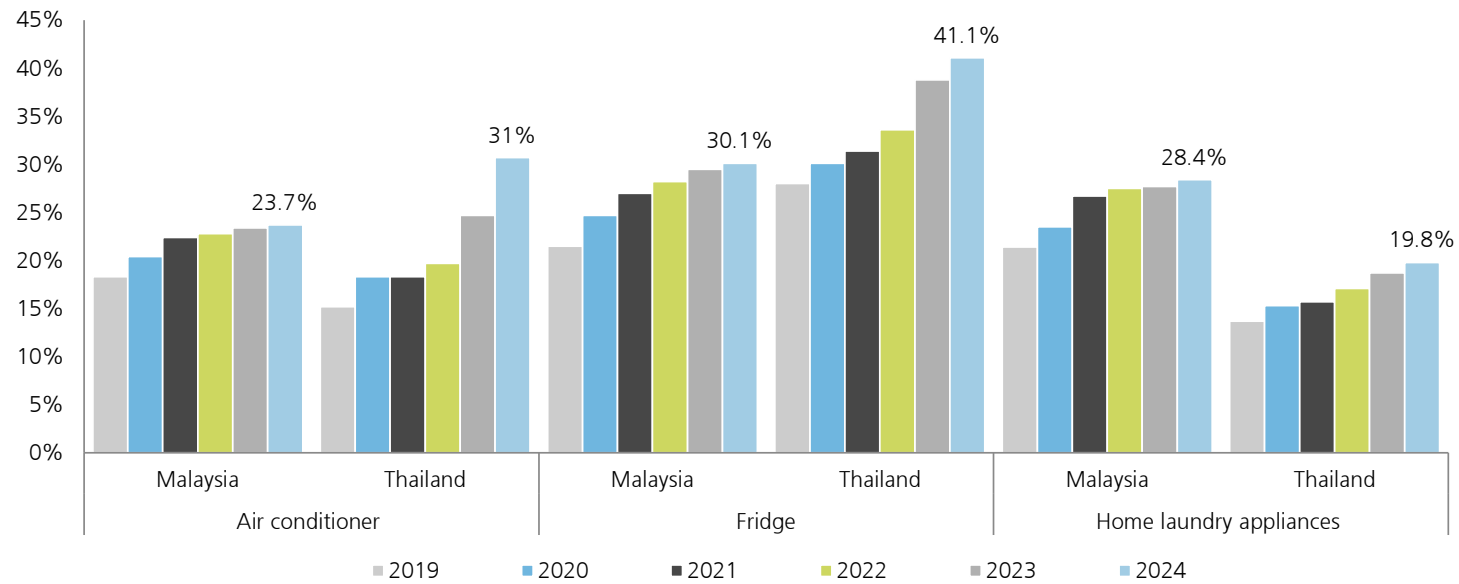
Source: Haver, UBS



Rising penetration into EM final domestic demand

Chinese brands' combined share in AC/fridge/WM in Malaysia and Thailand (2019-24)

Volume share(%)

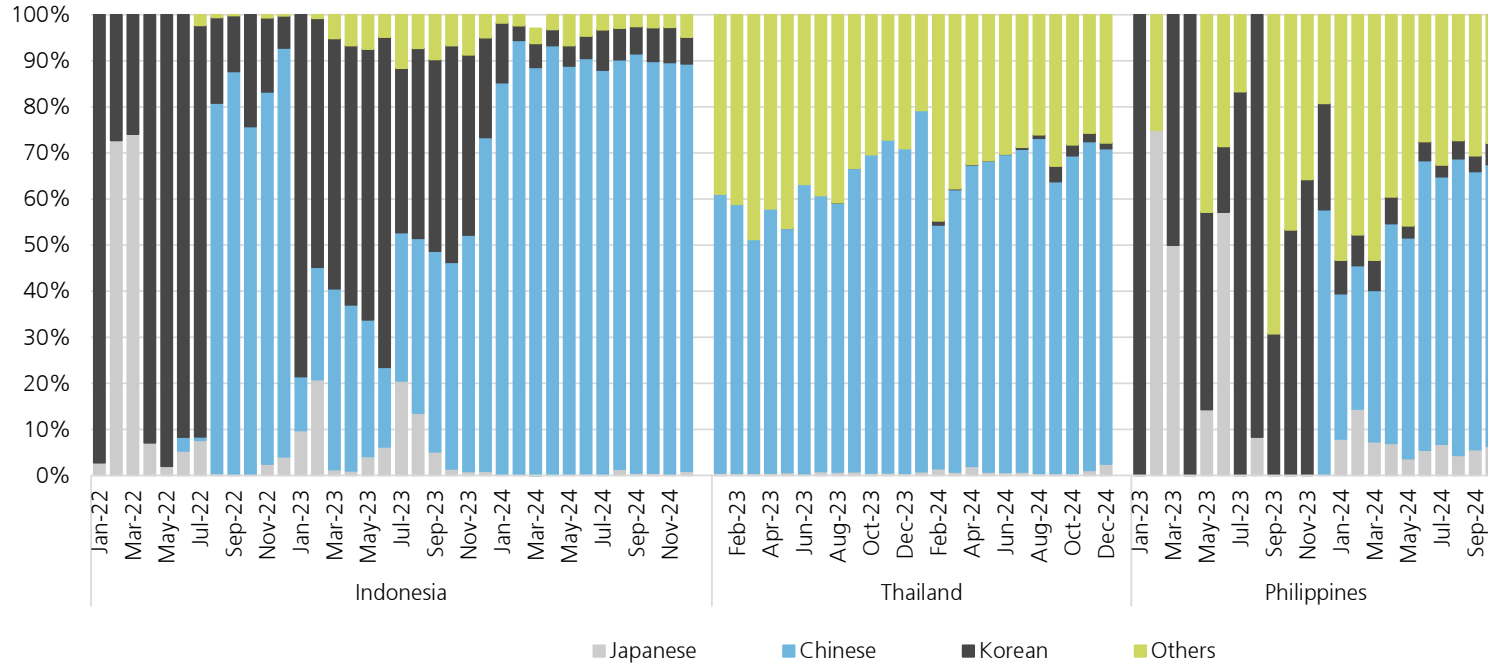


Source: Euromonitor, UBS



Rising penetration into EM final domestic demand

EV share in ASEAN, by brand origin - Chinese brands take over 50% share

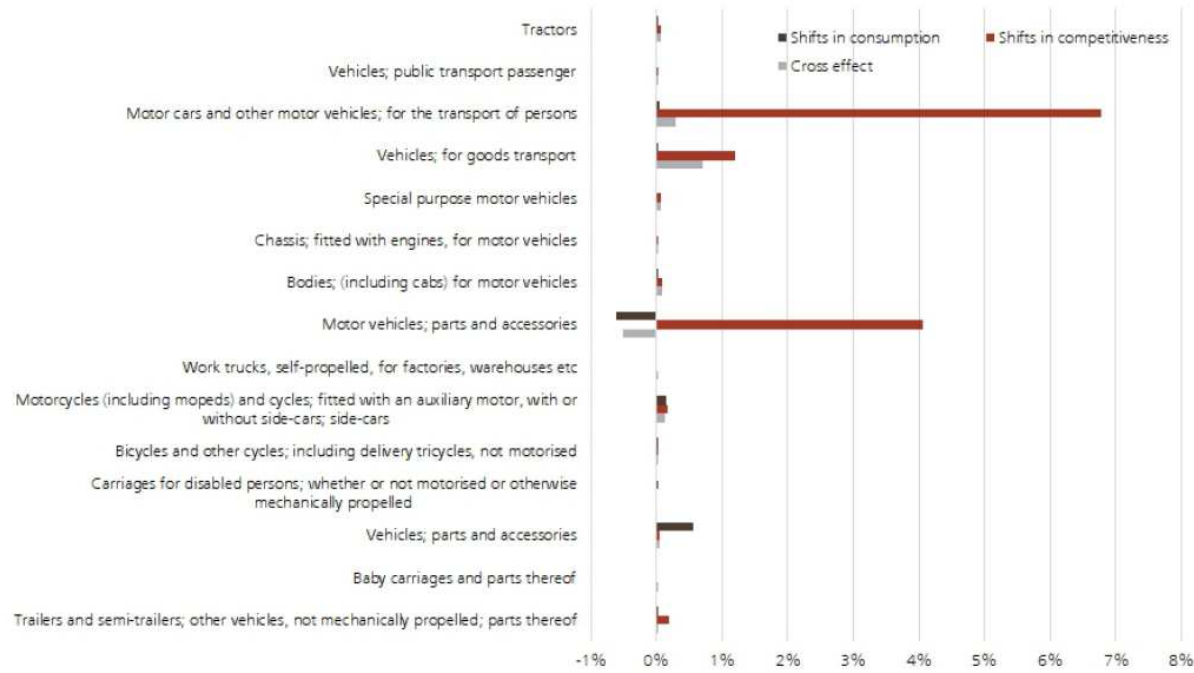


Source: Gaikindo, Thailand's Department of Land transport, Marklines, UBS



Rising penetration into EM final domestic demand

Contribution to Mexico mkt share gain from China in transport items, by type (Dec'17- Apr'25)

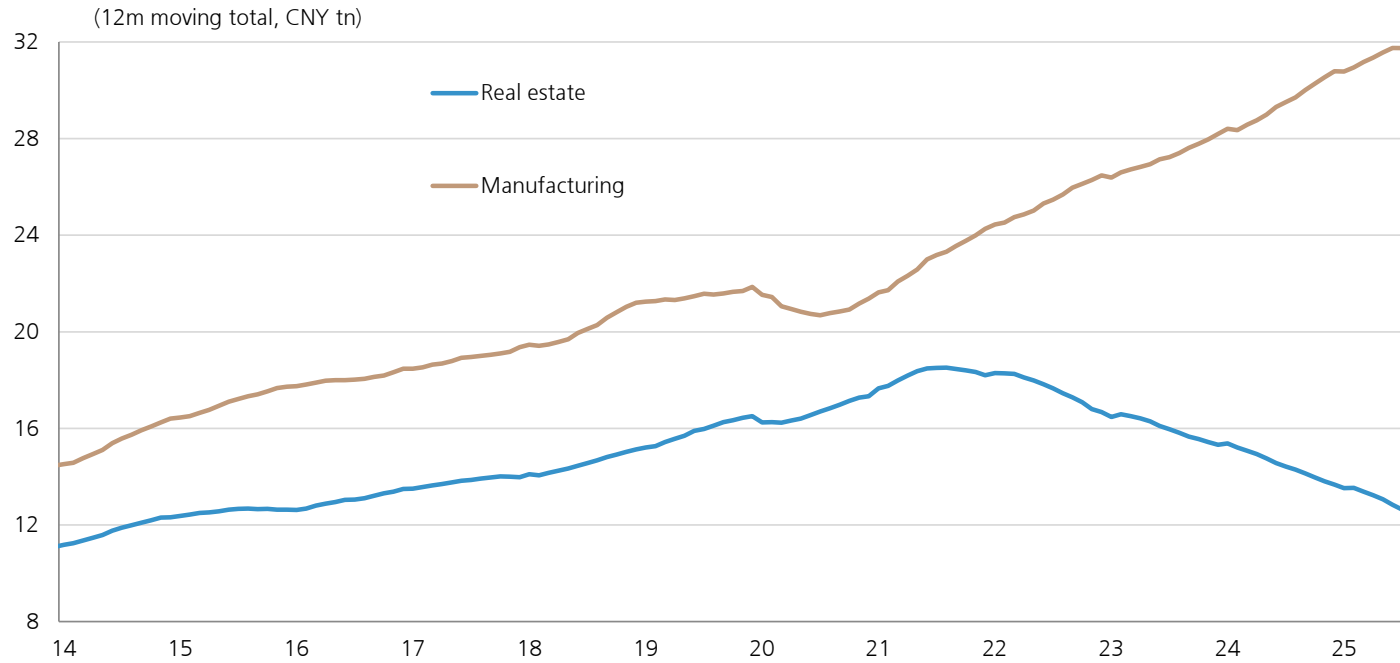


Source: Haver, Banxico, UBS



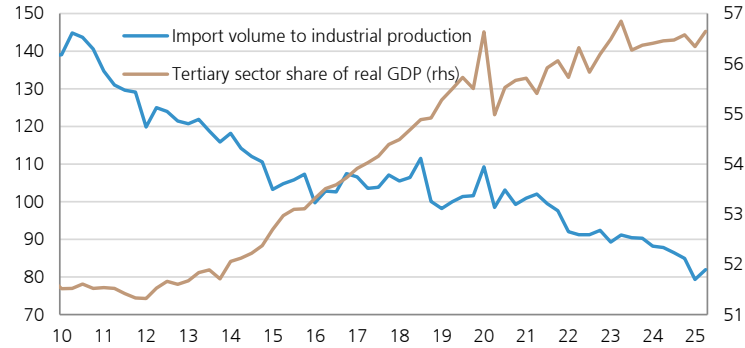
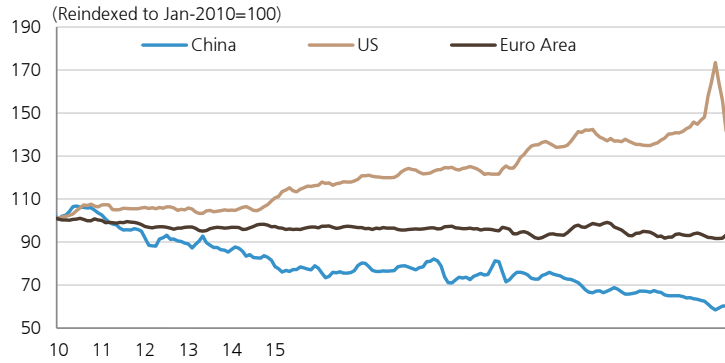
Manufacturing capex has stayed robust

China's investment growth has slowed. But its texture (resilient spending on manufacturing + shrinking real estate) warns of persistent deflationary pressures



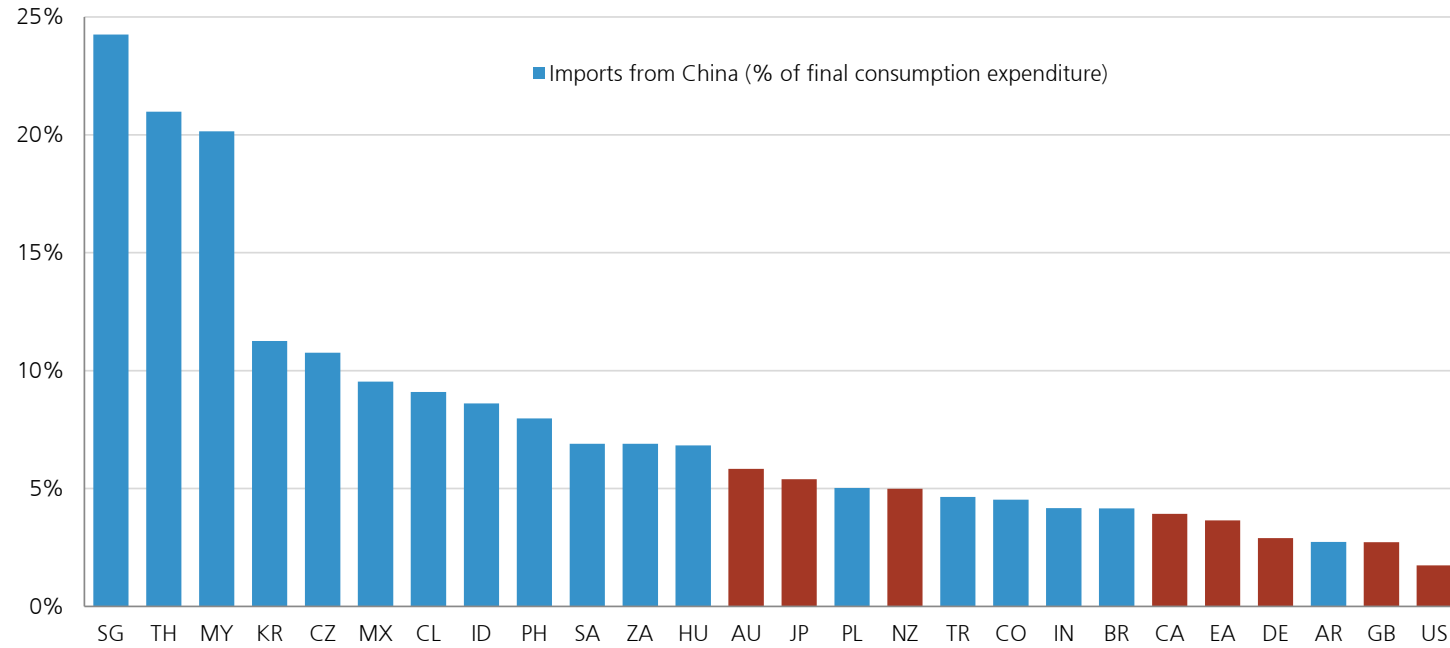
What do China's surging exports mean for the world?

Import volumes to Industrial production; China import intensity appears to have fallen further in the last 3-4y



Will China export deflation to the rest of the world?

Imports from China (% of final consumption expenditure)

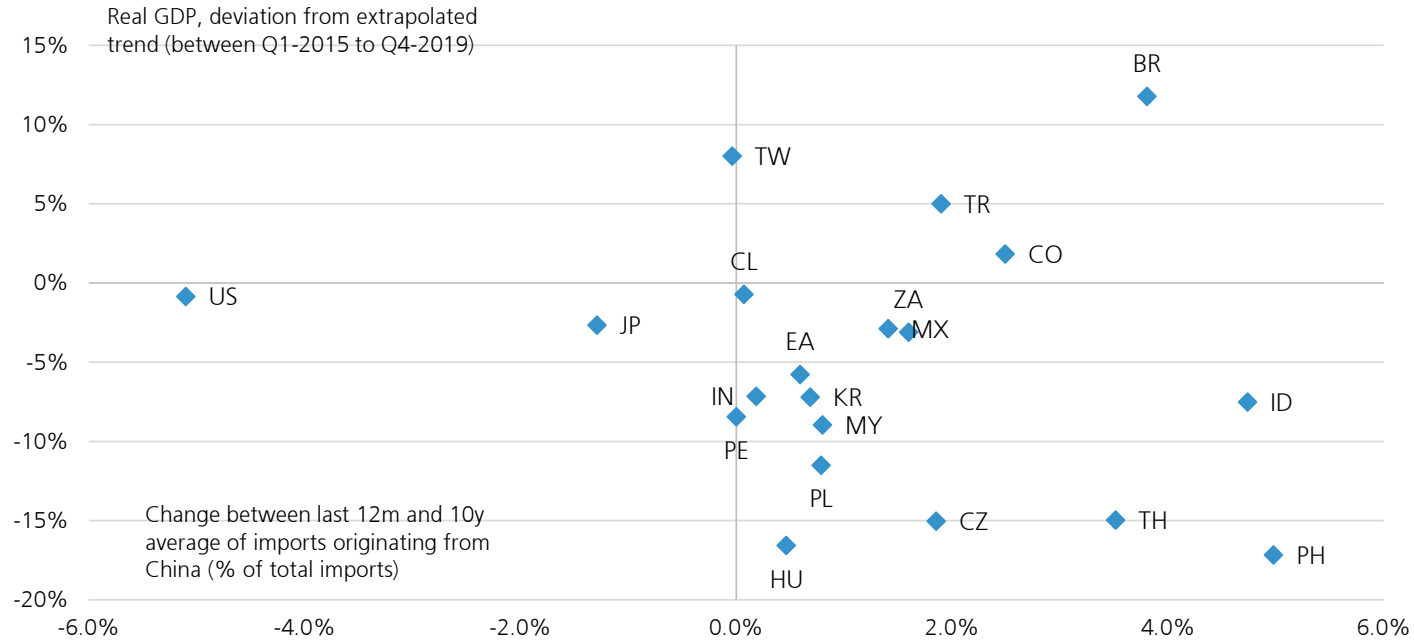


Source: Haver, UBS. Based on latest data as of May-25.



What do China's surging exports mean for the world?

Growth challenges - we observe a negative correlation between rising China import shares and recent GDP performance

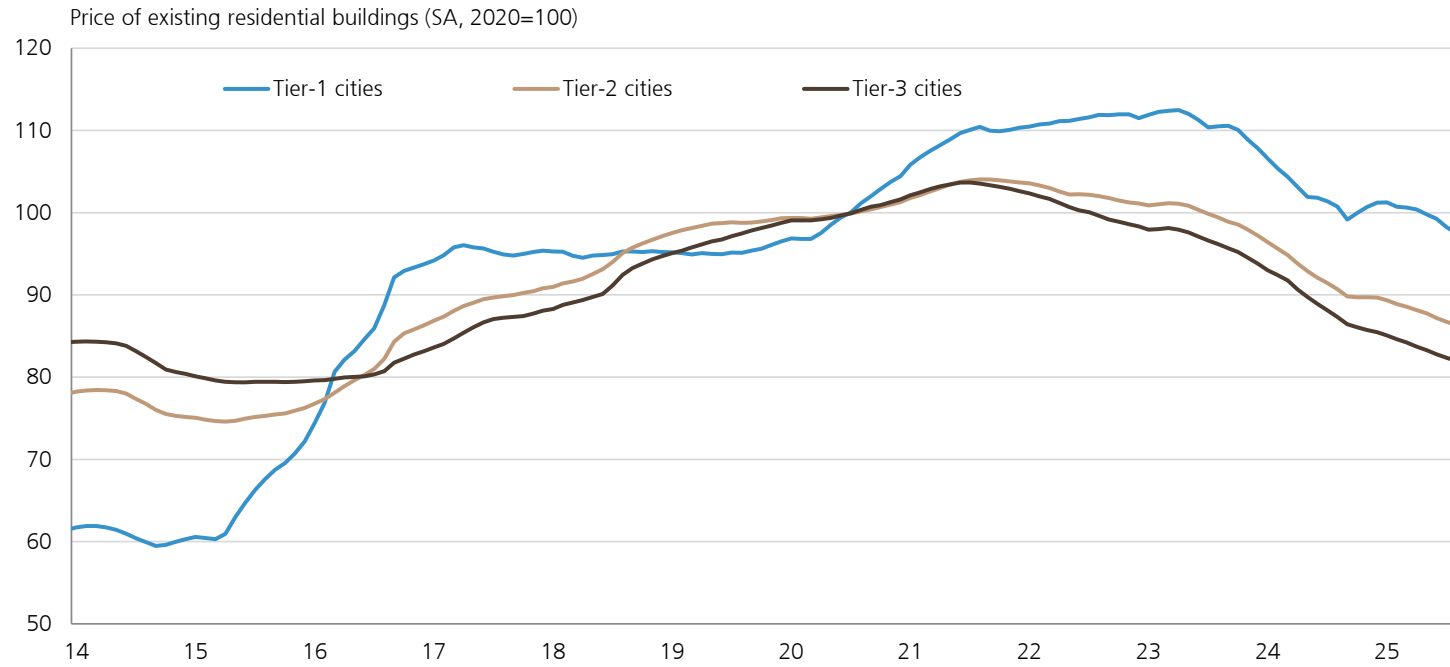


Source: Haver, UBS



What do China's surging exports mean for the world?

Property prices



Source: Haver, UBS. Latest data as of Aug-25.



UBS China property forecasts (1)

We expect property sales / completions to decline 5% / 20% in 2025E in GFA terms, in our base case

	NBS Residential Statistics									Residential Investments					Top 100 developers contract sales				
	Residential GFA sold		Residential new starts		GFA under construction		GFA completed		Starts / sales	Residential Investments		Residential value sold		Inv / sales	Gross		Attributable		
	m sqm	YoY	m sqm	YoY	m sqm	YoY	m sqm	YoY	%	Rmb bn	YoY	Rmb bn	YoY	%	Rmb bn	YoY	Rmb bn	YoY	% of national
2010	931	8%	1,295	40%	3,149	26%	612	3%	139%	3,404	33%	4,395	15%	77%					
2011	970	4%	1,460	13%	3,884	23%	717	17%	151%	4,431	30%	4,862	11%	91%					
2012	985	1%	1,307	-11%	4,290	10%	790	10%	133%	4,937	11%	5,347	10%	92%					
2013	1,157	18%	1,458	12%	4,863	13%	787	0%	126%	5,895	19%	6,769	27%	87%					
2014	1,052	-9%	1,249	-14%	5,151	6%	809	-3%	119%	6,435	9%	6,240	-8%	103%					
2015	1,124	7%	1,067	-15%	5,116	-1%	738	-9%	95%	6,460	0%	7,275	17%	89%					
2016	1,375	22%	1,159	9%	5,213	2%	772	5%	84%	6,870	6%	9,906	36%	69%					
2017	1,448	5%	1,281	11%	5,364	3%	718	-7%	88%	7,515	9%	11,024	11%	68%	7,405		5,571		
2018	1,479	2%	1,534	20%	5,700	6%	660	-8%	104%	8,519	13%	12,639	15%	67%	10,007	35%	8,031	44%	64%
2019	1,501	1%	1,675	9%	6,277	10%	680	3%	112%	9,707	14%	13,944	10%	70%	11,604	16%	8,527	6%	61%
2020	1,549	3%	1,643	-2%	6,556	4%	659	-3%	106%	10,445	8%	15,457	11%	68%	13,046	12%	9,446	11%	61%
2021	1,565	1%	1,464	-11%	6,903	5%	730	11%	94%	11,117	6%	16,273	-5%	68%	12,632	-3%	8,872	-6%	55%
2022	1,033	-34%	881	-40%	6,397	-7%	625	-14%	85%	9,241	-17%	10,957	-33%	84%	7,294	-42%	5,112	-42%	47%
2023	948	-8%	693	-21%	5,899	-8%	724	16%	73%	8,496	-10%	10,299	-4%	82%	6,006	-18%	4,244	-17%	41%
Jan-24	48	-25%	34	-31%	4,666	-12%	38	-21%	71%	441	-10%	461	-33%	96%	255	-36%	182	-35%	39%
Feb-24	48	-25%	34	-31%	4,666	-12%	38	-21%	71%	441	-10%	461	-33%	96%	199	-62%	140	-63%	30%
Mar-24	94	-22%	57	-27%	4,746	-12%	35	-25%	61%	776	-11%	930	-29%	83%	392	-47%	285	-45%	31%
Apr-24	56	-25%	45	-14%	4,806	-11%	26	-13%	80%	681	-10%	593	-32%	115%	340	-47%	243	-47%	41%
May-24	62	-23%	48	-22%	4,816	-12%	25	-12%	76%	743	-11%	671	-28%	111%	355	-35%	257	-32%	38%
Jun-24	94	-16%	60	-18%	4,874	-13%	31	-31%	64%	906	-10%	1,011	-13%	90%	470	-22%	362	-14%	36%
Jul-24	53	-14%	39	-24%	4,915	-13%	26	-22%	74%	635	-12%	552	-17%	115%	303	-21%	224	-17%	41%
Aug-24	54	-14%	42	-17%	4,961	-13%	25	-34%	78%	640	-10%	564	-17%	113%	273	-28%	199	-24%	35%
Sep-24	80	-11%	48	-18%	5,011	-13%	25	-30%	61%	707	-10%	781	-17%	91%	274	-38%	192	-36%	25%
Oct-24	66	-1%	38	-26%	5,045	-13%	38	-20%	58%	594	-9%	725	0%	82%	465	5%	343	10%	47%
Nov-24	69	5%	44	-27%	5,097	-13%	45	-40%	64%	555	-8%	739	4%	75%	386	-10%	288	-3%	39%
Dec-24	92	4%	47	-16%	5,133	-13%	185	-25%	51%	485	-2%	999	6%	49%	474	-1%	367	0%	37%
Jan-25	46	-4%	24	-29%	4,214	-10%	32	-18%	52%	403	-9%	458	-1%	88%	242	-5%	180	-1%	39%
Feb-25	46	-4%	24	-29%	4,214	-10%	32	-18%	52%	403	-9%	458	-1%	88%	198	0%	143	2%	31%
Mar-25	93	-1%	82	42%	4,272	-10%	32	-8%	88%	708	-9%	920	-1%	77%	345	-12%	254	-11%	28%
Apr-25	54	-2%	37	-18%	4,319	-10%	19	-26%	68%	605	-11%	550	-7%	110%	309	-9%	226	-7%	41%
2024	815	-14%	537	-23%	5,132	-13%	537	-26%	66%	7,604	-10%	8,486	-18%	90%	4,186	-30%	3,083	-27%	36%
2025E	774	-5%	483	-10%	4,875	-5%	430	-20%	62%	7,224	-5%	7,892	-7%	92%	3,977	-5%	2,928	-5%	37%
2026E	774	0%	483	0%	4,875	0%	344	-20%	62%	7,224	0%	7,892	0%	92%	3,977	0%	2,928	0%	37%

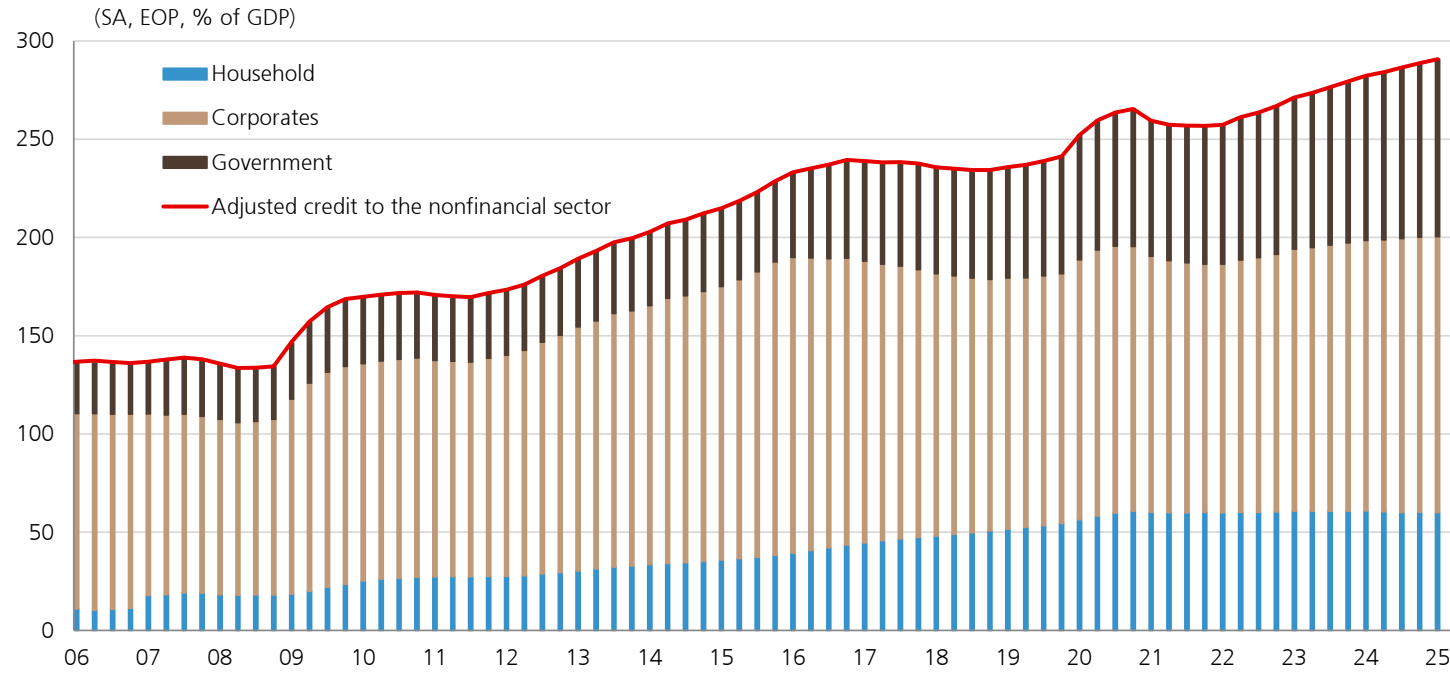


Source: _____, CEIC, China National Bureau of Statistics, UBS estimates

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What do China's surging exports mean for the world?

China credit to GDP



Source: Haver, UBS



What do China's surging exports mean for the world?

A macro ranking of relative exposure to deepening trade competition with China

	No. of sectors with RCA > China	Domestic value added manufacturing exports to China (% of country GDP, 2019)	CA+ net FDI + E&O (% GDP, levels)	CA+ net FDI + E&O (% GDP, change from 10y avg.)	Investment/GDP (10y z-score)	Manufacturing/GDP (10y z-score)	Goods export volumes relative to global import volumes (10y z-score)	MSCI EM 12m trailing margins (change from 10y avg.)	Ores and Metals exports (% of GDP)	Rank
Weights	25%	15%	10%	5%	10%	10%	15%	5%	5%	
Germany	20	1.4%	5.3%	0.1%	-2.1	-2.0	-1.8	0.2%	1.0%	18.7
Japan	19	1.9%	-0.1%	-0.5%	-0.9	0.4	-1.3	1.5%	0.6%	16.5
Hungary	13	0.7%	0.2%	0.6%	-1.8	-2.0	-2.5	4.4%	1.0%	16.2
Poland	18	0.4%	-0.5%	-2.1%	0.0	-1.8	-1.6	1.7%	1.3%	15.6
France	19	0.5%	-0.7%	1.0%	-0.5	-1.2	-0.9	0.9%	0.5%	14.6
Czech Republic	14	0.6%	1.2%	-0.2%	0.8	-0.8	-1.9	-0.4%	1.1%	14.0
Korea	15	5.7%	4.2%	1.4%	-2.0	1.1	0.5	1.6%	0.9%	13.8
Switzerland	5	1.4%	-3.2%	-5.3%	-1.9	0.9	-1.8	1.7%	0.7%	13.7
Philippines	6	1.5%	-3.6%	-3.5%	-0.4	-2.3	-0.4	4.8%	0.0%	13.1
South Africa	8	0.7%	0.2%	0.0%	-1.3	-1.5	-1.3	2.9%	8.0%	13.0
Thailand	12	3.3%	6.6%	3.4%	-0.7	-2.2	1.0	-1.4%	1.6%	13.0
Australia	3	1.2%	-0.5%	-1.3%	1.1	-1.7	-1.5	0.6%	6.5%	12.2
Indonesia	11	1.1%	0.6%	0.3%	-1.6	-1.3	0.8	1.7%	5.6%	12.1
Malaysia	11	4.5%	3.8%	1.6%	-0.2	0.3	0.2	1.3%	6.0%	12.0
Netherlands	15	0.4%	7.6%	5.5%	-0.2	0.6	-2.3	3.3%	1.8%	11.9
US	13	0.3%	-4.6%	-2.4%	1.4	-1.5	-0.9	1.7%	0.2%	11.8
Canada	8	0.6%	0.2%	3.7%	-1.6	-1.9	-0.4	2.7%	1.8%	11.4
UK	6	0.2%	-3.3%	-0.9%	0.8	-1.0	-2.1	1.4%	0.7%	11.1
Chile	2	0.8%	-0.8%	1.5%	-0.5	-0.8	-0.6	-0.6%	17.0%	10.8
India	13	0.4%	-0.4%	-0.5%	1.1	-1.1	0.6	1.8%	0.4%	10.4
Taiwan	12	11.5%	10.4%	-1.9%	1.3	1.1	1.6	2.1%	3.6%	10.1
Colombia	4	0.3%	0.7%	1.7%	-1.4	-2.0	-1.2	7.7%	1.7%	9.4
Brazil	3	0.4%	-1.7%	-2.2%	1.0	-1.6	2.3	1.7%	2.0%	8.8
Mexico	7	0.3%	2.2%	1.3%	0.7	0.2	0.6	1.9%	0.7%	6.6

Greater risk to Exporters

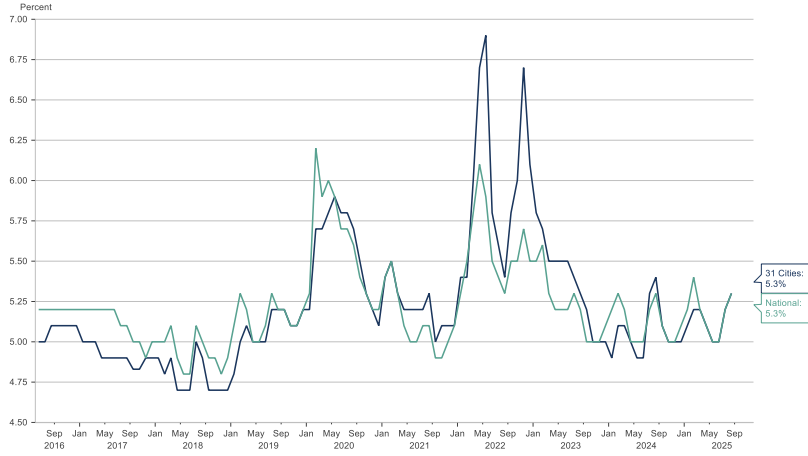
Lower risk to Exporters



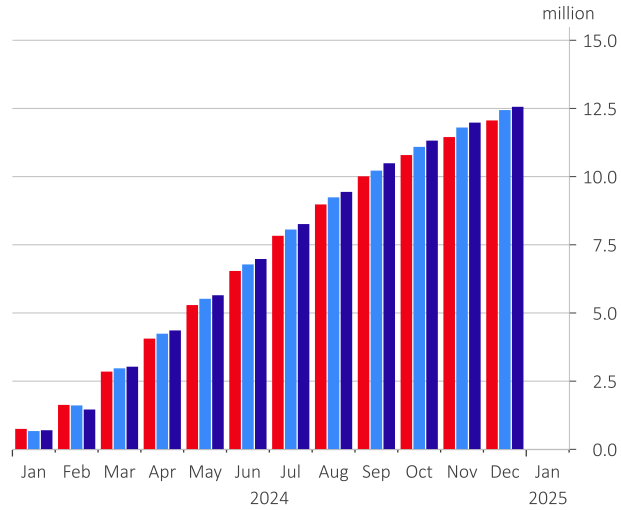
Source: UNCTAD, TIVA, Haver, UBS

Labour market not especially weak

China unemployment: Top 31 largest cities vs national average
Source: China National Bureau of Statistics (NBS)



Newly created jobs in urban areas, YTD

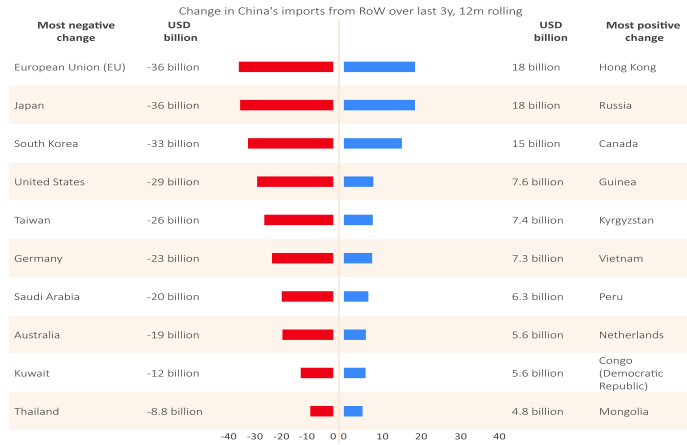


Source: Macrobond, UBS

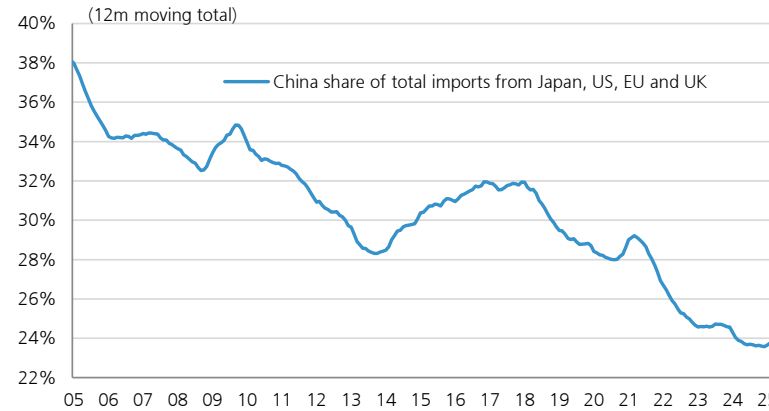


China is demanding commodities from the rest of world, not much else?

