

### Market commentary EM equities

In the second quarter of 2025, EM equities gained significantly more than DM equities following the easing of the US-China tariff talks. This was driven by solid earnings growth, attractive valuations and improved macro data. Within EM, Latin America and Asia led the way. In Latin America, financials shone thanks to high net interest margins and robust lending. Asia was led by South Korea and Taiwan: the positive election result in Korea boosted the stock markets. South Korean defense stocks benefited from rising global defense budgets, Taiwanese tech and semiconductor companies from unbroken demand for AI. The outlook remains constructive: expectations of falling interest rates, a weaker US dollar and favorable valuations are supporting domestic earnings growth and capital inflows, while fiscal stimulus and reforms are additional catalysts. Risks remain new tariff barriers, geopolitical escalations and volatile commodity prices, which could delay the central banks' easing path.

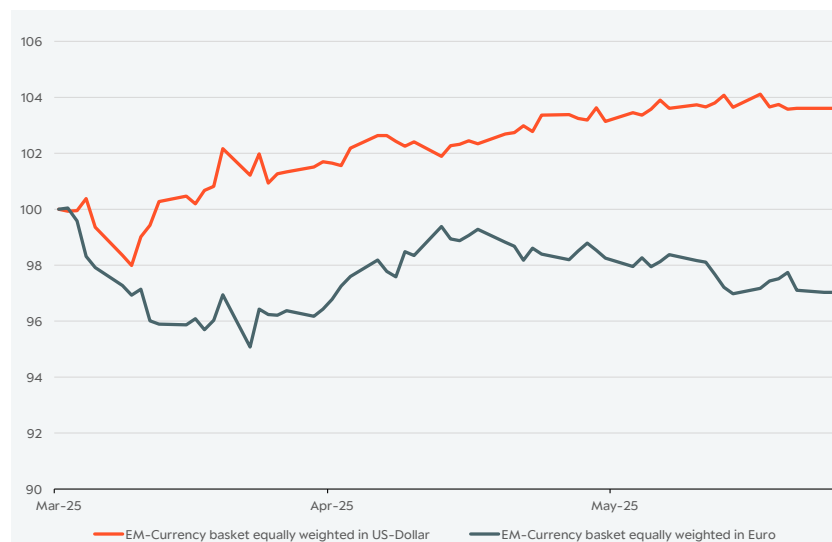
In our quarterly **Emerging Markets (EM) Monitor**, we provide you with a structured overview of the capital market situation in the emerging markets and highlight important developments:

- Performance
- Economy
- Equities
- Local currency bonds
- Hard currency bonds

### Market commentary EM bonds

In the second quarter of 2025, US dollar-denominated government bonds from emerging markets hedged in euros performed positively at 2.1%. This was mainly due to declining credit risks, which benefited high-yield bonds in particular. Although investment-grade bonds also benefited from falling risk premiums, the US curve steepening weighed on these bonds due to their higher duration compared to HY bonds. Regions such as Latin America or Africa, which have high-yield bonds outstanding in particular, performed better than bonds from Asia, Europe and the Middle East, which have lower credit risks. Local currency bonds denominated in euros benefited from their high current interest rates and falling interest rates. However, the strong appreciation of the euro against the US dollar and correspondingly also against most emerging market currencies led to an overall negative performance of around -0.8% in the second quarter.

### Strong euro was a burden for EM investments in the second quarter



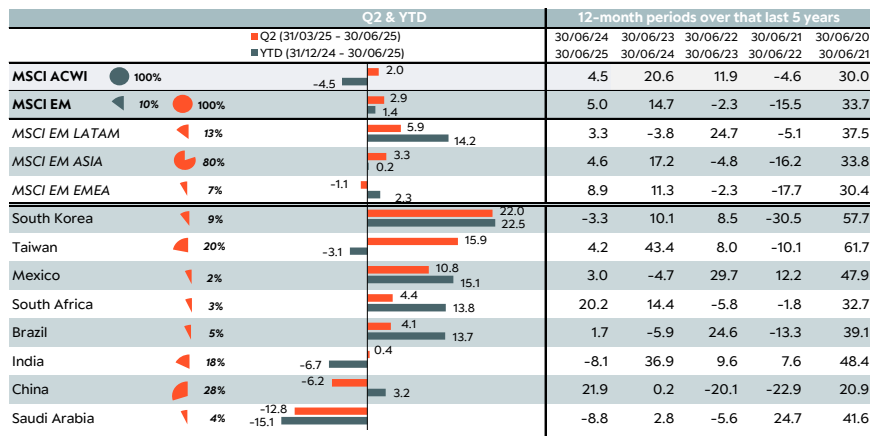
- For European investors in equities and local currency bonds from developing countries, the strong euro was a significant burden in the second quarter of 2025.
- Currencies from emerging markets performed very positively against the US dollar in the second quarter. However, Trump's tariff chaos and capital outflows from the US led to a sharp depreciation of the dollar against the euro.

