

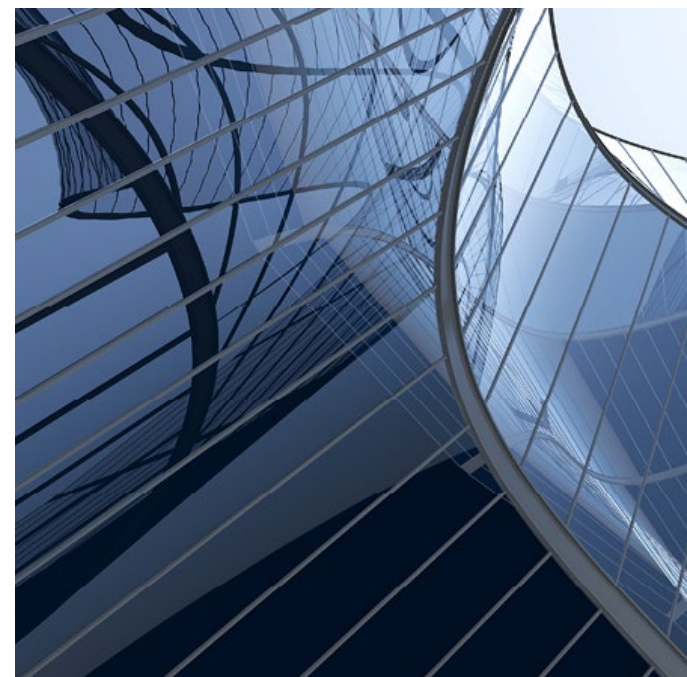
Morgan Stanley

INVESTMENT MANAGEMENT

# Emerging Markets Debt Monitor

Emerging Markets Team

Q4 2022



## Important Information and Disclosure

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# Q4 2022 Recap

**Q4 2022 RECAP****Q4 2022 Recap**

- EMD markets rebounded strongly during the quarter as the macro backdrop improved and investors recognized the attractive valuations offered by the space.
- Expectations for the U.S. Federal Reserve to be nearing the end of its tightening cycle were fueled by the October inflation print, and other higher frequency inflation data, that showed inflation has very likely peaked in the world's largest economy and, in fact, seems likely to roll over.
- The immediate reaction from markets following China's National Party Congress in October was quite negative given President Xi's apparent consolidation of power and recommitment to the government's zero-COVID policy. However, by early December, China's zero-COVID policy was effectively and dramatically reversed and the country began reopening relatively quickly. Additionally, a comprehensive plan to support the ailing property sector was announced around the same time. Further, China's foreign policy seemed to strike a much more pragmatic tone. The combination of these developments in the world's second largest economy was cheered by markets.
- The Russia/Ukraine war continued with lives still being lost nearly every day. While the situation remains tragic, Ukraine's resilience in the conflict continued to prove strong and its military counter attack successful as it took back notable parts of the country from Russian control.
- All EMD risk factors produced positive performance during the period with the local segment producing the strongest returns given strengthening currencies and falling local interest rates. The sovereign hard currency space was the next best-performing segment of the market as spreads tightened significantly, albeit with notable variance among credit qualities. The corporate index within the EMD universe was up the least, although also quite strong in absolute terms during the period. U.S. Treasury yields did not move much during the period and, thus, did not have much of a direct impact on the two hard-currency indices.
- The asset class experienced further, notable outflows during the period with approximately -\$16.4 billion net during the quarter. Outflows were more notable for local currency with -\$6.4B out of hard currency and -\$10.0B out of local.

**Q4 2022 RECAP****Q4 2022 Recap, *continued*****Asia**

- China had one of the most interesting quarters in recent memory with the results of the 20th party congress creating concerns for market participants quickly followed by a quick and nearly total reversal of zero-COVID policy partially influenced by wide scale protests as well as additional, positive surprises with looser regulatory policy as well as more pragmatic foreign policy.
- Politics in Malaysia took a surprising and positive turn with Anwar Ibrahim finally winning the Prime Minister seat after years of trying. He inherits a challenging fiscal situation, but appears focused on reforms and reducing corruption.
- While the above two notes are positive, the macro backdrop for the region is still potentially challenging given the substantial tightening of financial conditions: money market funds in both China and Korea and property developer liquidity issues in Vietnam were related symptoms.

**CEEMEA**

- Inflation continues to be a large challenge for the region with high energy prices, ongoing wage growth pressures, and elevated fiscal spending.
- Ukraine took back significant additional territory with its counter-attacks while liquidity in the local bond market improved notably with the government's commitment to relax capital controls near term.
- Upcoming elections in Turkey and Nigeria came into focus with the potential to carry major implications for each country.
- The scandal surrounding South African President Ramaphosa likely further reduced the probability for much-needed reforms.

**LATAM**

- Lula's win in Brazil's presidential election was not a surprise. The combination of his more "statist" rhetoric and congressional opposition being lackluster was a surprise and elevated fiscal concerns. On the positive side, inflation came down a lot and the central bank is likely done hiking.
- Argentinian imbalances continued to worsen and elections later this year are likely to be won by the opposition. Exactly who that will be remains unclear – whoever it is will inherit large-scale challenges.
- Peru's political saga resulted in the president being arrested, but also reinforced the strength of the institutions in the country.

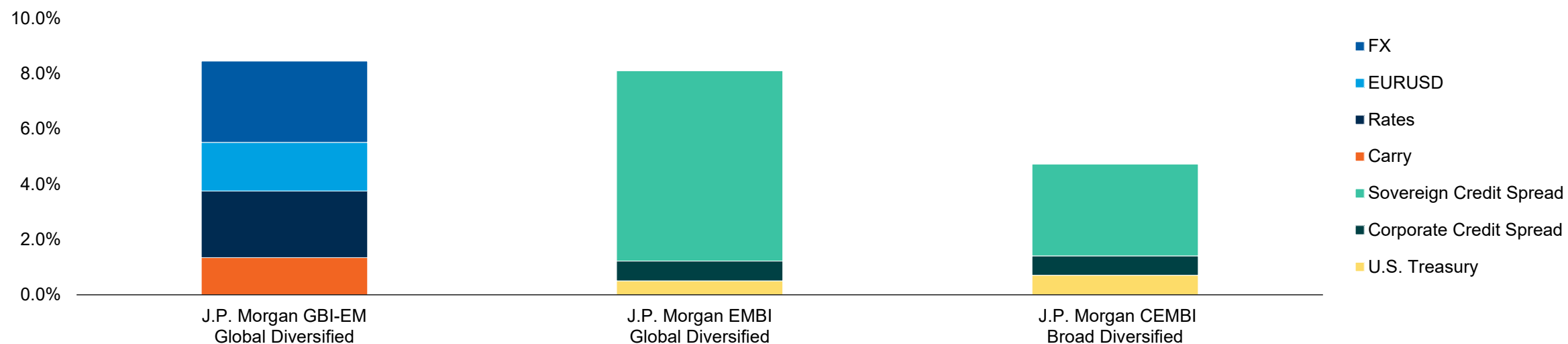
**Q4 2022 RECAP****EM Corporate Credit – Q1 update and outlook*****Absent an exogenous macro shock, we think 2023 will be a strong year for the EM corporate asset class***

- 2022 ended the year down 12.3% (vs. -17.8% for EMBIG Diversified and -11.7% for GBI-EM Diversified)
  - Strong last two months of performance in 2022 helped mute year-end decline, driven by broader credit market rally and a sharp rise in China assets on the back of macro property policy loosening and Covid reopening
  - Outflows from the asset class and macro uncertainty were the key drivers for spread widening in 2022
- In addition to relatively strong fundamentals, the technical backdrop for the asset class is also positive today:
  - EMD funds receiving inflows and entered the year with high cash balances
  - Crossover investors ended 2022 with very low exposure to EM corporates. They are now adding, albeit at a slowing pace
  - While supply has picked up, it will likely not be enough to absorb the rise in demand, and this should drive a further compression in credit spreads
  - If the US dollar weakens versus emerging market currencies, investor demand for EMD assets is likely going to rise further. In addition, the EM corporate debt market offers investors diversification away from the US economy, where a slowdown is already underway and may get worse
- Refinancing risk will depend largely on the health of the primary issuance market. January was off to a strong start but the data on inflation has driven a slight reversal in risk appetite and it is currently not a favorable environment for EM corporate issuers to raise international capital
- From a fundamental standpoint, the asset class was healthy through 2022 and is even more so today because of the positive trends in China and the solid balance sheet positions of EM corporate issuers, on average
  - Election outcomes in Latin America have been negative but we believe corporates should be relatively well shielded from political interference and current spread levels are adequately compensating investors for downside risks
  - Commodity prices remain at levels that allow corporates to earn meaningful free cash flows
- Potential default candidates to watch out for in 2023 include:
  - Oi, Digicel, distressed exchange deals in Ukraine, Argentina and Indonesia, China property developers, and idiosyncratic situations such as Americanas in Brazil and the remaining Mexican non-bank financial companies

Q4 2022 RECAP

# Index Performance Recap

## Q4 2022



Index	FX	EURUSD Exchange Rate Move	Rates	Carry	Sovereign Credit Spread	Corporate Credit Spread	U.S. Treasury	Total Return
J.P. Morgan GBI-EM Global Diversified	2.94%	1.76%	2.41%	1.35%	—	—	—	8.45%
J.P. Morgan EMBI Global Diversified	—	—	—	—	6.89%	0.71%	0.51%	8.11%
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	3.32%	0.70%	0.71%	4.72%

Source: J.P. Morgan, Eaton Vance calculations. Corporate Credit Spread and Sovereign Credit Spread return attributions are modeled by decomposing the overall spread return to its two components: the sovereign spread and the corporate spread over the sovereign. It is not possible to invest directly in an index. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information. Please refer to page 39 for a description of each index.