Who's gaining share in China imports?



Source: Macrobond, UBS



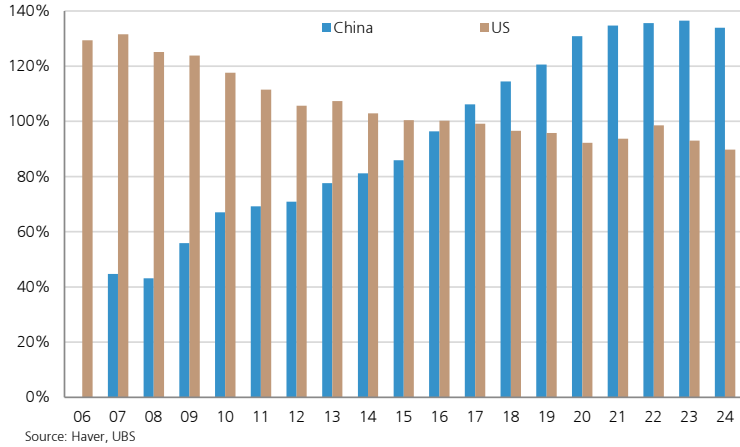
Source: Macrobond, UBS

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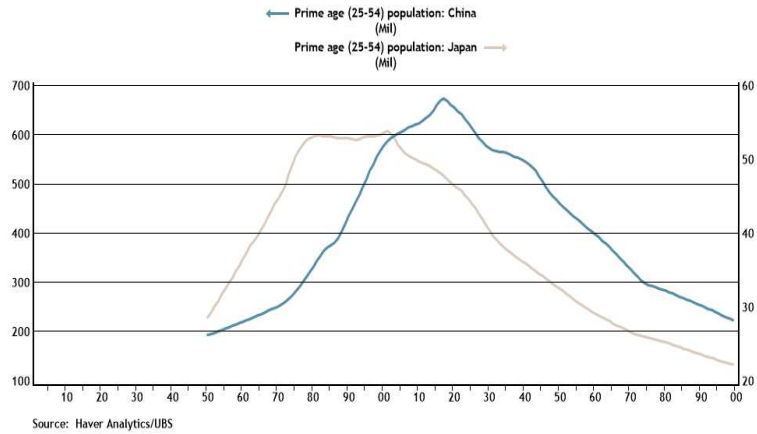


Not the same Chinese reaction function of yesteryear

Household debt to income

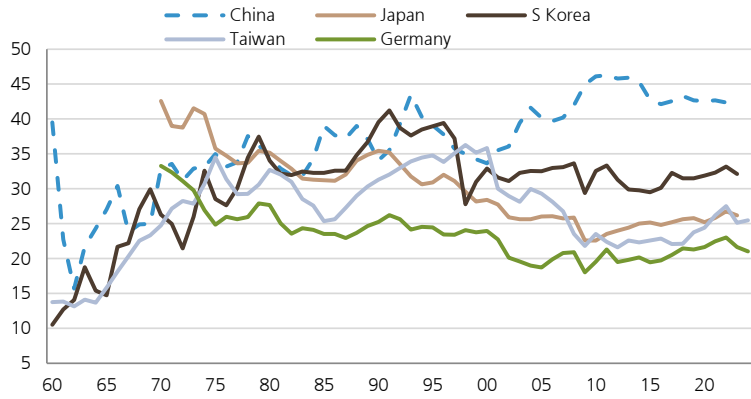


China vs. Japan: prime age population growth



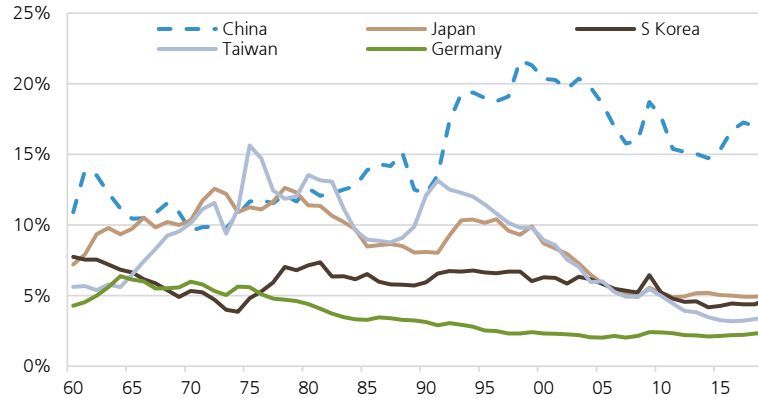
Not the same Chinese reaction function of yesteryear

Gross fixed capital formation, % GDP



Source: Haver, UBS

General govt investment, % GDP



Source: Haver, UBS

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EM Equities: Embracing narrow leadership



YTD returns in key global equity markets

YTD price returns (USD terms)

Equity rankings (price returns in USD)

2018	2019	2020	2021	2022	2023	2024	2025
BZ -3.9 %	SHSZ300 36 %	KR 43 %	SPX 27 %	TH 2.5 %	PL 45 %	TW 32 %	KR 62 %
SPX -6.2 %	TW 32 %	TW 37 %	IN 25 %	BZ 1.7 %	MX 36 %	SPX 23 %	ZA 54 %
TH -8 %	SPX 29 %	CH 27 %	TW 24 %	ID 1.1 %	NKY 28 %	NKY 19 %	PL 48 %
IN -8.8 %	BZ 22 %	SHSZ300 27 %	MX 20 %	MX -5.2 %	TW 27 %	CH 16 %	MX 42 %
MY -8.9 %	CH 21 %	SPX 16 %	Europe 14 %	ZA -7.2 %	SPX 24 %	MY 16 %	CH 39 %
ID -11 %	Europe 20 %	NKY 16 %	EM ex CH 10 %	IN -8.7 %	BZ 23 %	SHSZ300 15 %	BZ 33 %
TW -12 %	NKY 18 %	EM 16 %	PL 6.4 %	NKY -9.4 %	KR 22 %	IN 11 %	TW 27 %
NKY -12 %	EM ex CH 16 %	IN 14 %	NKY 4.9 %	MY -9.5 %	EM ex CH 20 %	EM 5.1 %	Europe 26 %
EM ex CH -12 %	EM 15 %	EM ex CH 13 %	ZA 0.89 %	Europe -17 %	IN 20 %	ZA 3.8 %	EM 26 %
PL -15 %	KR 10 %	Europe 3.1 %	ID 0.065 %	EM ex CH -19 %	Europe 17 %	EM ex CH 3.6 %	EM ex CH 23 %
EM -17 %	MX 8 %	MY 0.0060 %	TH -3.9 %	SPX -19 %	EM 7 %	Europe -0.87 %	SHSZ300 18 %
Europe -17 %	ZA 7.4 %	MX -4 %	EM -4.6 %	SHSZ300 -22 %	ID 3.3 %	TH -1.5 %	SPX 14 %
MX -17 %	ID 6.7 %	ZA -5.7 %	SHSZ300 -5.2 %	EM -22 %	ZA -1.6 %	PL -11 %	NKY 13 %
CH -20 %	TH 6.6 %	ID -11 %	KR -10 %	CH -24 %	MY -7.2 %	ID -16 %	MY 4.5 %
KR -23 %	IN 6.1 %	PL -12 %	MY -10 %	PL -29 %	SHSZ300 -11 %	KR -24 %	TH 0.079 %
SHSZ300 -25 %	MY -5.2 %	TH -14 %	CH -23 %	KR -31 %	TH -13 %	MX -30 %	IN -0.69 %
ZA -27 %	PL -8.2 %	BZ -21 %	BZ -24 %	TW -32 %	CH -13 %	BZ -35 %	ID -12 %



Source: MSCI, Bloomberg

We expect ~8% returns into end-2026 at the MSCI EM index level

UBS MSCI EM market preferences and forecasts

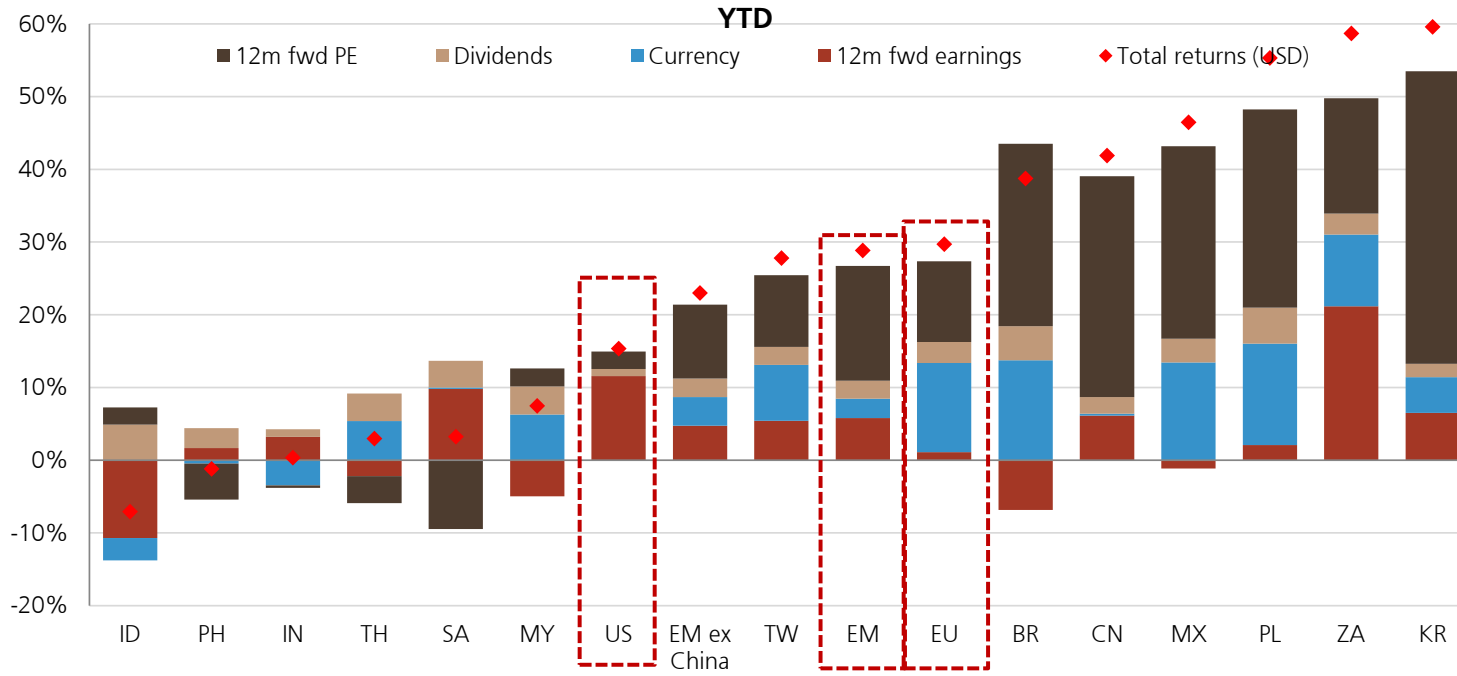
Markets		
Overweight	Neutral	Underweight
China**	Taiwan	India
Brazil	Korea	Saudi Arabia
Indonesia	Hong Kong*	Singapore*
Malaysia	South Africa	Mexico
Philippines	Thailand	
	Poland	

UBS index target					
	CMP	2025	2025 Upside	2026	2026 Upside
MSCI EM	1,326	1,340	1%	1,425	8%
MSCI AxJ	864	875	1%	915	6%



Source: UBS. * HK and Singapore markets are not part of MSCI EM but part of MSCI AxJ. **China includes all ADRs, H-share and A-share stocks in MSCI China

EM equity returns decomposition



Source: MSCI, Datastream, UBS



MSCI EM 12m performance in USD

MSCI EM 12m performance in USD

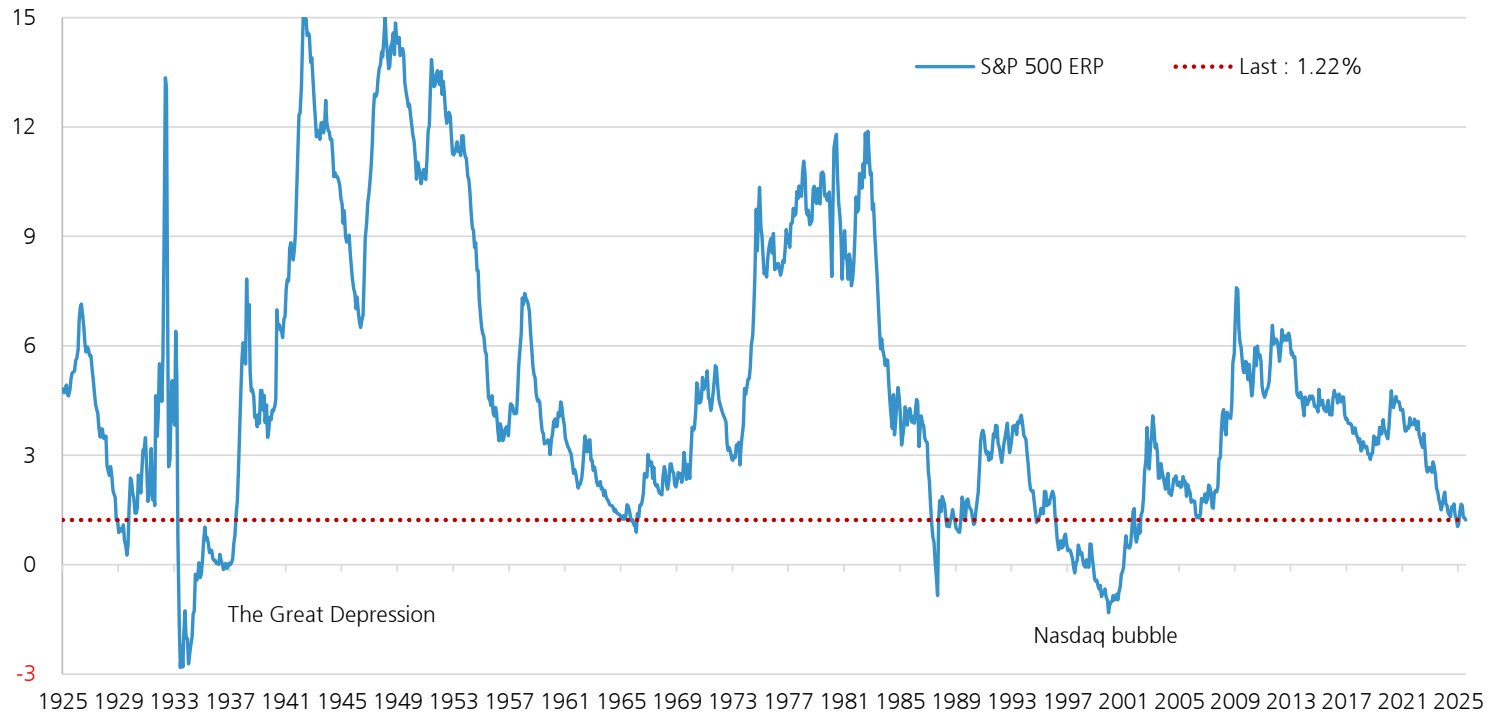
	Market	Cons Disc	Cons Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Comm Svs	Utilities	Real Estate
ACWI	18.8%	20.0%	2.6%	3.9%	22.5%	-0.9%	19.4%	29.6%	9.3%	32.4%	12.1%	1.0%
DM	18.5%	19.9%	2.8%	4.6%	23.8%	-1.4%	19.4%	29.4%	6.2%	30.7%	13.6%	0.7%
United States	18.0%	22.7%	0.8%	1.2%	16.1%	-1.7%	14.4%	30.2%	-2.5%	30.8%	10.0%	-2.0%
EU	20.7%	6.8%	6.8%	9.6%	45.3%	2.1%	33.3%	25.1%	5.9%	19.5%	23.7%	2.6%
Japan	17.8%	19.8%	4.4%	23.8%	32.3%	-8.9%	18.4%	12.2%	-0.7%	42.9%	12.4%	25.7%
EM Asia	20.8%	19.1%	-1.3%	-1.3%	10.4%	16.1%	20.2%	31.1%	11.4%	48.9%	-7.1%	-8.7%
EM EMEA	22.3%	34.0%	3.4%	5.7%	22.3%	-13.5%	11.9%	-9.2%	54.5%	17.4%	-13.0%	31.0%
EM LatAm	19.0%	30.7%	5.7%	-5.4%	23.8%	33.1%	15.3%	63.4%	25.4%	34.1%	36.7%	25.7%
EM	20.8%	20.2%	0.6%	-0.7%	14.7%	14.1%	19.2%	30.9%	24.4%	45.2%	-0.2%	3.9%
Brazil	10.9%	17.0%	-5.0%	-5.4%	17.6%	33.1%	1.8%	63.4%	-0.2%	47.4%	37.5%	-
China	36.0%	26.5%	14.6%	3.5%	21.9%	68.6%	16.3%	68.3%	68.9%	63.9%	2.5%	1.2%
India	-4.0%	2.9%	-9.0%	-4.6%	3.3%	-8.5%	-2.1%	-23.1%	0.0%	5.3%	-19.5%	-16.2%
Indonesia	-21.7%	-23.6%	-31.2%	-15.5%	-30.5%	-35.6%	5.2%	-	5.9%	2.6%	-	-
Korea	36.6%	4.9%	13.2%	14.8%	36.6%	-3.3%	66.9%	48.7%	-20.8%	31.5%	51.4%	-
Malaysia	4.6%	-18.9%	-1.7%	34.5%	1.3%	14.0%	21.8%	-	8.1%	12.8%	10.3%	-
Mexico	32.1%	-	8.8%	-	34.4%	-	33.1%	-	78.1%	28.7%	-	25.7%
Saudi Arabia	-0.6%	-3.8%	-5.4%	-9.3%	11.7%	-9.6%	-33.1%	-9.2%	-1.2%	4.7%	-45.6%	13.1%
South Africa	39.0%	47.5%	-0.7%	-	5.0%	-	-22.2%	-	122.7%	58.3%	-	2.0%
Taiwan	24.0%	-10.3%	-9.1%	-	11.2%	-10.1%	-13.6%	29.8%	-12.8%	5.1%	-	-
Thailand	-7.2%	-22.6%	-20.4%	-5.1%	14.9%	-26.3%	-25.9%	27.0%	12.4%	0.8%	-31.0%	-9.0%



Source: MSCI, Datastream, UBS.

US equities this expensive relative to bonds only twice in the last century

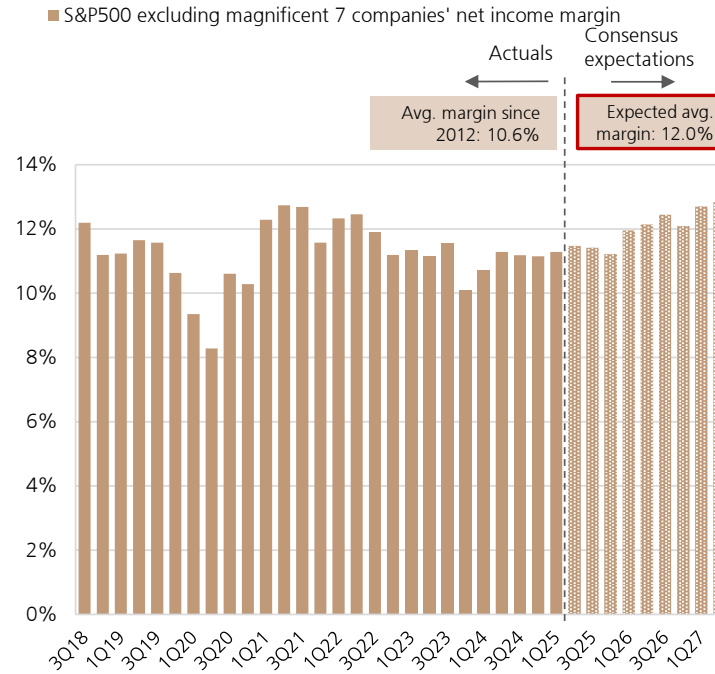
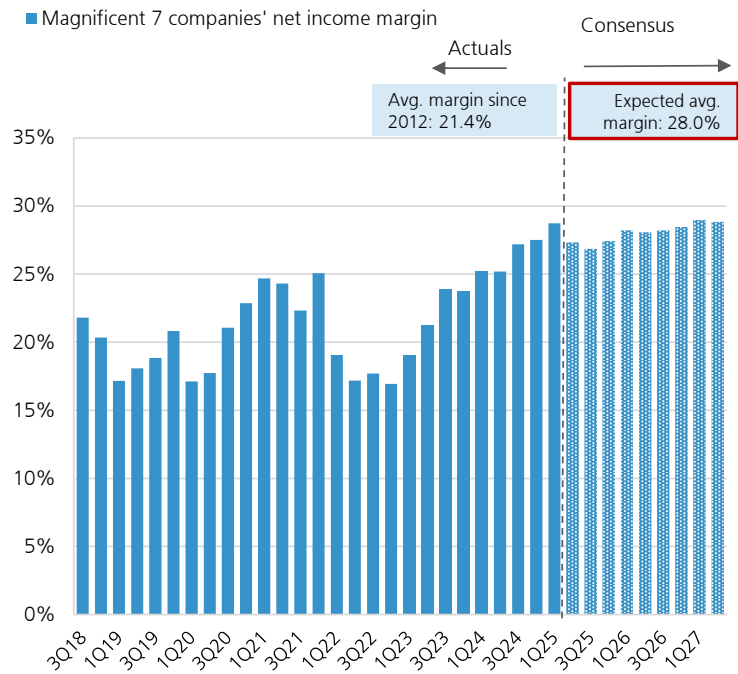
S&P 500 ERP since 1925



Source: Bloomberg, UBS



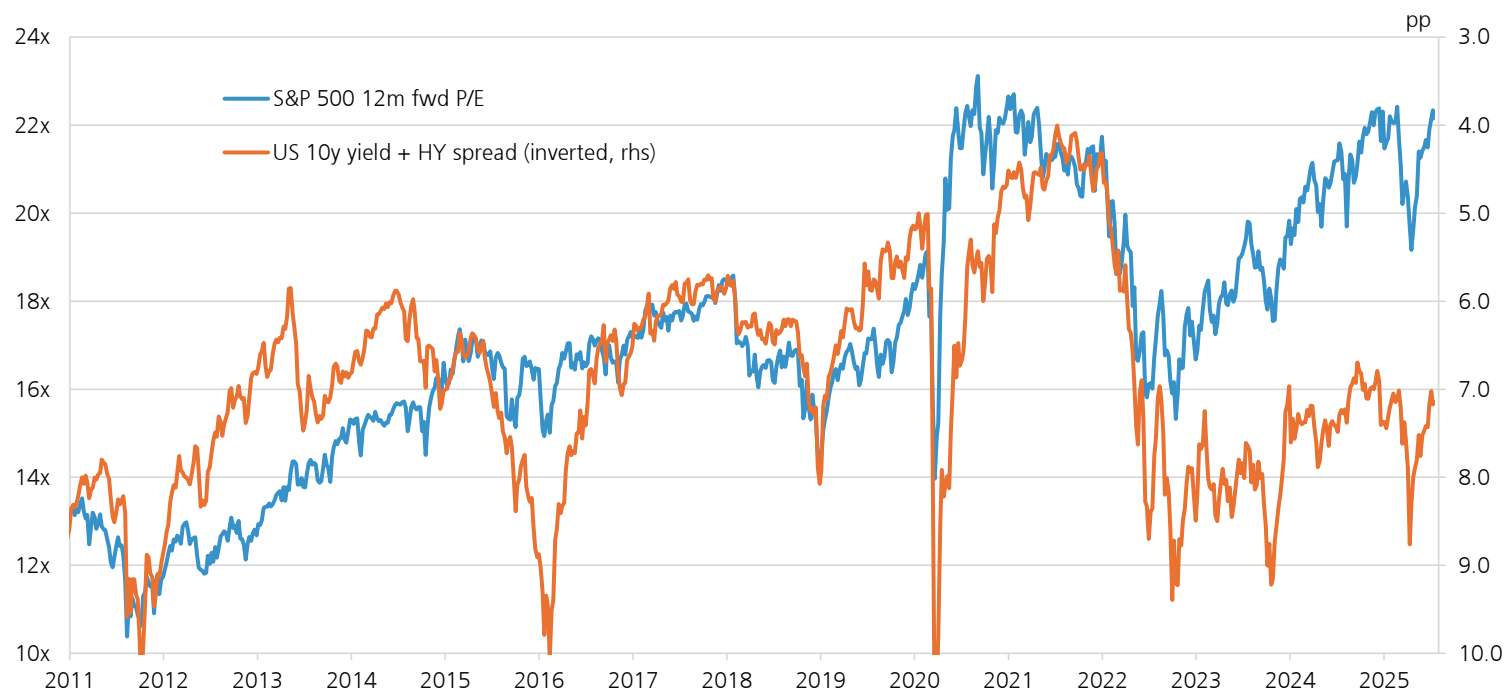
The markets are priced for US exceptionalism



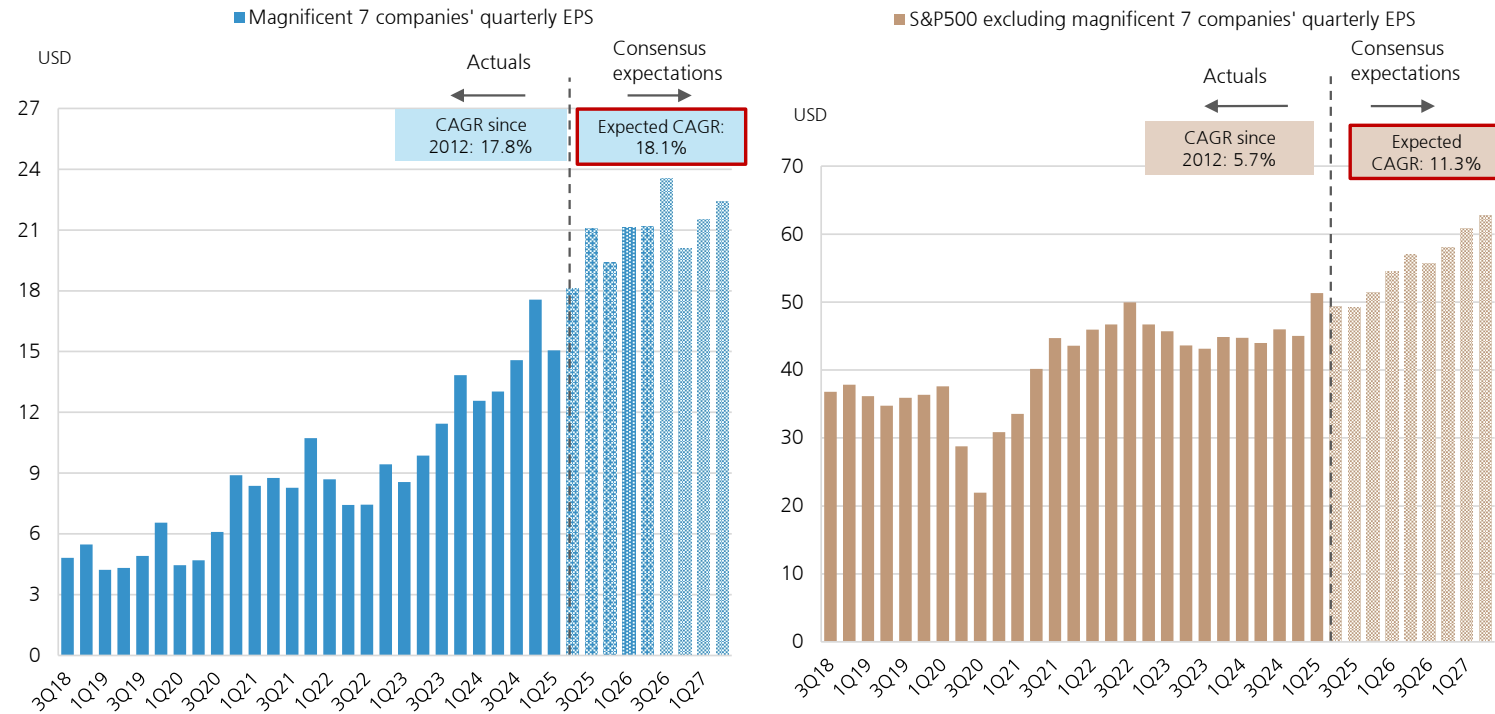
Source: Factset, UBS



US valuations exceeded guidance from already tight risk premia



The markets are priced for US exceptionalism. A move to trend will be felt.



Source: Factset, UBS



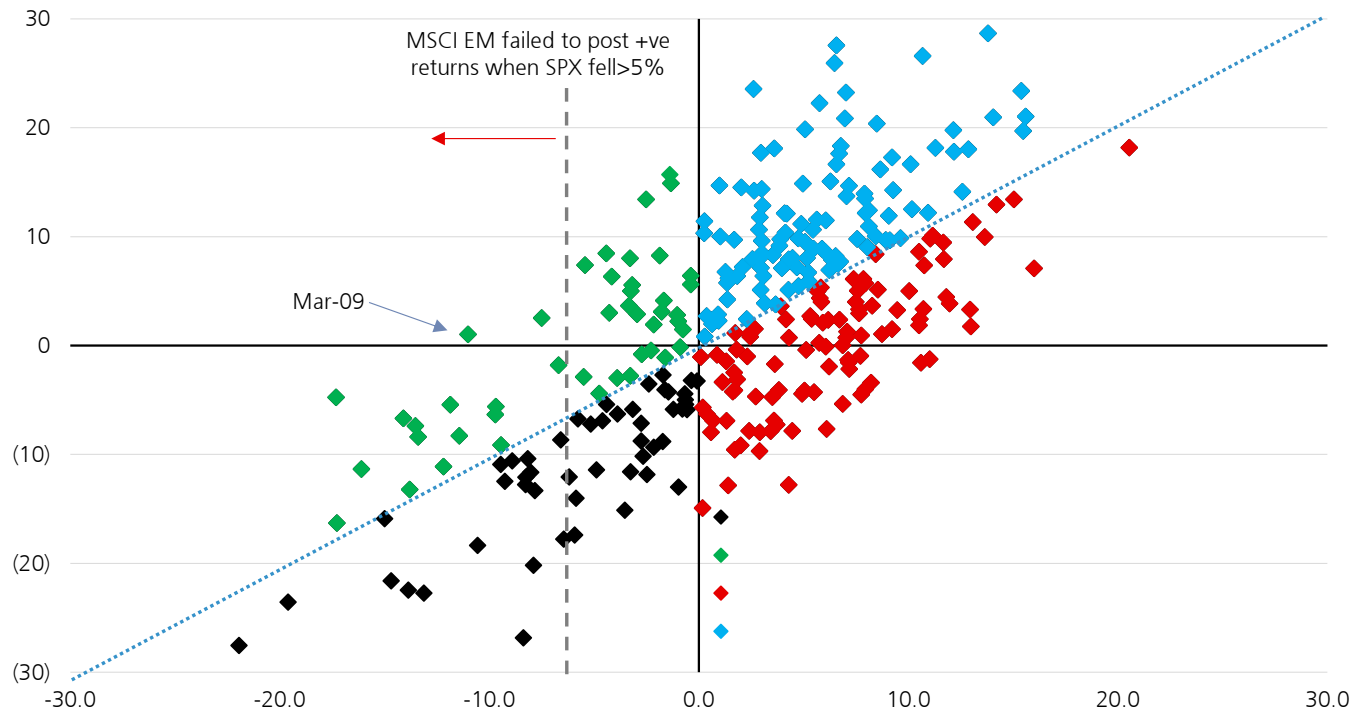
MSCI EM earnings growth expectations and recent revisions

MSCI EM earnings growth expectations

	Weight in trailing 12m earnings in EM	Changes in 12m fwd earnings (%)			Earnings growth expectations (%)			
		1m	3m	6m	12m fwd	2025E	2026E	2027E
ACWI		0.3	0.7	-2.0	11.7	8.0	13.2	12.8
DM		0.3	0.9	-1.8	11.5	7.7	13.0	12.8
United States		0.5	1.9	-0.5	13.3	12.0	13.9	13.8
EU		-0.3	-1.7	-5.1	9.4	-0.4	12.6	11.8
EM Asia	74%	-0.1	-0.7	-3.6	13.7	8.7	15.9	13.4
EM EMEA	15%	0.6	0.8	3.9	14.9	19.3	13.8	9.4
EM LatAm	11%	0.1	-1.9	-7.1	6.3	4.5	6.4	13.2
EM		0.0	-0.6	-2.9	13.1	9.7	14.6	12.8
Brazil	7%	0.2	-2.6	-9.0	5.0	1.0	5.8	13.9
China	32%	-1.7	-2.3	-5.9	10.8	1.8	15.1	13.0
India	10%	-0.1	-0.9	-3.6	14.5	12.7	15.9	14.0
Indonesia	1%	-1.0	-2.8	-5.4	5.1	-1.8	7.4	7.4
Korea	13%	3.0	3.3	3.1	20.2	21.7	19.8	12.3
Malaysia	1%	-0.5	-1.0	-4.6	6.2	1.5	7.1	7.0
Mexico	2%	-0.6	-0.8	-3.5	8.6	13.0	7.3	11.5
Saudi Arabia	3%	0.6	0.0	-2.9	8.4	6.6	9.0	9.9
South Africa	4%	2.3	1.7	11.4	23.0	37.5	20.4	7.8
Taiwan	15%	0.5	-0.3	-4.2	15.5	12.7	16.3	16.4
Thailand	1%	-0.4	-0.6	-5.5	6.3	10.9	3.7	7.4
Sectors								
Cons Disc	11%	-4.5	-8.8	-15.3	14.7	-10.9	29.1	18.9
Cons Staples	3%	-0.8	-2.1	-4.4	11.6	6.8	11.7	10.8
Energy	6%	0.2	-0.9	-10.7	1.6	2.5	0.4	8.7
Financials	35%	0.1	0.3	-0.9	7.0	4.5	8.2	9.1
Health Care	2%	0.1	5.0	4.8	21.7	32.5	19.0	16.5
Industrials	6%	0.4	-1.1	-2.3	12.3	8.0	13.3	13.2
Info Tech	19%	2.0	1.9	0.0	21.5	24.1	20.8	16.8
Materials	6%	1.9	1.8	2.4	25.5	55.3	19.0	9.2
Comm Svs	8%	0.1	1.5	2.9	14.5	15.2	14.4	13.7
Utilities	3%	0.8	0.2	-1.2	14.0	13.2	13.2	8.9
Real Estate	2%	-1.6	-3.9	-4.7	17.6	8.8	20.5	17.8

UBS Source: IBES, MSCI, Datastream, UBS

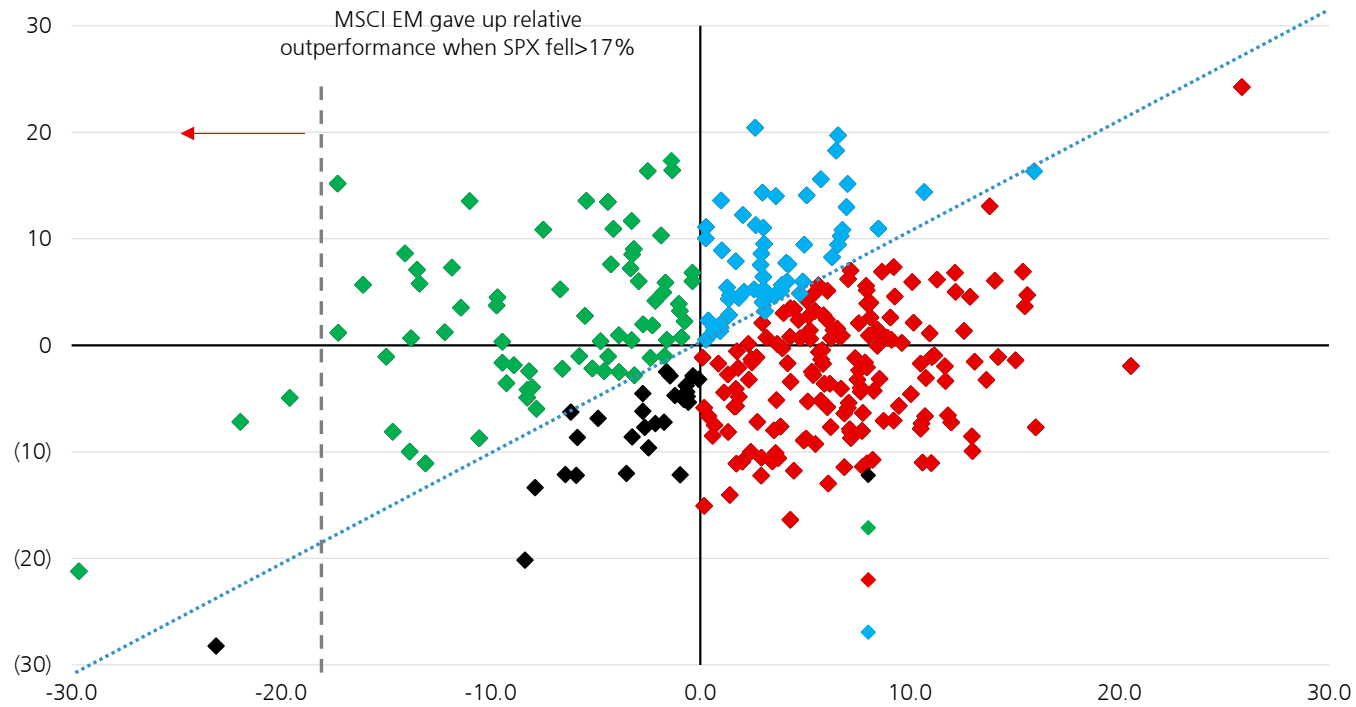
Historically a 5% drop in the SPX saw MSCI EM weaken



Source: Bloomberg, UBS. Based on monthly data since 2000



...though it can outperform until the drop in SPX reaches ~17%

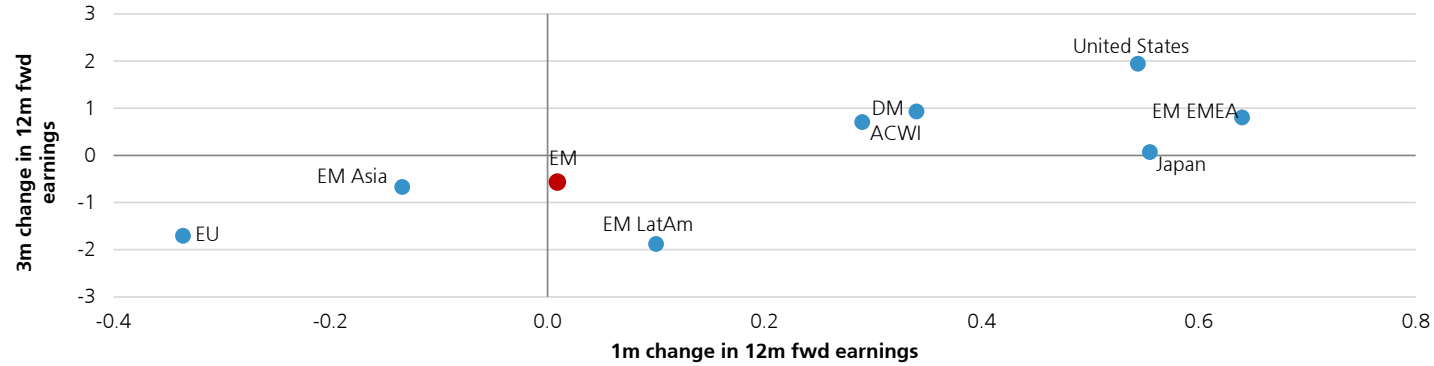


Source: MSCI, Datastream, UBS. Based on monthly data since 2000.