Source: Bloomberg, period: 03/31/2025 – 06/30/2025



# Performance

## Equities



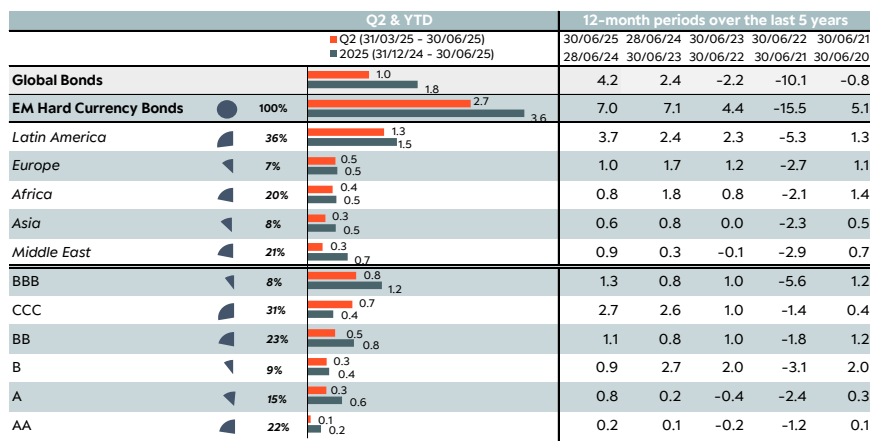
MSCI EM LATAM: MSCI EM Latin America; MSCI EM EMEA: MSCI EM Europe Middle East and Africa; MSCI EM Asia: MSCI EM Asia; China: MSCI China; Brazil: MSCI Brazil; South Africa: MSCI South Africa; Mexico: MSCI Mexico; South Korea: MSCI Korea; Saudi Arabia: MSCI Prox/ Saudi Arabia; India: MSCI India; Taiwan: MSCI Taiwan; All indices are net total return indices. The weights of the indices are approximated using the weights of the iShares MSCI ACWI ETF and iShares MSCI Emerging Markets ETF.

- South Korea led in the second quarter with defense stocks and the prospect that corporate reforms will reduce the holding discount of the chaebols.
- Taiwan recovered thanks to continued AI investments; Mexico gained as banks increased their profitability.
- A drag on Asia was China due to weak consumption. The laggard was Saudi Arabia, where concerns over rising oil production weighed on prices.

Total return for selected equity indices, in euros and in per cent, sorted by performance in the last quarter.

Source: Bloomberg, period: 30/06/2020 – 30/06/2025

## Hard currency bonds



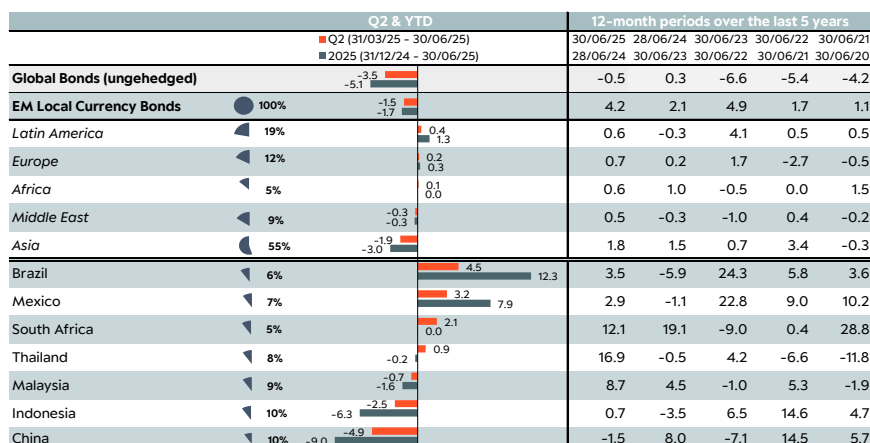
Global Bonds: Bloomberg Global-Aggregate Total Return Index Value Hedged EUR; EM Hard Currency Bonds: ICE BofA Emerging Markets External Sovereign Index; Regions and Countries are approximated by the ICE BofA Emerging Markets External Sovereign Index; The weights of the indices are approximated using the weights of the ICE BofA Emerging Markets External Sovereign Index.

- US dollar-denominated emerging market bonds from Latin America performed best in the second quarter at 1.3%.
- Bonds with a low rating quality benefited from their short interest rate duration and high current interest rates.
- AA and A-rated bonds were unable to keep pace with high-yield bonds due to their high interest duration and low current interest rates.

Total return (including reinvested dividends) for selected Bond indices, in euros and in per cent, sorted by last quarter performance.

Source: ICE BofA, period: 06/30/2020 – 06/30/2025

## Local currency bonds



EM Local Currency Bonds: ICE BofA Local Debt Markets Plus Index; Globale Anleihen (unhedged): Bloomberg Global Treasury Total Return Index Value Unhedged EUR; Mexico: ICE BofA Mexico Government Index; Südafrika: ICE BofA South Africa Government Index; Thailand: ICE BofA Thailand Government Index; Malaysia: ICE BofA Malaysia Government Index; Indonesien: ICE BofA Indonesia Government Index; China: ICE BofA China Government Index; Brasilien: ICE BofA Brazil Government Index; Die Gewichte der Indizes werden anhand der Gewichte des ICE BofA Local Debt Markets Plus Index.

- Local currency bonds from Latin America performed the strongest in the second quarter at 0.4%
- Brazil and Mexico led the way with a performance of 4.5% and 3.2% respectively.
- Asian bonds, including those from Malaysia, Indonesia and China, fell in value by up to 4.9% due to the tariffs and their trade dependency on the USA.