## Q4 2022 RECAP

## Index Performance Recap

## 2022

Index	FX	EURUSD Exchange Rate Move	Rates	Carry	Sovereign Credit Spread	Corporate Credit Spread	U.S. Treasury	Total Return
J.P. Morgan GBI-EM Global Diversified	-4.76%	-1.08%	-11.01%	5.16%	—	—	—	<b>-11.69%</b>
J.P. Morgan EMBI Global Diversified	—	—	—	—	-4.24%	0.47%	-14.01%	<b>-17.78%</b>
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.31%	-3.94%	-8.63%	<b>-12.26%</b>

## 2021

Index	FX	EURUSD Exchange Rate Move	Rates	Carry	Sovereign Credit Spread	Corporate Credit Spread	U.S. Treasury	Total Return
J.P. Morgan GBI-EM Global Diversified	-4.77%	-1.36%	-7.81%	5.19%	—	—	—	<b>-8.75%</b>
J.P. Morgan EMBI Global Diversified	—	—	—	—	2.18%	-0.64%	-3.34%	<b>-1.80%</b>
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	3.41%	-0.66%	-1.84%	<b>0.91%</b>

Source: J.P. Morgan, Eaton Vance calculations. Corporate Credit Spread and Sovereign Credit Spread return attributions are modeled by decomposing the overall spread return to its two components: the sovereign spread and the corporate spread over the sovereign. It is not possible to invest directly in an index. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

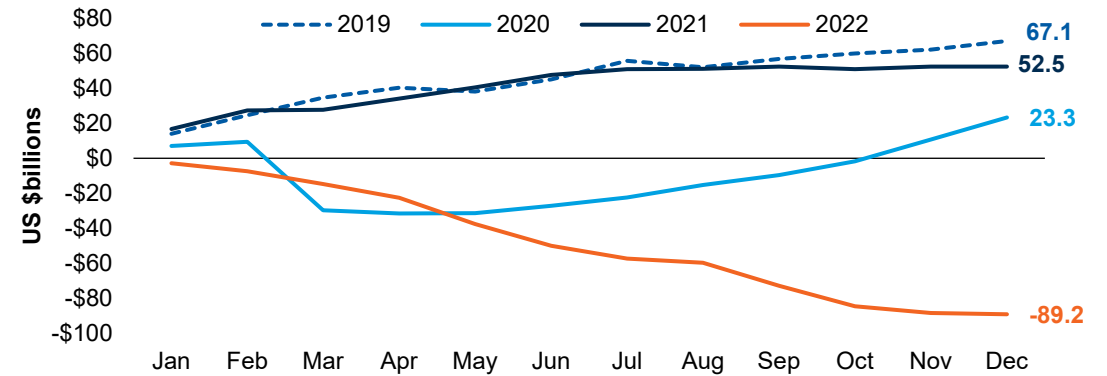
Q4 2022 RECAP

# Technical: 2022 Flows YTD

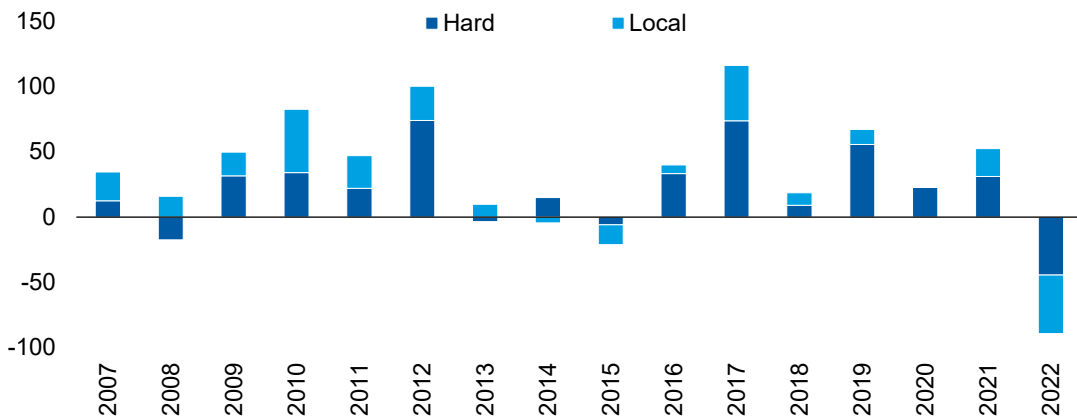
Volatility in global markets has led to investors to reduce risk.

- 2022 outflows were the largest annual outflows in recent history, and by a considerable amount.
- The price of liquidity continued to rise in both the sovereign and corporate markets; the number of cross-over buyers declined amidst the risk-off environment.
- For 2022, local funds were consistently in outflows since March. Hard currency outflows moderated in November and turned to inflows in December, a sign that technicals could be improving heading into 2023.

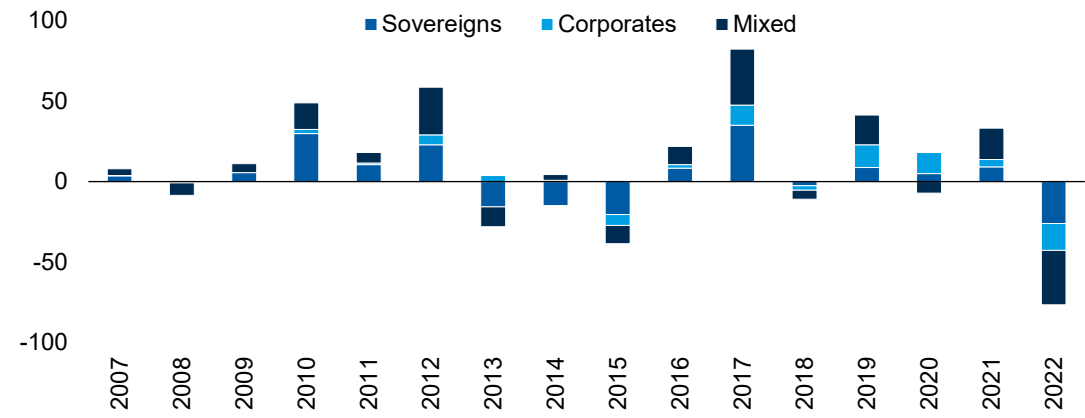
## Annual Cumulative Bond Flows



## Annual Flows by Currency



## Annual Flows by Sovereign/Corporate/Mixed (Retail)



Source for all charts above: JPMorgan. All data as 12/31/2022. For illustrative purposes only. Past performance is no guarantee of future results.

# Rotating Topic

**China Update: Post Covid-Zero, Xi's Third Term, and an Evolving Foreign Policy**

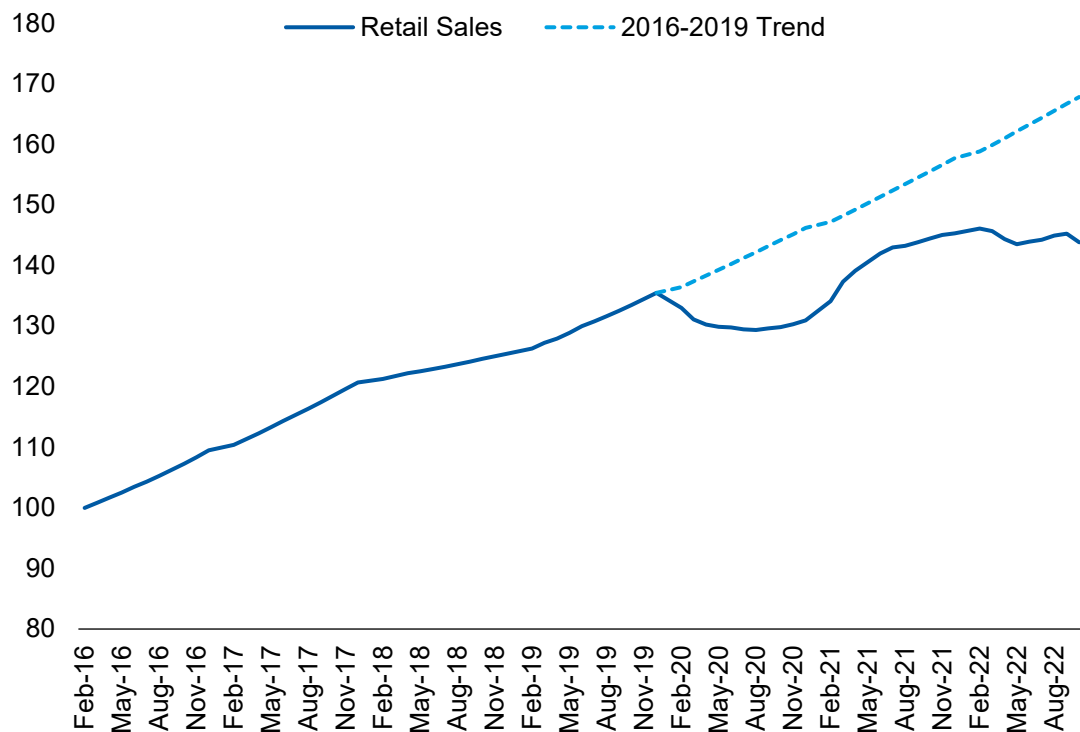
ROTATING TOPIC

# China Moving on from Covid Zero

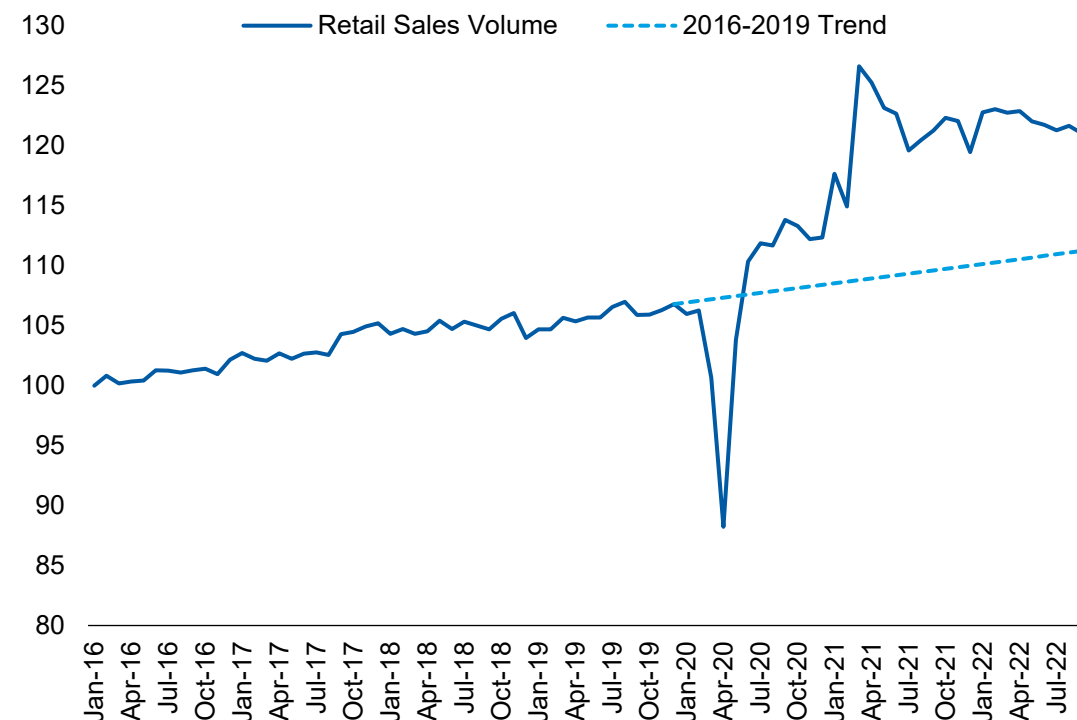
## How much demand can China claw back?

The labor market needs to tighten before a sustained recovery is possible.