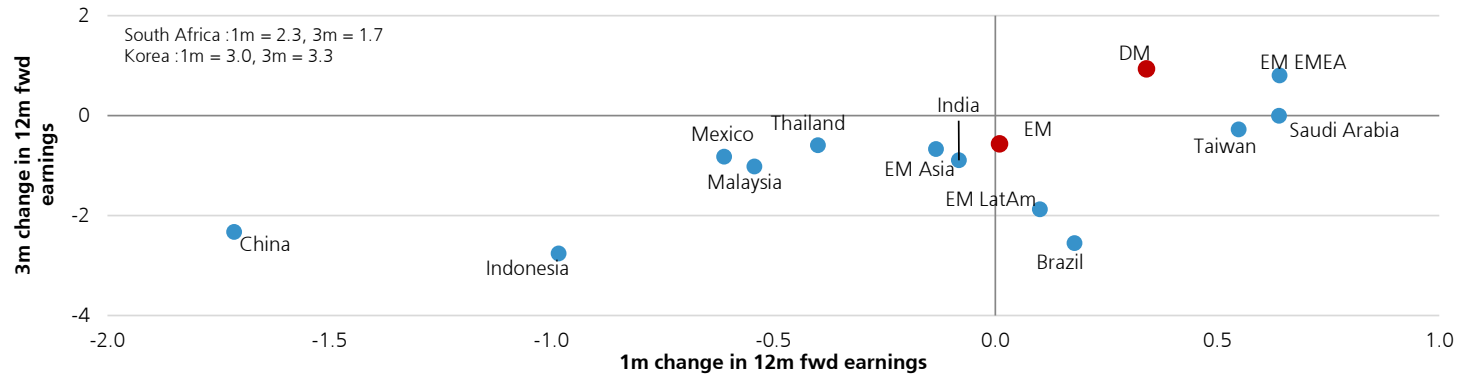


MSCI EM earnings revisions

Major regions: 1-month and 3-month revisions to 12m forward earnings (local currency earnings) %



EM markets: 1-month and 3-month revisions to 12m forward earnings (local currency earnings) %



UBS Source: IBES, MSCI, Datastream, UBS

MSCI EM valuations

MSCI EM sectors and markets average valuation percentile – since 2011

	12m fwd P/E (x)	P/E %ile	Trailing P/Book (x)	P/Book %ile	Trailing ROE (%)	ROE %ile	Average Valuation %ile	P/E %ile (relative to DM)	P/Book %ile (relative to DM)	Valuation relative to MSCI World, avg. %ile	Trailing ROE relative to MSCI World %ile
ACWI	19.5	97%	3.6	100%	15.3	98%	98%	20%	15%	18%	15%
DM	20.5	98%	3.9	100%	15.9	99%	99%	-	-	-	0%
United States	23.3	99%	5.6	100%	19.3	92%	100%	86%	76%	81%	38%
EU	15.0	76%	2.3	99%	13.8	93%	88%	5%	3%	4%	53%
EM Asia	15.2	94%	2.2	97%	12.3	65%	95%	41%	20%	30%	22%
EM EMEA	11.1	94%	1.9	98%	14.0	66%	96%	15%	12%	13%	22%
EM LatAm	10.0	30%	1.8	69%	16.7	82%	49%	13%	6%	10%	65%
EM	14.0	94%	2.1	100%	12.9	76%	97%	20%	17%	18%	15%
Brazil	8.7	31%	1.7	66%	18.1	79%	49%	15%	6%	10%	67%
China	13.8	92%	1.9	80%	11.5	25%	86%	47%	20%	33%	22%
India	22.1	81%	3.7	84%	14.2	41%	82%	23%	1%	12%	8%
Indonesia	11.2	3%	2.3	13%	16.3	55%	8%	1%	2%	2%	24%
Korea	11.1	81%	1.3	88%	9.6	49%	85%	17%	18%	17%	24%
Malaysia	14.1	31%	1.6	30%	10.1	56%	31%	5%	4%	5%	24%
Mexico	12.8	24%	2.3	48%	14.3	84%	36%	7%	7%	7%	32%
Saudi Arabia	15.3	21%	2.3	70%	13.1	88%	46%	4%	2%	3%	43%
South Africa	11.0	44%	2.4	61%	15.2	80%	53%	22%	23%	23%	29%
Taiwan	18.2	97%	3.7	99%	17.6	90%	98%	54%	84%	69%	63%
Thailand	15.4	65%	1.7	13%	11.5	42%	39%	4%	2%	3%	32%
Sectors											
Cons Disc	16.5	73%	2.6	82%	13.5	65%	78%	14%	23%	19%	48%
Cons Staples	18.9	14%	3.6	46%	16.2	94%	30%	7%	12%	9%	30%
Energy	9.8	90%	1.3	90%	11.3	46%	90%	73%	87%	80%	28%
Financials	9.3	80%	1.3	65%	12.5	63%	72%	21%	3%	12%	13%
Health Care	29.1	83%	4.4	83%	10.1	28%	83%	78%	52%	65%	23%
Industrials	15.8	98%	2.2	99%	12.9	88%	99%	49%	74%	62%	78%
Info Tech	17.5	92%	3.6	100%	16.6	71%	96%	16%	27%	22%	30%
Materials	14.3	97%	1.9	91%	8.9	44%	94%	78%	93%	85%	30%
Comm Svs	18.9	74%	3.7	97%	14.8	74%	85%	22%	12%	17%	49%
Utilities	11.5	62%	1.4	90%	10.9	88%	76%	43%	38%	40%	61%
Real Estate	11.5	94%	1.2	68%	6.9	15%	81%	87%	44%	66%	14%



Source: IBES, MSCI, Datastream, UBS. Note: a) data for Saudi Arabia valuations available since June 2019, b) avg valuation %ile calculated as simple average of %ile of 12m fwd P/E and trailing P/Book ratio since 2011 and c) Regions/Markets' relative valuation percentiles in the last column are relative to MSCI World; sectors' relative valuation %ile are relative to MSCI World's respective sectors, since 2011.

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Average P/E and PB valuation, relative to own history

Average P/E and PB valuation, relative to own history (since 2011)

	Market	Cons Disc	Cons Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Comm Svs	Utilities	Real Estate
EM	97%	77%	41%	90%	74%	87%	100%	96%	93%	86%	79%	88%
EM Asia	97%	82%	68%	73%	72%	84%	100%	96%	98%	86%	57%	81%
EM EMEA	93%	23%	16%	97%	70%	41%	52%	50%	92%	33%	89%	62%
LatAm	53%	15%	15%	40%	71%	60%	67%	64%	63%	59%	84%	50%
Brazil	51%	15%	15%	40%	81%	56%	19%	66%	36%	79%	93%	-
Chile	47%	24%	41%	-	40%	-	100%	-	38%	-	20%	-
China	89%	62%	45%	69%	46%	84%	90%	75%	97%	85%	23%	72%
India	82%	95%	67%	55%	34%	83%	91%	64%	94%	87%	80%	42%
Indonesia	14%	62%	1%	59%	7%	0%	15%	-	99%	22%	-	-
Korea	82%	12%	41%	63%	73%	52%	99%	67%	52%	68%	44%	-
Malaysia	30%	99%	61%	62%	26%	37%	97%	0%	73%	22%	82%	-
Mexico	35%	-	9%	-	44%	-	75%	0%	73%	36%	-	63%
Poland	56%	52%	42%	23%	37%	-	60%	-	38%	94%	39%	-
Saudi Arabia	26%	3%	0%	19%	4%	0%	0%	26%	72%	30%	55%	62%
South Africa	52%	21%	51%	0%	38%	0%	8%	-	79%	28%	-	60%
Taiwan	97%	91%	28%	0%	81%	47%	16%	97%	52%	78%	-	0%
Thailand	56%	5%	2%	25%	17%	5%	69%	100%	59%	49%	88%	25%



Source: IBES, MSCI, Datastream, UBS. Note: a) *Average valuation percentile is the simple average of percentile of 12m fwd P/E and percentile of trailing P/Book. b) data for Saudi Arabia valuations available since June 2019

Average P/E and PB valuation, relative to MSCI World

Average P/E and PB valuation, relative to MSCI World (since 2011)

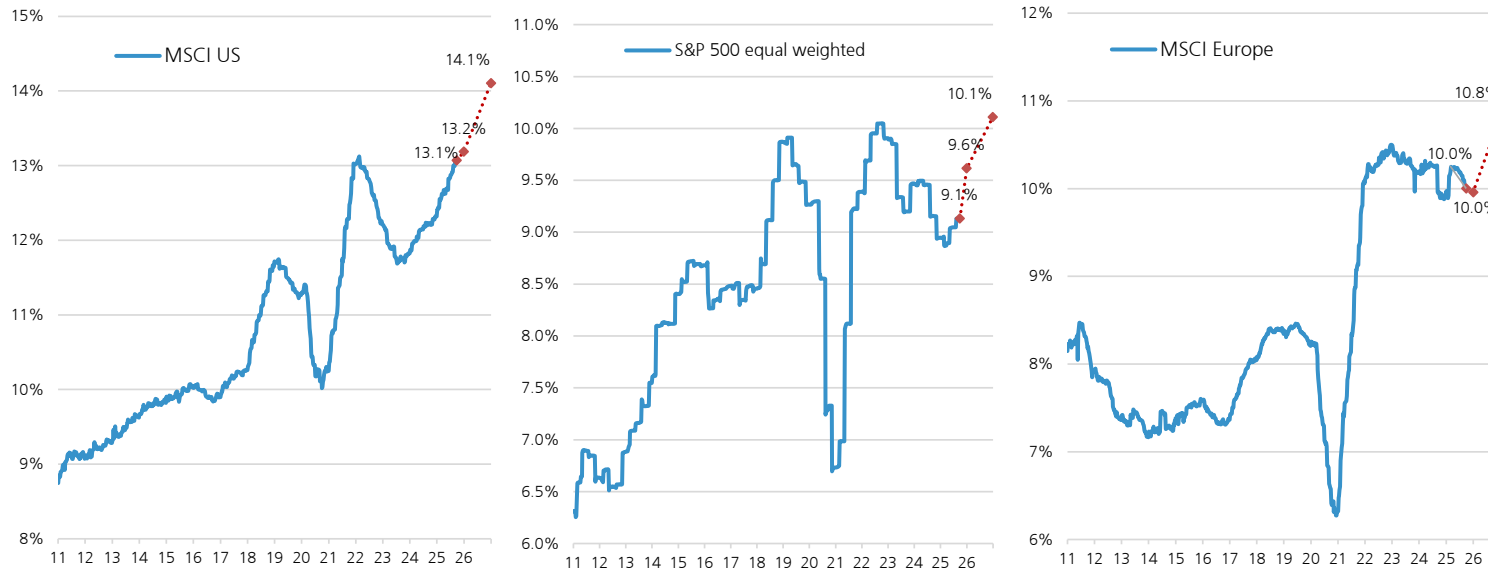
	Market	Cons Disc	Cons Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Comm Svs	Utilities	Real Estate
EM	18.1%	12.7%	9%	75%	10%	76%	53%	23%	65%	11.9%	40%	70%
EM Asia	32%	31%	26%	45%	23%	75%	59%	22%	92%	16%	31%	69%
EM EMEA	4%	3%	5%	87%	1%	38%	18%	40%	65%	0%	79%	47%
LatAm	12%	5%	6%	21%	20%	47%	17%	24%	29%	6%	44%	36%
Brazil	11%	5%	13%	29%	26%	44%	3%	32%	16%	17%	76%	-
Chile	24%	15%	33%	-	8%	-	100%	-	28%	-	17%	-
China	34%	19%	25%	57%	21%	82%	29%	33%	88%	43%	20%	67%
India	21%	66%	50%	35%	9%	73%	75%	1%	80%	75%	66%	37%
Indonesia	3%	56%	2%	56%	0%	1%	10%	-	98%	7%	-	-
Korea	13%	3%	29%	59%	30%	54%	74%	10%	44%	28%	33%	-
Malaysia	4%	72%	53%	52%	2%	29%	41%	0%	53%	1%	55%	-
Mexico	7%	-	5%	-	8%	-	50%	-	51%	6%	-	48%
Poland	11%	9%	37%	26%	5%	-	49%	-	8%	88%	31%	-
Saudi Arabia	0%	1%	1%	7%	0%	1%	3%	5%	22%	0%	46%	52%
South Africa	18%	6%	30%	0%	3%	0%	1%	-	69%	4%	-	40%
Taiwan	65%	23%	7%	0%	19%	44%	6%	35%	46%	0%	-	0%
Thailand	6%	2%	2%	19%	3%	8%	30%	97%	56%	7%	70%	11%



Source: IBES, MSCI, Datastream, UBS. Note: a) *Average valuation percentile is the simple average of percentile of 12m fwd P/E and percentile of trailing P/Book, relative to respective sector in MSCI World and b) data for Saudi Arabia valuations available since June 2019.

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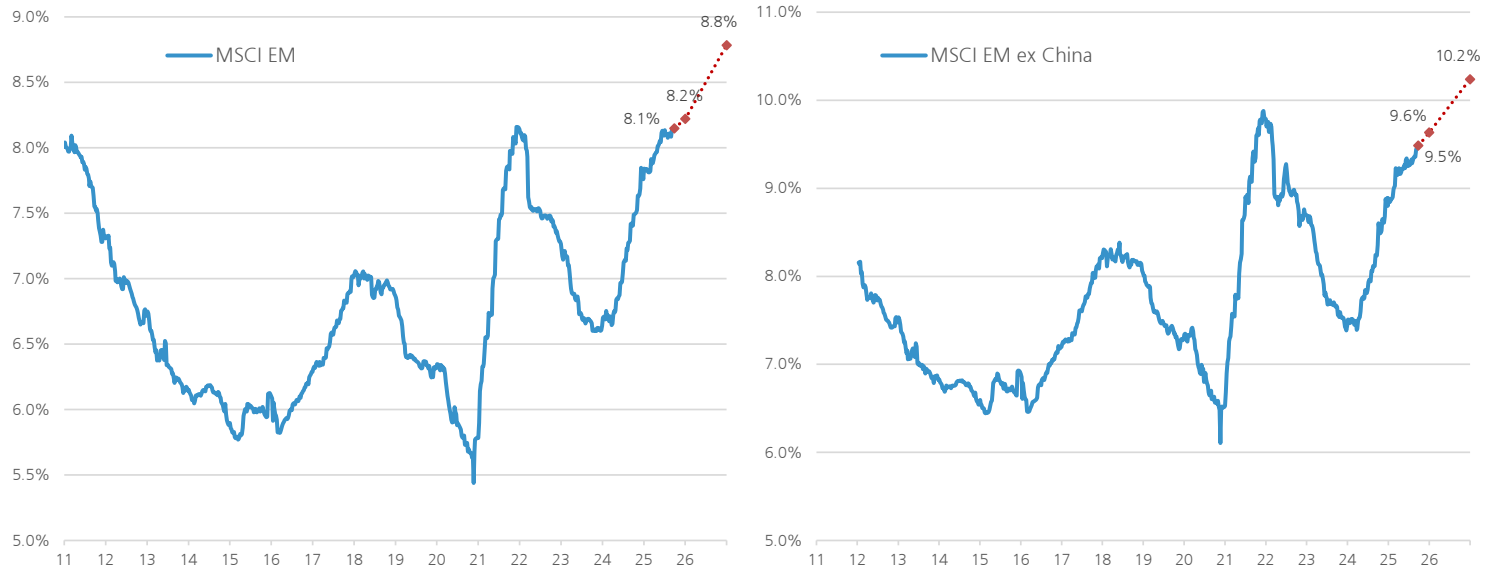
Margins expected to rise strongly ahead (DM)



Source: IBES, MSCI, Datastream, Bloomberg, UBS. Note: The red dots represent 2025E & 2026E IBES forecasts



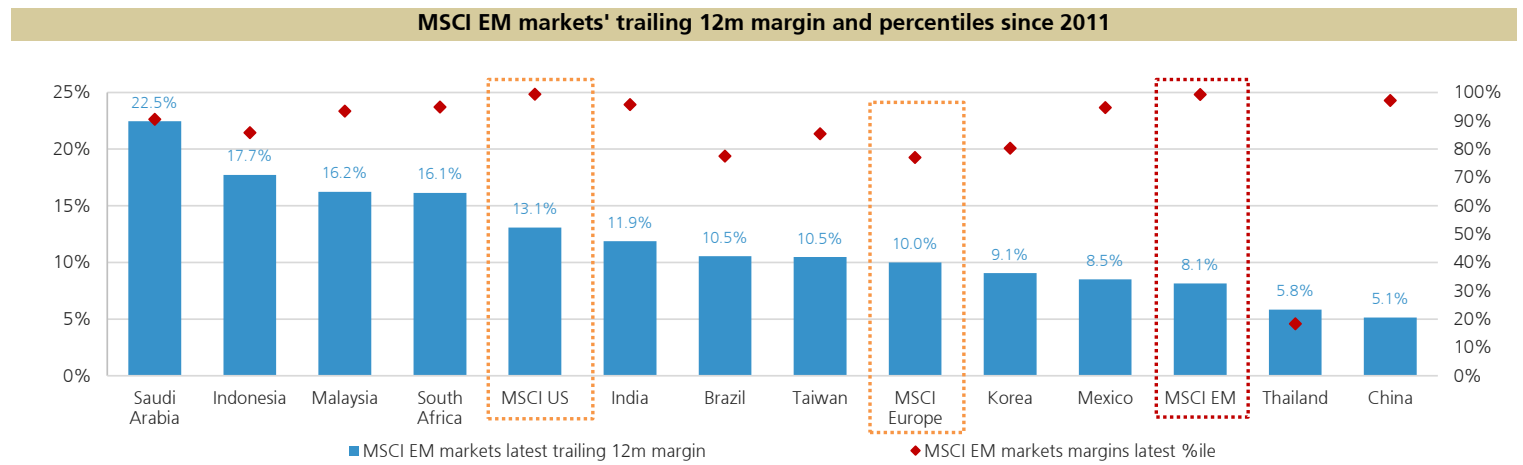
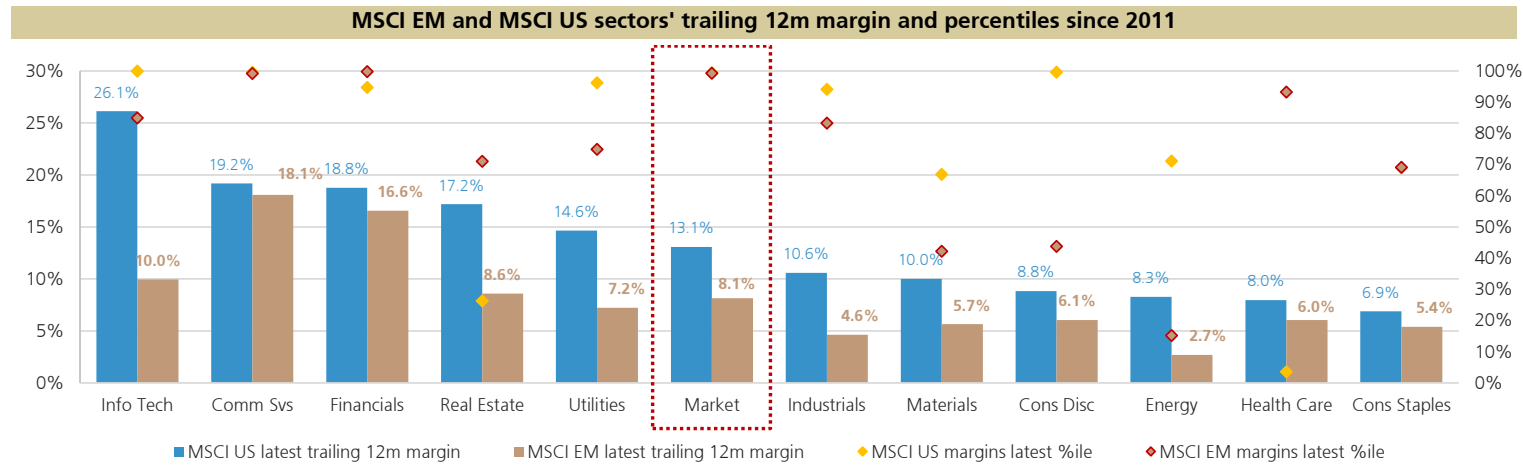
Margins expected to rise strongly ahead (EM)



Source: IBES, MSCI, Datastream, Bloomberg, UBS. Note: The red dots represent 2024E, 2025E & 2026E IBES forecasts

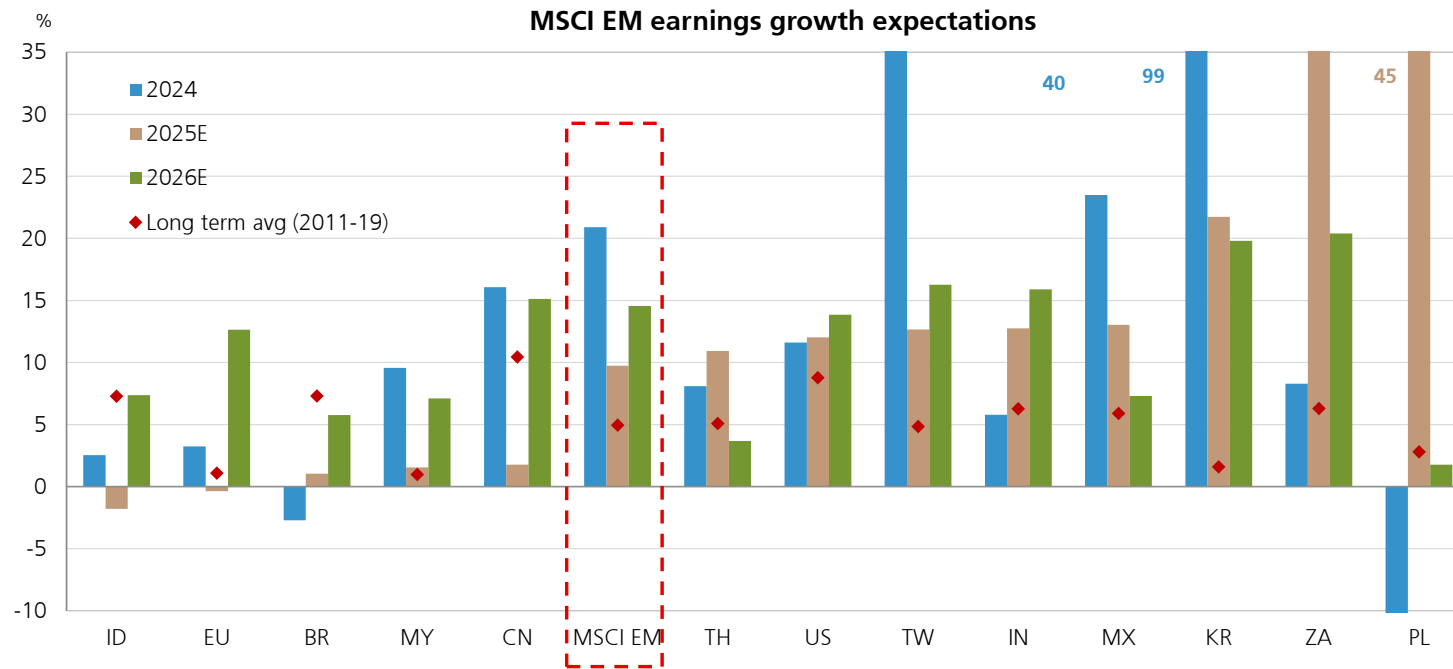
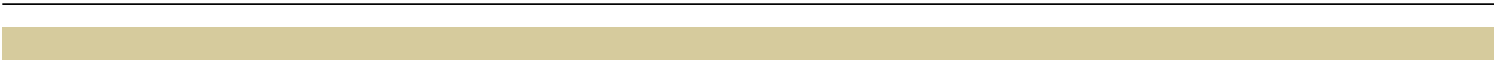


MSCI EM and US net income margins



Source: IBES, MSCI, Datastream, UBS. Note: a) The red dots in the first set of charts represent 2024E and 2025E IBES forecasts; b) Real Estate data starts from Sep-2016.

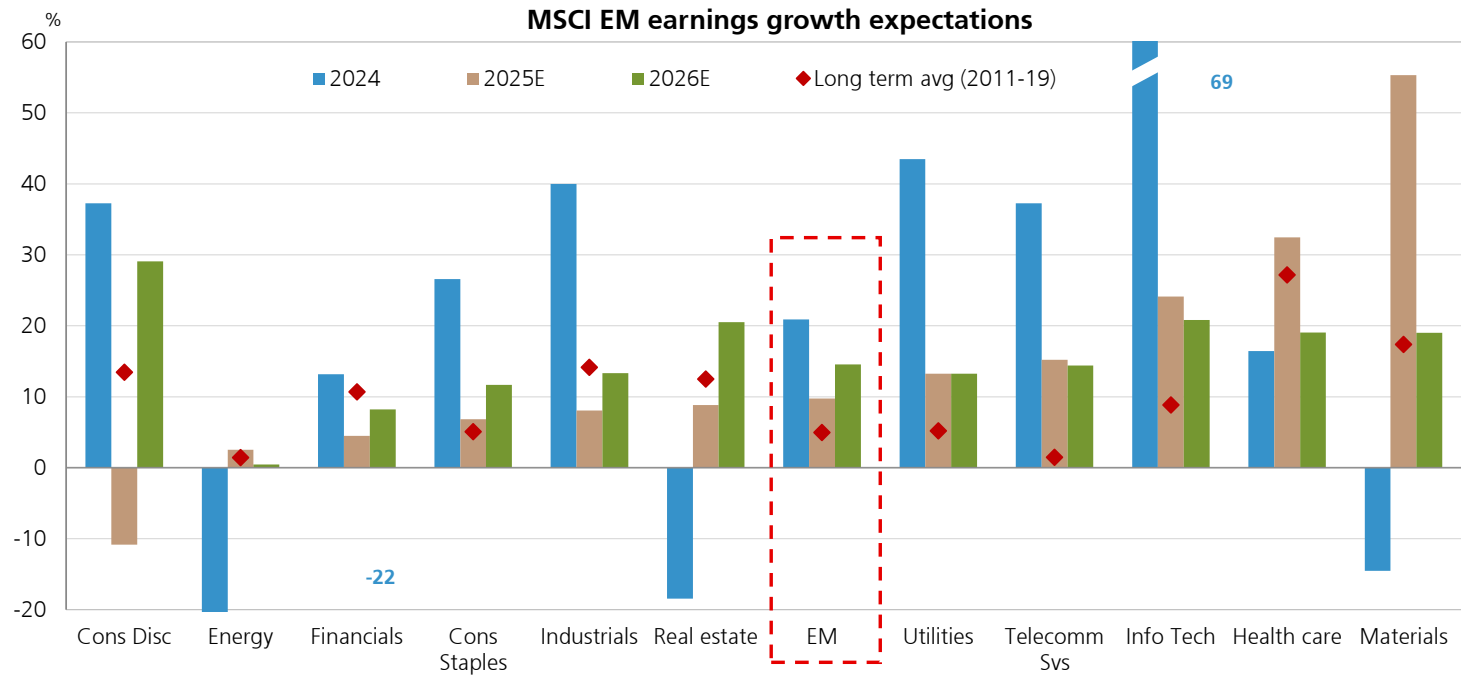




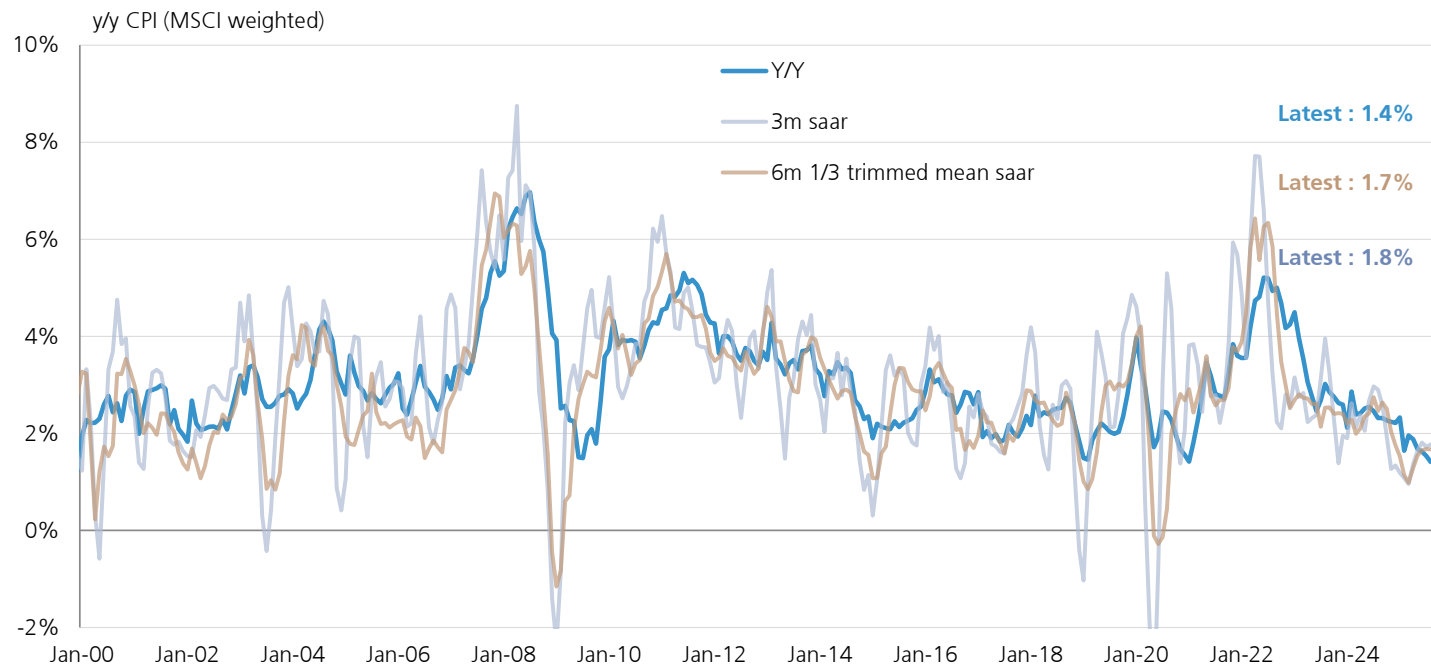
Source: Haver, IBES, MSCI, Datastream, UBS.

MSCI EM earnings growth expectations (%) by sector

MSCI EM earnings growth expectations (%)



Source: Haver, IBES, MSCI, Datastream, UBS.

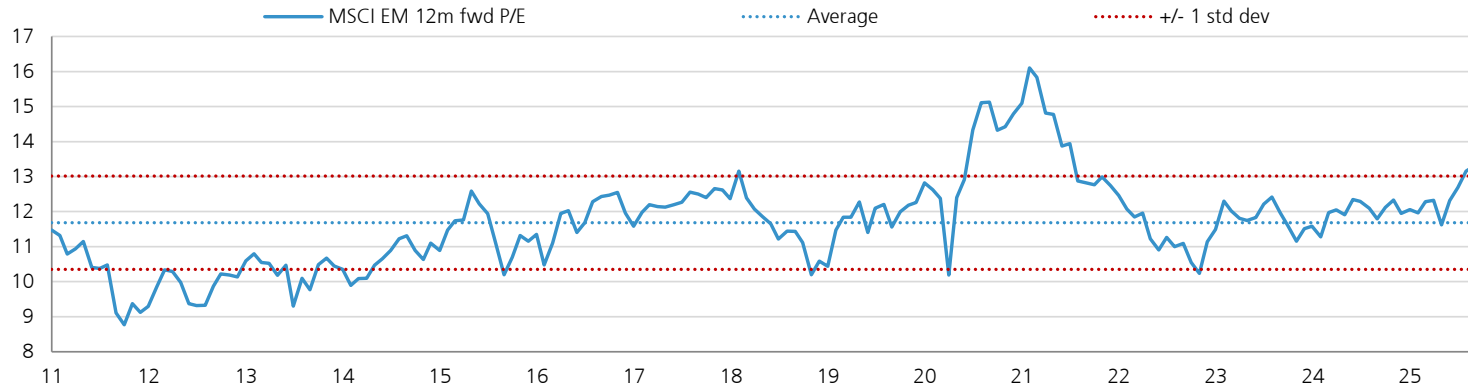


Source: Haver, UBS

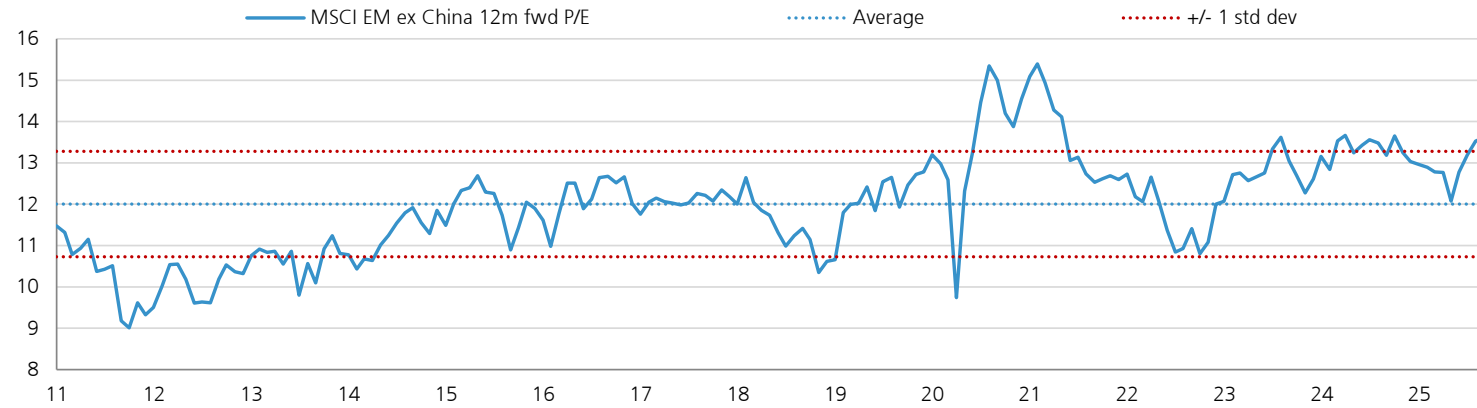



MSCI EM and EM ex China 12m fwd P/E

MSCI EM 12m fwd P/E



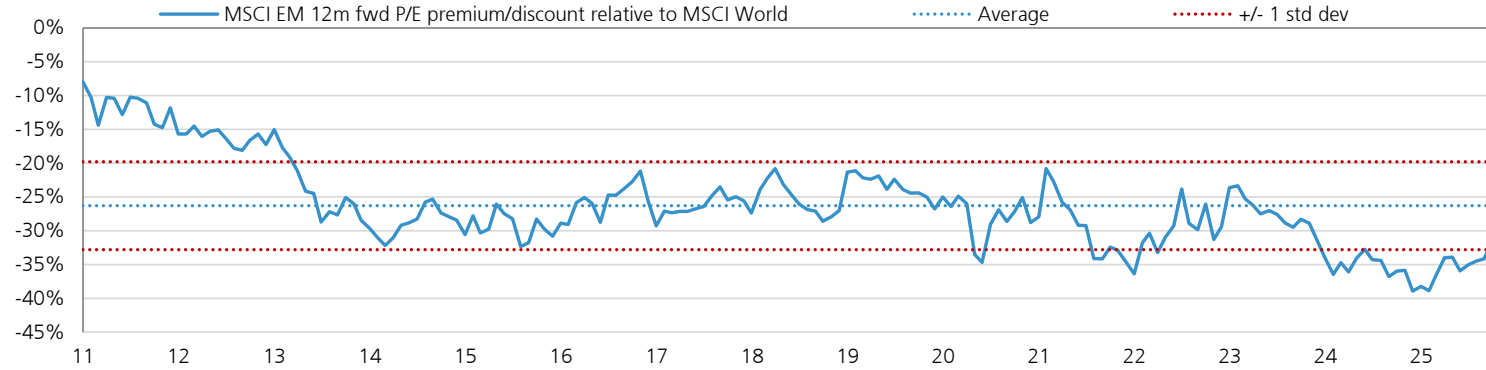
MSCI EM ex-China 12m fwd P/E



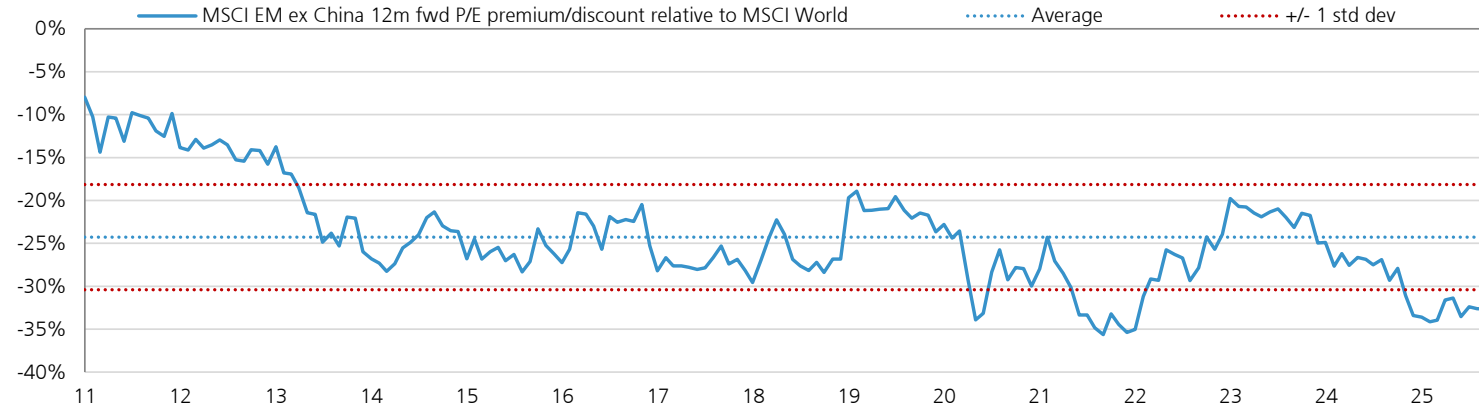
 **UBS** Source: IBES, MSCI, Datastream, UBS