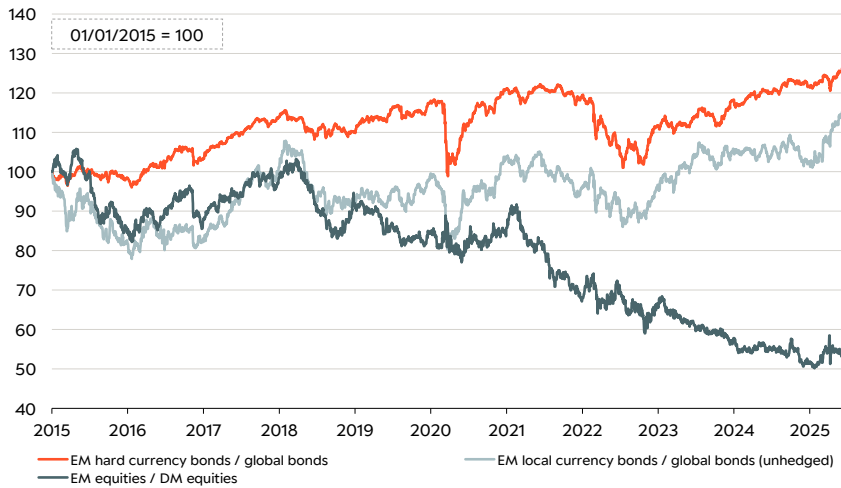
Total return (including reinvested dividends) for selected Bond indices, in euros and in per cent, sorted by last quarter performance.

Source: ICE BofA, period: 06/30/2020 – 06/30/2025



# Performance

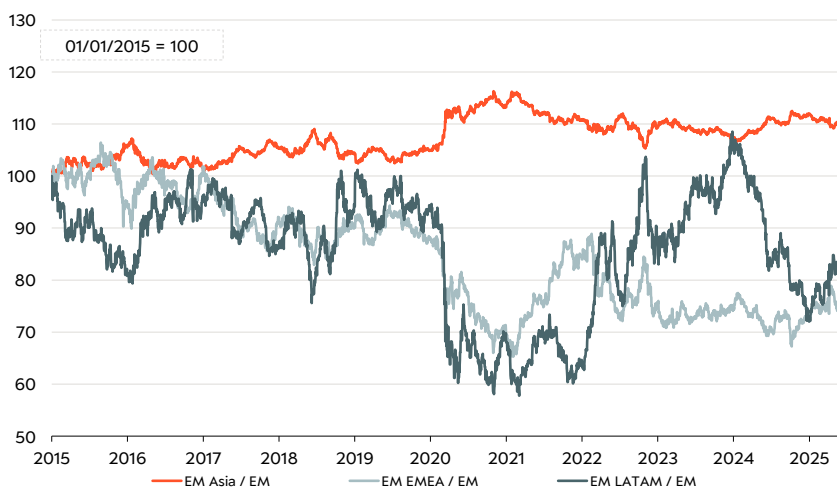
## EM vs DM: Cross Asset Performance



- Emerging market equities have broken their underperformance trend of recent years since the beginning of this year and also outperformed shares in industrialised countries in euro terms in the second quarter.
- The inflation wave in the emerging markets, which has already been overcome, and thus the prospect of key interest rate hikes by the local central banks supported the relative outperformance of local currency bonds.

Relative development of total returns for selected indices, in euros. For the list of indices, see page 2.  
Source: Bloomberg, period: 01/01/2015 – 30/06/2025

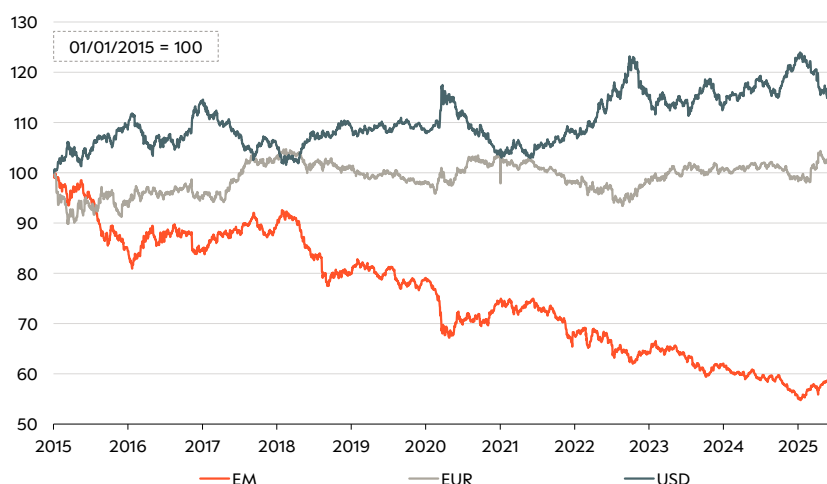
## Equities: relative performance of EM regions



- In the second quarter, equities in emerging markets recovered. Asia performed above average thanks to price gains in South Korea and Taiwan – but was weighed down by weakness in China.
- Latin America was the strongest EM region, driven mainly by the financial sector. EMEA remained the weakest region, as clear earnings catalysts were lacking.