**Retail Sales Value Index CN**



**Retail Sales Volume Index US**



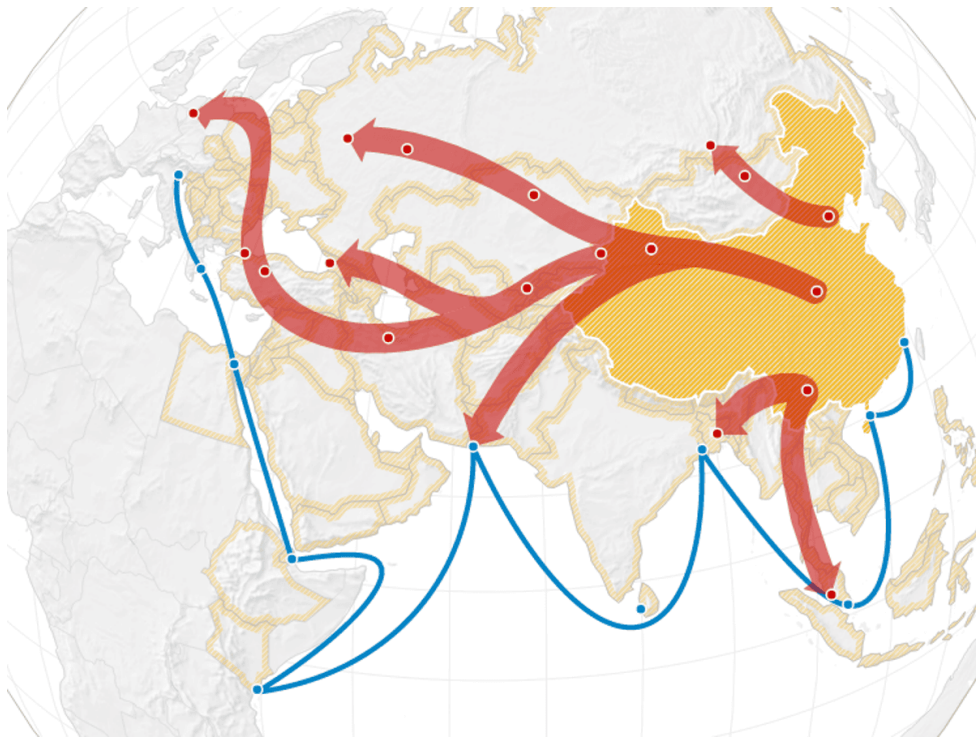
Source: MacroBond.

ROTATING TOPIC

# The Focus of Xi's Third Term

National security was the key word in Xi's party congress speech.

China wants to diversify its energy access to hedge future geopolitical risks. It also wants to raise its self-sufficiency in tech and agriculture to reduce its reliance on partners.

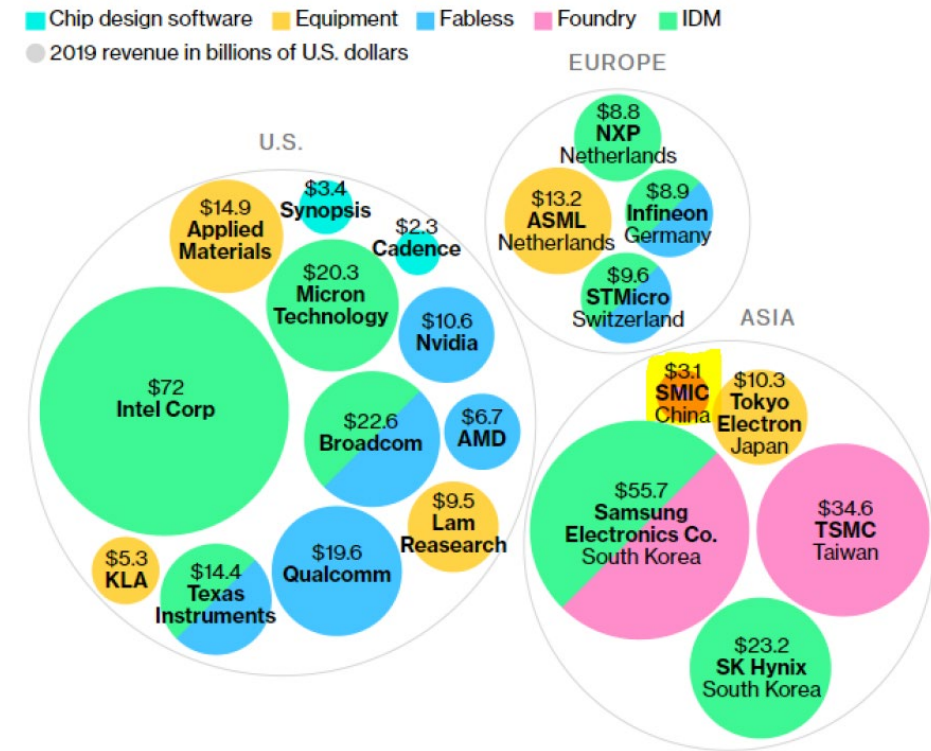


A conceptual map of China's Belt and Road initiative. China wants more markets to export to, more partners to import commodities from, and more trade routes to use.

Source: The Guardian, Bloomberg.

## Chip Industry Choke Points

The industry's biggest companies are siloed in just a few countries.



Source: Bloomberg data. Note: Samsung revenue figures are for its semiconductor segment.

ROTATING TOPIC

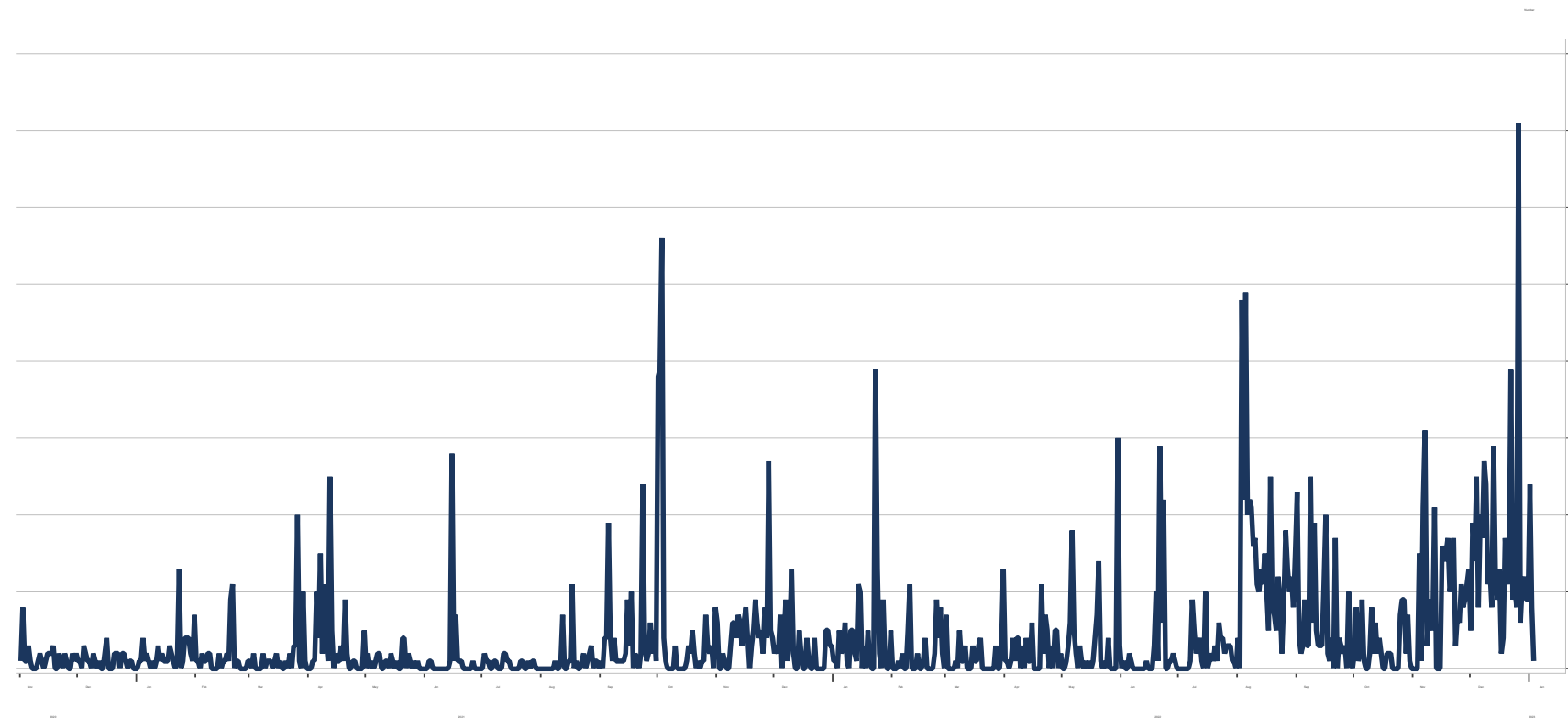
## The Focus of Xi's Third Term

### Will Xi look to solve the Taiwan question?

The PRC government has been content with the status quo in the past. Xi may want to bring Taiwan thoroughly under Beijing's control.

#### Number of People's Liberation Army Aircraft in the Taiwan Airspace

Goal of increased presence is to intimidate and normalize provocation



Source: MacroBond as of 12/31/2022.

ROTATING TOPIC

## An Evolving Foreign Policy

### Can there be a détente in the US-China relations?

The former US Ambassador, Qin Gang, has been promoted to become the Foreign Minister. He has been instrumental in stabilizing US-China relations during the Biden administration.



Incoming Foreign Minister Qin Gang



Xi Jinping and Joe Biden at the 2022 G10 summit

## ROTATING TOPIC

# Big Themes

- The shape of China's post-covid recovery
- The focus of Xi's third term
- An evolving Foreign Policy

# Conclusion

- A K-shape recovery is expected, but China's potential growth is now an unknown
- The focus of Xi's third term will be different from that of the bygone Hu era.
- Foreign policy has become more pragmatic/less ideological. The world still needs China so decoupling will take time



# Q1 2023 Outlook

## Q 2023 OUTLOOK

# Q1 2023 Outlook

## Macro Drivers

- The challenging macro environment that marked most of 2022 appears to be abating as the U.S. appears past peak inflation and Fed hawkishness, China looks to reopen having reversed its long-standing zero-COVID policy and also moved significantly to support the ailing property sector. And while the Russia/Ukraine war continues, the range of potential outcomes seems to have narrowed.
- Growth differentials between EM and DM countries continue to be revised upwards – meaning the outperformance of EM economies relative to DM economies is expected to be larger than previously anticipated.
- While commodity prices are off of their recent highs potentially supporting lower inflation, they are still high relative to the past decade and should also continue to support commodity export countries.
- While markets rallied notably during the final two months of the year, valuations remain quite compelling across the EMD universe and appear to offer attractive compensation for investors.

## Country Drivers

- With growth improving and inflation having peaked in many EM countries, fundamentals appear to be improving in aggregate.
- As we've noted previously, many EM central banks had run more orthodox monetary policy than most DM central banks. As a result, we are seeing a number of them at or near the end of the tightening cycles with inflation declining. That would likely lead to lower rates and stronger support of growth.
- While it has been a challenging three years for many countries leading to large-scale fiscal deficits, more and more appear to be recognizing the need to consolidate those deficits. Should a recovery in emerging markets further materialize in 2023, we'll be looking for prudent, counter-cyclical fiscal policies to be implemented where appropriate.
- As always, we expect markets to place an emphasis on differentiation amongst countries and credits.