MSCI EM & EM ex-China 12m fwd P/E relative to MSCI World

MSCI EM 12m fwd P/E relative to MSCI World



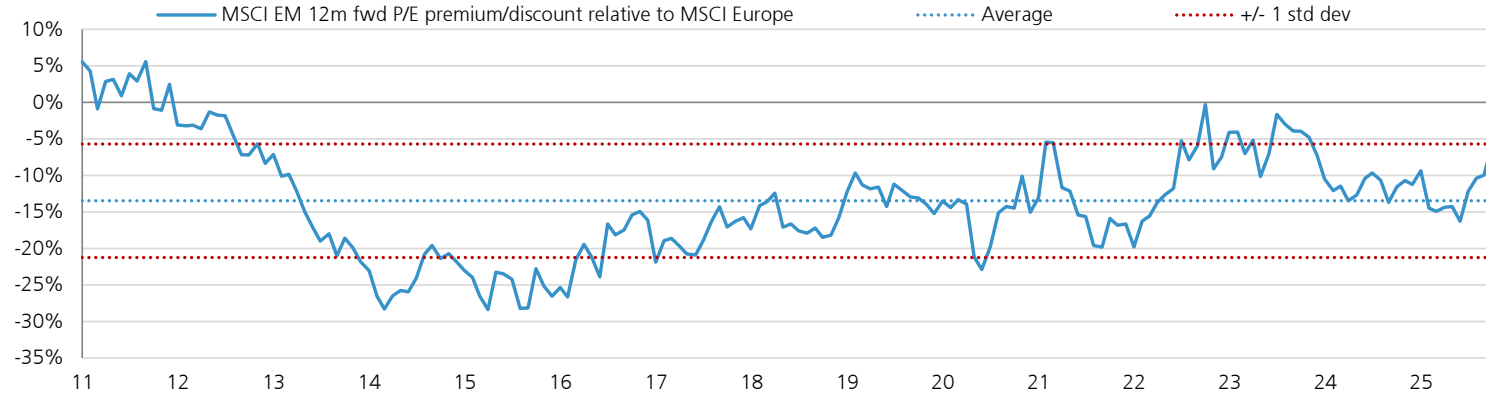
MSCI EM ex-China 12m fwd P/E relative to MSCI World



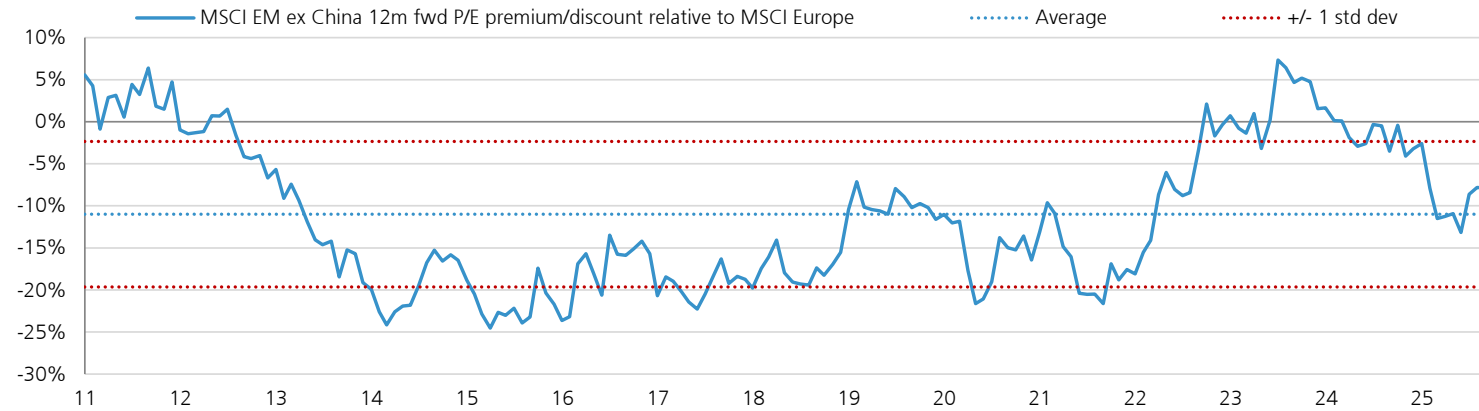
 **UBS** Source: IBES, MSCI, Datastream, UBS


MSCI EM & EM ex-China 12m fwd P/E relative to MSCI Europe

MSCI EM 12m fwd P/E relative to MSCI Europe



MSCI EM ex-China 12m fwd P/E relative to MSCI Europe



 **UBS** Source: IBES, MSCI, Datastream, UBS

Major regions 12m fwd PB, PE and ROE (levels & %iles since 2011)

12m fwd PB


	EM	China	USA	World	Europe	EM ex China
Latest	1.9	1.5	4.8	3.4	2.1	2.0
Latest %ile	98%	75%	100%	100%	100%	100%
2018-2019 avg	1.5	1.5	3.0	2.2	1.7	1.4
2018-2019 avg %ile	56%	74%	55%	53%	46%	46%

12m fwd PE

	EM	China	USA	World	Europe	EM ex China
Latest	14.0	13.3	23.1	20.4	14.8	14.3
Latest %ile	93%	88%	99%	96%	74%	96%
2018-2019 avg	11.7	11.5	16.9	15.5	13.6	11.8
2018-2019 avg %ile	51%	68%	41%	40%	47%	38%

12m fwd ROE

	EM	China	USA	World	Europe	EM ex China
Latest	13.3	11.6	20.9	16.9	14.0	14.3
Latest %ile	79%	12%	100%	100%	82%	94%
2018-2019 avg	12.5	13.2	18.1	14.3	12.3	12.2
2018-2019 avg %ile	49%	67%	60%	61%	49%	39%

 **UBS** Source: IBES, MSCI, Datastream, UBS.


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Major regions relative 12m fwd PB, PE and ROE (levels & %iles since 2011)

12m fwd PB						
	EM/DM	EM/US	EM / Europe	EM ex China/ DM	EM ex China/ US	EM ex China/ Europe
Latest	0.54	0.38	0.90	0.59	0.42	0.98
Latest %ile	16%	17%	75%	13%	19%	87%
2018-2019 avg	0.66	0.48	0.87	0.65	0.47	0.85
2018-2019 avg %ile	56%	48%	64%	52%	48%	41%

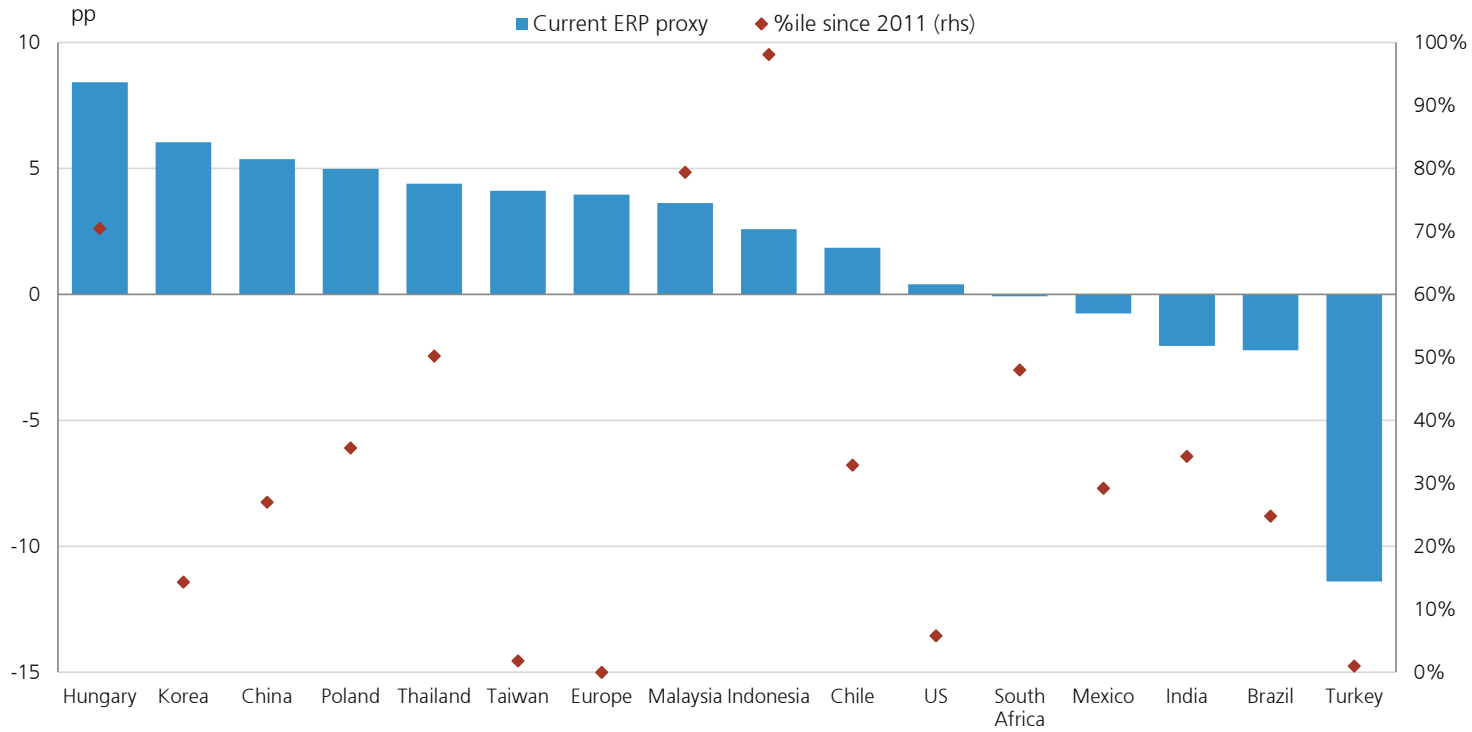
12m fwd PE						
	EM/DM	EM/US	EM / Europe	EM ex China/ DM	EM ex China/ US	EM ex China/ Europe
Latest	0.69	0.60	0.94	0.70	0.62	0.97
Latest %ile	21%	19%	86%	16%	15%	78%
2018-2019 avg	0.76	0.69	0.86	0.76	0.70	0.86
2018-2019 avg %ile	74%	67%	50%	61%	59%	51%

12m fwd ROE						
	EM/DM	EM/US	EM / Europe	EM ex China/ DM	EM ex China/ US	EM ex China/ Europe
Latest	0.79	0.63	0.95	0.85	0.68	1.02
Latest %ile	16%	14%	22%	31%	36%	56%
2018-2019 avg	0.88	0.69	1.01	0.86	0.68	0.99
2018-2019 avg %ile	40%	46%	43%	36%	32%	34%

 Source: IBES, MSCI, Datastream, UBS.

MSCI EM major markets' equity risk premium proxy

12m fwd earnings yield minus local 10-year bond yields

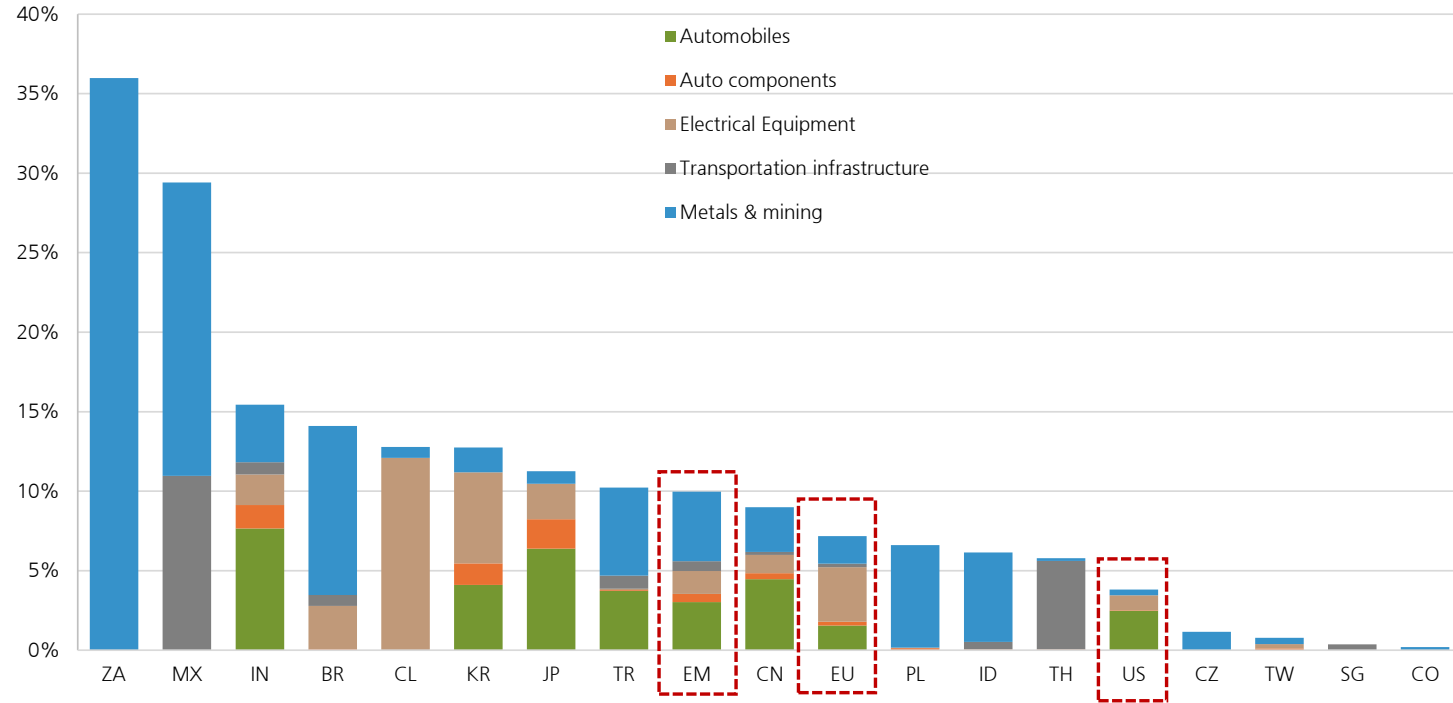


Source: IBES, MSCI, Datastream, UBS



Weights of tariff sensitive sectors

Weights of tariff sensitive sectors in respective markets

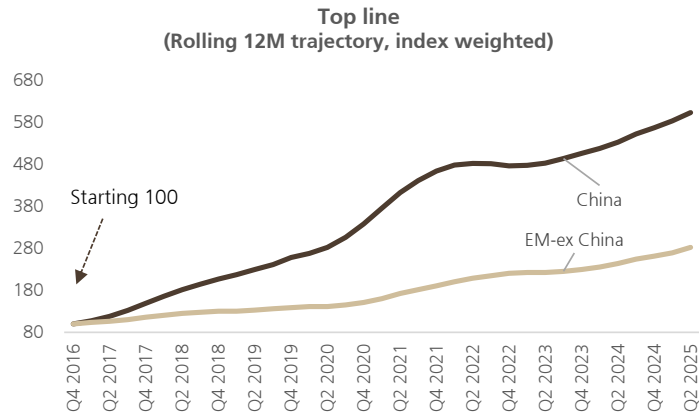


Source: IBES, MSCI, Datastream, UBS



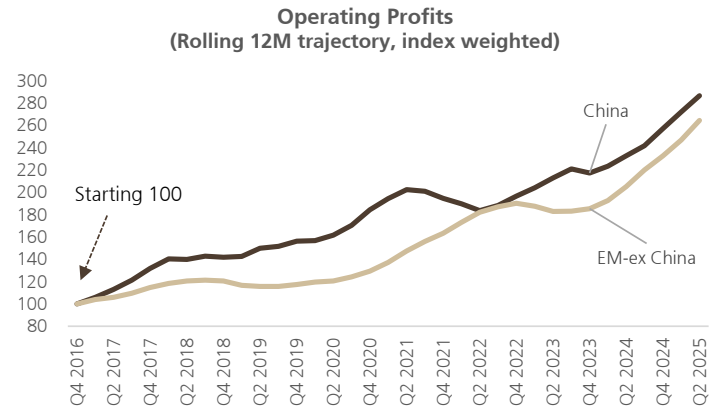
China's equity fundamentals are relatively resilient

Top-line trajectory on a gradual uptrend



Source: IBES, MSCI, Datastream, UBS. For more details, please refer [Q225 wrap: Strong EPS growth but downgrades](#).

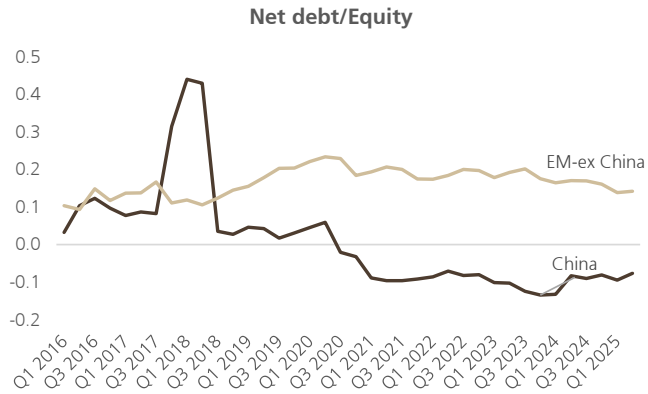
Operating profits trajectory remains strong



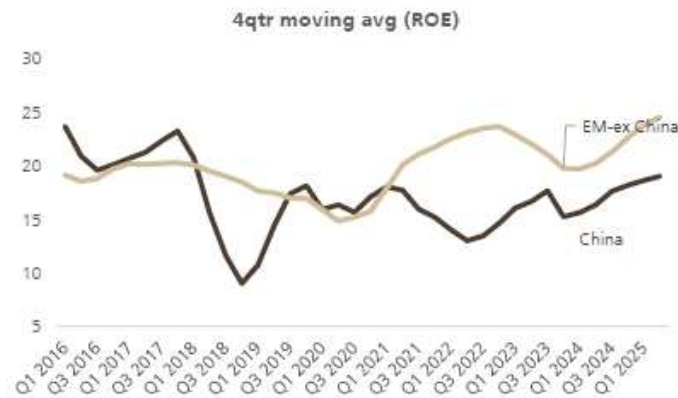
Source: IBES, MSCI, Datastream, UBS. For more details, please refer [Q225 wrap: Strong EPS growth](#) 124



China is the only market outside the US with big internet stocks in the index - that explains the strong index balance sheet



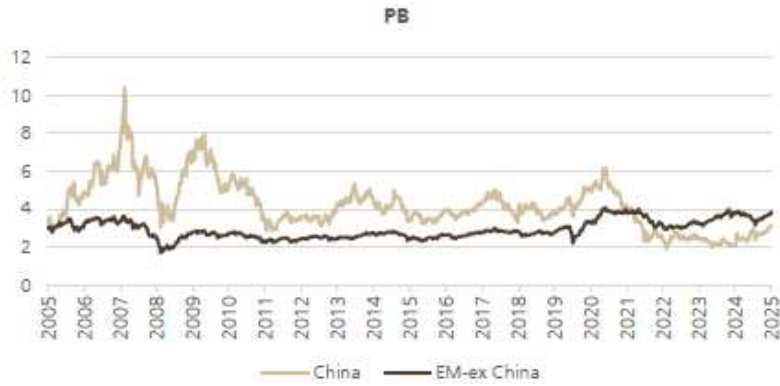
Source: IBES, MSCI, Datastream, UBS. For more details, please refer [Q225 wrap: Strong EPS growth](#)



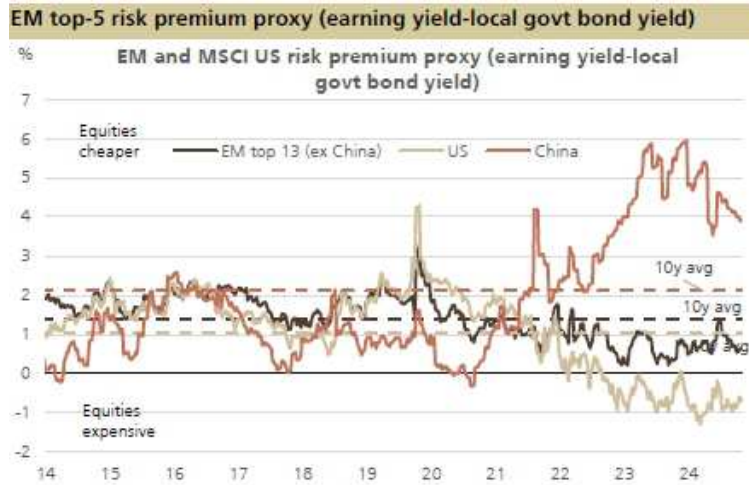
Source: IBES, MSCI, Datastream, UBS. For more details, please refer [Q225 wrap: Strong EPS growth](#)



China valuations remain supportive



Source: IBES, MSCI, Datastream, UBS. Note: index-weighted methodology used here.

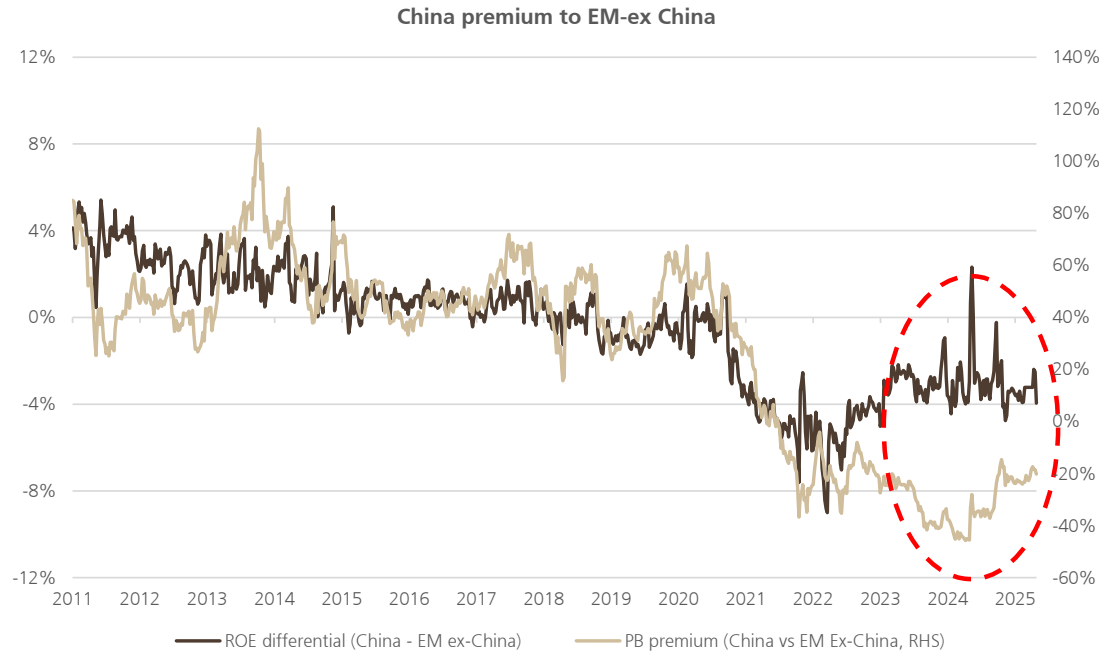


Source: IBES, MSCI, Datastream, UBS. Note: index-weighted methodology used here.



China valuations remain undemanding...

MSCI China ROE expectations are catching up with rest of EM

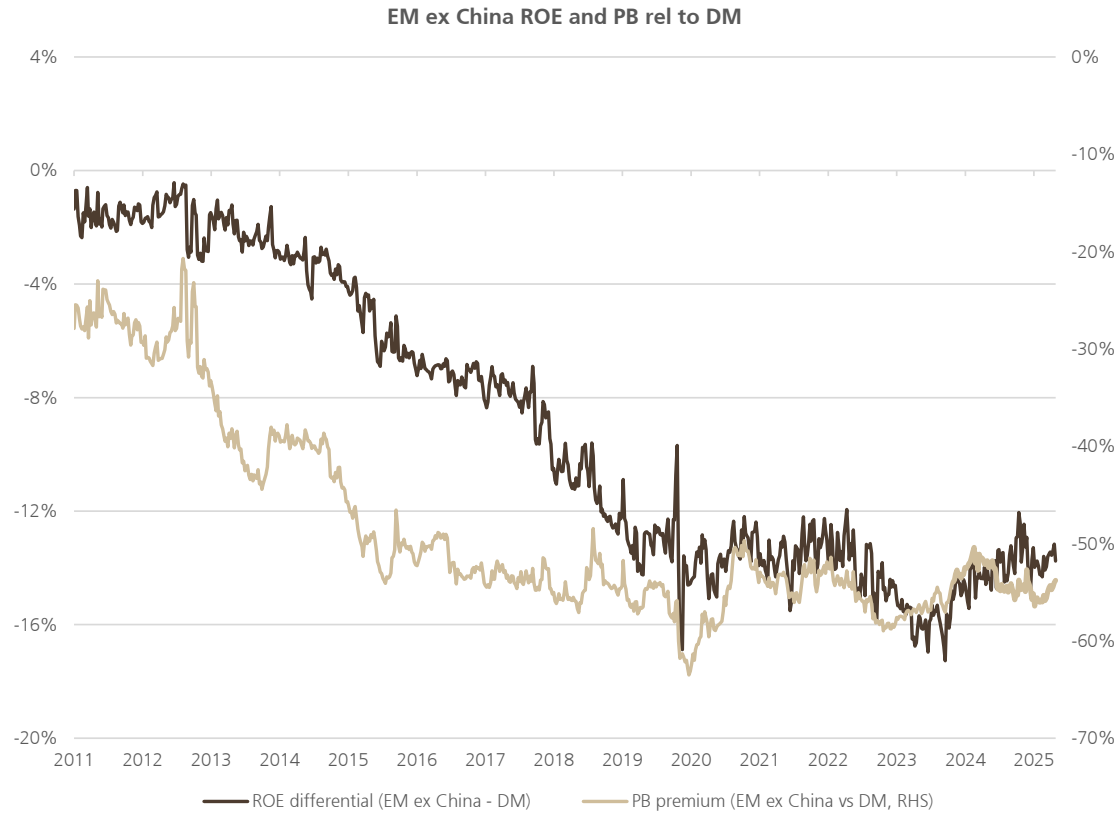


Source: IBES, MSCI, Datastream, UBS. For more details, please refer [_____](#)



... though this is less true for the rest of MSCI EM

EM ex China valuations relative to DM look in line with their historical relationship to RoEs

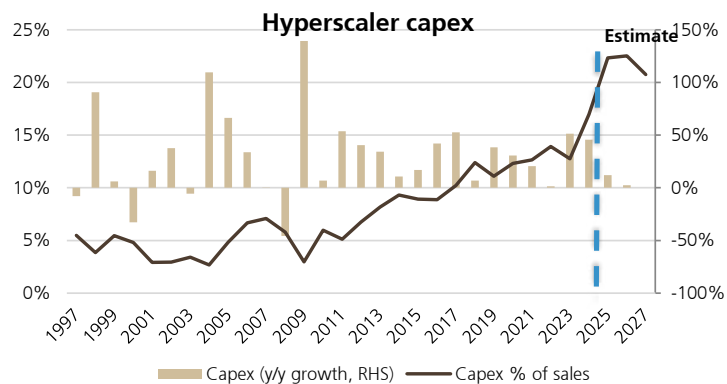


Source: IBES, MSCI, Datastream, UBS. For more details, please refer [_____](#)



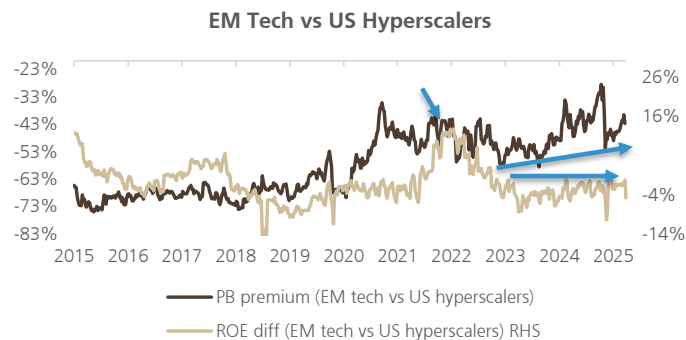
Neutral on EM tech

US hyperscalers' capex/sales is plateauing; future growth may mirror hyperscaler revenue growth



Source: IBES, MSCI, Datastream, UBS. For more details, please refer [Realigning our preferences: upgrade Taiwan](#).

EM tech versus US hyperscaler valuation discount at an all-time low; even though hyperscaler ROEs have seen bigger upgrades



Source: IBES, MSCI, Datastream, UBS. For more details, please refer [Realigning our preferences](#).

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EM & AxJ markets: Equity fundamentals scorecard

	P/Book relative vs. 10y avg (std devs)	Rank	Fwd P/E relative vs. 10y avg (std devs)	Rank	24m fwd EPS growth vs. 10y avg (std devs)	Rank	Fwd ROE vs. 10y avg (std devs)	Rank	EY-BY spread vs. 10y avg (std devs)	Rank	Valuation perception score (std devs)	Rank	AVERAGE RANK
Philippines	-0.94	4	-1.96	2	-0.27	14	1.61	3	1.53	2	-1.17	2	5.00
Brazil	-0.38	6	-1.16	3	0.49	7	1.42	5	-0.48	9	-0.92	7	6.20
China	-1.00	3	-0.79	5	1.14	5	0.69	11	0.81	3	0.12	11	6.80
Hong Kong	-0.06	11	-1.02	4	0.16	11	1.13	8	-0.93	11	-1.12	3	8.10
Korea	1.86	17	0.73	13	1.67	1	0.88	9	-1.19	13	-1.41	1	8.20
Indonesia	-1.03	2	-2.57	1	-1.08	17	-0.14	14	2.52	1	-0.91	8	8.40
Mexico	0.03	12	-0.78	6	0.30	10	1.59	4	-0.37	8	-0.35	9	8.40
Taiwan	1.53	15	1.13	15	1.34	2	1.15	7	-1.47	15	-1.12	4	8.60
Saudi Arabia	-0.35	7	-0.63	9	0.47	8	0.32	13	-0.88	10	-0.99	6	8.70
Singapore	-0.18	9	1.28	17	1.22	4	1.78	1	-1.27	14	1.12	14	8.70
Poland	-0.41	5	-0.62	10	-0.17	13	0.80	10	-1.06	12	-1.09	5	8.80
Malaysia	-1.50	1	-0.70	7	0.37	9	-1.80	17	0.64	4	0.13	12	8.90
Japan	1.61	16	0.29	12	1.27	3	1.23	6	-2.36	17	-	7.5	9.40
South Africa	0.26	13	-0.70	8	-0.57	16	1.71	2	0.64	5	0.09	10	9.50
Australia	-0.35	8	1.16	16	0.50	6	-0.36	15	-1.94	16	-	8	10.50
Thailand	-0.11	10	-0.04	11	-0.32	15	-0.47	16	-0.21	6	0.43	13	12.50
India	0.51	14	0.78	14	-0.10	12	0.49	12	-0.36	7	1.45	15	12.70
Asia ex Japan													8.67
APAC													9.07
EM													8.15

Source: UBS, For more details, please refer [_____](#)



India valuations remain high

Despite recent corrections, India valuations remain elevated at ~30x fwd PE



methodology. (____). please refer _____

India's premium to EM has widened despite ROE superiority vanishing



Source: IBES, MSCI, Datastream, UBS. Note: calculated on the basis of index weighted methodology. (____). please refer _____

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EM markets valuation table (index weighted methodology)

	Performance (US\$)					12m fwd P/E (x)			EPS growth (%)			12m fwd P/B (x)			12m fwd ROE		12m fwd dividend yield	
	YTD 2025	1m	3m	2024	2023	Latest	10y avg	yoy change	2025E	2026E	2027E	Latest	10y avg	yoy change	Latest	10y avg	Latest	10y avg
China	39.6%	5.1%	17%	20%	-30%	19.5	21.0	57%	14.6	16.0	14.5	3.1	3.5	47%	15%	16%	2.1%	2.1%
Taiwan	28.0%	9.3%	16%	35%	-7%	19.4	16.2	6%	28.5	15.3	16.5	4.7	3.4	11%	24%	21%	2.6%	3.6%
India	0.9%	-1.5%	-4%	12%	12%	30.9	26.2	-9%	8.3	18.0	14.5	5.7	4.8	-14%	19%	18%	1.4%	1.5%
Australia	13.5%	-1.6%	2%	1%	9%	24.4	20.7	4%	8.8	6.2	8.0	3.9	3.5	3%	16%	16%	3.4%	4.3%
Korea	59.9%	10.5%	14%	-23%	-12%	18.4	15.8	36%	14.9	22.6	16.8	2.1	1.6	27%	13%	11%	1.9%	2.2%
Brazil	38.9%	6.6%	11%	-29%	53%	11.3	14.3	-9%	23.9	15.8	16.8	2.4	2.2	-6%	20%	17%	6.1%	4.7%
Hong Kong*	29.1%	-2.3%	5%	0%	-19%	17.2	18.1	25%	9.0	8.0	7.2	3.1	2.9	39%	15%	14%	3.8%	3.5%
Singapore*	31.3%	-0.2%	11%	32%	-6%	23.5	15.0	1%	10.0	16.2	13.7	3.5	3.6	34%	14%	12%	3.9%	3.8%
South Africa	51.0%	5.9%	17%	7%	-1%	12.1	13.7	10%	15.5	15.2	3.9	2.7	2.3	19%	22%	17%	3.7%	3.3%
Saudi Arabia	1.0%	4.9%	6%	1%	5%	18.2	18.6	-11%	8.1	11.2	11.8	2.9	2.8	-19%	17%	16%	4.5%	3.7%
Mexico	45.3%	7.0%	12%	-27%	39%	13.6	15.0	11%	21.7	9.0	10.4	3.3	2.8	15%	23%	19%	4.4%	3.9%
UAE	21.8%	-6.0%	3%	20%	-6%	10.9	10.6	8%	8.2	8.5	10.7	2.6	1.8	9%	22%	16%	4.9%	4.9%
Malaysia	5.5%	0.3%	7%	21%	-9%	16.5	16.4	1%	7.6	7.6	7.0	2.0	2.4	0%	12%	14%	4.3%	4.0%
Indonesia	-5.7%	-7.0%	-1%	-12%	13%	12.5	15.8	-17%	1.2	9.2	6.0	3.0	2.9	-19%	16%	17%	5.4%	3.2%
Thailand	3.9%	2.5%	18%	2%	-6%	26.6	24.1	8%	14.9	8.9	9.3	5.3	4.5	4%	17%	18%	3.8%	3.1%
Poland	50.8%	-4.0%	4%	-6%	9%	14.2	14.8	6%	31.1	6.8	7.3	2.4	2.2	9%	18%	15%	5.1%	3.9%
Kuwait	24.4%	1.4%	7%	10%	2%	19.7	16.9	17%	3.5	5.9	13.6	2.2	1.8	19%	11%	11%	2.9%	3.5%
Qatar	8.2%	-3.5%	5%	6%	-5%	11.9	12.0	9%	-0.9	9.3	8.0	1.6	1.7	7%	14%	15%	4.5%	4.2%
Greece	78.0%	-3.7%	12%	9%	50%	9.4	9.2	38%	20.9	5.3	8.2	2.2	1.0	21%	20%	10%	5.5%	2.6%
Turkey	4.6%	0.9%	18%	18%	81%	9.0	8.5	22%	19.8	39.7	17.1	1.5	2.0	25%	18%	22%	4.2%	4.4%
Chile	39.5%	-0.1%	8%	-6%	30%	11.9	15.8	26%	11.8	15.4	13.8	1.6	2.4	31%	14%	13%	3.5%	3.7%
Philippines	-0.5%	-5.3%	-4%	0%	-10%	12.0	17.7	-16%	9.5	10.0	9.5	3.0	2.9	-8%	22%	17%	3.3%	2.3%
Peru	50.4%	11.6%	24%	16%	50%	14.8	14.1	13%	20.0	6.3	7.8	3.8	2.7	4%	23%	19%	3.9%	3.4%
Hungary	48.2%	-5.2%	5%	14%	4%	6.7	8.8	22%	22.5	5.7	3.3	1.1	1.2	18%	17%	14%	5.1%	3.4%
Czech Republic	60.5%	2.8%	9%	7%	22%	16.9	13.6	43%	13.4	19.1	-10.9	2.4	1.5	39%	14%	11%	5.2%	6.4%
Colombia	82.7%	4.2%	20%	10%	9%	8.1	9.6	40%	10.8	4.0	5.3	1.2	1.1	42%	15%	13%	6.6%	4.9%
Egypt	33.1%	1.9%	21%	-31%	10%	5.9	8.0	-4%	16.3	15.2	15.0	1.8	2.0	-15%	30%	26%	4.4%	4.1%
EM	28.0%	4.7%	11%	8%	-11%	20.0	18.7	15%	16.3	15.9	14.1	3.6	3.2	9%	18%	17%	2.6%	2.8%
Asia ex Japan	27.6%	4.5%	11%	13%	-14%	21.5	19.5	16%	15.7	16.3	14.5	3.8	3.4	12%	18%	17%	2.3%	2.6%
Japan*	20.3%	1.2%	12%	9%	1%	19.9	17.2	13%	6.7	11.3	8.1	2.7	2.0	16%	13%	11%	2.4%	2.6%
USA	13.6%	2.8%	9%	25%	2%	29.4	27.5	6%	19.9	15.2	13.4	10.0	8.2	5%	39%	34%	1.2%	1.5%
World	16.3%	2.0%	8%	19%	2%	26.1	24.4	7%	19.5	14.0	12.6	7.8	6.5	5%	31%	28%	1.8%	2.1%

Source : IBES, MSCI, Datastream, UBS. Avg is calculated for 10y history. * Singapore, Japan and Hong Kong are not part of EM. For more details, please refer [_____](#)