The comparison is based on net total return for the indices: EM Asia: MSCI EM Asia; EM EMEA: MSCI EM EMEA; EM LATAM: MSCI EM LATAM; EM: MSCI EM, in euros.  
Source: Bloomberg, period: 01/01/2015 – 30/06/2025

## Development of trade-weighted currencies



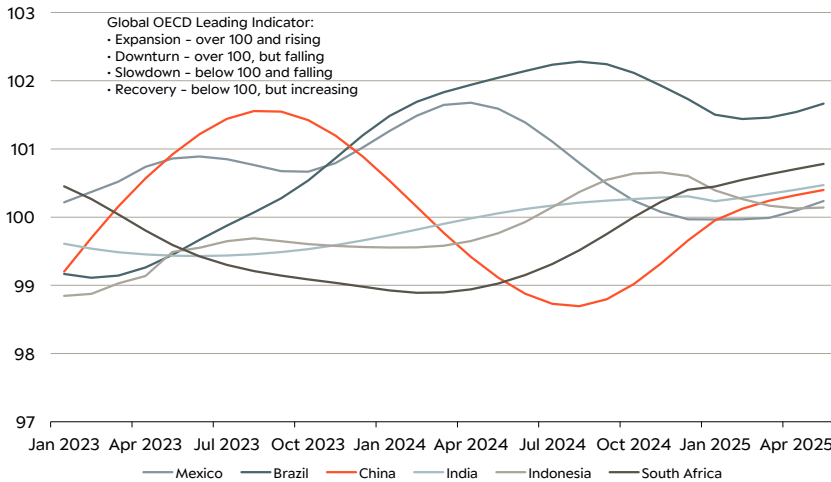
- The US dollar continued its downward trend, which began at the start of the year, in the last quarter. Donald Trump's erratic trade policy since Liberation Day has called into question investors' confidence in the US and therefore the role of the US dollar as a safe haven.
- The euro and emerging market currencies, on the other hand, proved to be the beneficiaries of the new currency regime.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.  
Source: Bloomberg, period: 01/01/2015 – 30/06/2025



# Economy

## OECD leading indicator

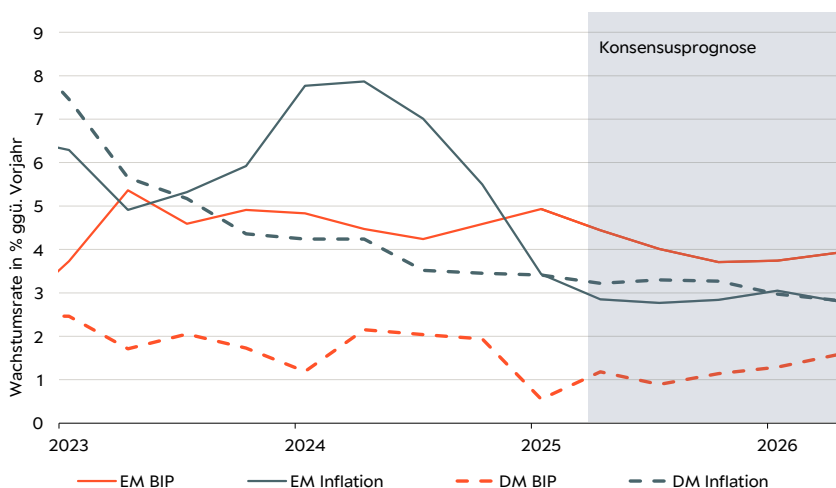


- In the emerging markets, the revised OECD leading indicator was above the 100 mark in May, pointing to economic expansion in the EM region.
- The economic situation improved in May compared to the previous month in all countries included here.

The OECD leading indicator is made up of a series of selected economic indicators, the composition of which provides a robust signal for future turning points. A turning point usually signals a turning point in the economic cycle in 6-9 months. However, the lead times are sometimes outside this range and turning points are not always recognised correctly.

Source: OECD, period: 01/01/2023 – 31/05/2025

## GDP and inflation aggregated

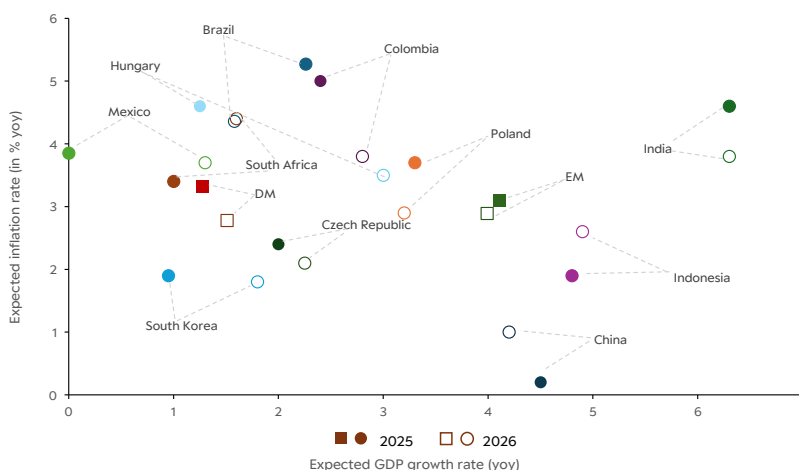


- Lower inflation rates combined with higher expected real GDP growth in emerging markets compared to industrialised countries increase the relative attractiveness of emerging markets for investors.
- A slight slowdown in economic growth in the emerging markets compared to the previous year should give local central banks the leeway to cut interest rates and thus further support EM equities and local currency bonds.

Gross domestic product real growth rate and annual inflation rate in % compared to the previous year. Economists' quarterly forecasts for the years 2025 and 2026.

Source: Bloomberg, period: 01/01/2023 – 30/06/2026

## GDP and inflation expectations by country



- Among the emerging markets, India, China and Indonesia have the highest expected GDP growth rates both this year and next.
- While the inflation rate in India is expected to be lower in 2026 than in the current year, it will rise next year in China and Indonesia according to consensus forecasts.

Economists' consensus forecast for the annual inflation rate and the real growth rate of gross domestic product for 2025 and 2026.