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Q2 2022 OUTLOOK

# EMD Risk Factor Dashboard

## Outlook and summary

Issuer	Underweight	Moderate Underweight	Neutral	Moderate Overweight	Overweight	Summary
Currency				◆		We upgrade to moderate overweight given the combination of attractive valuations, increasing expectations for growth differentials, and a less-hawkish Fed.
Local Interest Rates					◆	We upgrade local interest rates to overweight. Real interest-rate differentials with developed markets remain near their widest levels of the past two decades and the macro environment should be more supportive.
Sovereign Credit				◆		Sovereign credit is upgraded to moderate overweight as spreads remain wide and notable bifurcation in the market – and thus opportunity – exists.
Corporate Credit				◆		Maintain at moderate overweight given the combination of attractive valuations and underlying fundamental strength of issuers.
EM Equity				◆		Upgrade to moderate overweight. Our constructive view on duration suggests long-duration assets will deliver positive, attractive total returns in 2023. As disinflation takes hold, fiscal and monetary policy is likely to turn growth-focused.

Data provided is for informational use only and should not be considered investment advice.

**EM FX**



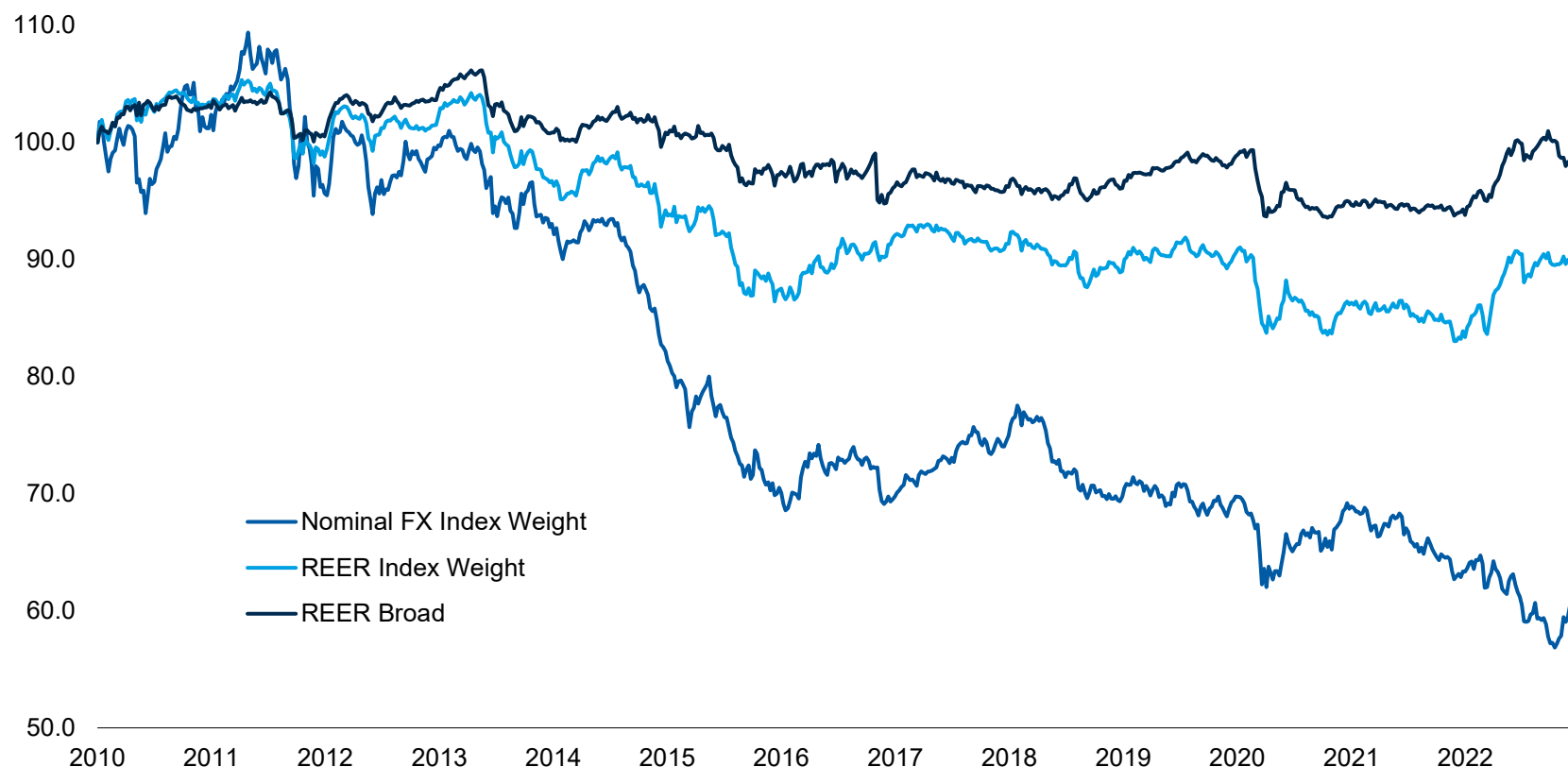
EM FX

**While EM currencies strengthened notably in nominal terms, they actually weakened based on a real effective exchange rate basis largely due to differentials in real rates with the U.S. Another reason for a positive outlook for the segment.**

**Nominal FX Index Weight:** Nominal FX (in GBI-EM Index) has weakened significantly since 2018.

**REER Index Weight:** But looking at real effective exchange rate (REER) is a better way to get a sense of value. This shows less of a decline but still highlights recent volatility and current value.

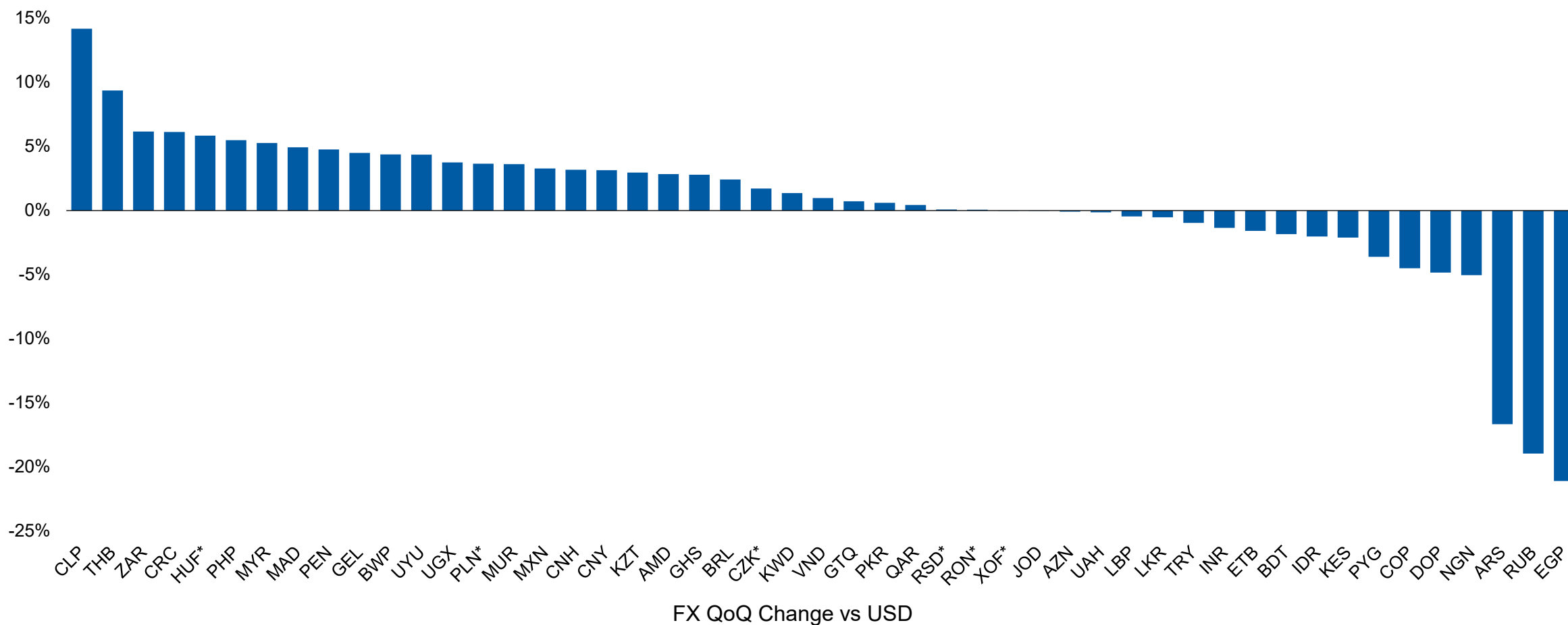
**REER Broad:** If you broaden the universe beyond the GBI-EM benchmark it shows that FX is not as cheap by this measure but value remains.



Source: J.P. Morgan, Barclays. Nominal FX Index Weight is the J.P. Morgan GBI-EM Global Diversified index currencies and weights. REER Index Weight is the Barclays real effective exchange rate data of the currencies in the J.P. Morgan GBI-EM GD. REER Broad uses Barclays real effective exchange rate data for the following countries equal weighted: Brazil, Chile, Colombia, Hungary, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, Romania, South Africa, Thailand, Turkey, China, India, Uruguay, Vietnam, Nigeria, Egypt. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM FX

EM FX generally strengthened during the quarter as the Fed announced a more moderate rate hike in December and the dollar continued to selloff.