EM FX: Growth needed to go beyond a 'piggyback' rally

A "2017-like" year for EM FX already

EM FX spot returns vs USD - annual rankings

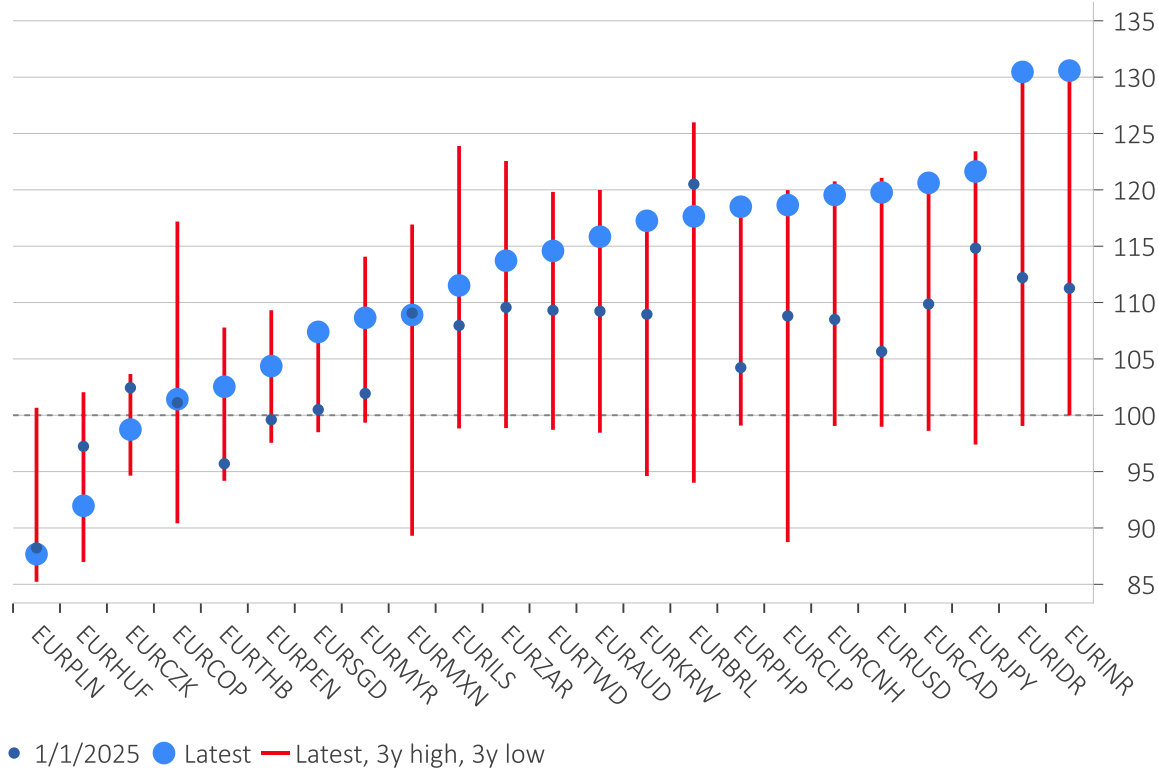
Rank	2018	2019	2020	2021	2022	2023	2024	2025
1	MXN 0.044 %	MXN 3.7 %	EUR 8.2 %	CNH 2.2 %	BRL 5.3 %	COP 21 %	ZAR -2.6 %	HUF 17 %
2	SGD -2 %	IDR 3.6 %	CNH 6.6 %	TWD 2.2 %	MXN 5 %	MXN 13 %	INR -2.9 %	CZK 15 %
3	TWD -3.1 %	ZAR 2.4 %	KRW 6 %	IDR -1.4 %	SGD 0.7 %	PLN 10 %	CNH -3 %	BRL 14 %
4	KRW -4.2 %	TWD 2.2 %	TWD 5.8 %	INR -1.7 %	CLP 0.1 %	BRL 8 %	SGD -3.4 %	PLN 12 %
5	EUR -4.7 %	SGD 1.2 %	CZK 5.4 %	CZK -1.9 %	CZK -3.1 %	HUF 7 %	IDR -4.6 %	MXN 12 %
10	CZK -5.4 %	COP -0.84 %	CLP 5.3 %	SGD -2 %	EUR -6.2 %	EUR 3 %	PLN -4.9 %	EUR 12 %
6	CNH -5.5 %	CZK -1.2 %	SGD 1.8 %	MXN -3.1 %	KRW -6.4 %	SGD 1.4 %	EUR -6.6 %	COP 12 %
7	IDR -6.1 %	CNH -1.3 %	PLN 1.6 %	BRL -7.3 %	ZAR -6.9 %	IDR 1.1 %	TWD -6.8 %	ZAR 8.9 %
8	PLN -7.3 %	PLN -1.5 %	HUF -0.59 %	EUR -7.4 %	PLN -8.4 %	CZK 0.89 %	CZK -8.9 %	TWD 7.2 %
9	HUF -8.1 %	EUR -2.3 %	IDR -1.3 %	PLN -8.1 %	CNH -8.9 %	TWD 0.026 %	CLP -13 %	SGD 5.7 %
11	COP -8.8 %	INR -2.3 %	INR -2.4 %	ZAR -8.5 %	IDR -9.2 %	INR -0.57 %	KRW -14 %	KRW 4.7 %
12	INR -9.2 %	KRW -3.6 %	COP -4.7 %	HUF -9.3 %	TWD -11 %	KRW -1.8 %	COP -14 %	CLP 3.7 %
13	CLP -13 %	BRL -4 %	ZAR -5 %	KRW -9.4 %	INR -11 %	CNH -2.9 %	HUF -14 %	CNH 2.9 %
14	ZAR -16 %	HUF -5.5 %	MXN -5.2 %	COP -19 %	HUF -15 %	CLP -3.3 %	MXN -23 %	IDR -3.2 %
15	BRL -17 %	CLP -8.4 %	BRL -29 %	CLP -20 %	COP -19 %	ZAR -7.8 %	BRL -27 %	INR -3.6 %



Source: Bloomberg, Macrobond, UBS

EM's "piggyback" rally off EUR strength

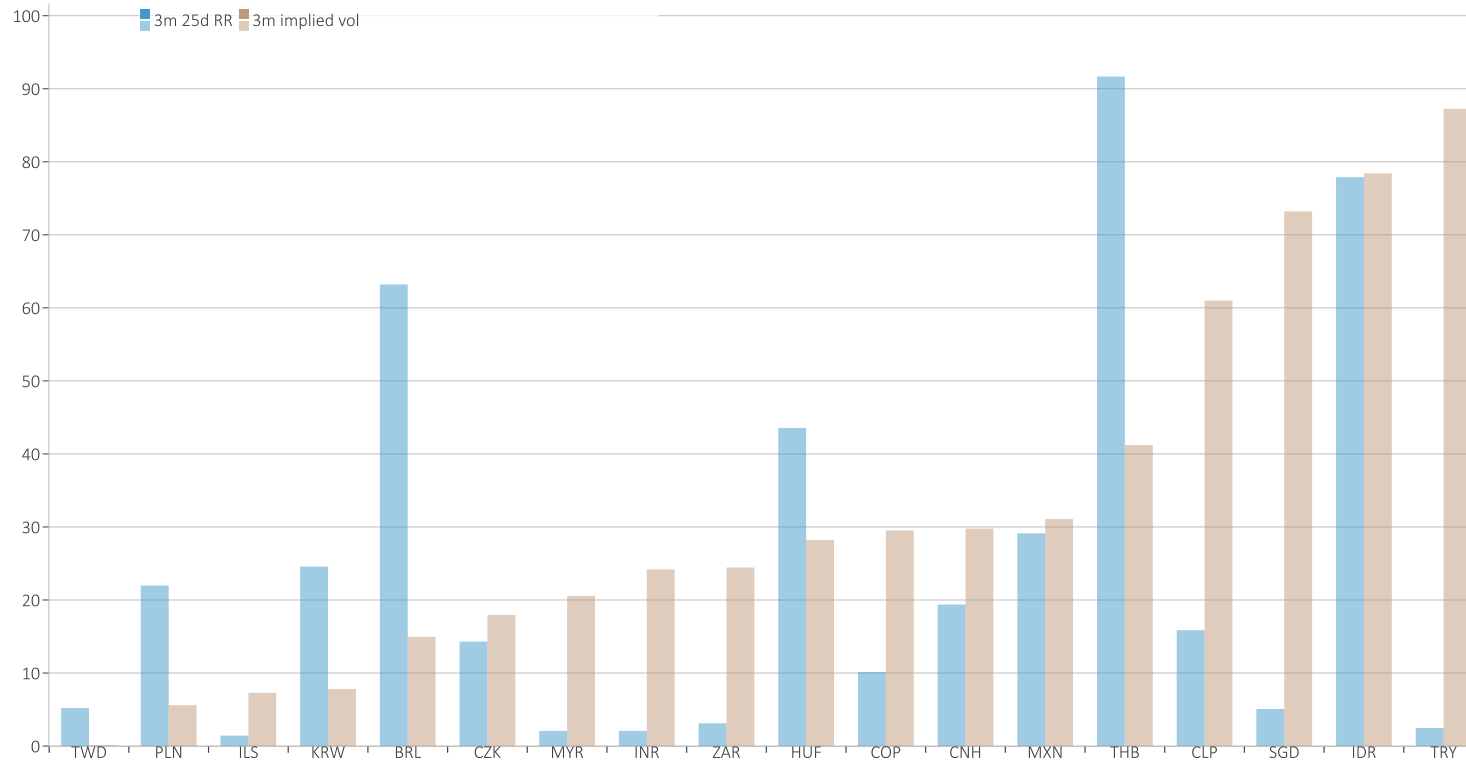
EUR/EM, reindexed to 36m ago=100



Source: Bloomberg, UBS

3m implied vol and risk reversal skew across EM FX

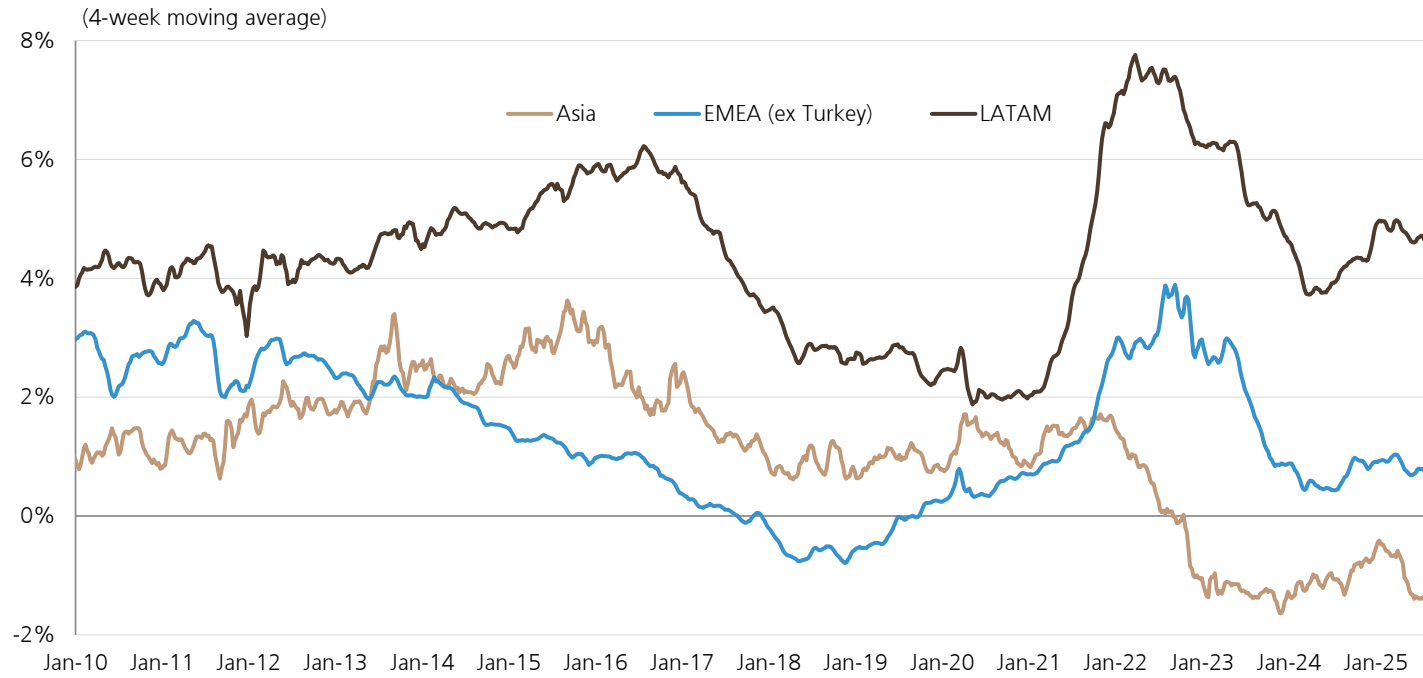
Post-2011 percentiles of implied vol and RR



Source: Bloomberg, Macrobond, UBS estimates

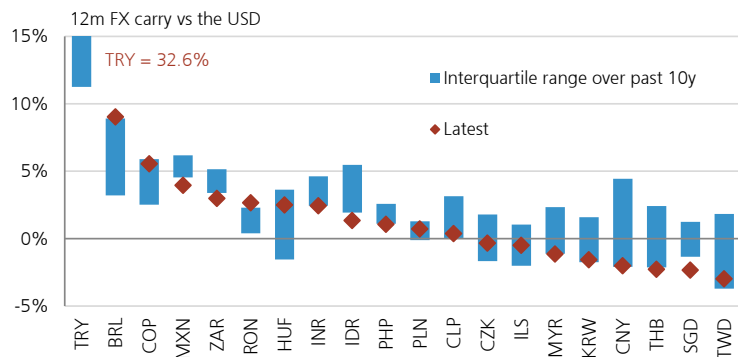
Carry stabilized but at weak levels; improvement driven by BRL

12m FX carry vs. USD - major EM high yielders



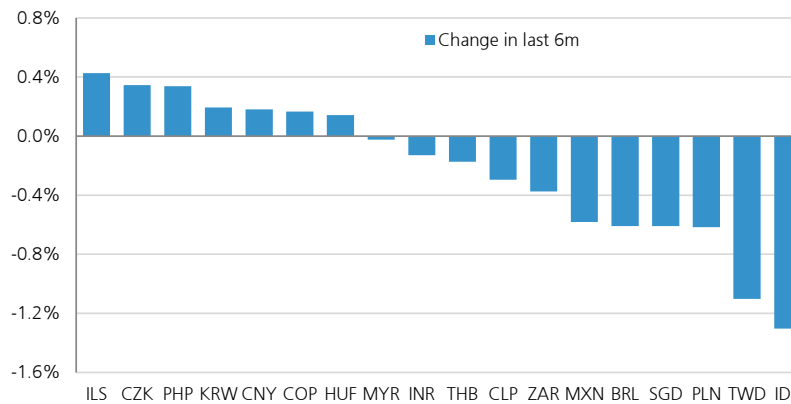
Source: Bloomberg, UBS estimates





Source: Bloomberg, UBS

12m FX carry – change over the last 6m



Source: Bloomberg, UBS



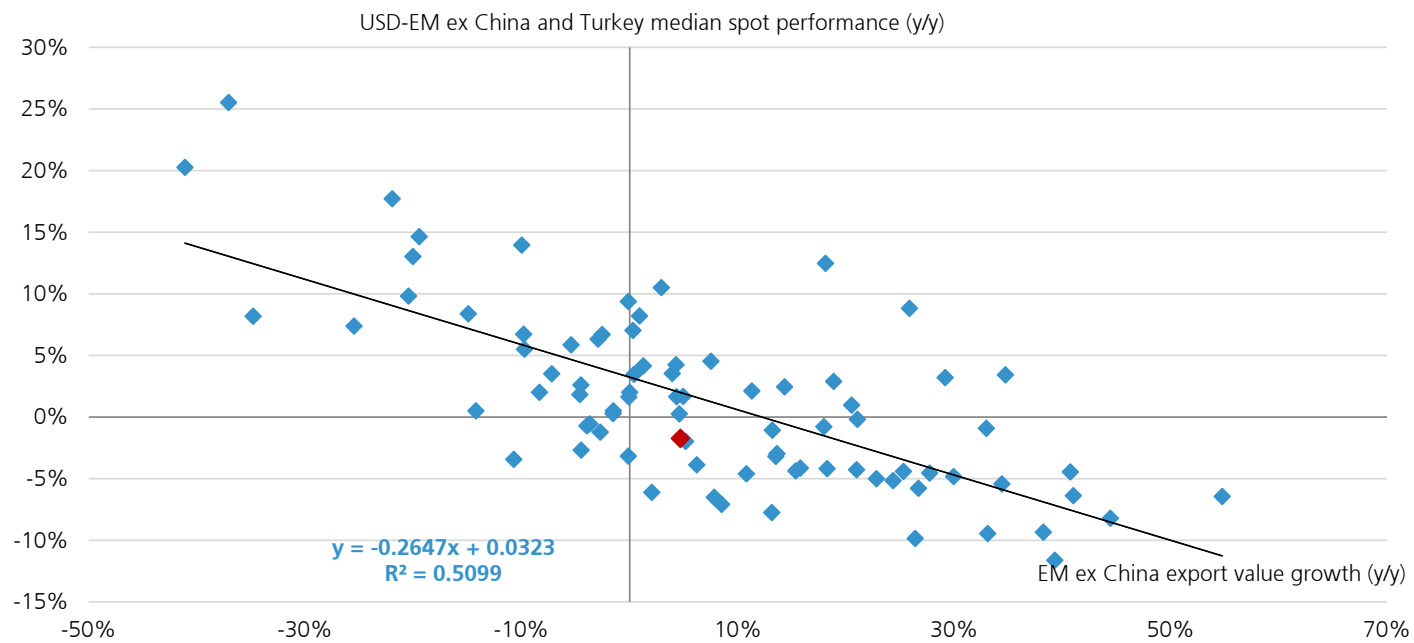
How much carry do EM currencies need?

	Current carry	Latest Export growth	Carry needed in today's export and CDS context	Carry needed with export growth at zero and stable CDS	Model R-sqr
INR	2.4%	6.3%	4.5%	4.0%	77%
IDR	1.3%	8.9%	5.2%	5.3%	50%
KRW	-1.6%	6.4%	0.1%	-0.1%	43%
BRL	9.0%	3.2%	5.9%	9.3%	86%
MXN	4.0%	7.1%	3.0%	7.0%	73%
CLP	0.4%	2.7%	2.7%	4.0%	56%
COP	5.6%	-0.9%	6.0%	7.9%	75%
PEN	1.2%	6.1%	-1.0%	0.7%	53%
CZK	1.3%	4.8%	0.0%	1.5%	68%
HUF	4.2%	0.3%	6.7%	6.8%	57%
PLN	2.4%	3.4%	1.6%	1.5%	57%
ZAR	3.0%	3.3%	11.5%	12.0%	62%
TRY	32.5%	5.5%	25.9%	26.4%	71%
Median	3.5%	3.4%	4.4%	6.9%	65%



Source: Haver, Bloomberg, UBS. Based on 12m FX forwards. Analysis is based on 10y timeframe, over monthly frequency.

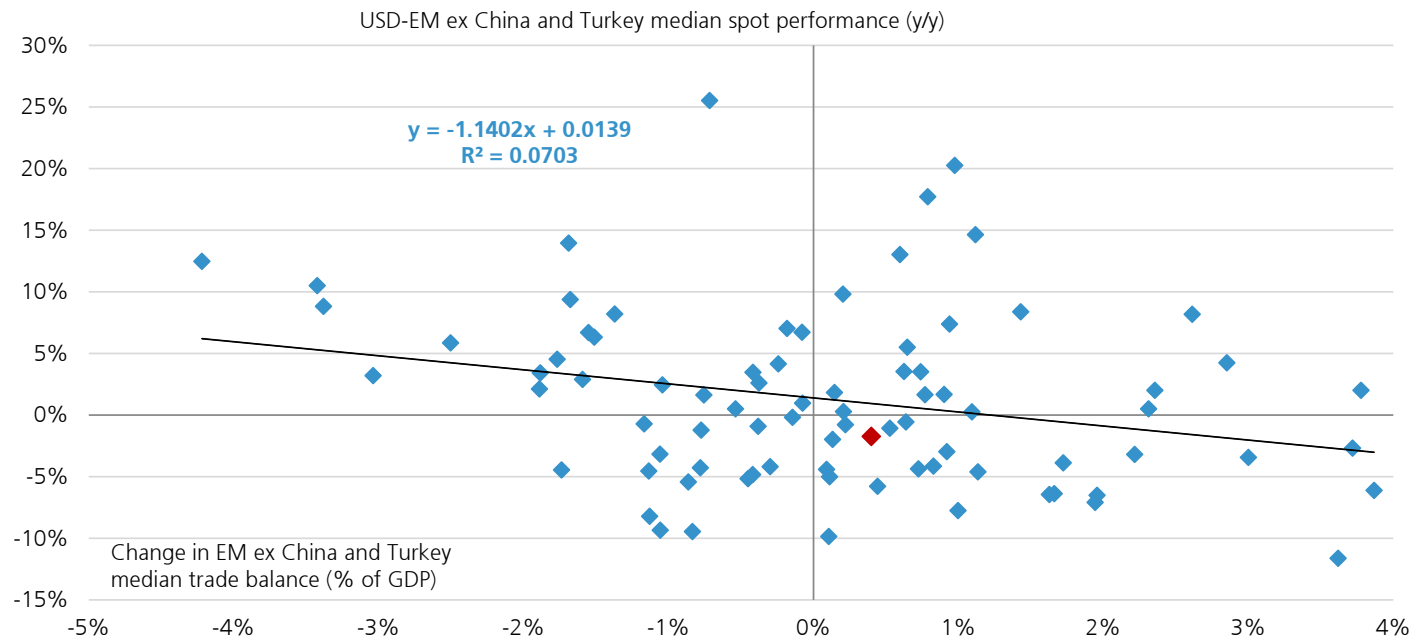
EM currencies typically respond more to export growth...



Source: Haver, UBS. Note: USD-EM spot median is based on median of 17 emerging market currencies. Data used is based on quarterly frequency since Q1-2005.



...than delta in trade balances (especially when vol is low)



Source: Haver, UBS. Note: USD-EM spot median is based on median of 17 emerging market currencies. Data used is based on quarterly frequency since Q1-2005.



EM FX vs export growth (% y/y performance)

Regression of spot EM FX performance vs EM ex China export growth, % y/y

	EM ex China export value growth			
	Latest USDEM	Predicted USDEM	Residual	R-sq
Indonesia	8.8%	3.8%	5.0%	29%
Korea	5.9%	2.2%	3.6%	23%
Philippines	3.5%	0.7%	2.9%	16%
India	5.7%	4.0%	1.7%	28%
Chile	5.4%	3.7%	1.7%	38%
China	1.1%	-0.3%	1.4%	19%
Singapore	-0.3%	-0.6%	0.3%	47%
Malaysia	0.8%	1.6%	-0.8%	39%
Thailand	-1.4%	-0.3%	-1.1%	10%
Taiwan	-4.8%	0.3%	-5.2%	37%
Romania	-3.8%	3.4%	-7.2%	16%
South Africa	-0.8%	7.1%	-7.9%	35%
Brazil	-2.1%	6.4%	-8.5%	46%
Poland	-6.6%	2.3%	-8.9%	37%
Mexico	-5.3%	4.2%	-9.6%	39%
Czech	-9.9%	1.0%	-10.8%	41%
Colombia	-7.1%	4.4%	-11.5%	41%
Hungary	-8.4%	4.4%	-12.9%	22%

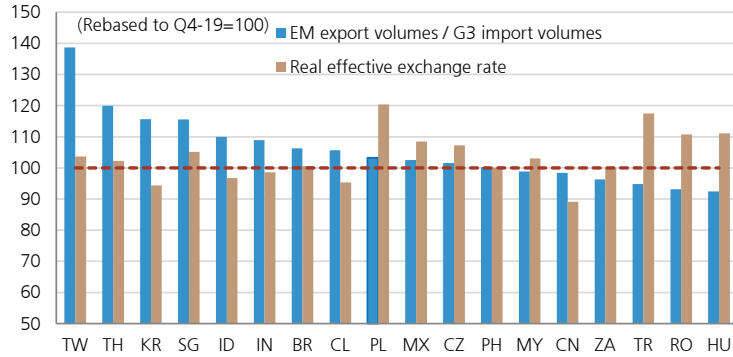


Source: Haver, UBS. In above analysis we are using y/y variables, over quarterly frequency. Analysis is done from Q1-2005 to Q2-2025.

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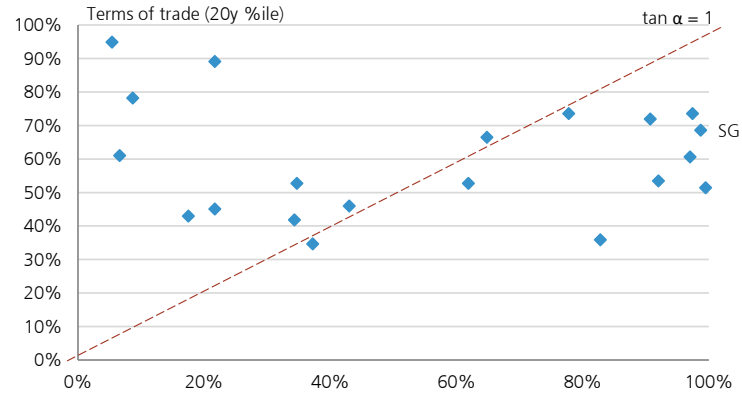
EM currency performance vs export penetration / global export shares

Export volumes vs G3 import volumes and REER



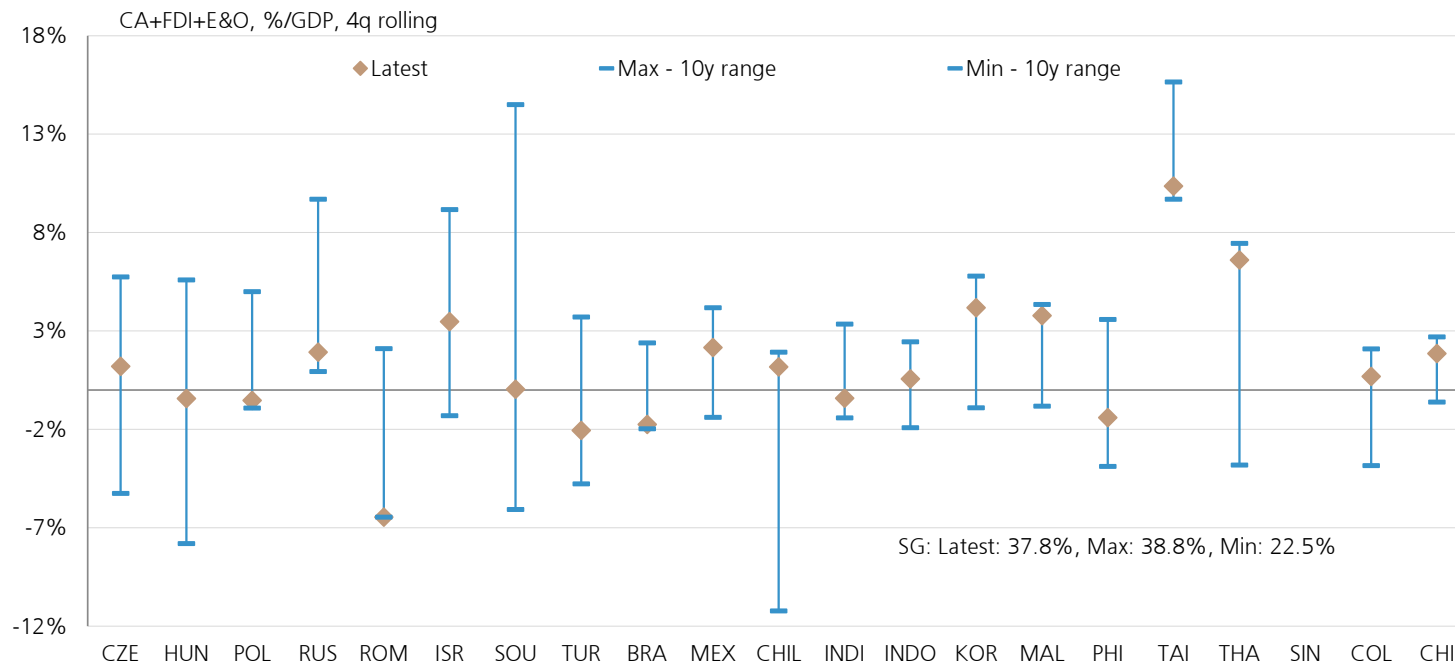
Source: Haver, UBS

Share of G4 imports v REER – 20y %iles



Source: Haver, UBS. Note: For China, share of G3 imports shown.





Source: Haver, UBS



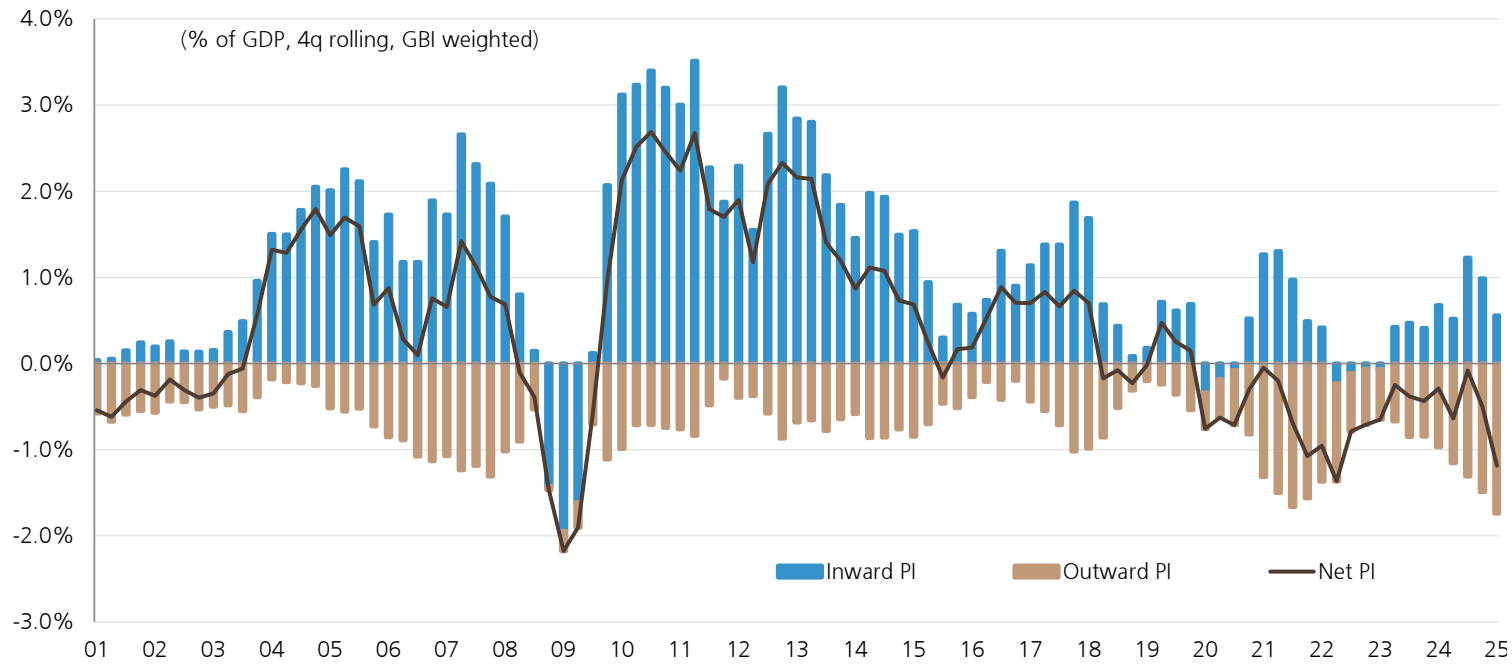
EM balance of payments breakdown

(4q moving total, % of GDP)	Asia							EMEA						LatAm			
	CN	IN	KR	TH	ID	PH	TW	ZA	PL	CZ	IL	TR	HU	CO	CL	BR	MX
Current account	3.3%	-0.4%	5.8%	3.3%	-0.5%	-4.1%	15.0%	-0.6%	-0.9%	0.8%	2.6%	-1.3%	2.2%	-2.1%	-2.2%	-3.4%	-0.1%
Net FDI	-0.5%	0.0%	-1.5%	0.5%	1.0%	1.6%	-3.9%	0.9%	1.6%	1.3%	1.0%	0.3%	0.7%	2.3%	2.4%	1.9%	1.6%
FDI liabilities	0.2%	0.8%	0.8%	2.0%	1.5%	1.8%	1.4%	0.4%	2.4%	3.6%	3.1%	0.9%	2.0%	3.3%	3.6%	3.1%	2.5%
FDI assets	-0.7%	-0.8%	-2.3%	-1.6%	-0.5%	-0.2%	-5.3%	0.5%	-0.9%	-2.3%	-2.1%	-0.6%	-2.4%	-1.1%	-1.2%	-1.3%	-0.8%
Net PI	-1.2%	0.1%	-4.2%	-4.7%	0.0%	0.5%	-6.9%	-0.8%	1.2%	1.3%	-2.0%	-0.3%	-0.1%	-0.1%	-1.2%	-0.2%	-0.9%
PI Liabilities	0.1%	0.1%	1.2%	-1.1%	0.2%	1.5%	-3.3%	0.1%	2.2%	3.2%	2.5%	0.4%	-0.2%	1.9%	2.2%	0.3%	0.6%
PI Assets	-1.3%	0.0%	-5.4%	-3.6%	-0.1%	-1.0%	-3.6%	-0.9%	-1.0%	-1.9%	-4.4%	-0.6%	-2.9%	-2.0%	-3.4%	-0.5%	-1.5%
Net OI	-1.3%	0.9%	-0.3%	0.4%	-0.2%	1.7%	-0.9%	0.9%	0.4%	-3.6%	-1.7%	0.9%	-0.8%	0.0%	1.4%	1.1%	-0.3%
OI Liabilities	-0.4%	3.7%	0.4%	0.3%	0.8%	2.5%	3.4%	1.3%	1.9%	0.5%	1.6%	1.9%	2.1%	-0.1%	1.2%	0.7%	0.3%
OI Assets	-0.9%	-2.8%	-0.8%	0.1%	-1.0%	-0.8%	-4.3%	-0.4%	-1.5%	-4.2%	-3.4%	-1.0%	7.1%	0.0%	0.1%	0.4%	-0.6%
Net E&O	-0.2%	0.0%	-0.1%	2.7%	0.1%	-1.1%	-0.8%	-0.1%	-1.2%	-0.9%	-0.2%	-1.1%	-1.7%	0.5%	-1.0%	-0.2%	0.6%
Reserve assets	-0.5%	-0.1%	-0.8%	3.0%	0.4%	-1.3%	2.6%	0.0%	1.7%	0.5%	0.6%	-1.4%	-2.0%	0.7%	-0.1%	-1.4%	0.8%

Source: Haver, UBS. Color coding in above table is based on 10y z-scores.



Net portfolio investment flows – locals dominate, and want growth



Source: Haver, UBS



Sticky resident portfolio outflows, despite the weaker USD (1)

South Korea - balance of payments snapshot

South Korea	2011-2015	2016-2019	2021	2022	2023	2024	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Past 3m v '23-24
Current account (SA)	4.5%	4.6%	4.4%	1.4%	1.8%	5.3%	5.4%	5.5%	5.6%	5.8%	5.8%	5.9%	6.0%	6.0%	2.4%
Net FDI	-1.3%	-1.2%	-2.3%	-2.3%	-0.7%	-1.8%	-1.6%	-1.6%	-1.7%	-1.7%	-1.7%	-1.5%	-1.6%	-1.3%	-0.2%
Net PI	-0.9%	-3.2%	-1.0%	-1.4%	-0.4%	-2.7%	-3.4%	-4.1%	-4.0%	-4.9%	-4.5%	-4.2%	-4.0%	-4.1%	-2.5%
PI assets	-1.9%	-3.9%	-4.0%	-2.5%	-2.5%	-3.9%	-4.2%	-4.5%	-4.6%	-5.1%	-5.3%	-5.4%	-5.4%	-5.4%	-2.3%
o/w Equity	-0.8%	-1.9%	-3.5%	-2.3%	-1.6%	-2.3%	-2.6%	-2.8%	-3.1%	-3.4%	-3.3%	-3.3%	-3.5%	-3.6%	-1.6%
o/w Debt	-1.1%	-2.0%	-0.5%	-0.3%	-0.8%	-1.6%	-1.7%	-1.7%	-1.5%	-1.7%	-1.9%	-2.1%	-1.9%	-1.8%	-0.7%
PI liabilities	1.0%	0.7%	3.0%	1.1%	2.0%	1.2%	0.8%	0.4%	0.7%	0.2%	0.8%	1.2%	1.4%	1.3%	-0.1%
o/w Equity	0.3%	0.3%	-0.8%	-0.3%	0.6%	0.1%	0.0%	-0.4%	-0.7%	-1.3%	-1.2%	-1.2%	-1.1%	-1.0%	-1.5%
o/w Debt	0.8%	0.5%	3.8%	1.4%	1.4%	1.0%	0.8%	0.8%	1.4%	1.6%	2.0%	2.4%	2.6%	2.3%	1.2%
Reserve assets	-1.0%	-0.4%	-0.8%	1.5%	0.2%	0.2%	0.3%	0.5%	0.8%	1.0%	0.9%	0.8%	0.7%	0.5%	0.5%

Brazil - balance of payments snapshot

Brazil	2011-2015	2016-2019	2021	2022	2023	2024	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Past 3m v '23-24
Current account (SA)	-3.7%	-2.2%	-2.5%	-2.1%	-1.2%	-3.0%	-3.4%	-3.7%	-3.6%	-3.5%	-3.6%	-3.6%	-3.7%	-3.6%	-1.5%
Net FDI	3.1%	3.0%	1.8%	2.2%	1.7%	2.2%	2.1%	2.3%	2.0%	2.0%	2.1%	2.0%	2.0%	2.0%	0.0%
Net PI	1.2%	-0.8%	0.5%	-0.1%	0.4%	0.0%	-0.7%	-0.5%	-0.5%	-0.2%	-0.1%	-0.2%	-0.6%	-0.6%	-0.7%
PI assets	0.0%	-0.3%	-0.9%	0.0%	-0.2%	-0.3%	-0.5%	-0.5%	-0.5%	-0.6%	-0.5%	-0.6%	-0.8%	-0.7%	-0.4%
o/w Equity	-0.1%	-0.2%	-0.9%	0.2%	-0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.1%
o/w Debt	0.1%	0.0%	-0.1%	-0.2%	-0.1%	-0.4%	-0.6%	-0.5%	-0.5%	-0.6%	-0.5%	-0.5%	-0.7%	-0.7%	-0.4%
PI liabilities	1.2%	-0.6%	1.4%	-0.2%	0.6%	0.4%	-0.2%	0.0%	0.0%	0.4%	0.4%	0.3%	0.2%	0.2%	-0.3%
o/w Equity	0.4%	0.2%	0.4%	0.6%	0.0%	-0.8%	-0.7%	-0.6%	-0.4%	-0.5%	-0.4%	-0.4%	-0.5%	-0.6%	-0.1%
o/w Debt	0.8%	-0.7%	0.9%	-0.7%	0.6%	1.2%	0.5%	0.6%	0.4%	0.8%	0.8%	0.8%	0.7%	0.8%	-0.1%
Reserve assets	0.7%	-0.1%	0.8%	-0.4%	1.0%	-1.2%	-1.4%	-1.4%	-1.4%	-1.3%	-1.4%	-1.4%	-1.3%	-1.3%	-1.2%



Source: Haver, UBS. Chart above shows 12m rolling sums, relative to GDP

Sticky resident portfolio outflows, despite the weaker USD (2)

Chile - balance of payments snapshot

Chile	2011-2015	2016-2019	2021	2022	2023	2024	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Past 3m v '23-24
Current account (SA)	↔ -4.2%	↔ -3.8%	↘ -7.3%	↘ -8.8%	↔ -3.1%	↗ -1.5%	↗ -1.7%	↗ -1.8%	↗ -1.8%	↗ -2.0%	↗ -2.0%	↗ -2.2%	-	0.2%
Net FDI	↗ 3.8%	↘ 1.4%	↘ 0.2%	↘ 1.6%	↗ 2.9%	↗ 2.7%	↗ 2.5%	↗ 2.8%	↗ 2.5%	↗ 2.2%	↗ 2.4%	↗ 2.4%	↗ 1.7%	-0.6%
Net PI	↘ 1.4%	↘ 1.0%	↗ 10.4%	↘ 1.9%	↘ -0.4%	↘ -0.6%	↘ -1.6%	↘ -2.1%	↘ -1.6%	↘ -1.8%	↘ -1.5%	↘ -1.2%	↘ -1.3%	-0.8%
PI assets	-2.5%	-1.6%	-0.1%	-2.5%	-1.6%	-2.0%	-2.5%	-2.9%	-3.4%	-3.7%	-3.2%	-3.4%	-3.4%	-1.5%
o/w Equity	-1.2%	-1.5%	-2.1%	1.7%	-1.2%	-3.5%	-3.6%	-3.8%	-3.8%	-3.5%	-3.3%	-3.2%	-3.1%	-0.9%
o/w Debt	-1.3%	-0.2%	2.1%	-4.2%	-0.4%	1.5%	1.0%	0.8%	0.4%	-0.2%	0.1%	-0.2%	-0.3%	-0.6%
PI liabilities	3.9%	2.6%	10.4%	4.4%	1.2%	1.4%	0.9%	0.9%	1.8%	1.9%	1.7%	2.2%	2.1%	0.7%
o/w Equity	1.4%	0.3%	0.8%	2.6%	-0.4%	-0.2%	-0.2%	-0.3%	-0.3%	-0.3%	-0.4%	-0.4%	-0.5%	-0.1%
o/w Debt	2.5%	2.3%	9.6%	1.8%	1.6%	1.7%	1.1%	1.1%	2.2%	2.2%	2.1%	2.6%	2.6%	0.8%
Reserve assets	↔ 1.2%	↔ 0.0%	↗ 3.9%	↘ -3.1%	↔ 2.0%	↘ -0.8%	↘ -0.8%	↘ -0.8%	↘ -0.7%	↘ -0.3%	↘ -0.7%	↔ -0.1%	↘ -0.4%	-1.0%