Source: Bloomberg, date: 30/06/2025



# Economy

## EMEA

Poland					Czech Republic				Hungary				South Africa				
		Key rate	Inflation	PMIs	Currency	Key rate	Inflation	PMIs	Currency	Key rate	Inflation	PMIs	Currency	Key rate	Inflation	PMIs	Currency
2025	Jun	5.25	4.1	44.8	103.7	3.50	2.4	50.2	96.4	6.50	4.4	48.9	96.9	7.25	2.8	43.1	94.1
	May	5.25	4.0	47.1	103.6	3.50	2.4	48.0	95.7	6.50	4.4	49.8	95.9	7.25	2.8	43.1	96.3
	Apr	5.75	4.3	50.2	102.9	3.75	1.8	48.9	95.7	6.50	4.2	50.2	95.7	7.50	2.8	44.7	93.1
	Mar	5.75	4.9	50.7	105.1	3.75	2.7	48.3	95.5	6.50	4.7	51.4	96.1	7.50	2.7	48.7	99.2
	Feb	5.75	4.9	50.6	105.0	3.75	2.7	47.7	95.2	6.50	5.6	51.1	96.2	7.50	3.2	44.7	101.4
	Jan	5.75	4.9	48.8	104.5	4.00	2.8	46.6	94.7	6.50	5.5	50.0	94.9	7.50	3.2	45.3	101.6
2024	Dec	5.75	4.7	48.2	103.0	4.00	3.0	44.8	94.7	6.50	4.6	50.6	94.1	7.75	3.0	46.2	100.6
	Nov	5.75	4.7	48.9	102.4	4.00	2.8	46.0	94.5	6.50	3.7	50.4	93.8	7.75	2.9	48.1	102.8
	Oct	5.75	5.0	49.2	101.1	4.25	2.8	47.2	94.3	6.50	3.2	47.9	94.9	8.00	2.8	52.6	102.6
	Sep	5.75	4.9	48.6	102.8	4.25	2.6	46.0	94.7	6.50	3.0	49.4	97.5	8.00	3.8	53.3	102.4
	Aug	5.75	4.3	47.8	102.8	4.50	2.2	46.7	95.2	6.75	3.4	47.7	98.5	8.25	4.4	44.2	99.8
	Jul	5.75	4.2	47.3	102.7	4.75	2.2	43.8	93.8	6.75	4.1	48.8	98.3	8.25	4.6	51.9	99.8
	Jun	5.75	2.6	45.0	102.1	4.75	2.0	45.3	95.2	7.00	3.7	49.1	98.0	8.25	5.1	46.2	100.8
	May	5.75	2.5	45.0	103.1	5.25	2.6	46.1	96.7	7.25	4.0	51.3	99.4	8.25	5.2	44.7	96.3
	Apr	5.75	2.4	45.9	101.6	5.75	2.9	44.7	95.0	7.75	3.7	51.8	98.9	8.25	5.2	53.5	98.0
	Mar	5.75	2.0	48.0	102.6	5.75	2.0	46.2	94.5	8.25	3.6	52.2	98.3	8.25	5.3	48.9	96.5
	Feb	5.75	2.8	47.9	102.0	6.25	2.0	44.3	94.3	9.00	3.7	52.3	98.6	8.25	5.6	50.2	94.9
	Jan	5.75	3.7	47.1	101.7	6.75	2.3	43.0	96.2	10.00	3.8	50.1	100.9	8.25	5.3	44.3	97.2
2023	Dec	5.75	6.2	47.4	101.4	6.75	6.9	41.8	96.4	10.75	5.5	51.0	101.0	8.25	5.1	50.1	97.2
	Nov	5.75	6.6	48.7	101.1	7.00	7.3	43.2	98.1	11.50	7.9	52.2	101.8	8.25	5.5	47.9	95.7
	Oct	5.75	6.6	44.5	98.9	7.00	8.5	42.0	97.1	12.25	9.9	52.3	101.2	8.25	5.9	46.1	99.6
	Sep	6.00	8.2	43.9	95.2	7.00	6.9	41.7	97.9	13.00	12.2	47.4	99.4	8.25	5.4	46.3	98.2
	Aug	6.75	10.1	43.1	98.4	7.00	8.5	42.9	99.0	13.00	16.4	46.7	101.6	8.25	4.8	50.2	95.9
	Jul	6.75	10.8	43.5	100.0	7.00	8.8	41.4	100.0	13.00	17.6	45.9	100.0	8.25	4.7	47.3	100.0

- After its regular meeting in June, the Czech central bank left its key interest rate unchanged as expected. The head of the central bank, Mr Michl, also pointed out that the key interest rate is likely to remain unchanged for a certain period of time in order to prevent inflation from flaring up again.
- The Polish zloty has been the best performing emerging market currency against the euro over the last two years.

See below for explanations.