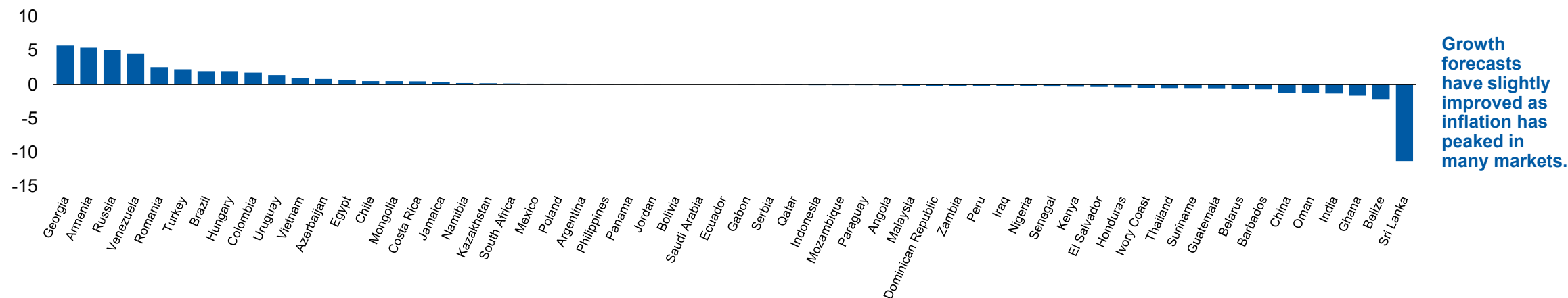


Source: Bloomberg, Eaton Vance. \*Versus euro. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

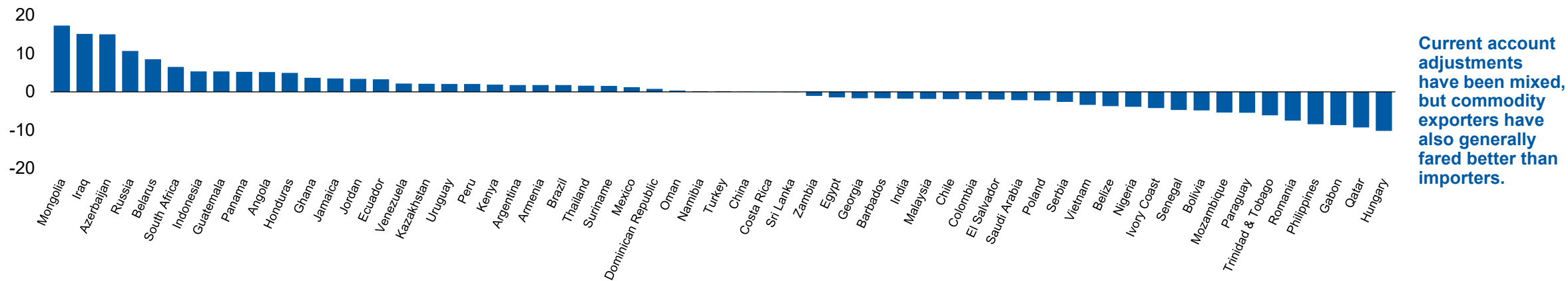
EM FX

EM FX likes good growth and strong external balances.

% Change in IMF Growth Forecasts (From April 2022 WEO to October 2022 WEO)



Current Account % Change as % of GDP (2013 to 2022 Estimates)



Source: IMF World Economic Outlook (WEO). Data provided is for informational use only. See end of report for important additional information.

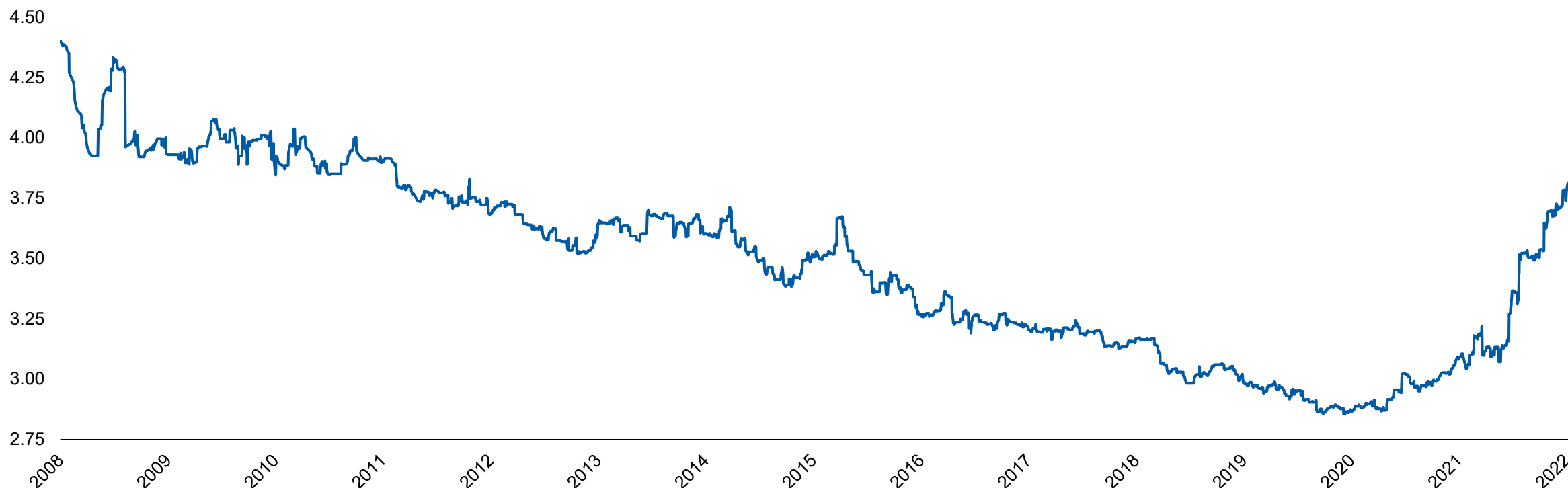
# EM Interest Rates



## EM INTEREST RATES

**Aggregate EM inflation expectations are generally moderating off of recent peaks. Commodity prices have eased while goods prices have already been declining and China’s move away from a zero-COVID policy will likely further ease supply-chain issues.**

### EM Consensus CPI Expectations\* (% Change YOY)

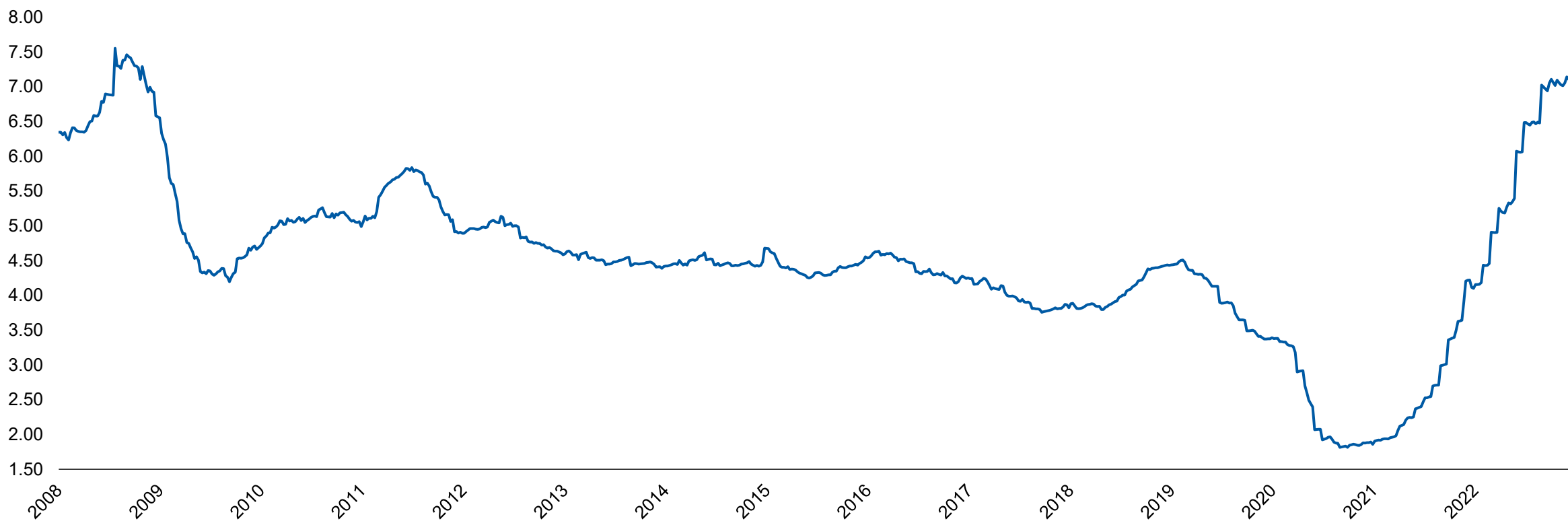


Source: Bloomberg, Eaton Vance. As of 12/31/2022. \*Data is the equal weighted average of headline inflation expected in 18-30 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM INTEREST RATES

Policy rate expectations continued to surpass pre-pandemic levels but have leveled off as many central banks have moderated their policy stance.

EM Consensus Policy Rate Expectations\*



Source: Bloomberg, Eaton Vance. As of 9/30/2022. \*Data is the equal weighted average of expected policy rates in 12 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

## EM INTEREST RATES

**EM and DM real yields using inflation expectations. Real yield differentials remain near historical highs, although they have come down from recent peaks.**

**EM Real Yields**  
(Using Inflation Forecasts)



**EM-DM Real Yield Differential**  
(Using Inflation Forecasts)



Source: Bloomberg, J.P. Morgan, Eaton Vance. As of 12/31/2022. Real yields are calculated as nominal yield minus headline inflation expected in 18-30 months by economists surveyed by Bloomberg. Excludes Argentina, Turkey, and Romania. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

# EM Sovereign Credit

EM SOVEREIGN CREDIT

- Sovereign spreads tightened significantly during the quarter, but remain quite wide of long-term averages.
- Notable bifurcation remains in the market even after the spreads on lower credit-quality countries broadly rallied much more than higher-credit quality countries which didn't have much room to rally.
- Fundamentals remain mixed although broadly appear to be improving. Fiscal policy will be critical moving forward and is likely to vary significantly by country.
- As always, idiosyncratic troubled spots remain as do opportunities and, as always, specific circumstances need to be analyzed country-by-country.

5-Year Equal Weight Sovereign Spread



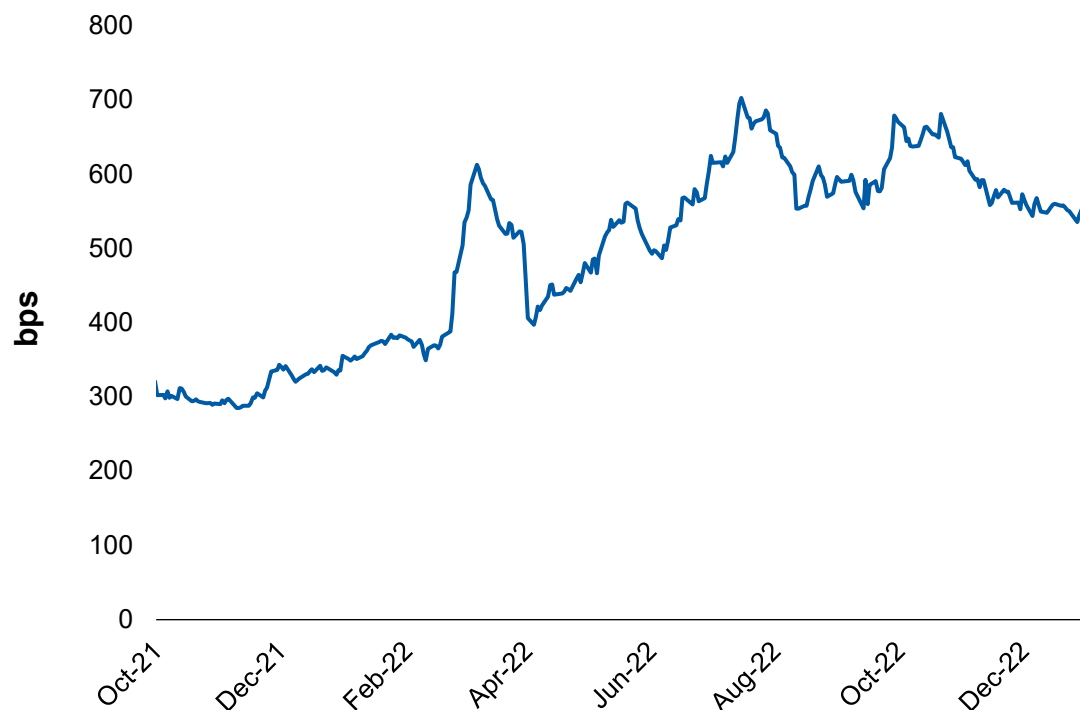
Source: Eaton Vance proprietary data and calculations. As of 12/31/2022. Excludes Argentina. Underlying individual country spreads are capped at 3,000 bps. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs from EMBI data which is comprised of discount and premium bonds with different maturities. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM SOVEREIGN CREDIT