Poland - balance of payments snapshot

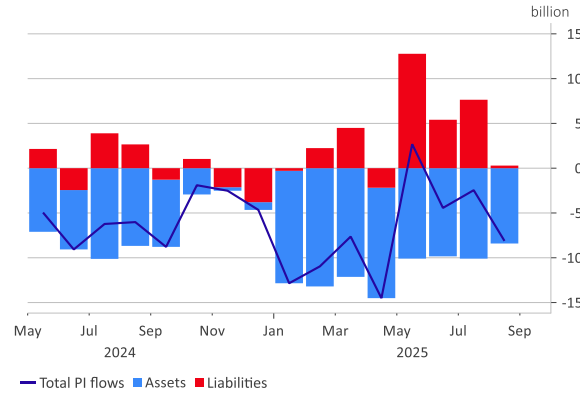
Poland	2011-2015	2016-2019	2021	2022	2023	2024	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Past 3m v '23-24
Current account (SA)	↘ -2.9%	↘ -1.1%	↘ -1.1%	↘ -2.2%	↗ 1.7%	↔ 0.3%	↔ 0.1%	↔ -0.1%	↔ -0.5%	↔ -0.7%	↔ -0.8%	↔ -0.8%	↔ -1.0%	-1.9%
Net FDI	↗ 1.8%	↗ 1.9%	↗ 3.8%	↗ 4.1%	↗ 3.1%	↘ 1.1%	↘ 1.3%	↘ 1.2%	↘ 1.5%	↘ 1.6%	↘ 1.6%	↘ 1.6%	↘ 1.4%	-0.6%
Net PI	↗ 1.1%	↔ -0.3%	↘ -1.6%	↔ 0.4%	↘ -0.6%	↗ 1.2%	↔ 1.4%	↗ 2.3%	↔ 0.7%	↔ 0.9%	↔ 1.0%	↔ 1.3%	↔ 1.4%	0.9%
PI assets	-0.8%	0.2%	-0.7%	-0.5%	-1.9%	-1.6%	-1.5%	-1.3%	-1.3%	-1.2%	-1.2%	-1.0%	-1.2%	0.6%
o/w Equity	-0.6%	0.4%	-0.7%	0.1%	-0.3%	-0.5%	-0.6%	-0.5%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.2%
o/w Debt	-0.3%	-0.2%	0.0%	-0.6%	-1.6%	-1.0%	-1.0%	-0.8%	-0.7%	-0.6%	-0.6%	-0.4%	-0.6%	0.8%
PI liabilities	1.9%	-0.5%	-0.9%	0.9%	1.3%	2.7%	2.9%	3.6%	2.0%	2.1%	2.1%	2.3%	2.6%	0.4%
o/w Equity	0.7%	0.0%	0.1%	-0.2%	0.1%	0.2%	0.2%	0.2%	-0.7%	-0.7%	-0.7%	-0.6%	-0.6%	-0.8%
o/w Debt	1.3%	-0.5%	-1.0%	1.0%	1.2%	2.5%	2.7%	3.4%	2.8%	2.8%	2.8%	2.9%	3.2%	1.1%
Reserve assets	↘ 0.8%	↘ 1.4%	↗ 2.6%	↔ 2.0%	↗ 2.7%	↗ 3.2%	↗ 3.2%	↗ 3.6%	↔ 2.5%	↘ 1.7%	↘ 1.9%	↘ 1.8%	↗ 3.6%	-0.5%



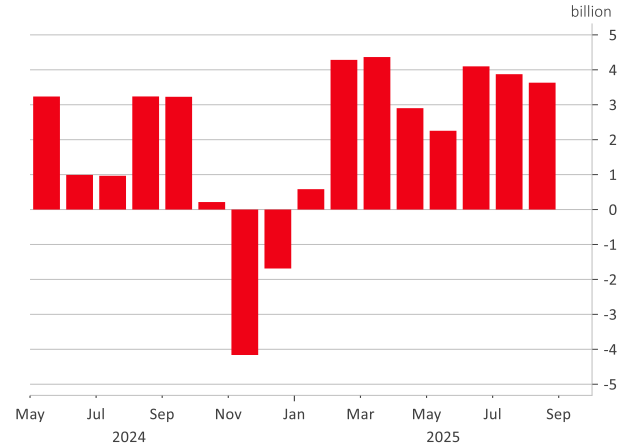
Source: Haver, UBS. Chart above shows 12m rolling sums, relative to GDP

Korea BoP details

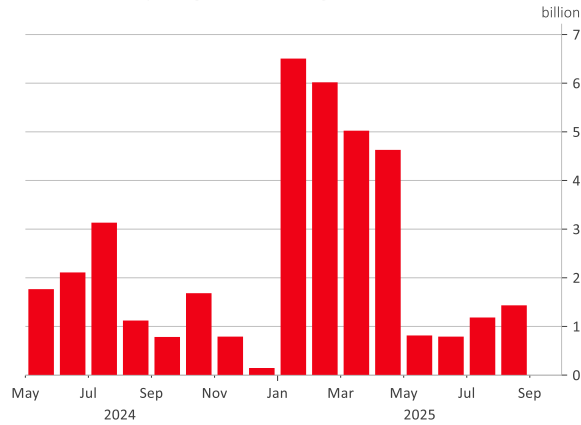
Korea - portfolio investment assets and liabilities, monthly flows



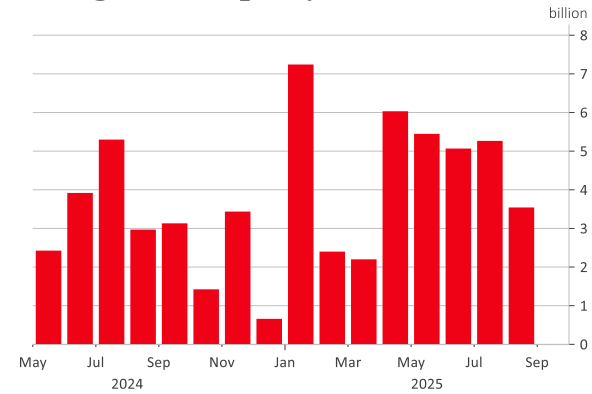
NPS buying of foreign assets (proxy)



Retail buying of foreign assets



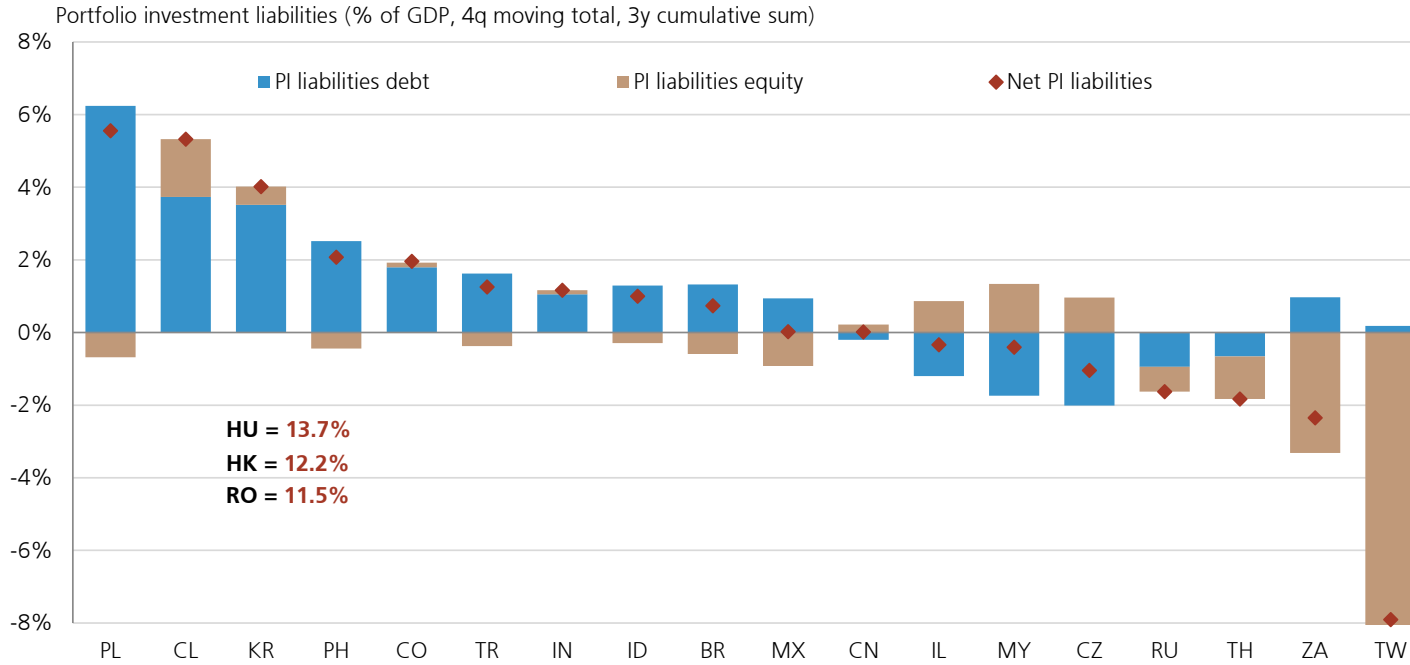
Institutional (non-NPS) buying of foreign assets (proxy)



Source: Macrobond, UBS

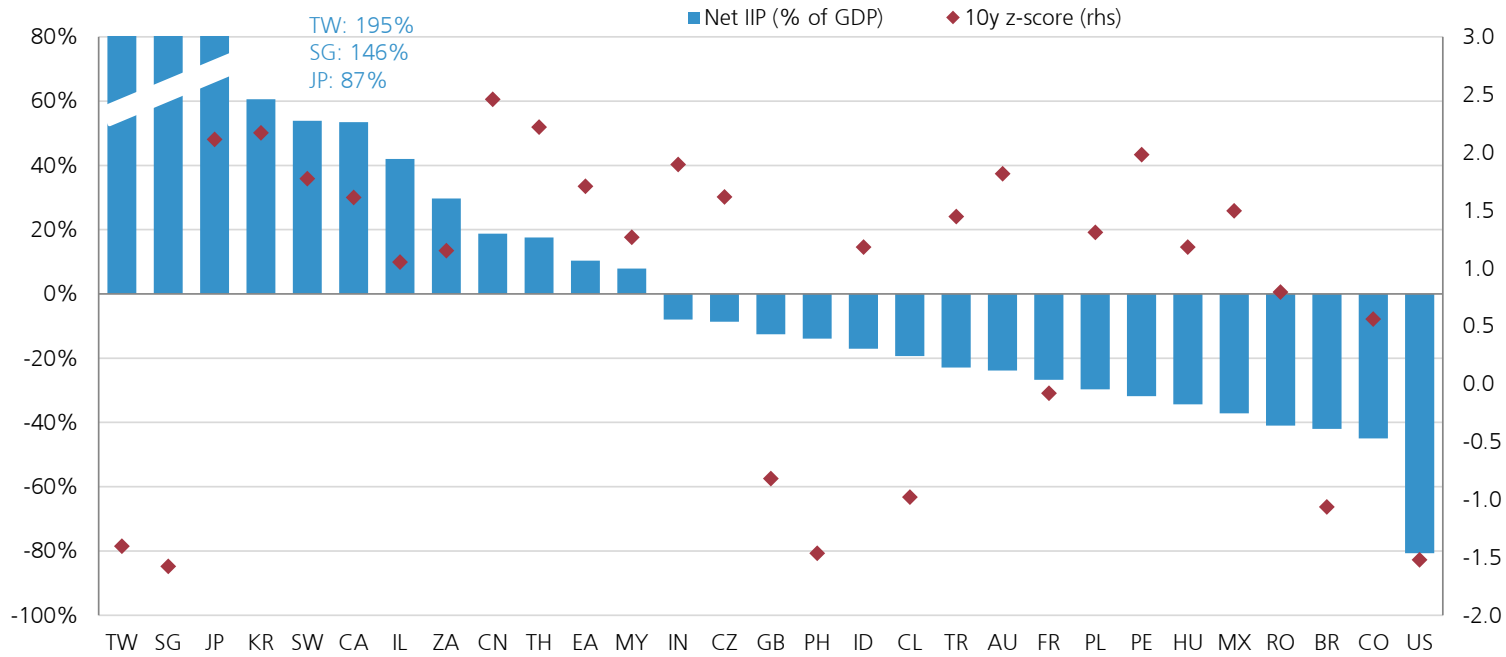
Portfolio investment liabilities (3y cumulative sum)

Portfolio investment liabilities (% of GDP, 4q moving total, 3y cumulative sum)



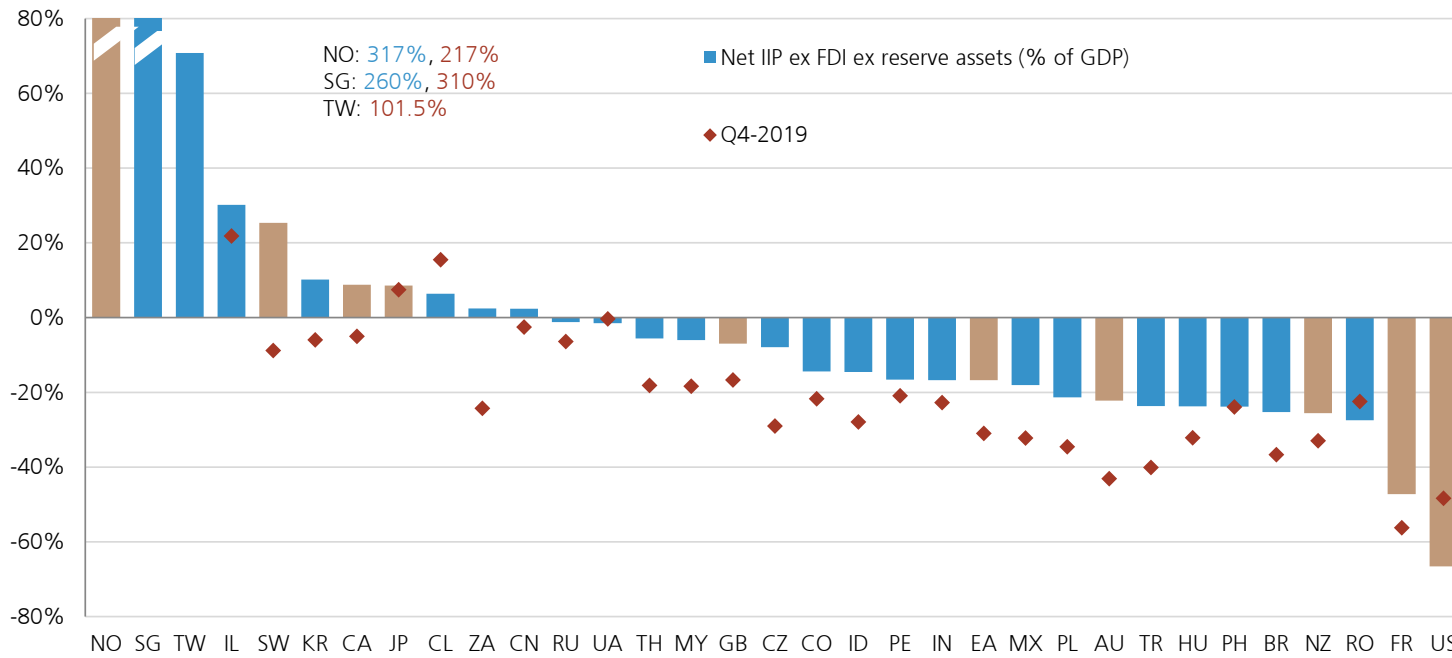
Source: Haver, UBS. Based on sum of Q1 data across 3y time frame.





Source: Haver, UBS



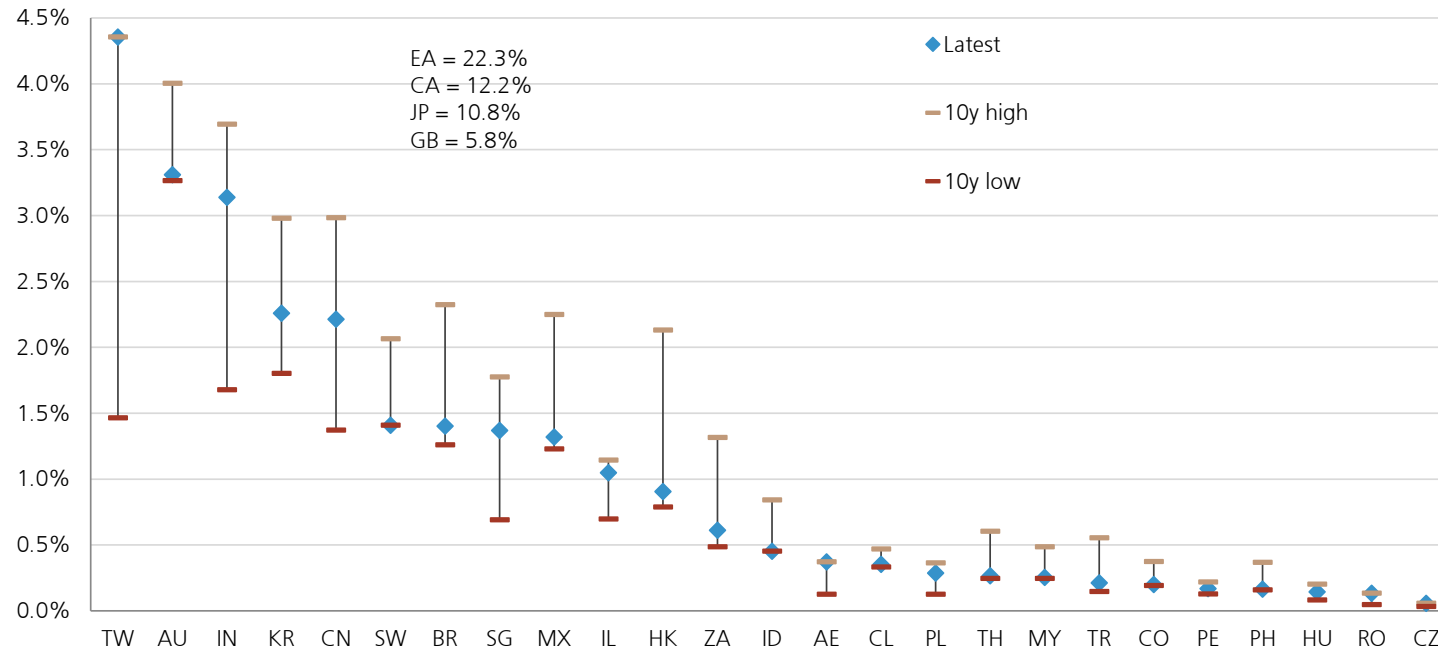


Source: Haver, UBS



US holding of foreign securities

US holding of total foreign long-term securities (% of grand total)

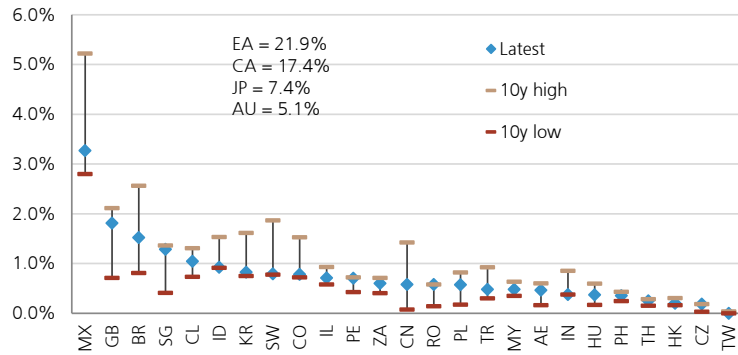


Source: Haver, UBS



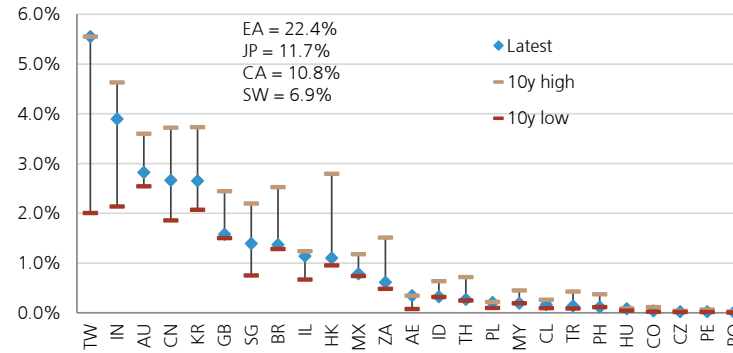
US holding of foreign securities

US holding of foreign long-term bonds (% of grand total)



Source: Haver, UBS

US holding of foreign corporate stocks (% of grand total)

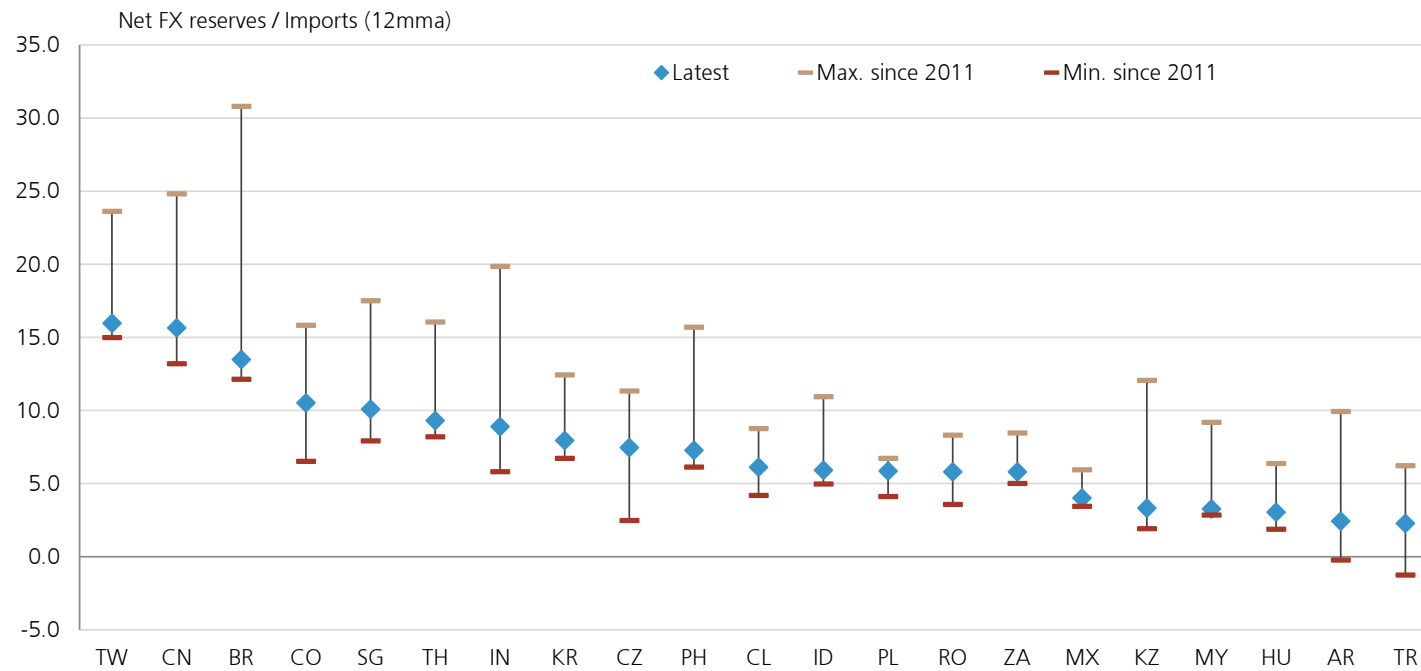


Source: Haver, UBS



EM FX net reserves to imports

EM FX reserves to imports



Source: UBS, Haver. Note: Total reserves ex gold shown, and incorporates forward book where disclosed.



EM FX reserves adequacy - ranking of vulnerabilities

EM FX reserves adequacy - ranking of vulnerabilities

	FX reserves / ST external debt				FX reserves / 12mma imports			
	Latest	Change since Dec-19	Apr-13	Dec-97	Latest	Change since Dec-19	Apr-13	Dec-97
Turkey	47%	-34%	83%	105%	298%	-158%	554%	461%
Kazakhstan	80%	-26%	240%	360%	344%	63%	507%	352%
Malaysia	82%	-8%	163%	139%	432%	-70%	776%	316%
Argentina	70%	9%	91%	69%	545%	-413%	571%	873%
Hungary	142%	-67%	203%	250%	362%	52%	591%	528%
Egypt	117%	-254%	139%	617%	453%	-191%	163%	1679%
South Africa	136%	-6%	177%	44%	649%	-18%	511%	216%
Singapore	28%	3%	27%	17%	969%	36%	821%	647%
Czech Republic	126%	-9%	103%	134%	789%	-210%	386%	419%
Chile	181%	-27%	264%	321%	673%	-68%	642%	1105%
Poland	249%	43%	229%	398%	619%	90%	626%	580%
Indonesia	217%	-55%	228%	50%	710%	-137%	651%	478%
Mexico	372%	53%	222%	103%	443%	-24%	533%	315%
Korea	246%	-74%	311%	35%	790%	-245%	862%	169%
Romania	326%	109%	375%	403%	613%	171%	719%	395%
Thailand	284%	-137%	303%	69%	893%	-384%	912%	498%
China	248%	-24%	330%	454%	1597%	-208%	2269%	1203%
Philippines	432%	-35%	464%	62%	841%	-23%	1510%	245%
Colombia	317%	-23%	346%	172%	1156%	-54%	802%	773%
Taiwan	276%	2%	317%	286%	1597%	-417%	1757%	876%
Brazil	366%	-81%	1082%	147%	1469%	-813%	1947%	1017%
Colombia	317%	-23%	346%	172%	1156%	-54%	802%	773%
EM (Median)	232%	-24%	234%	143%	692%	-69%	685%	513%
Asia 1997 crisis economies	252%	-62%	294%	71%	733%	-172%	942%	341%

Low FX reserves coverage



Higher FX reserves coverage



Source: UBS, Haver. Note: Total reserves ex gold shown. Red highlights denote economies where FX reserves coverage is worse compared to Dec-1997. Bolded shows economies having worse FX reserves coverage compared to Asia 1997 crisis economies.



1

Rates: opportunities remain in EM local debt



Annual EM rates performance

Changes in 10y local bond yields - annual rankings

Rank	2018	2019	2020	2021	2022	2023	2024	2025
1	IDR 1.7 %	ZAR -0.16 %	BRL 0.12 %	BRL 3.9 %	COP 4.8 %	ZAR 0.2 %	BRL 4.8 %	EUR 0.35 %
2	MXN 1 %	CNY -0.17 %	HUF 0.070 %	COP 2.8 %	HUF 4.5 %	THB 0.039 %	COP 1.9 %	HUF 0.28 %
3	HUF 0.99 %	KRW -0.28 %	ZAR 0.060 %	PLN 2.4 %	PLN 3.2 %	USD 0.00 %	MXN 1.5 %	CNY 0.2 %
4	ZAR 0.42 %	COP -0.41 %	KRW 0.050 %	HUF 2.4 %	EUR 2.7 %	MXN -0.087 %	PLN 0.69 %	KRW 0.10 %
5	USD 0.28 %	EUR -0.43 %	CNY 0.00 %	MXN 2 %	USD 2.4 %	INR -0.15 %	HUF 0.69 %	INR -0.24 %
10	COP 0.28 %	PLN -0.71 %	THB -0.16 %	ZAR 0.7 %	BRL 1.8 %	CNY -0.28 %	USD 0.69 %	PLN -0.42 %
6	THB 0.16 %	USD -0.77 %	EUR -0.38 %	USD 0.6 %	KRW 1.5 %	IDR -0.46 %	IDR 0.52 %	USD -0.45 %
7	INR 0.043 %	INR -0.81 %	INR -0.69 %	INR 0.59 %	MXN 1.5 %	EUR -0.55 %	EUR 0.34 %	COP -0.55 %
8	EUR -0.19 %	IDR -0.96 %	PLN -0.88 %	THB 0.58 %	ZAR 1.1 %	KRW -0.56 %	KRW -0.3 %	IDR -0.67 %
9	PLN -0.48 %	HUF -1 %	COP -0.95 %	KRW 0.53 %	INR 0.87 %	PLN -1.7 %	INR -0.41 %	THB -0.85 %
11	KRW -0.51 %	THB -1 %	USD -1 %	IDR 0.5 %	THB 0.74 %	BRL -2.3 %	THB -0.42 %	ZAR -1 %
12	CNY -0.59 %	MXN -1.7 %	IDR -1.2 %	EUR 0.39 %	IDR 0.56 %	COP -3.1 %	ZAR -0.77 %	BRL -1.4 %
13	BRL -1 %	BRL -2.4 %	MXN -1.4 %	CNY -0.37 %	CNY 0.060 %	HUF -3.1 %	CNY -0.89 %	MXN -1.6 %



Source: Haver, Macrobond, UBS estimates

Headline inflation summary

EM headline inflation (ranked by 6m trimmed mean saar)

	Latest % y/y	3m ago	Change	6m trimmed mean saar	Post-2011 percentile of 6m trimmed mean saar	3m saar	Momentum	Momentum (3m saar)	Modelled y/y base effects over next 6m	Latest data point
Thailand	-0.8%	-0.6%	-0.2%	-2.0%	2%	-2.1%	-1.2%	-1.2%	0.5%	Aug-25
Singapore	0.5%	0.8%	-0.2%	-0.2%	19%	-0.1%	-0.7%	-0.6%	0.8%	Aug-25
Philippines	1.5%	1.3%	0.2%	0.9%	10%	2.5%	-0.6%	1.0%	0.9%	Aug-25
Taiwan	1.5%	1.6%	-0.1%	1.0%	37%	1.4%	-0.5%	-0.1%	0.0%	Aug-25
India	2.0%	2.9%	-0.8%	1.1%	5%	4.2%	-0.9%	2.2%	0.0%	Aug-25
China	-0.5%	-0.2%	-0.3%	1.1%	31%	0.6%	1.6%	1.1%	0.6%	Aug-25
Peru	1.1%	1.7%	-0.6%	1.2%	7%	-0.7%	0.1%	-1.8%	0.8%	Aug-25
Poland	3.0%	4.3%	-1.3%	1.2%	31%	3.7%	-1.8%	0.7%	1.0%	Aug-25
Korea	1.7%	1.9%	-0.2%	1.4%	39%	0.6%	-0.3%	-1.0%	0.3%	Aug-25
Malaysia	1.2%	1.2%	0.0%	1.6%	37%	1.2%	0.4%	0.0%	0.3%	Aug-25
Hungary	4.3%	4.4%	-0.1%	2.1%	34%	2.7%	-2.2%	-1.6%	1.4%	Aug-25
Chile	4.0%	4.4%	-0.4%	2.3%	22%	3.3%	-1.8%	-0.8%	0.6%	Aug-25
Saudi Arabia	2.3%	2.1%	0.2%	2.6%	82%	1.8%	0.3%	-0.5%	-0.1%	Aug-25
Czech	2.5%	2.3%	0.2%	2.8%	58%	3.9%	0.3%	1.4%	0.9%	Aug-25
S Africa	3.3%	2.8%	0.5%	3.6%	13%	3.6%	0.3%	0.3%	0.6%	Aug-25
Mexico	3.6%	4.4%	-0.9%	3.8%	38%	1.6%	0.3%	-2.0%	0.6%	Aug-25
Israel	2.8%	3.1%	-0.3%	3.9%	87%	4.2%	1.1%	1.3%	0.2%	Aug-25
Brazil	5.1%	5.4%	-0.2%	4.5%	37%	4.6%	-0.6%	-0.5%	0.3%	Aug-25
Colombia	5.1%	5.1%	0.1%	5.3%	69%	5.2%	0.2%	0.1%	0.7%	Aug-25
Indonesia	2.3%	1.6%	0.7%	5.5%	86%	2.7%	3.1%	0.4%	0.8%	Aug-25
Romania	9.9%	5.5%	4.4%	11.3%	93%	26.1%	1.4%	16.2%	0.6%	Aug-25
Turkey	32.8%	35.6%	-2.7%	29.7%	75%	22.8%	-3.1%	-10.0%	2.6%	Aug-25
US	2.9%	2.4%	0.6%	2.4%	49%	3.5%	-0.6%	0.6%	0.3%	Aug-25
Euro Area	2.1%	1.9%	0.2%	1.8%	49%	3.0%	-0.3%	0.9%	0.7%	Aug-25

EM (median)	2.4%	2.6%	-0.2%	2.2%	36.5%	2.7%	-0.2%	0.3%
EM (GBI weighted)	2.7%	2.8%	-0.3%	2.9%	36.7%	3.3%	0.2%	0.5%
EM (MSCI weighted)	1.6%	1.9%	-0.3%	1.7%	30.6%	2.0%	0.1%	0.5%
EM (GBI weighted ex TR)	2.5%	2.6%	-0.1%	2.7%	36.4%	3.1%	0.2%	0.6%
EM (MSCI weighted ex TR)	1.4%	1.7%	-0.3%	1.5%	30.3%	1.9%	0.2%	0.5%



Source: Haver, UBS

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Core inflation summary

EM core inflation (ranked by 6m trimmed mean saar)

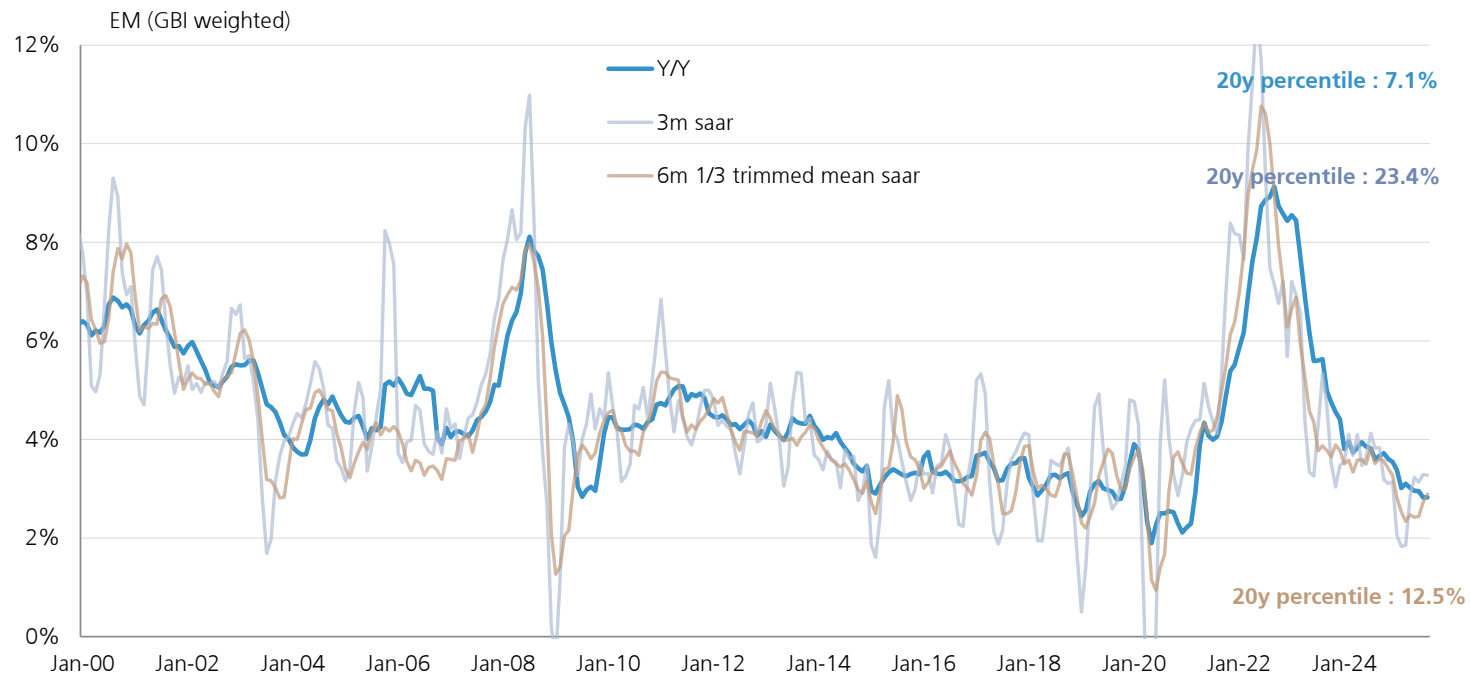
	Inflation-based signal bias	Latest % y/y	3m ago	Change	6m trimmed mean saar	Post-2011 percentile of 6m trimmed mean saar	3m saar	Momentum based on 6m saar (F-C)	Momentum based on 3m saar (H-C)	Modelled y/y base effects over next 6m	Latest data point
Thailand	<i>Strong easing bias</i>	0.0%	-0.1%	0.0%	-0.2%	5%	-0.2%	-0.2%	-0.1%	0.1%	Aug-25
Singapore		0.3%	0.6%	-0.2%	0.4%	11%	-0.3%	0.1%	-0.6%	0.7%	Aug-25
Taiwan	<i>Weak easing bias</i>	1.4%	1.3%	0.1%	1.2%	67%	1.8%	-0.1%	0.5%	0.1%	Aug-25
China		0.9%	0.5%	0.4%	1.3%	44%	1.2%	0.4%	0.4%	0.1%	Aug-25
Indonesia		2.2%	2.4%	-0.2%	1.8%	15%	1.1%	-0.4%	-1.1%	-0.1%	Aug-25
Hungary	<i>Weak easing bias</i>	3.6%	4.5%	-0.9%	1.9%	28%	1.8%	-1.7%	-1.8%	1.2%	Aug-25
Korea		1.3%	2.0%	-0.7%	2.0%	70%	-1.0%	0.8%	-2.3%	0.2%	Aug-25
Malaysia		1.3%	0.8%	0.5%	2.2%	75%	2.6%	0.9%	1.3%	0.4%	Aug-25
Philippines		2.0%	1.4%	0.6%	2.2%	32%	3.5%	0.2%	1.5%	0.5%	Aug-25
Peru		2.1%	2.3%	-0.2%	2.2%	19%	1.6%	0.1%	-0.5%	0.5%	Aug-25
S Africa	<i>Weak easing bias</i>	3.1%	3.0%	0.1%	2.7%	1%	3.3%	-0.4%	0.1%	0.2%	Aug-25
Poland		3.4%	3.6%	-0.1%	2.8%	55%	4.6%	-0.6%	1.1%	0.7%	Aug-25
Chile	<i>Weak easing bias</i>	3.4%	3.7%	-0.3%	2.8%	48%	2.9%	-0.6%	-0.5%	0.3%	Aug-25
Czech	<i>Strong paying bias</i>	2.8%	2.7%	0.1%	3.0%	73%	2.4%	0.2%	-0.4%	1.1%	Aug-25
India	<i>Weak easing bias</i>	4.3%	4.3%	0.0%	3.9%	15%	4.0%	-0.4%	-0.3%	0.1%	Aug-25
Israel	<i>Weak paying bias</i>	3.3%	3.4%	-0.1%	4.0%	89%	4.4%	0.8%	1.1%	0.0%	Aug-25
Brazil		5.1%	5.2%	0.0%	4.7%	37%	4.5%	-0.4%	-0.7%	0.2%	Aug-25
Mexico	<i>Strong paying bias</i>	4.2%	4.1%	0.2%	4.8%	79%	4.2%	0.6%	-0.1%	0.5%	Aug-25
Colombia		5.4%	5.4%	0.0%	5.2%	65%	5.4%	-0.2%	0.0%	0.1%	Aug-25
Romania		10.4%	4.0%	6.4%	7.1%	85%	32.0%	-3.3%	21.5%	0.6%	Aug-25
Turkey		32.9%	35.3%	-2.5%	25.8%	74%	19.5%	-7.1%	-13.3%	1.1%	Aug-25
US		2.9%	2.6%	0.3%	2.7%	78%	3.0%	-0.1%	0.1%	0.3%	Jul-25
Euro Area		2.3%	2.3%	0.0%	2.8%	83%	2.9%	0.5%	0.6%	0.4%	Aug-25