Source: Bloomberg, period: 31/07/2023 – 30/06/2025

## Asia

China					India				South Korea				Indonesia				
		Key rate	Inflation	PMIs	Currency	Key rate	Inflation	PMIs	Currency	Key rate	Inflation	PMIs	Currency	Key rate	Inflation	PMIs	Currency
2025	Jun	2.00	-0.1	50.4	93.1	5.50	2.8	58.4	90.3	2.50	1.9	48.7	87.8	5.50	1.9	46.9	86.6
	May	2.00	-0.1	48.3	96.1	6.00	2.8	57.6	93.4	2.50	1.9	49.8	89.4	5.50	1.6	46.9	89.6
	Apr	2.00	-0.1	50.4	95.2	6.00	3.2	58.2	94.5	2.75	2.1	50.2	86.8	5.75	2.0	47.4	88.1
	Mar	2.00	-0.1	51.2	100.1	6.25	3.3	58.1	98.5	2.75	2.1	51.4	87.9	5.75	1.0	46.7	92.4
	Feb	2.00	-0.7	50.8	104.2	6.25	3.6	56.3	99.9	2.75	2.0	51.1	92.6	5.75	-0.1	52.4	96.4
	Jan	2.00	0.5	50.1	104.5	6.50	4.3	57.7	100.9	3.00	2.2	50.0	93.0	5.75	0.8	53.6	98.2
2024	Dec	2.00	0.1	50.5	104.0	6.50	5.2	56.4	101.8	3.00	1.9	50.6	91.5	6.00	1.6	51.9	99.2
	Nov	2.00	0.2	51.5	102.5	6.50	5.5	56.5	101.7	3.00	1.5	50.4	94.8	6.00	1.6	51.2	99.0
	Oct	2.00	0.3	50.3	101.5	6.50	6.2	57.5	99.2	3.25	1.3	47.9	93.5	6.00	1.7	49.6	97.0
	Sep	2.00	0.4	49.3	100.5	6.50	5.5	56.5	96.7	3.50	1.6	49.4	95.7	6.00	1.8	49.2	98.3
	Aug	2.30	0.6	50.4	100.2	6.50	3.7	57.5	97.9	3.50	2.0	47.7	94.8	6.25	2.1	49.2	97.2
	Jul	2.30	0.5	49.8	100.4	6.50	3.6	58.1	100.1	3.50	2.6	48.8	94.4	6.25	2.1	48.9	94.2
	Jun	2.50	0.2	51.8	100.9	6.50	5.1	58.3	101.6	3.50	2.4	49.1	95.0	6.25	2.5	49.3	94.5
	May	2.50	0.3	51.7	100.1	6.50	4.8	57.5	100.2	3.50	2.7	51.3	93.2	6.25	2.8	50.7	94.0
	Apr	2.50	0.3	51.4	101.6	6.50	4.8	58.8	101.5	3.50	2.9	51.8	95.1	6.25	3.0	52.1	95.5
	Mar	2.50	0.1	51.1	101.0	6.50	4.9	59.1	100.9	3.50	3.1	52.2	96.4	6.00	3.1	52.9	96.8
	Feb	2.50	0.7	50.9	101.1	6.50	5.1	56.9	101.1	3.50	3.1	52.3	97.4	6.00	2.8	54.2	97.7
	Jan	2.50	-0.8	50.8	101.0	6.50	5.1	56.5	100.5	3.50	2.8	50.1	97.1	6.00	2.6	52.7	97.2
2024	Dec	2.50	-0.3	50.8	100.1	6.50	5.7	54.9	98.5	3.50	3.2	51.0	98.3	6.00	2.8	52.9	97.5
	Nov	2.50	-0.5	50.7	101.1	6.50	5.6	56.0	99.7	3.50	3.3	52.2	99.8	6.00	3.0	52.2	98.2
	Oct	2.50	-0.2	49.5	101.5	6.50	4.9	55.5	103.0	3.50	3.8	52.3	98.1	6.00	2.6	51.7	98.7
	Sep	2.50	0.0	50.6	101.7	6.50	5.0	57.5	103.4	3.50	3.7	47.4	98.3	5.75	2.3	51.5	101.3
	Aug	2.50	0.1	51.0	99.8	6.50	6.8	58.6	100.8	3.50	3.4	46.7	97.7	5.75	3.5	52.3	100.5
	Jul	2.65	-0.3	49.2	100.0	6.50	7.4	57.7	100.0	3.50	2.4	49.4	100.0	5.75	3.1	53.9	100.0

- While China, with its fight against disinflation, had the lowest inflation rate in the EM region in the last quarter, India recorded the highest inflation among the Asian emerging markets in the last quarter.
- The manufacturing PMI in India rose in June compared to the previous month and was once again above the 50 mark. This once again demonstrates the strength and robustness of India's industrial activity and economic development compared to other emerging markets.

See below for explanations.