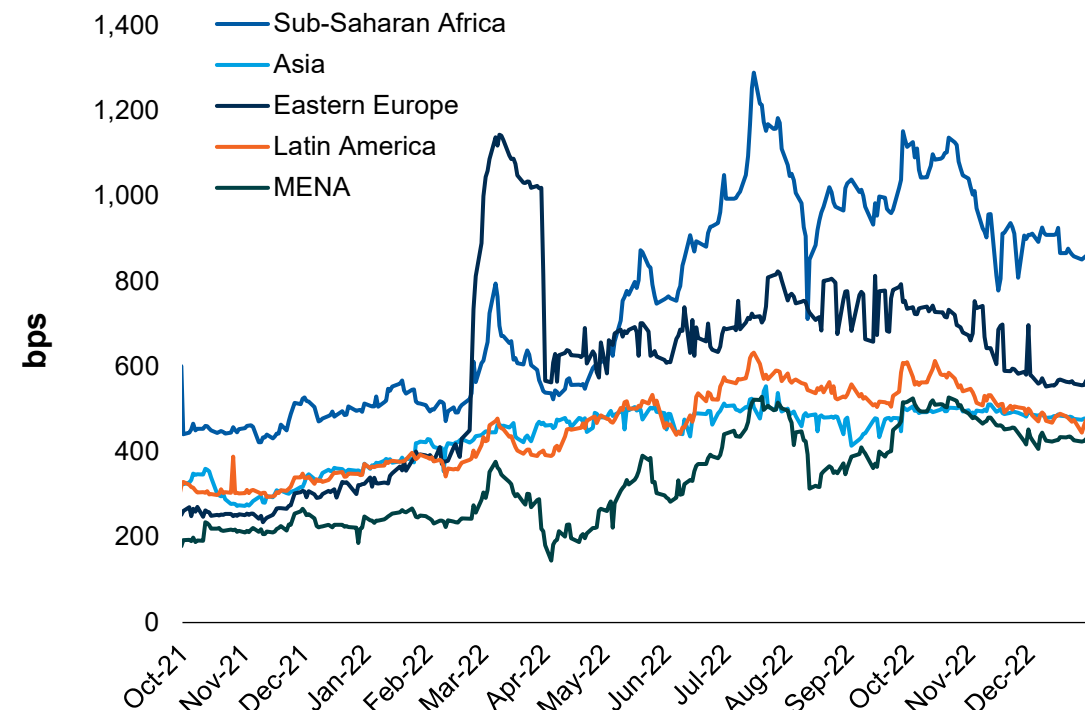
Spreads consistently compressed during the quarter as inflation moderated and the US Fed led with less hawkish rhetoric leading up to its December meeting.

Spreads also rallied across all regions during the quarter as a result of the positive environment for the market.

5-Year Equal Weight Sovereign Spread



5-Year Equal Weight Sovereign Spread by Region

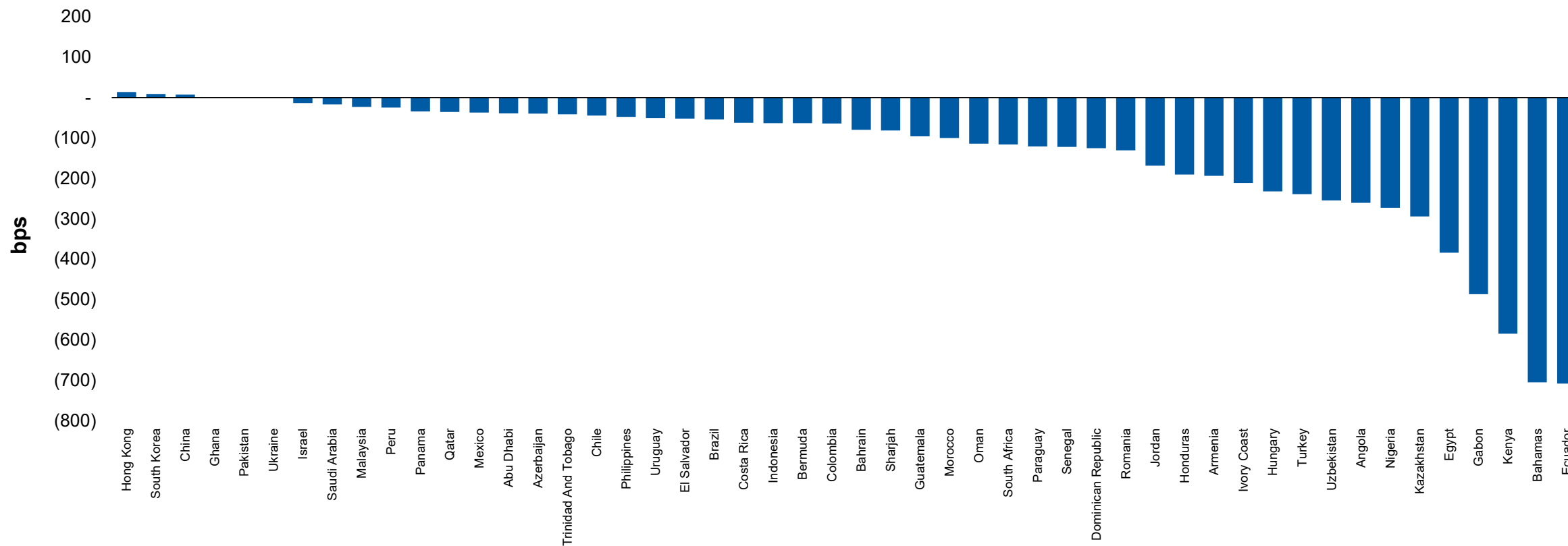


Source: Eaton Vance proprietary data and calculations. As of 12/31/2022. Excludes Argentina. Underlying individual country spreads are capped at 3,000 bps. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs from EMBI data which is comprised of discount and premium bonds with different maturities. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM SOVEREIGN CREDIT

Credit spreads generally compressed as growth expectations for EM generally increased and market sentiment turned positive.

Q4 2022 Change in 5-Year Spread

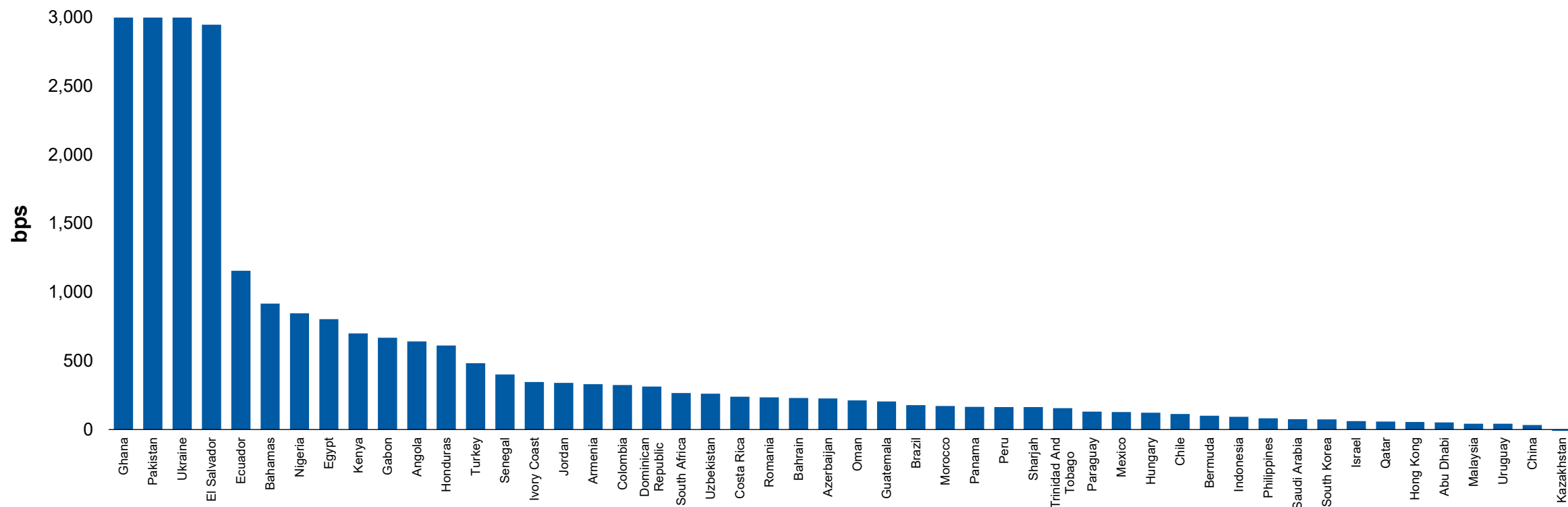


Underlying individual country spreads are capped at 3,000 bps. Source: Eaton Vance proprietary data and calculations. As of 12/31/2022. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM SOVEREIGN CREDIT

Variance among issuers declined although the bifurcation based on issuer credit quality remained notable.

5-Year Spreads



Underlying individual country spreads are capped at 3,000 bps. Source: Eaton Vance proprietary data and calculations. As of 12/31/2022. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.