EM (average)	3.1%	3.0%	2.7%	47.0%	4.7%	-0.4%	1.6%
EM (GBI weighted)	3.3%	3.0%	3.1%	41.5%	3.8%	-0.2%	0.5%
EM (MSCI weighted)	2.4%	2.3%	2.4%	43.9%	2.2%	0.0%	-0.2%
EM (GBI weighted ex TR)	3.1%	2.8%	2.9%	41.3%	3.7%	-0.2%	0.6%
EM (MSCI weighted ex TR)	2.2%	2.1%	2.2%	43.7%	2.0%	0.1%	-0.1%



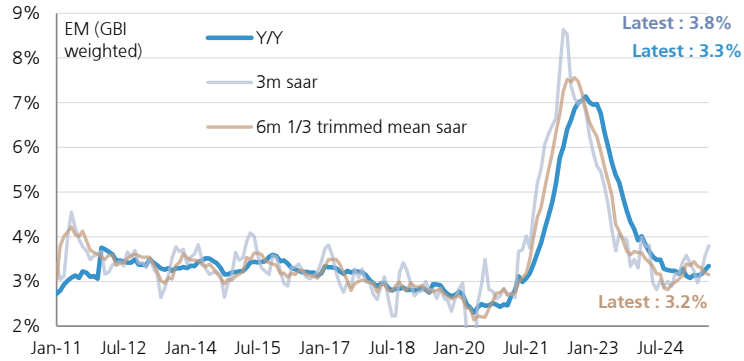
Source: Haver, UBS

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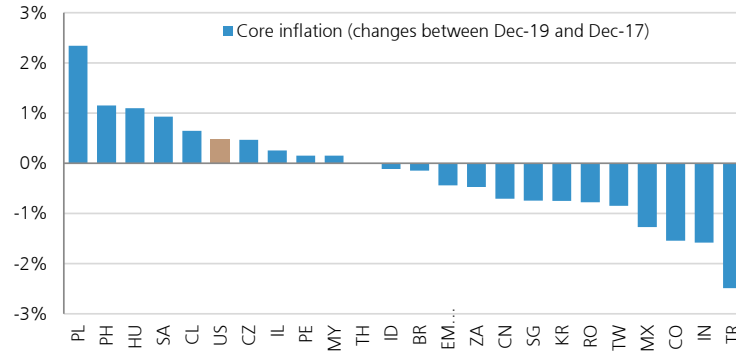
Core inflation

Core Inflation



Source: Haver, UBS

Core CPI (y/y, changes between Dec-19 and Dec-17)

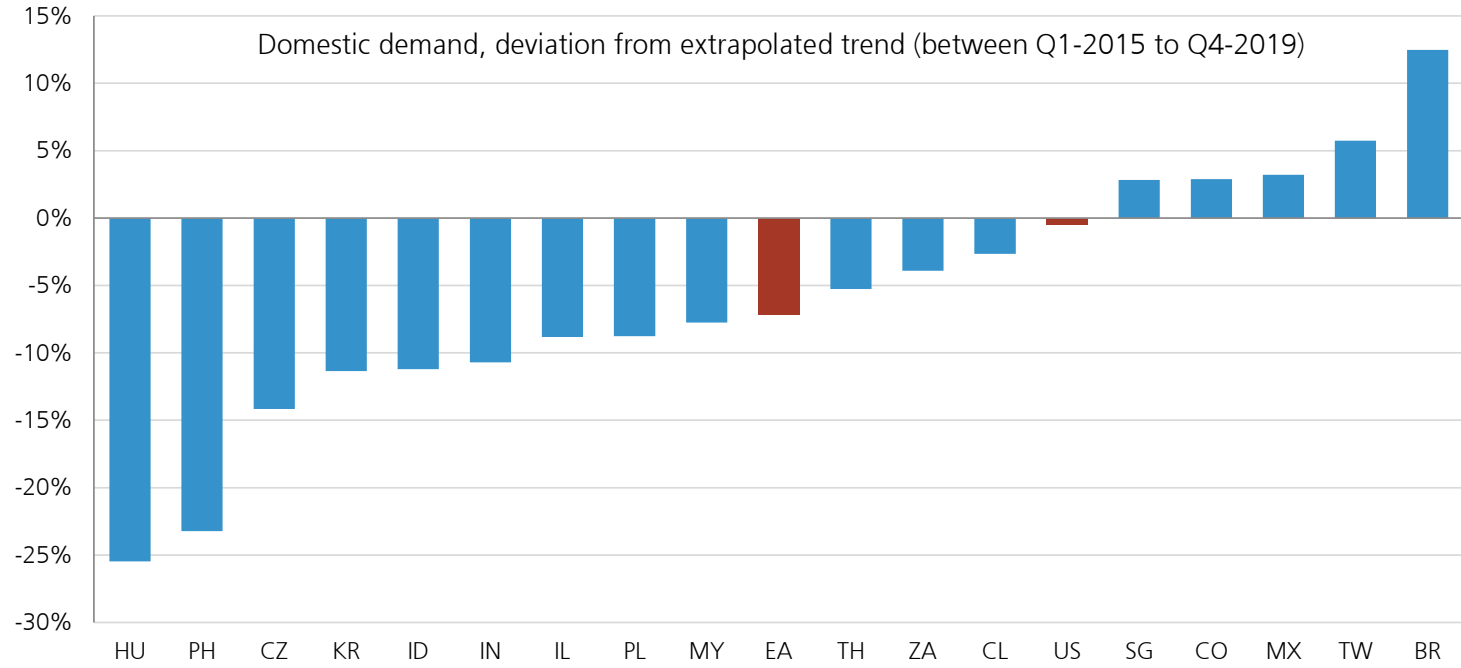


Source: Haver, UBS



Broadly negative EM output gaps

Domestic demand vs. pre-pandemic trend

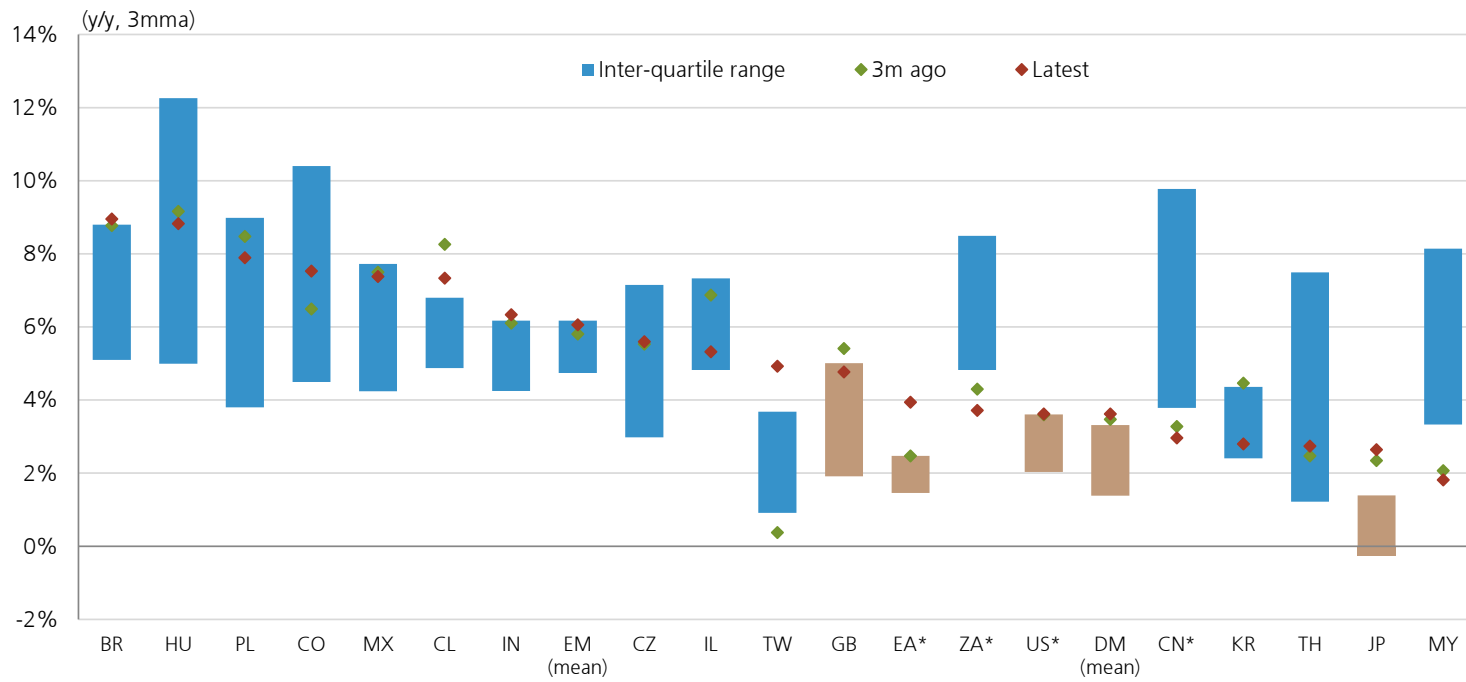


Source: Haver, UBS



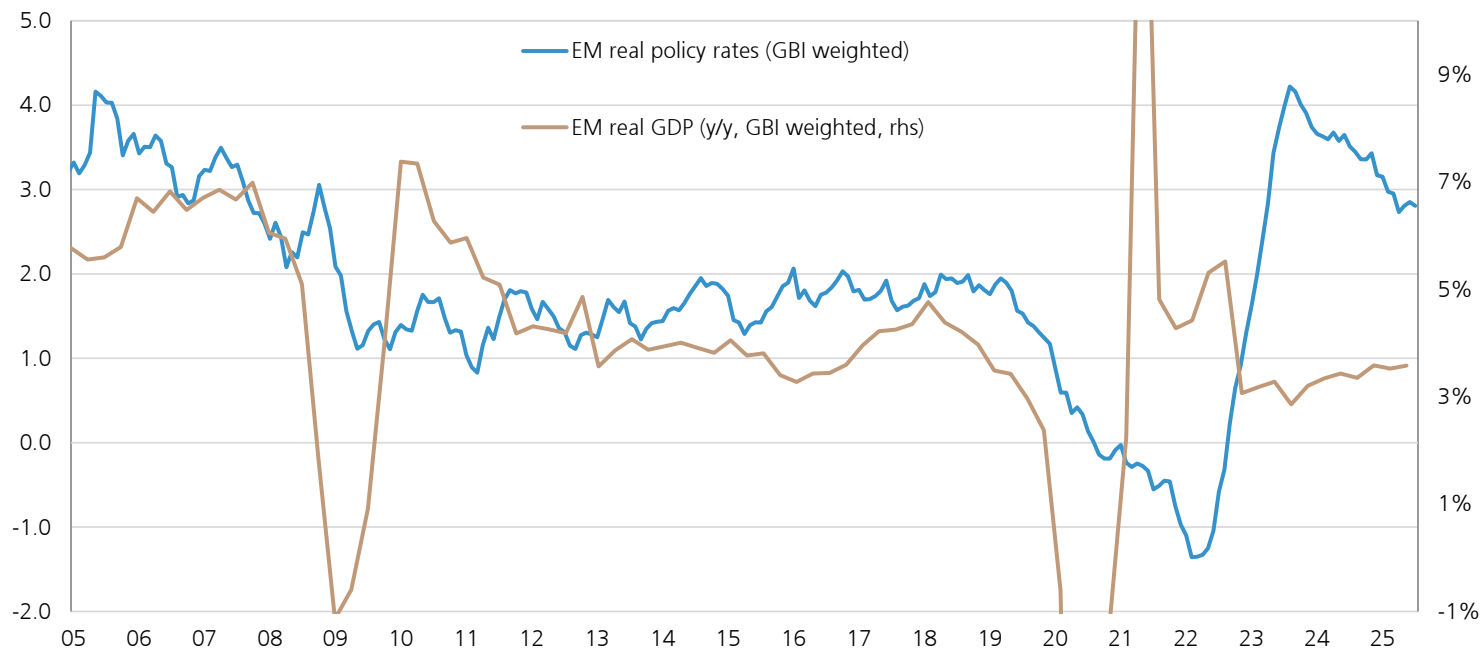
Wage growth

Wage growth



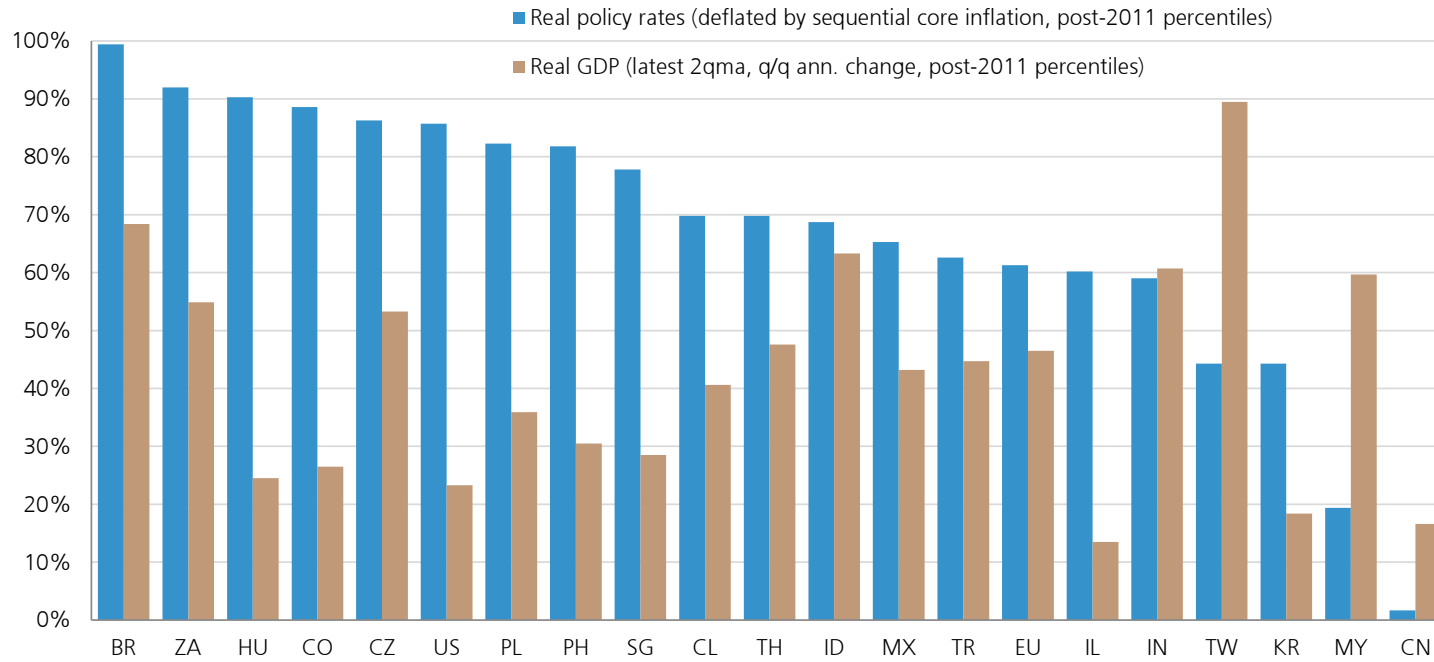
Source: Haver, UBS





Real rates may be 'too high' in large parts of EM

GBI EM real policy rates vs real GDP – percentiles since 2011

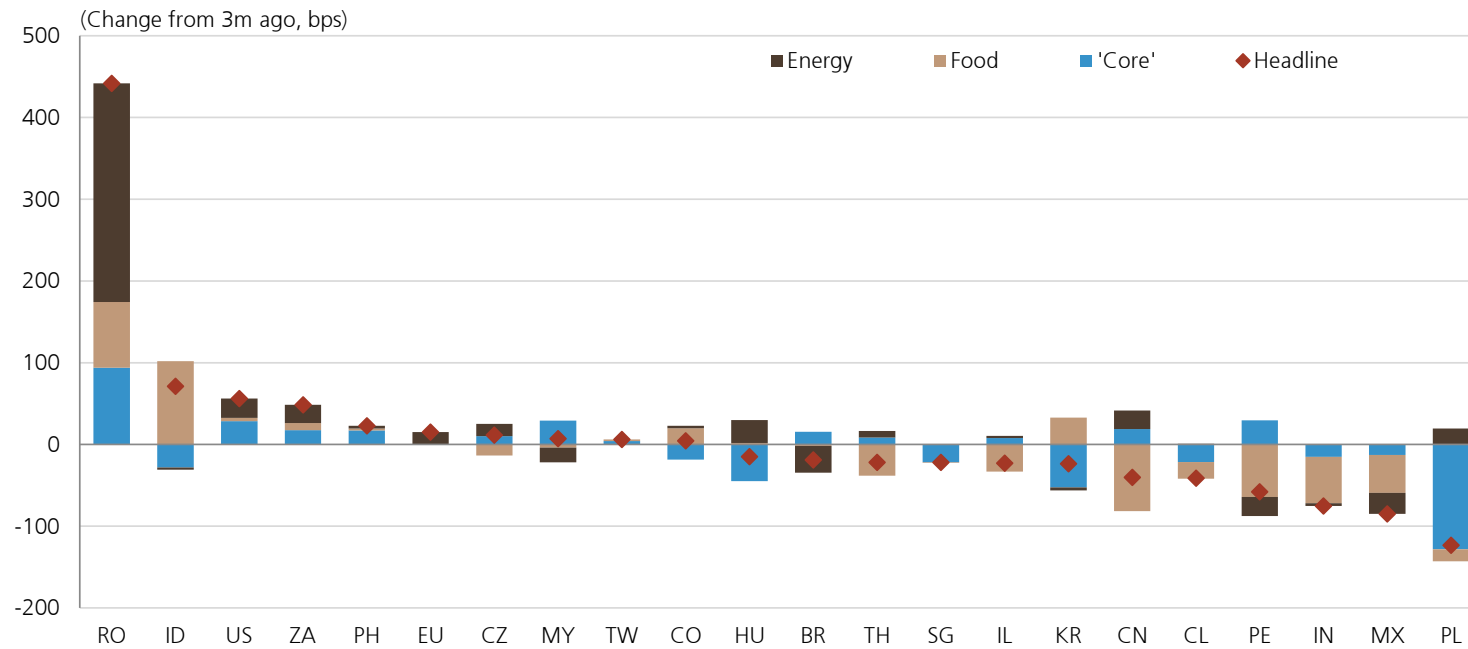


Source: Haver, UBS



Recent inflation acceleration in a few EMs mostly reflected non-core factors

Contribution to change in headline inflation from 3m ago



Source: Haver, UBS. Core inflation is estimated here by stripping out food and energy from headline CPI. It may thus, in some cases, differ from core measures provided by local sources, but benefits from more directly comparable across markets.



UBS Inflation Vulnerability Scorecard

	PPI - CPI (y/y)	Gap between 6m annualised trimmed mean core and y/y core	TWI (y/y)	Credit impulse	Real policy rates	Deviation of sequential core inflation from CB target	CPI diffusion index (Level)	CPI diffusion index (3m change)	Cyclically adjusted primary balance change (2025-2024)	Rank
Chile	4.8%	-0.6%	-4.1%	1.9%	0.4%	-0.2%	54.5%	4.5%	1.1	8.3
Colombia	-1.3%	-0.2%	-0.4%	1.6%	3.3%	2.2%	61.2%	1.4%	0.5	9.3
Korea	0.2%	0.8%	-3.8%	-1.3%	0.7%	0.0%	39.7%	-7.4%	0.5	9.6
Turkey	-7.8%	-7.2%	-20.4%	1.6%	0.9%	20.8%	95.5%	3.4%	1.7	9.6
Singapore	-4.1%	0.1%	1.0%	4.5%	-0.3%	-1.6%	32.4%	0.0%	-0.5	9.7
Saudi Arabia	-4.1%	0.3%	-0.8%	0.9%	3.1%	0.6%	25.2%	-9.7%	-1.7	10.1
Czech Republic	-3.3%	0.2%	4.6%	0.6%	0.1%	1.0%	50.0%	-15.0%	-0.4	10.2
Mexico	-0.2%	0.6%	1.6%	-0.4%	3.7%	1.8%	65.8%	-4.1%	1.6	10.6
Poland	-4.1%	-0.2%	2.5%	0.4%	0.4%	0.7%	47.4%	-1.3%	0.5	11.3
Malaysia	-5.0%	0.5%	3.2%	-2.2%	1.2%	-1.3%	64.4%	46.6%	0.9	11.6
Philippines	-1.7%	0.0%	-1.4%	-0.3%	2.5%	-1.0%	30.9%	3.6%	0.3	11.7
Indonesia	0.2%	-0.4%	-4.5%	-0.8%	2.3%	-0.7%	14.0%	-7.0%	-0.4	11.7
South Africa	-1.2%	-0.5%	-0.2%	0.4%	3.2%	-1.9%	48.9%	2.2%	0.0	12.0
Israel	0.2%	0.7%	8.6%	5.2%	1.2%	2.0%	37.2%	-13.3%	1.6	12.0
India	-1.6%	-0.4%	-5.6%	-1.5%	2.3%	-0.1%	39.2%	-1.3%	0.8	12.2
Hungary	0.1%	-1.7%	1.2%	-2.7%	1.4%	-1.1%	61.5%	-7.7%	0.0	12.6
Brazil	-3.8%	-0.4%	3.3%	0.2%	10.1%	1.7%	58.6%	-7.8%	-0.1	13.2
Taiwan	-1.0%	-0.2%	6.2%	-3.8%	0.3%	-0.8%	45.6%	10.5%	0.9	13.3
Thailand	-2.7%	-0.2%	6.4%	-0.4%	1.8%	-2.2%	12.0%	-7.6%	-1.7	14.6

Greater inflation risk
↑
↓
Lower inflation risk

Source: Haver, UBS estimates. Real policy rates are calculated by deflating nominal policy rates with 24m exponential core annualized inflation. Credit impulse proxy is calculated by taking 12m change of change in private credit to GDP in local currency terms. For Saudi Arabia, headline inflation is used instead of core for all calculations in above scorecard. Taiwan CAPB numbers are taken as simple average of all the EM countries mentioned above. China food weight in CPI is taken as median of all other EM country food weightages in respective CPI.



Weight of core goods and core-core services in headline CPI

	Core goods weight in headline CPI	Core-core services weight in headline CPI
Euro Area 19	26%	36%
Czech	26%	25%
Hungary	24%	26%
Poland	31%	27%
Turkey	32%	23%
S Africa	23%	49%
US	19%	57%
Romania	30%	22%
Brazil	26%	41%
Chile	29%	35%
Colombia	19%	45%
Mexico	19%	28%
Peru	19%	39%
Indonesia	18%	44%
Malaysia	21%	40%
Thailand	28%	21%
Philippines	18%	35%
Singapore	20%	39%
Korea	26%	53%
Taiwan	31%	38%
DM (avg)	23%	46%
LatAm (avg)	22%	37%
CEEMEA (avg)	28%	29%
Asia (avg)	23%	38%



Source: Haver, UBS

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Latest CPI YoY vs UBS' end-25E expectations

	Latest %	UBS 2025E %	UBS 2026E %	UBS vs. Consensus - 2025 bps	UBS vs. Consensus - 2026 bps
Turkey	33.0	32.1	23.6	209	160
Singapore	0.5	0.4	1.8	-48	64
Malaysia	1.3	1.7	2.4	-28	61
Poland	2.9	3.0	3.0	13	42
US	2.9	3.3	3.0	18	42
Thailand	-0.8	-0.2	1.1	-31	16
Eurozone	2.0	2.0	2.0	0	12
Indonesia	2.7	2.1	2.5	-21	2
South Korea	1.7	2.0	2.0	10	2
Chile	4.0	3.9	3.1	14	-6
South Africa	3.3	3.6	3.7	-26	-10
Brazil	5.1	4.8	4.0	-11	-11
Philippines	1.5	1.8	2.8	-23	-14
India	2.1	3.5	4.2	190	-20
Czech Republic	2.5	2.5	2.0	10	-25
Mexico	3.6	4.0	3.5	12	-30
Colombia	5.1	4.8	3.6	-30	-33
China	-0.6	0.2	0.0	-10	-83
Hungary	4.3	4.4	3.3	-10	-100
EM (GBI weighted)	2.6	2.9	2.8	11	-10
EM (MSCI weighted)	1.5	2.3	2.3	45	-35
EM ex Turkey (GBI weighted)	2.4	2.7	2.7	10	-11
EM ex Turkey (MSCI weighted)	1.3	2.0	2.1	43	-37
EM (GDP weighted)	2.3	2.8	2.5	23	-33
EM ex China (GDP weighted)	4.5	4.7	4.4	47	4
Asia (GDP-weighted)	0.4	1.1	1.3	22	-47
CEEMEA (GDP-weighted)	13.6	13.4	10.3	73	56
LatAm (GDP-weighted)	4.5	4.4	3.7	-3	-19

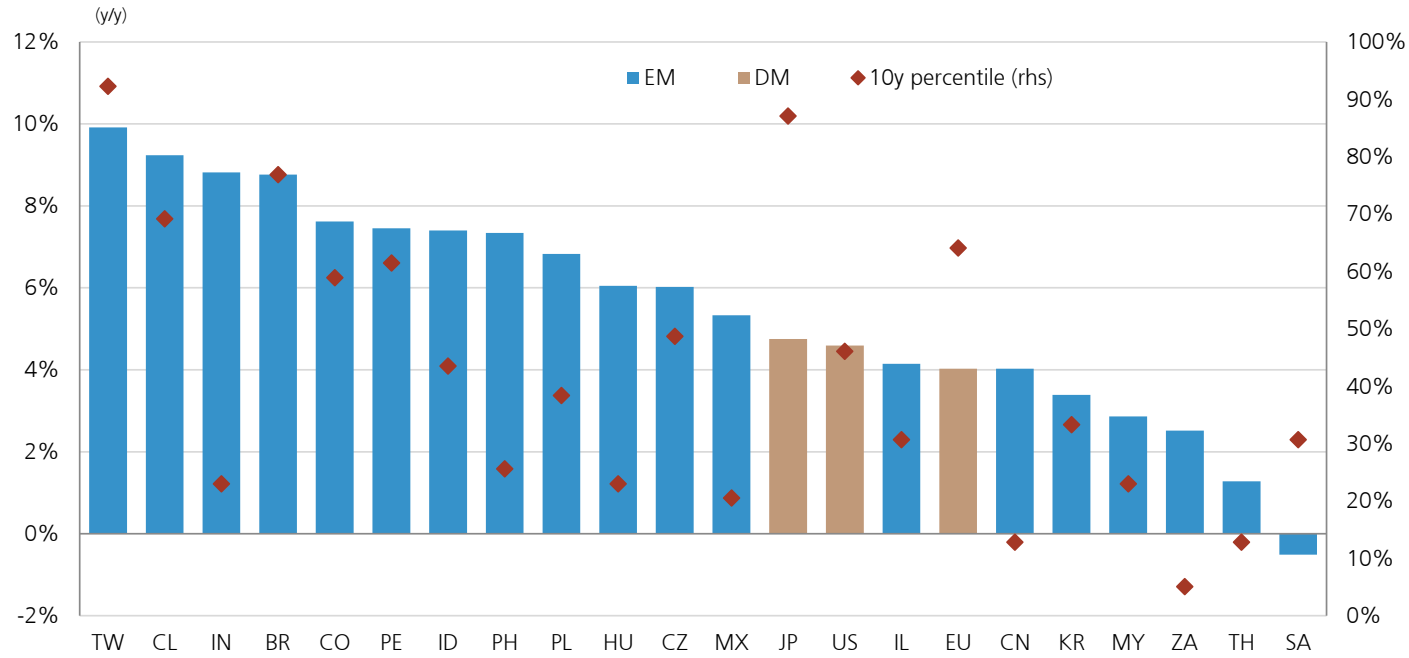


Source: Macrobond, Haver, Bloomberg, UBS estimates

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EM nominal GDP growth below 10y avg in ~70% of EM economies

EM vs DM nominal GDP growth

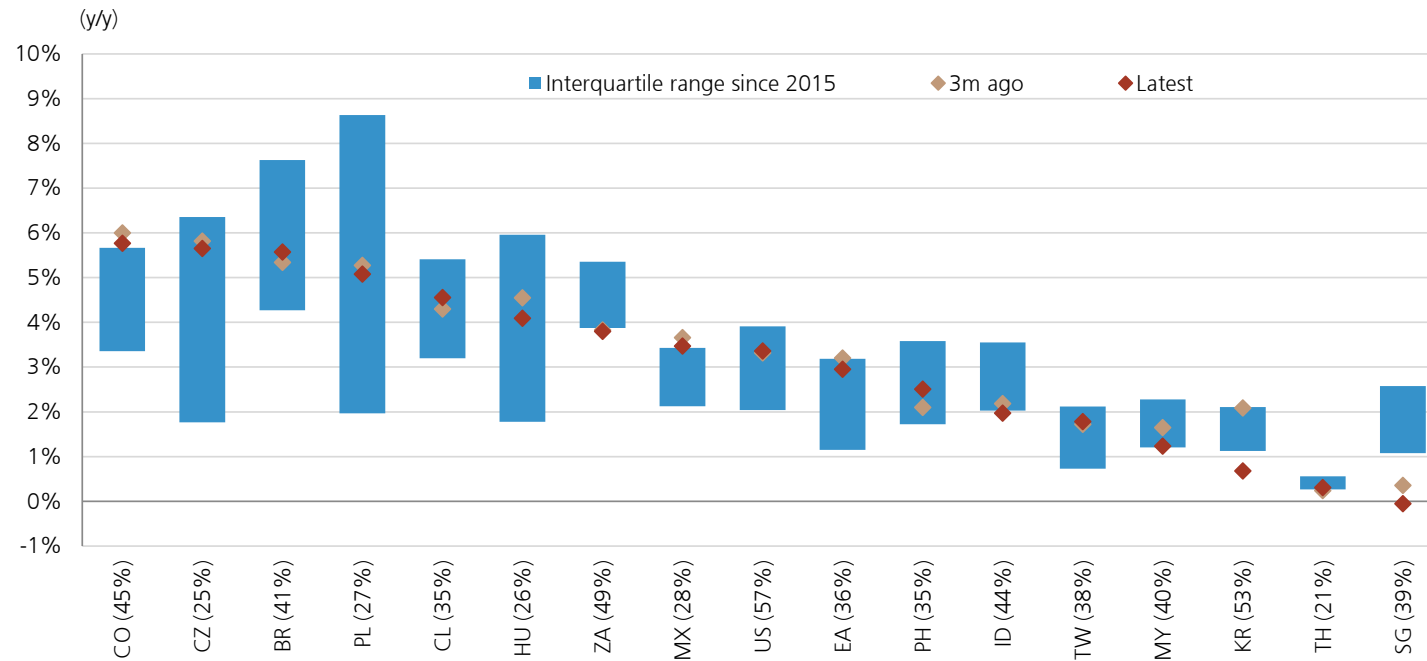


Source: Haver, UBS



EM "core-core" services CPI (services excluding energy, airfares, and restaurants)

Core-core services

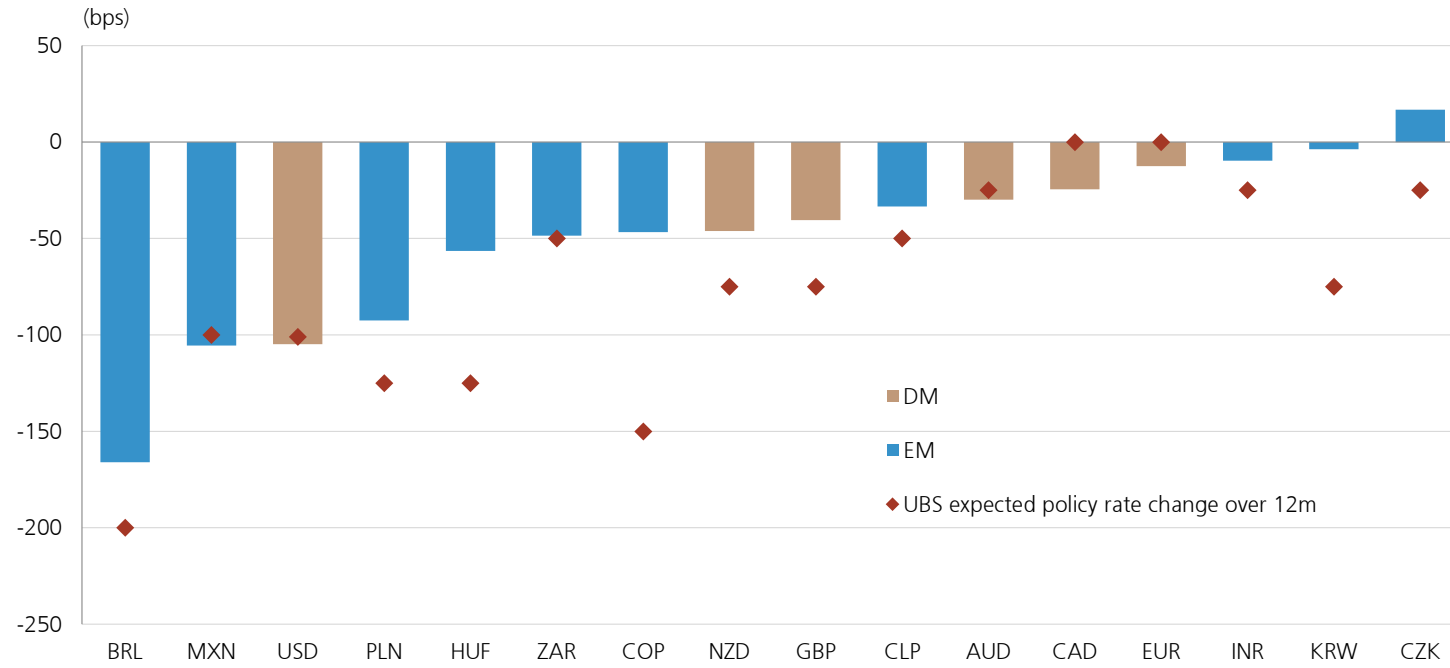


Source: Haver, UBS. *number in the bracket denotes weight of core-core services in overall CPI



What's priced for EM monetary policy?

What's priced in for EM monetary policy?

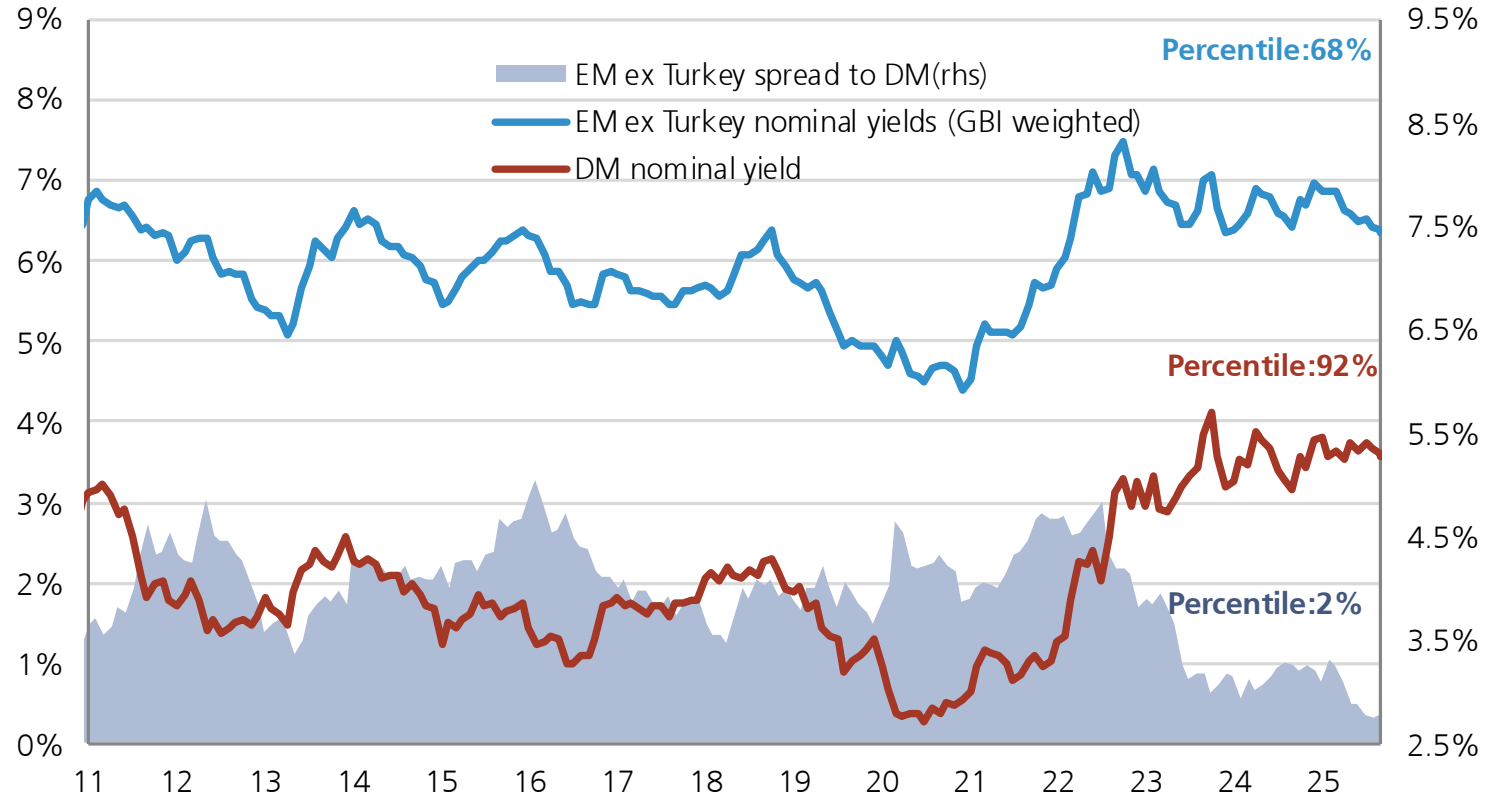


Source: Bloomberg, UBS estimates



10y EM local yield spreads to DM

EM and DM 10y nominal yields

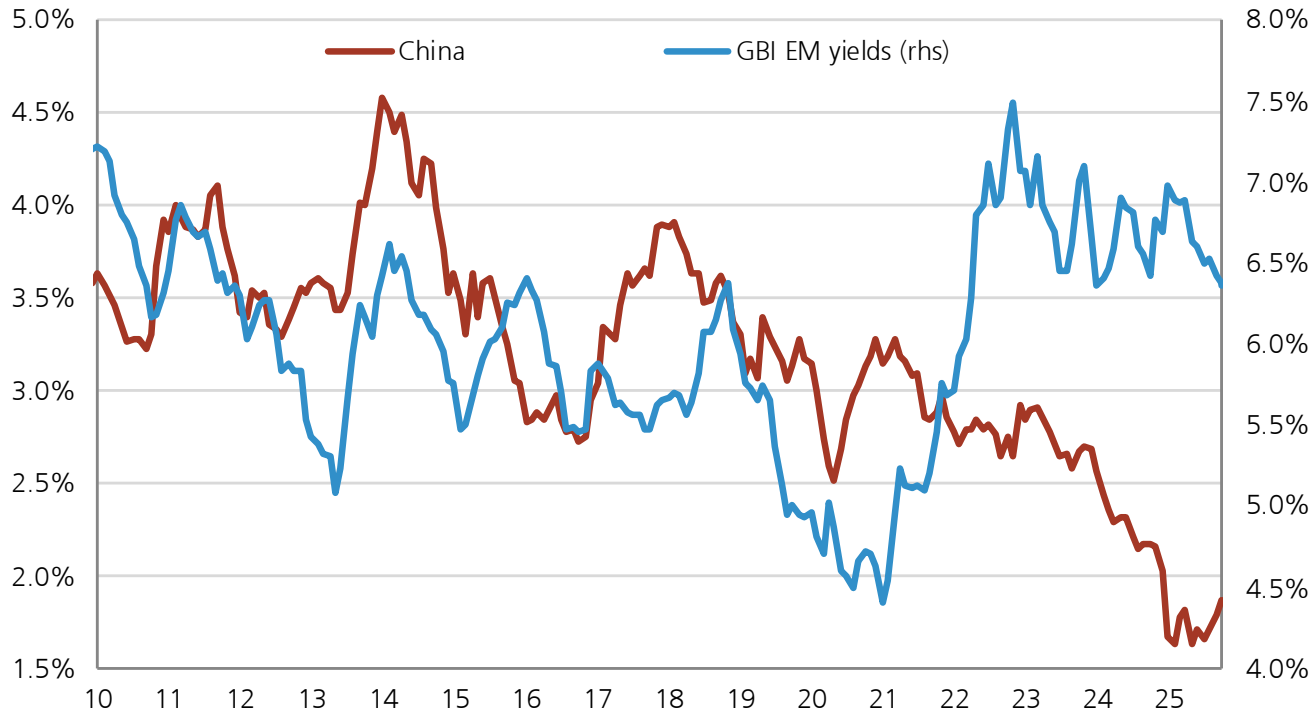


Source: Haver, Bloomberg, UBS. DM defined here as 75% US, 25% Germany



China and EM bond yields moved hand-in-hand until 2022 – recoupling ahead?