Source: Bloomberg, period: 31/07/2023 – 30/06/2025

## Latin America

Mexico					Brazil				Colombia				
		Key rate	Inflation	PMIs	Currency	Key rate	Inflation	PMIs	Currency	Key rate	Inflation	PMIs	Currency
2025	Jun	8.00	4.4	46.7	83.2	15.00	5.3	49.4	81.2	9.25	5.1	52.6	89.6
	May	8.50	4.4	46.7	83.6	14.75	5.3	49.4	80.0	9.25	5.1	52.6	91.5
	Apr	9.00	3.9	44.8	82.9	14.25	5.5	50.3	80.9	9.25	5.2	51.4	90.1
	Mar	9.00	3.8	46.5	83.2	14.25	5.5	51.8	84.2	9.50	5.1	49.4	95.4
	Feb	9.50	3.8	47.6	86.4	13.25	5.1	53.0	85.1	9.50	5.3	49.0	100.1
	Jan	10.00	3.6	49.1	86.0	13.25	4.6	50.7	85.7	9.50	5.2	53.8	99.0
2024	Dec	10.00	4.2	49.8	85.5	12.25	4.8	50.4	81.3	9.50	5.2	49.9	94.6
	Nov	10.25	4.6	49.9	85.5	11.25	4.9	52.3	82.3	9.75	5.2	53.4	92.1
	Oct	10.50	4.8	48.4	84.5	10.75	4.8	52.9	82.5	9.75	5.4	52.3	89.6
	Sep	10.50	4.6	47.3	84.0	10.75	4.4	53.2	85.7	10.25	5.8	48.1	92.2
	Aug	10.75	5.0	48.5	84.5	10.50	4.2	50.4	83.9	10.75	6.1	49.8	93.5
	Jul	11.00	5.6	49.6	91.3	10.50	4.5	54.0	85.0	10.75	6.9	50.0	98.1
	Jun	11.00	5.0	51.1	93.7	10.50	4.2	52.5	86.7	11.25	7.2	49.8	97.1
	May	11.00	4.7	51.2	99.8	10.50	3.9	52.1	91.3	11.75	7.2	49.8	102.8
	Apr	11.00	4.7	51.0	100.7	10.75	3.7	55.9	93.8	11.75	7.2	49.2	103.2
	Mar	11.00	4.4	52.2	102.9	10.75	3.9	53.6	96.0	12.25	7.4	50.6	103.6
	Feb	11.25	4.4	52.3	100.0	11.25	4.5	54.1	96.8	12.75	7.7	51.2	101.7
	Jan	11.25	4.9	50.2	98.9	11.25	4.5	52.8	97.1	12.75	8.4	55.1	101.9
2023	Dec	11.25	4.7	52.0	98.3	11.75	4.6	48.4	97.0	13.00	9.3	52.0	100.8
	Nov	11.25	4.3	52.5	97.2	12.25	4.7	49.4	97.1	13.25	10.2	49.4	98.3
	Oct	11.25	4.3	52.1	96.3	12.75	4.8	48.6	97.6	13.25	10.5	48.1	99.0
	Sep	11.25	4.5	49.8	100.0	12.75	5.2	49.0	97.7	13.25	11.0	47.8	100.1
	Aug	11.25	4.6	51.2	99.6	13.25	4.6	50.1	96.7	13.25	11.4	46.8	97.3
	Jul	11.25	4.8	53.2	100.0	13.75	4.0	47.8	100.0	13.75	11.8	48.4	100.0





# Equities

## Sector performance

	Q2 & YTD		12-month periods of the last 5 years				
	Q2 (31/03/25 - 30/06/25)	YTD (31/12/24 - 30/06/25)	30/06/25	30/06/24	30/06/23	30/06/22	30/06/20
EM Information Technology	-4.1	14.2	1.7	36.8	9.6	-19.6	66.8
EM Industrials	6.3	11.9	6.0	8.9	1.1	-7.1	37.7
EM Financials	4.3	3.3	14.7	14.7	2.1	3.2	26.2
EM Communication Services	0.3	8.7	19.2	4.6	-7.4	-24.2	16.7
EM Health Care	-0.8	-4.4	7.1	-0.9	-13.2	-34.7	25.5
EM Materials	-1.3	1.3	-8.4	-1.3	-2.2	-14.4	62.6
EM Utilities	-1.5	-6.5	-7.2	22.5	-10.4	16.7	14.1
EM Energy	-2.3	-3.8	-15.5	27.6	8.9	-11.5	25.1
EM Real Estate	-2.4	-6.9	4.4	-2.3	-20.9	-18.2	1.1
EM Consumer Staples	-2.9	-6.4	-5.9	-3.9	0.3	-7.0	17.3
EM Consumer Discretionary	-2.7	-10.6	7.5	8.3	-18.6	-29.0	29.8

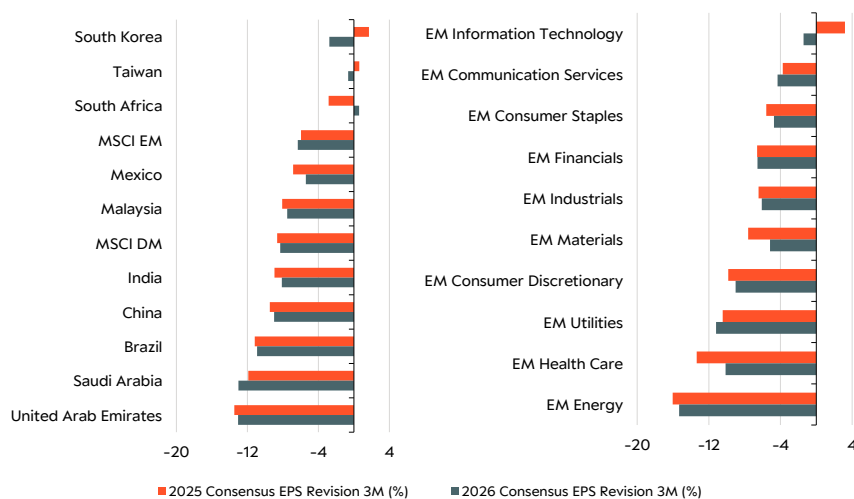
Sector-specific indices include MSCI EM Consumer Discretionary, MSCI EM Consumer Staples, MSCI EM Communication Services, MSCI EM Energy, MSCI EM Financials, MSCI EM Health Care, MSCI EM Industrials, MSCI EM Information Technology, MSCI EM Materials, MSCI EM Real Estate, and MSCI EM Utilities. All indices are Net Total Return (NTR) indices, measured in %, EUR.