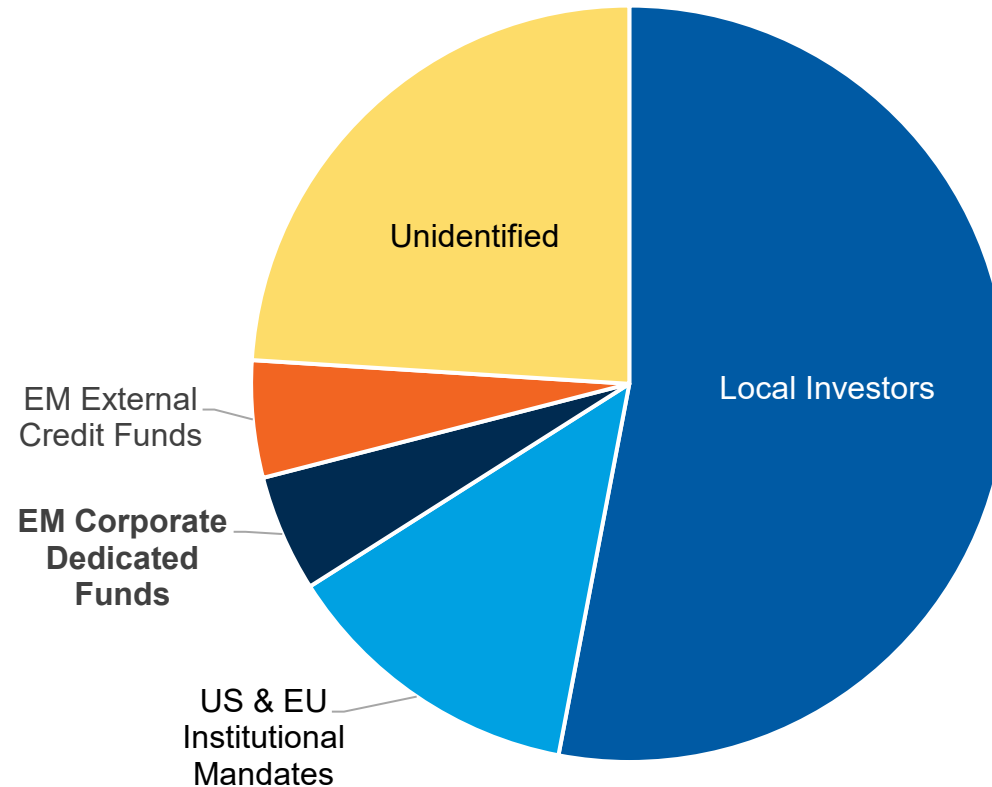
# EM Corporate Credit

## EM CORPORATE CREDIT

# Investor Base

**EM corporate debt market is unique because of its disparate buyer base.**

- The market attracts capital from a diverse mix of investors with various mandates from EM sovereign and global corporate strategies to local pension funds and private banks.
- While dedicated EM corporate debt managers are growing in number and in size, this group remains a small subset of the buyer universe.
- Our expertise in, and focus on conducting detailed bottoms-up analysis on company fundamentals combined with our world-class sovereign research capabilities uniquely positions us to identify mispriced securities in the marketplace.



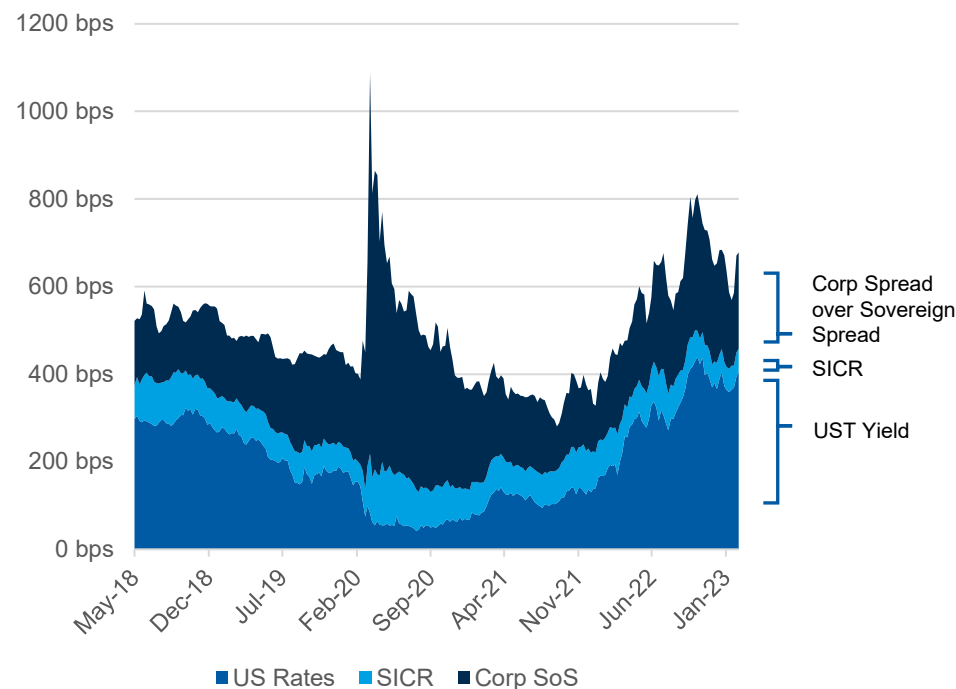
Source: JP Morgan Markets as of 12/31/2022

EM CORPORATE CREDIT

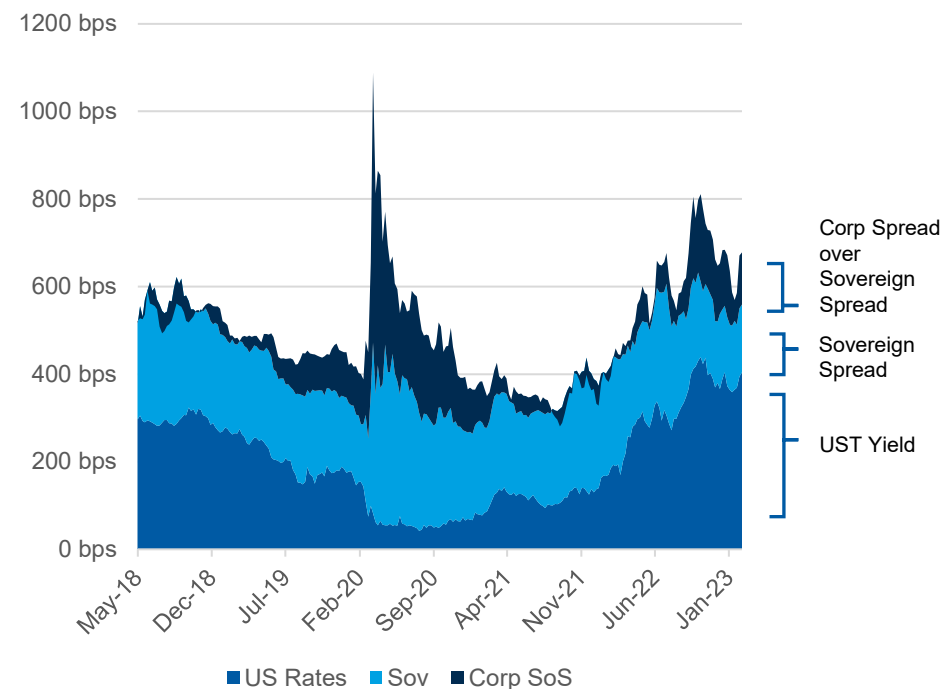
# Our Approach

- We decompose risk premia into three components: **US treasury, sovereign-induced corporate credit (SICR), and corporate spread over sovereign spread.**
- We believe our proprietary SICR method most accurately isolates sovereign credit risk premium from corporate risk.
- $SICR = Probability(Sovereign\ default \cap Corporate\ default\ given\ sovereign\ default) \times (1 - Loss\ given\ default)$

South American Chemicals Company - Morgan Stanley's SICR Analysis



South American Chemicals Company - Traditional Analysis



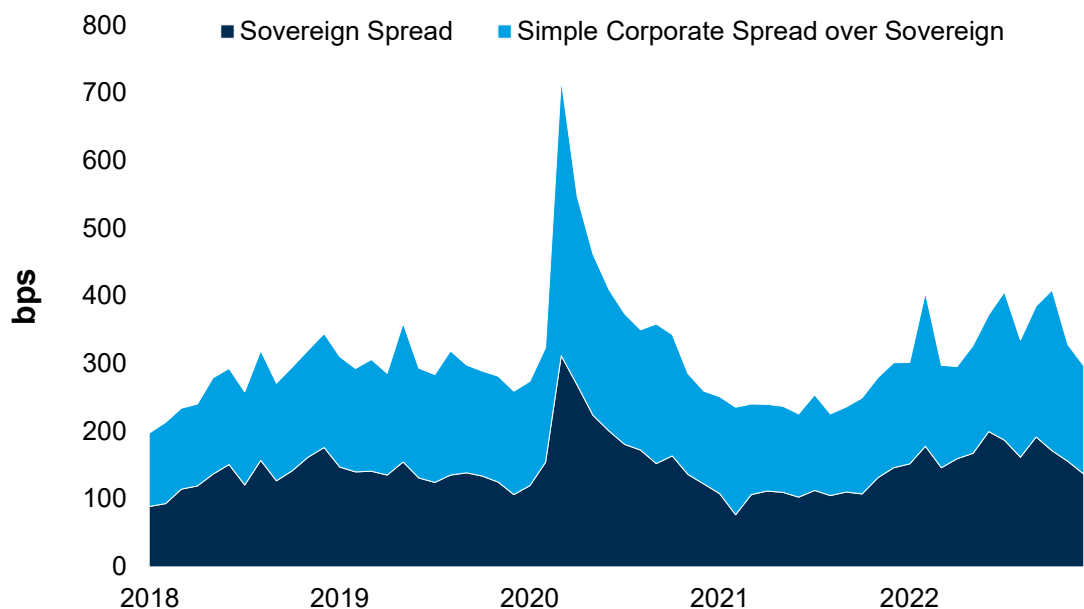
Source: Eaton Vance proprietary data and calculations. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. This represents how the portfolio management team generally implements its investment process under normal market conditions.

EM CORPORATE CREDIT

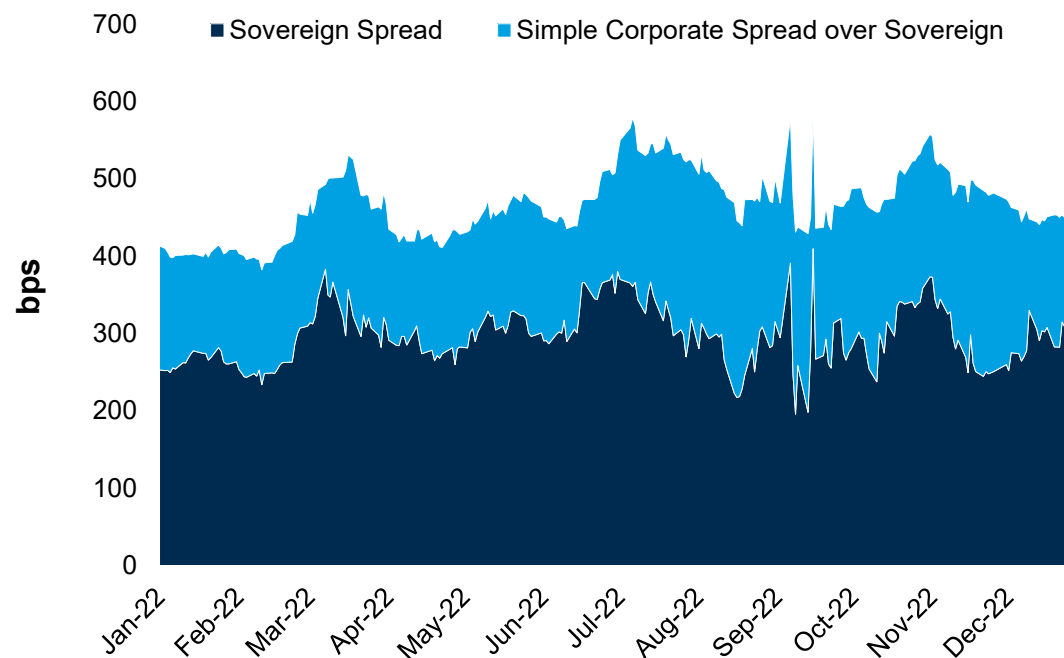
# Valuations

Credit spreads widened in the Fall of 2022 when US inflation concerns were at its peak. Risk premiums compressed with improving inflation data, but have recently taken a leg back. Persistent inflation remains the greatest near-term threat for returns in the asset class.