EM 10y nominal yields spread to CGB

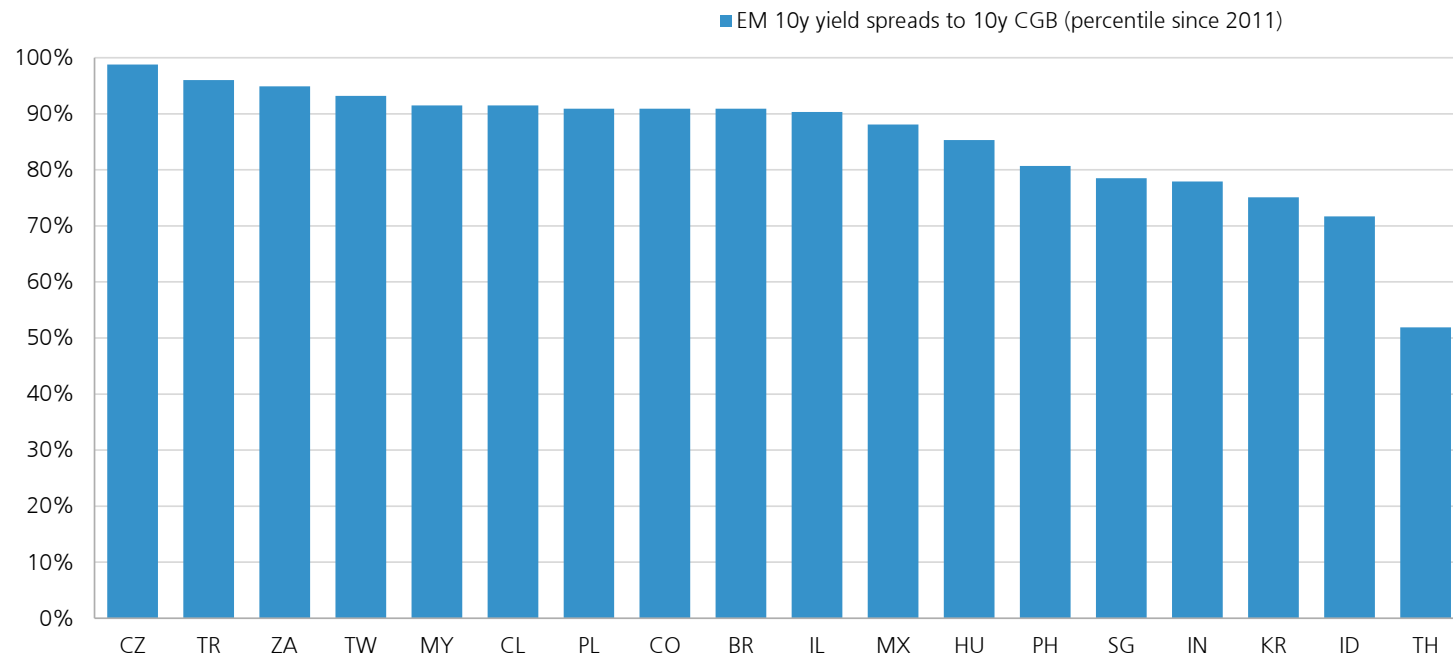


Source: Haver, Bloomberg, UBS



10y EM local yield spreads to CGB

EM 10y nominal yields spread to CGB

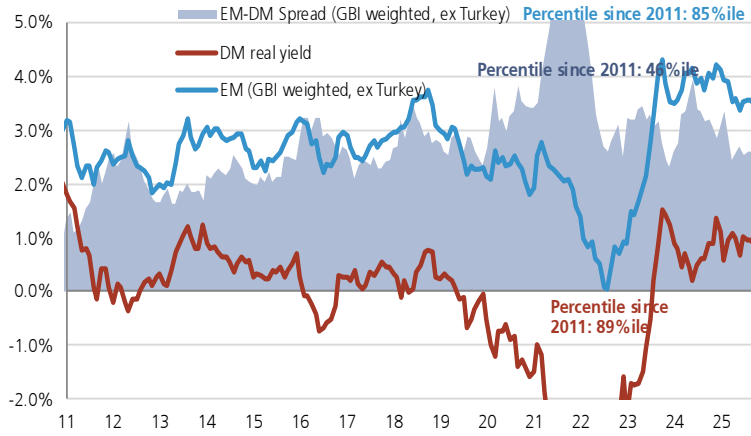


Source: Haver, Bloomberg, UBS



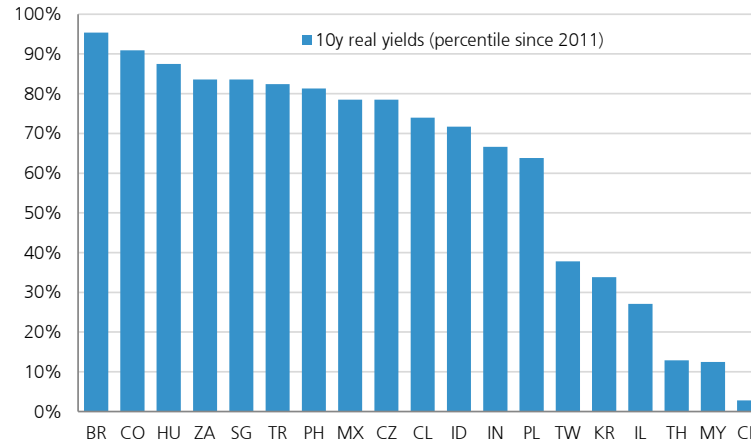
10y real yields

10y real yield spread to DM



Source: Bloomberg, Haver, UBS. Real yields calculated by deflating nominal yields by sequential core inflation.

10y real yields – percentile since 2011



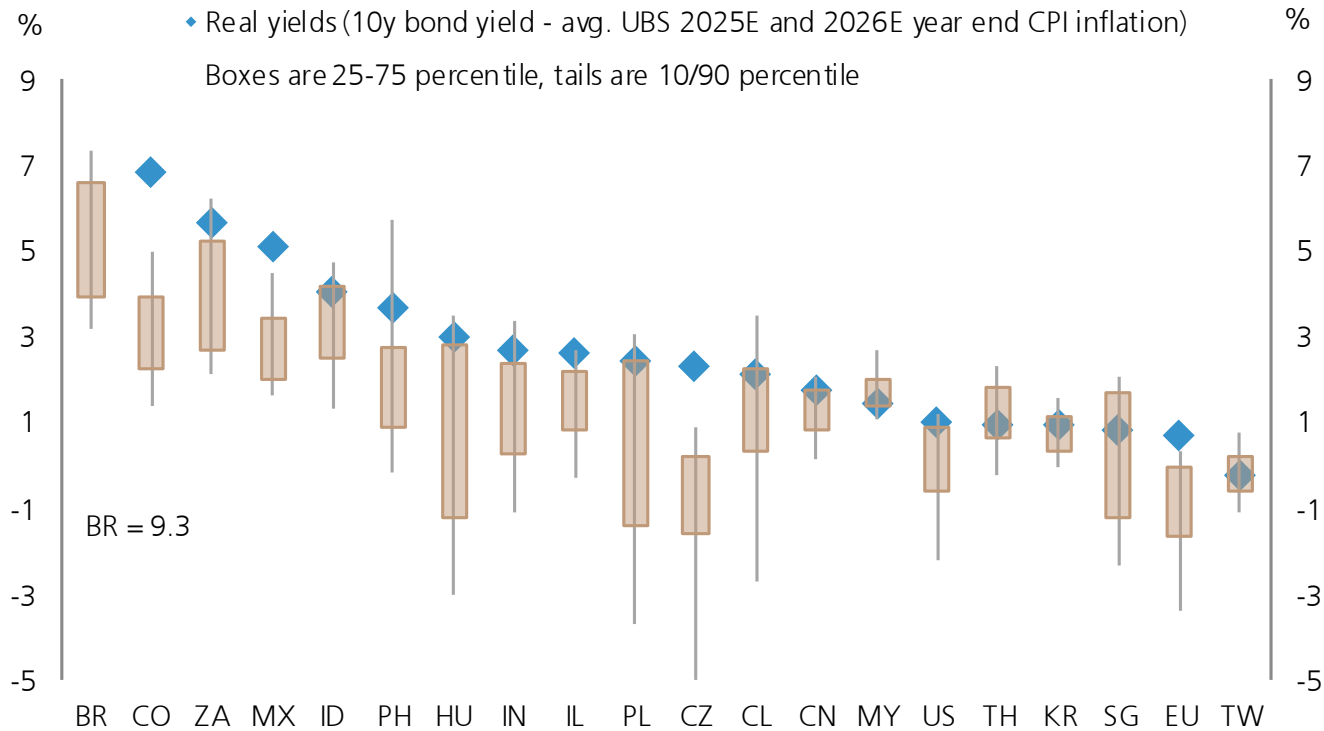
Source: Bloomberg, Haver, UBS. Real yields calculated by deflating nominal yields by sequential core inflation.

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Ex ante EM 10y real yields based on UBS forecasts

EM ex ante 10y real yields vs. 10y interquartile ranges

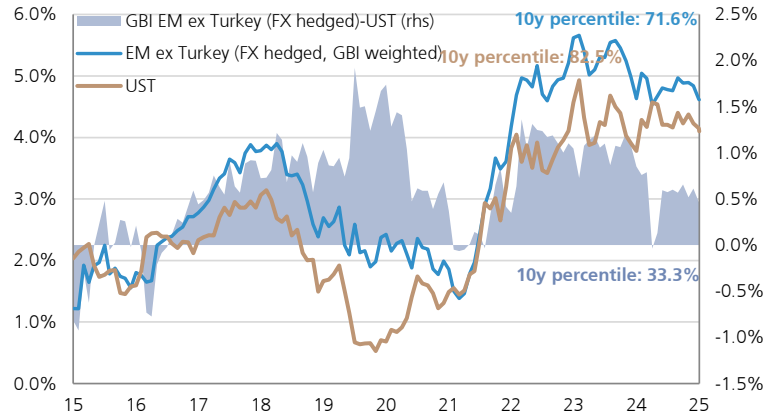


Source: Haver, Bloomberg, UBS estimates. Latest value is calculated by deflating 10y nominal yield by average 2025-2026 UBS headline inflation forecasts. Historical real yields are calculated by deflating 10y nominal yields by annualised 24m exponential headline inflation. The above analysis is since Jan-2011.



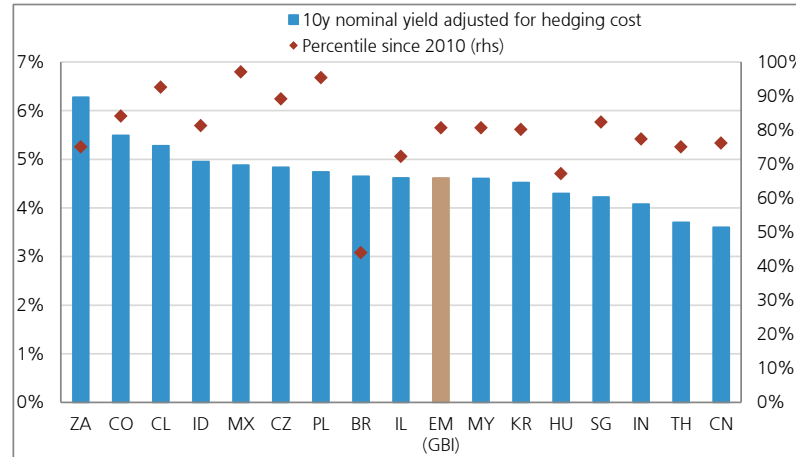
EM local yields remain historically elevated after FX hedging costs

FX hedged EM 10y bond yields vs UST



Source: Bloomberg, Haver, UBS

FX hedged EM 10y bond yields – levels and percentiles since 2010

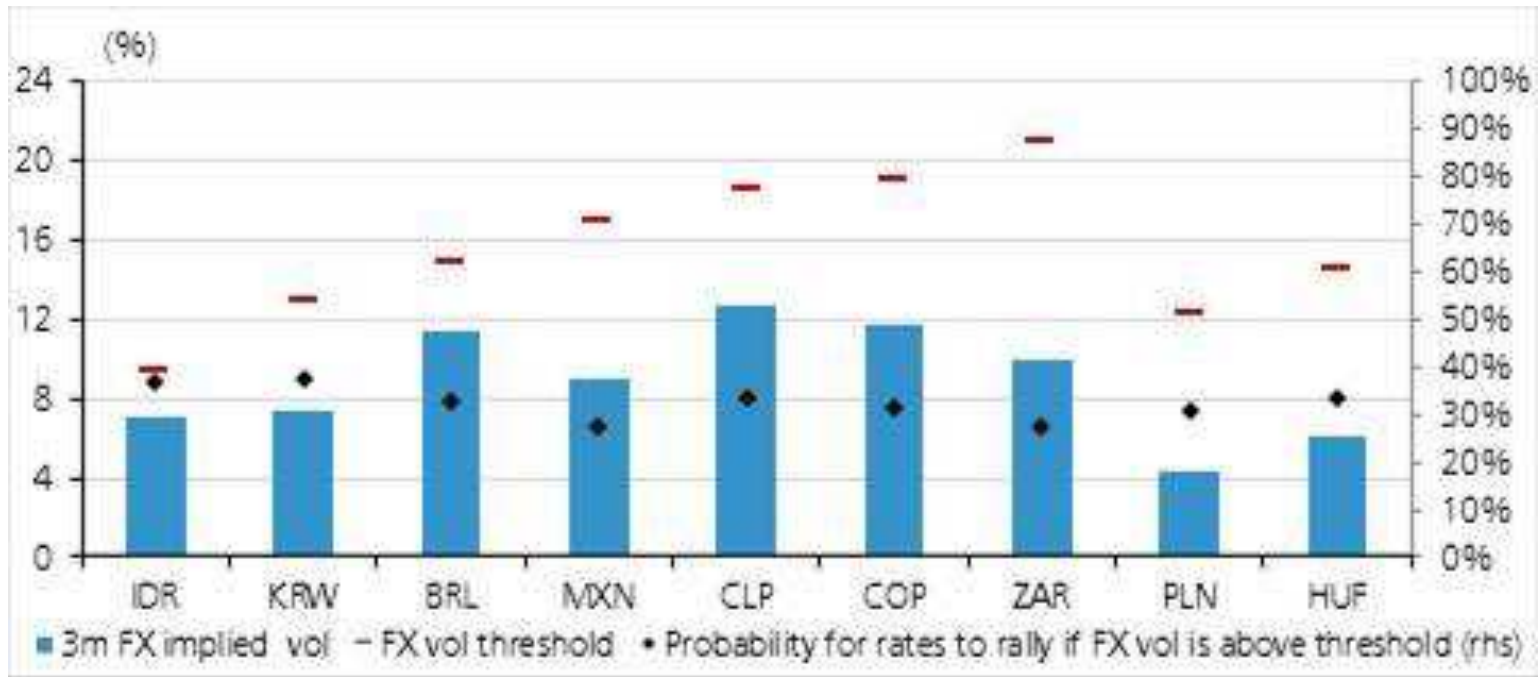


Source: Bloomberg, Haver, UBS

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Can local rates perform against a backdrop of weaker currencies?

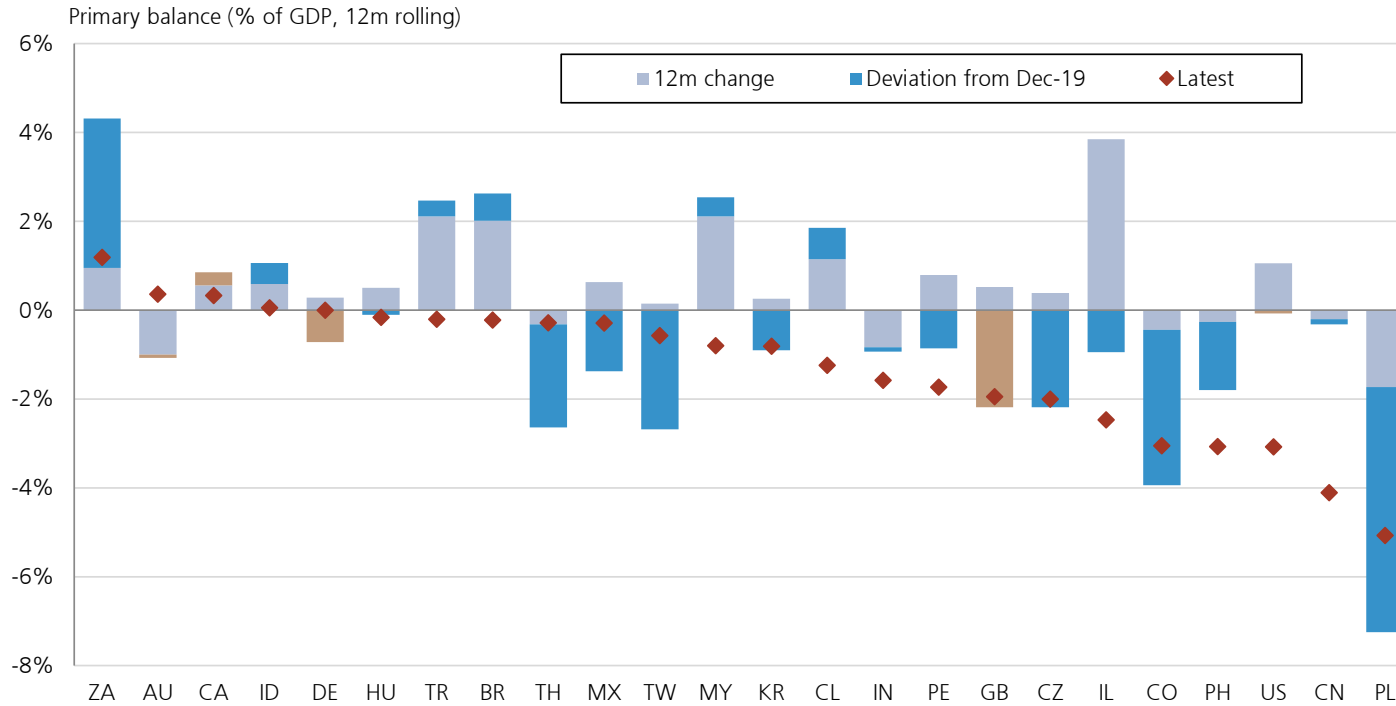


Source: Bloomberg, UBS. Note (1): for each currency, we analyze the performance of 5y rates 4-weeks after a move in FX vol above different combinations of thresholds. We select the FX vol thresholds for which the number of times local rates were able to rally/recover after the volatility shock represented at most 35% of the sample observations. Note (2): Blue bars are FX vols spot; red dots are the FX vols threshold for which the probability for rates to rally when vol increases above such levels drops below 35% (black dots, right axis).



Primary balance (% of GDP)

Primary balance (% of GDP)

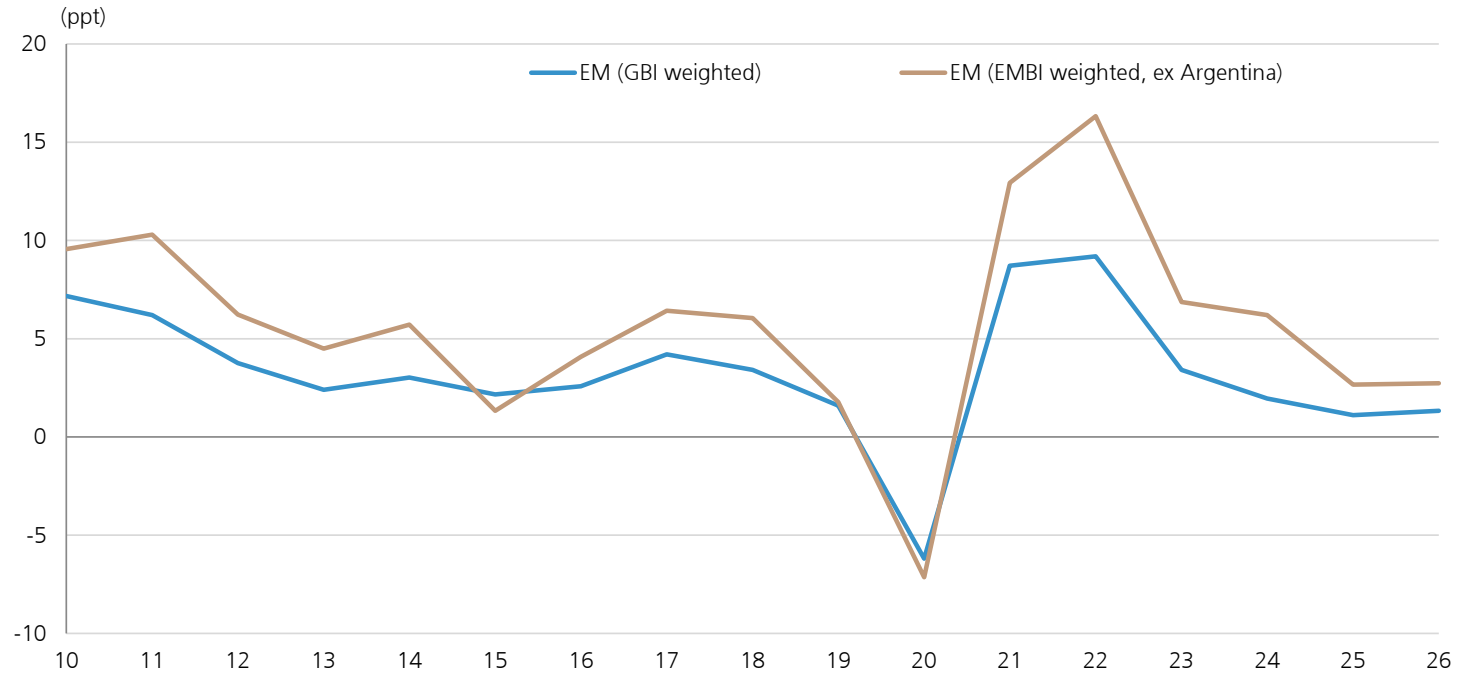


Source: Haver, UBS



Gap between EM nominal GDP growth and effective interest rates

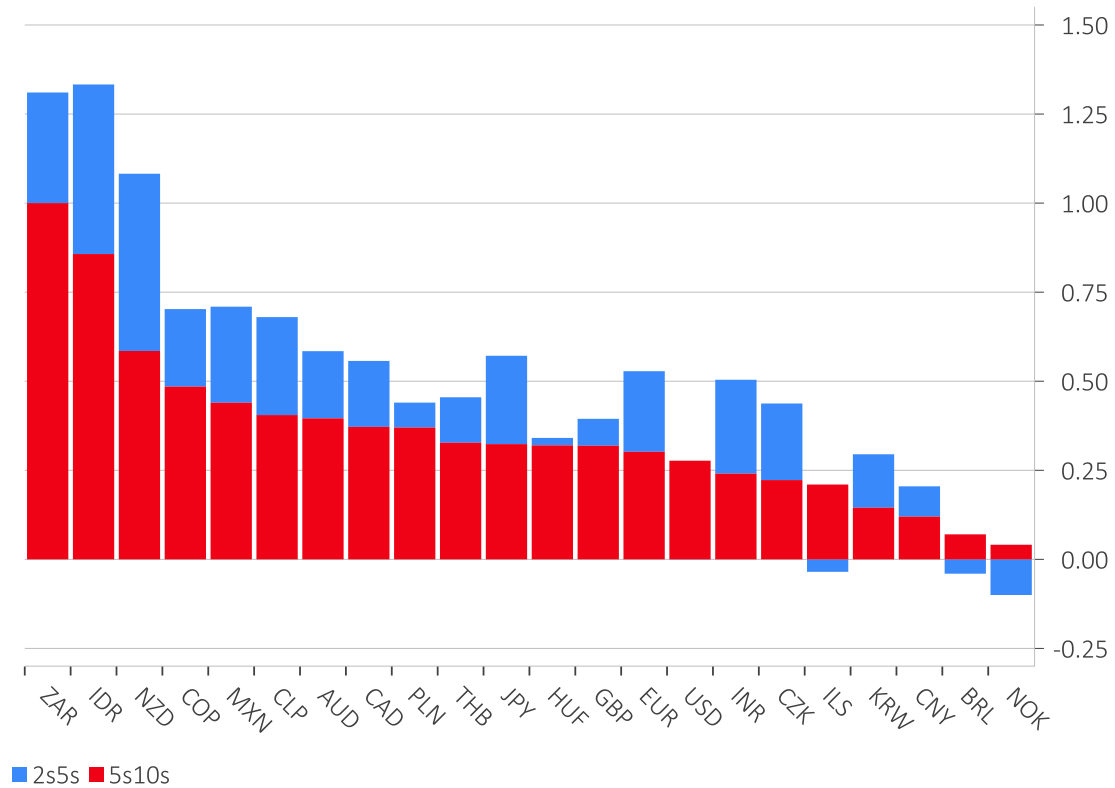
Gap between EM nominal GDP growth and effective interest rates



Source: IMF, Haver, UBS calculations



Curve slopes (swaps)

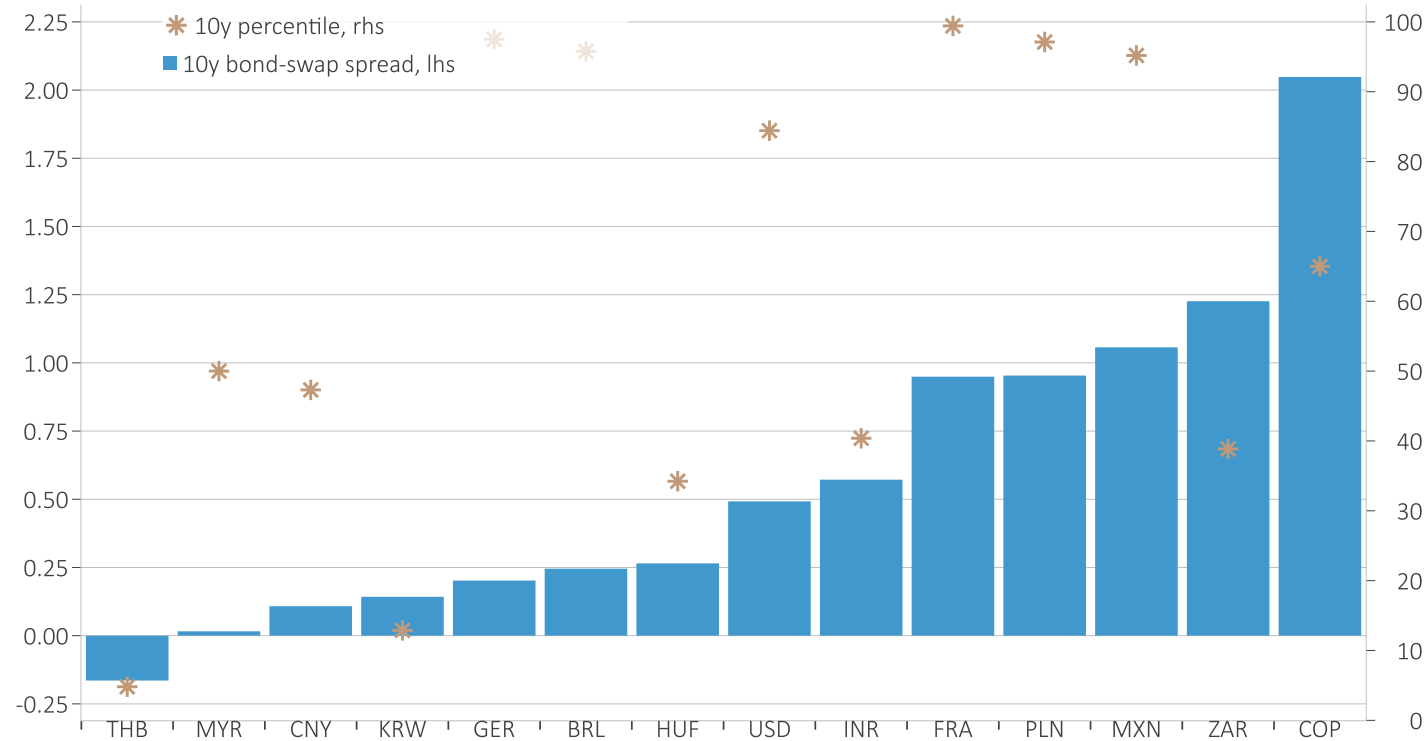


Source: Macrobond, Bloomberg, UBS. Swaps used, with the exception of IDR



Bond vs. swap yields

10y bond - swap spread

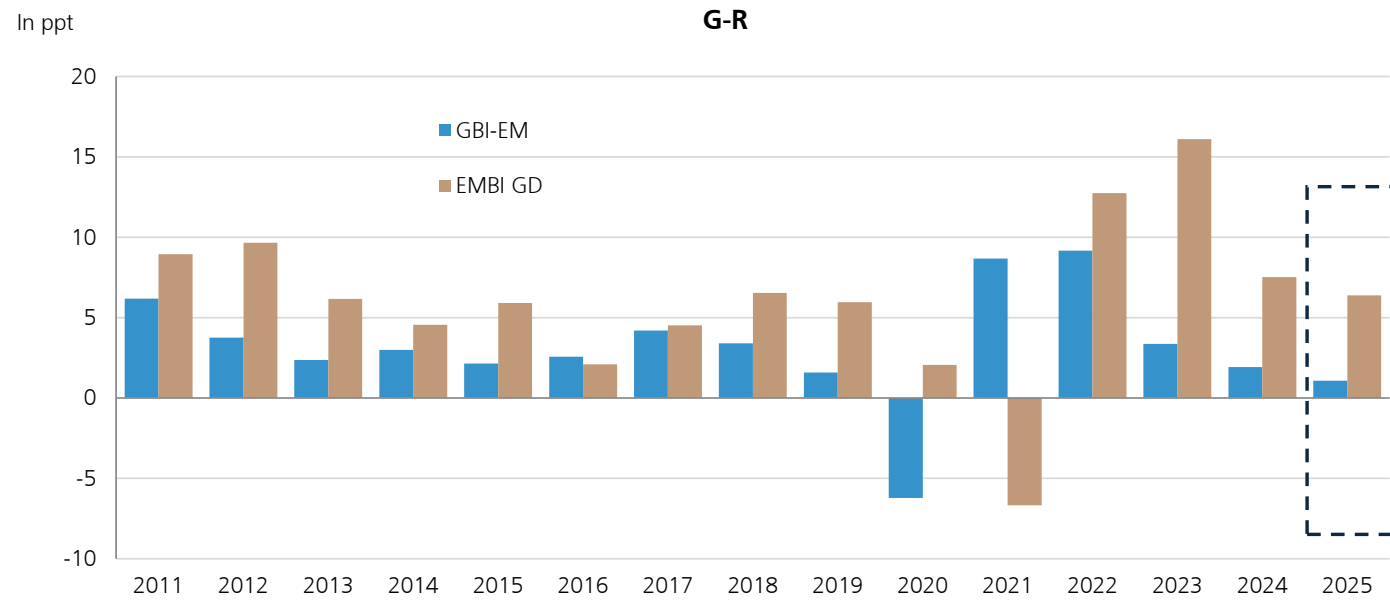


Source: Macrobond, Bloomberg, UBS.



Gap between EM nominal GDP growth and effective interest rates

Gap between EM nominal GDP growth and effective interest rates

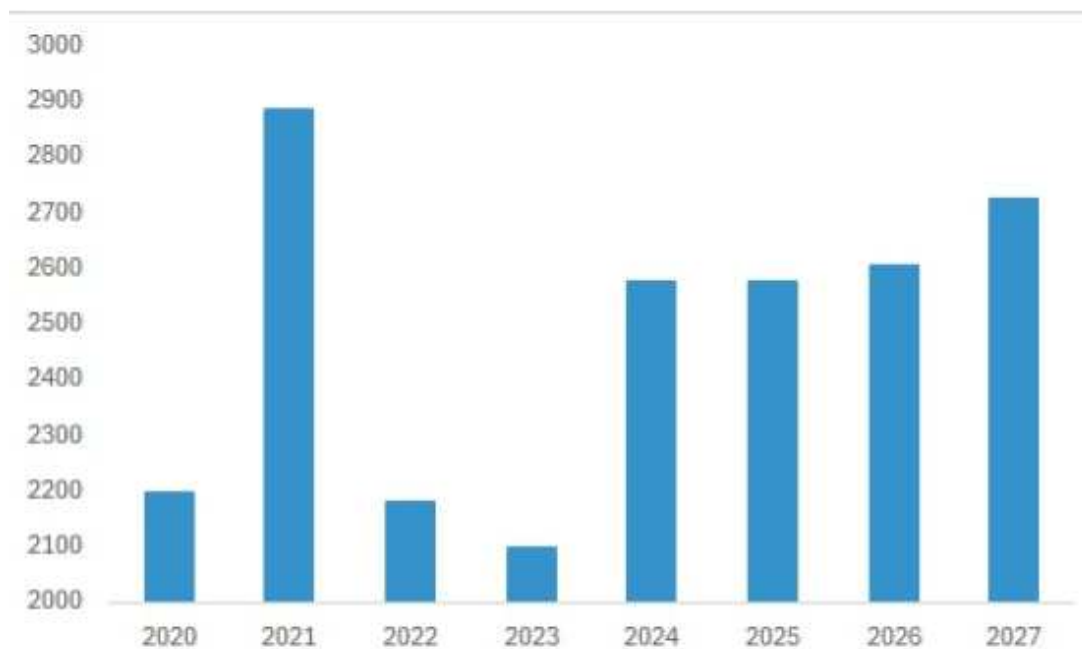


Source: IMF, Haver, UBS calculations



Is the US fiscal outlook pushing global yields higher?

10yr equivalents issued at auctions start rising in 2027, but will still be below 2021. In 2021 new 20s and 30s reached \$27b (\$16b and \$25bn now). Note that the overall duration flow in 2021 was lower due to QE.



Source: Haver, Bloomberg, UBS



UBS EM Duration Scorecard

An ordinal ranking of valuation in EM duration (lower scores = greater value)

	Real rates adjusted for credit proxy		Nominal Coupon		Curve Slope			Fiscal	Inflation	LC vs HC Valuation	Score
	Deviation of real yield from MBS - predicted value*	Real spread to DM (percentile over 10y)**	Nominal Yield	Nominal spread over DM (percentile over 10y)	2s10s level*** (%)	2s10s*** (percentile over 10y)	10y yield - 12m FX hedging cost	Fiscal vulnerability rank	Inflation vulnerability rank	LC Bond Yld - HC Bond Yld (percentile over last 10y)	
	20%	10%	10%	10%	5%	5%	15%	10%	10%	5%	
Czech R	5	88%	4.5	76%	1.0	77%	4.9	5	12	83%	5.3
Colombia	3	68%	11.3	76%	1.5	61%	5.8	15	16	80%	5.5
Brazil	2	85%	13.7	76%	0.1	30%	4.8	18	3	91%	6.0
Mexico	4	24%	8.8	15%	1.3	88%	4.9	12	11	40%	6.9
Indonesia	7	3%	6.3	1%	1.4	71%	4.8	6	8	5%	8.8
Hungary	10	50%	6.8	74%	0.4	34%	4.4	14	4	80%	8.9
Poland	14	52%	5.5	63%	1.2	61%	4.8	11	10	78%	8.9
Turkey	11	36%	29.1	95%	-6.9	21%	-3.2	1	14	95%	9.1
India	6	15%	6.5	5%	0.8	70%	4.1	9	5	12%	9.4
S Africa	13	27%	9.2	1%	2.5	37%	6.1	17	7	3%	9.5
Singapore	1	28%	1.9	2%	0.4	50%	4.3	2	13	3%	9.7
Chile	16	48%	5.6	19%	1.1	65%	5.3	8	17	3%	9.8
Taiwan	8	17%	1.4	11%	0.2	28%	4.5	3	2	17%	9.9
Israel	12	15%	4.1	59%	0.3	15%	4.6	4	6	69%	10.0
Korea	9	18%	3.0	9%	0.4	54%	4.6	7	15	14%	10.8
Malaysia	18	3%	3.5	3%	0.4	22%	4.6	10	9	15%	13.0
China	17	7%	1.9	8%	0.4	53%	3.6	13	18	19%	14.6
Thailand	15	2%	1.4	3%	0.3	9%	3.3	16	1	3%	14.8

SBI CDS used to proxy India sovereign CDS. 5y CDS data for Taiwan and Singapore taken as United States CDS
 * Real yield is calculated by deflating 10y nominal yields by UBS 2026 inflation forecasts. For Israel, we have used IMF forecasts.
 ** Real yields are calculated here by deflating nominals with annualized 24m exponential average core CPI
 *** Due to data limitations, 2y swaps are instead of bonds used for Israel and S. Africa



Source: Haver, Bloomberg, UBS estimates

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