**Spread Over Sovereign (CEMBI)**  
(5-Year Period)



**Spread Over Sovereign (EV Universe)**  
(1-Year Period)



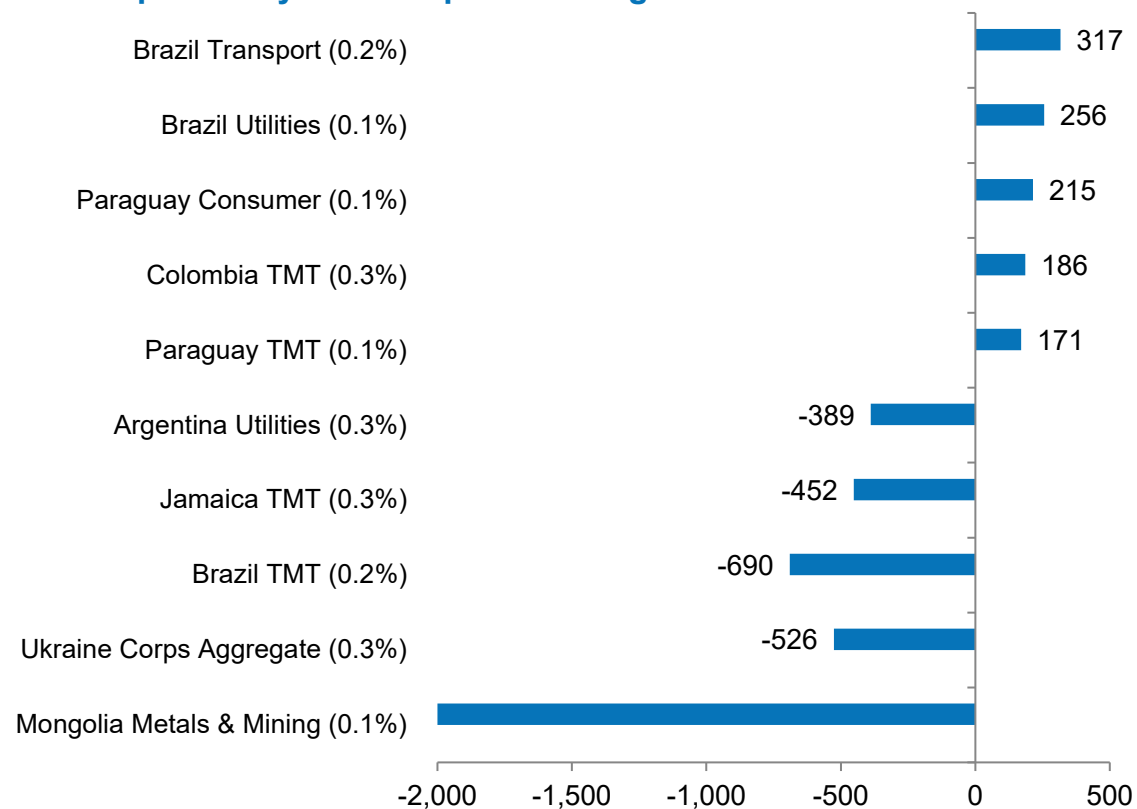
Source: Eaton Vance proprietary data and calculations. As of 12/31/2022. CEMBI bonds used in calculation. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

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# Sector Spread Changes

The chart below highlights spread moves within the corporate asset class bucketed by country-sector (weighting is in parenthesis)

Q4 Top Country-Sector Spread Changes



Source: JP Morgan. As of 12/31/2022. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information..

# White Paper and Blog Post Summary

## WHITE PAPER AND BLOG POST SUMMARY

## White Papers: 2021–2022

Date	Headline	Summary
9/9/2022	<a href="#">Emerging Markets Debt: Determinants of Sovereign Bond Quality and Returns</a>	The Emerging Markets Debt (EMD) team at Morgan Stanley Investment Management explores the key drivers of sovereign bond ratings, spread performance and frequency of defaults for a data set of 165 countries from 2000 to 2019. The findings demonstrate the determinant role that economic policy plays, in particular, which is analyzed alongside other macro variables related to the real economy, external sector and political orientation of the government.
9/9/2022	<a href="#">Policy's Pivotal Role in Shaping</a>	Country allocation, more so than sector and stock selection, remains the primary factor for why an international equity fund's return deviates from a benchmark return. In this article, we survey existing literature on studies that examine the critical role that country allocation plays for equity returns and share an economic policy metric used by the Morgan Stanley Investment Management Emerging Markets Debt team to make country-level investment decisions.
6/9/2022	<a href="#">Going beyond active vs. passive in EM debt</a>	The Morgan Stanley Investment Management Emerging Markets team offers proactive management that seeks to fully capitalize on the broadest possible EM opportunity set. Our portfolios offer unique exposures within the EM debt sector thanks to the ability to source our own investments. Such opportunities cannot be captured through routine bond issuances, the secondary markets or passive indexes.
2/8/2022	<a href="#">Uzbekistan: Reform Drive Underpins Improving Investment Case</a>	Uzbekistan has become a notable emerging markets (EM) turnaround story, with an ambitious reform program that has ushered in economic openness, improved macroeconomic stability and an inflow of foreign investment. We see Uzbekistan as a prime example of how an investment strategy that prioritizes in-depth country analysis and a proactive approach to market access can reward investors in corners of the EM debt universe that are often overlooked.

## WHITE PAPER AND BLOG POST SUMMARY

## Blog Post Summary — 2022

Date	Headline	Summary
12/21/2022	<a href="#">Active Engagement: Good for Both Investors and Issuers in Distressed EM Debt</a>	Our research shows that when managers engage intensively in restructurings, both issuers and investors can benefit. It isn't enough just to review restructuring proposals — the manager needs to have a seat at the table to help devise it.
11/16/2022	<a href="#">Brazil Narrowly Elected Lula: What's Next?</a>	Despite ongoing uncertainties, we think Lula's government will eventually strike a balance between his pre-election promises and fiscal rectitude, given a right-leaning Congress and a vigilant market that will punish deviations toward a more radical agenda.
11/15/2022	<a href="#">Slowing Global Recovery, Geopolitical Concerns Top Worries at IMF Fall Conference</a>	The October fall meeting of the IMF in Washington, D.C. revealed a bleaker global economic outlook than in April, underscoring the protracted strains of global inflation and the Russia-Ukraine War. Meanwhile, positive prospects exist across regions.
10/18/2022	<a href="#">Despite Promising Start, EM Debt Declines in Third Quarter 2022</a>	Looking forward for the remainder of 2022, we expect macro factors to continue driving market sentiment. However, today's valuations imply that investors are 'pricing in' the risks of EM debt more aggressively than many other areas of global capital markets.
9/14/2022	<a href="#">Economic Freedom Broadly Curtailed During Pandemic, Says New Report</a>	Freedom to trade internationally, size of government and regulation were the three areas of economic freedom which, on average, saw the largest declines. The free flow of goods was interrupted by supply chain issues and trade restrictions on essential goods such as medical supplies.
8/4/2022	<a href="#">China's Drift Toward 'Closing-Off' Policies Faces Major Test This Fall</a>	An inward-looking China marks a sea change from a 'reform and opening up' policy that goes back several decades, in which the country's broad economic liberalization helped it attain historic growth rates and modernization.



## WHITE PAPER AND BLOG POST SUMMARY

## Blog Post Summary — 2022

Date	Headline	Summary
7/15/2022	<a href="#">Inflation, Rising Rates, Ukraine Conflict Take Their Toll in EM Debt in 2Q</a>	Second-order effects from the devastating war in Ukraine along with strict COVID policies in China contributed to inflation levels and negatively affected global growth and EMD performance. Outflows year to date are at all-time highs for both local- and hard-currency funds, which is reflective of the problems in the market and macro environment.
6/29/2022	<a href="#">Inflation Surprise: EM Is No Worse and Sometimes Better Than Developed Markets</a>	The broad factors driving inflation have been well publicized, from the Russia/Ukraine war's influence on gas and grain prices to supply chain issues in China. But some countries have been better at adapting to the new environment. For example, compared with developed countries, we believe Chile and Uruguay have been better at managing inflation growth.
6/1/2022	<a href="#">Volatility and Inflation in Latin America: A Window Opens</a>	Investors seeking duration may want to look at Latin America, as the region has front-loaded both inflation and tightening ahead of developed and other emerging markets.
5/11/2022	<a href="#">The Economic Toll of Russia-Ukraine War Weighed at IMF Spring Conference</a>	The April spring meeting of the IMF in Washington, D.C. illustrated the pervasive impact Russia's invasion of Ukraine has had on slowing the global economy's recovery from the pandemic. Global growth is projected to slow from an estimated 6.1% last year to 3.6% in 2022 and 2023, while inflation is on the rise.
4/11/2022	<a href="#">Emerging Markets Debt Declines on Rising Rates, Ukraine Conflict and China Property</a>	We believe that focusing on country-level macroeconomic and political research — along with standalone analysis of specific risk factors such as currency, credit spreads and interest rates — represents the best approach for capitalizing on today's uncertainty in EM debt.
3/7/2022	<a href="#">All-In Moment for Putin in Ukraine War</a>	Despite reports of notable damages and casualties inflicted by Ukrainian armed forces on Russian troops, Russia continues to make modest gains in the amount of land controlled. Until Russia stops making gains, we think it is unlikely that there will be a negotiated peace agreement.
3/2/2022	<a href="#">Russia-Ukraine Conflict Hard to Analyze and Harder to Predict</a>	The latest situational and capital markets updates relating to Russia's widespread invasion and attack on Ukraine, now in its seventh day. In our view, these events could have unintended consequences and potentially unexpected results. The world order may be reordering before our very eyes.
2/10/2022	<a href="#">China Property: Evergrande May Just Be the Canary in the Coal Mine</a>	What seemed like an isolated credit event for Evergrande has now sent shockwaves across China's real estate economy. We strive, as always, to search for mispriced securities in every corner of our investable universe. China property is no exception. We are leveraging our research and network to build a better mosaic as the situation evolves.
1/18/2022	<a href="#">2022 Outlook: Unearthing Opportunities in an Altered Landscape</a>	In 2022, we expect emerging markets (EM) may embark upon a road to recovery, albeit with potential bumps along the way. For every country like Turkey, where heterodox policy is cause for concern, there are lesser known and overlooked EM success stories.

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