- In the second quarter, IT and industrial stocks were among the top performers. Tech benefited from strong AI investments. Industrial stocks, particularly in the defense sector, profited from increased defense spending.
- Consumer stocks from China and India, on the other hand, lagged behind, as weaker earnings weighed on sentiment.

Net total return for selected MSCI EM sector equity indices, in euros and in per cent.

Source: Bloomberg, period: 30/06/2020 - 30/06/2025

## EPS revision

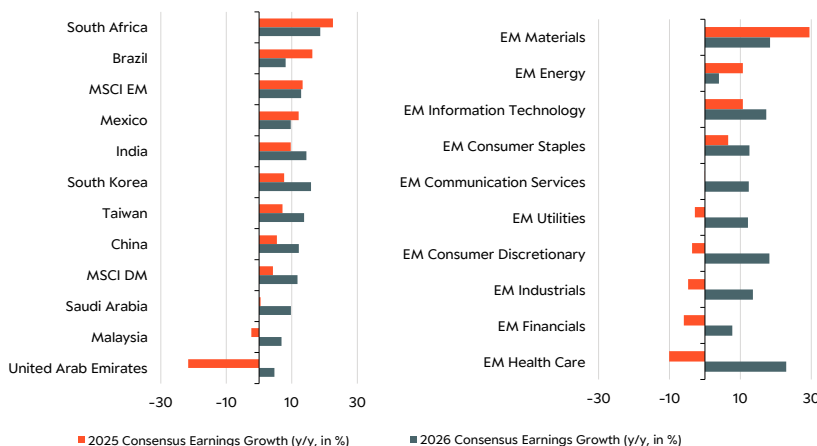


- In the second quarter, earnings estimates for 2025 were lowered in most markets due to tariff risks.
- Resource-dependent markets were hit particularly hard – weighed down by falling oil prices and a weaker USD.
- In emerging markets, revisions were overall less negative than in developed markets, supported by robust growth and fiscal stimulus.

3-month changes in consensus earnings estimates for 2025 and 2026 for the MSCI World (DM), MSCI EM, MSCI EM country and sector indices, in per cent.

Source: Bloomberg, date: 30/06/2025

## Earnings growth



- Earnings in emerging markets are expected to grow significantly faster than in developed markets in 2025, supported by higher GDP growth, interest rate cuts, an AI-driven tech boom, and commodity base effects.
- South Africa and Brazil lead in 2025 thanks to the commodity sector: Following the earnings slump in 2024, a strong base-effect rebound is expected.

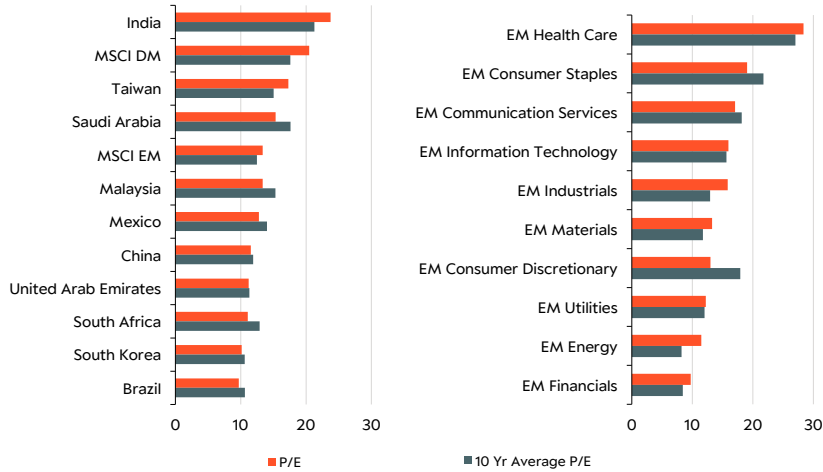
Expected consensus earnings growth for 2025 and 2026 for the MSCI World (DM), MSCI EM, MSCI EM country and sector indices, in per cent.

Source: Bloomberg, date: 30/06/2025



# Equities

## P/E ratio vs history

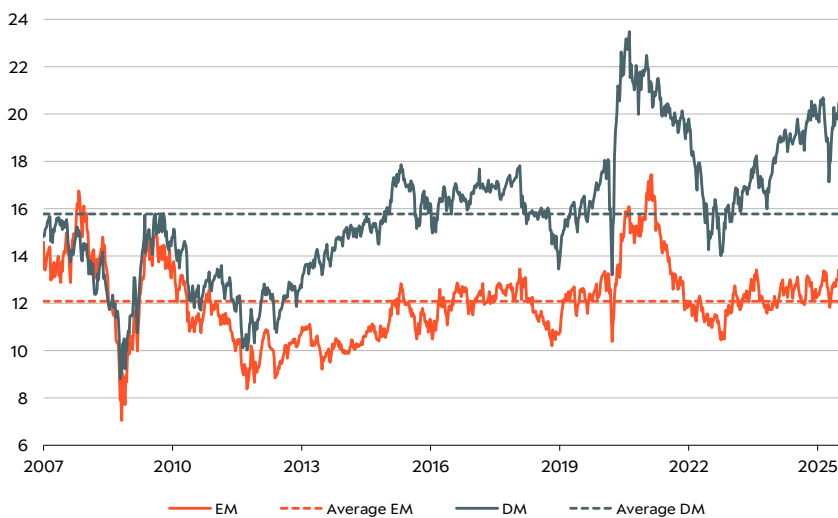


- The current P/E ratio in emerging markets is slightly above the 10-year average but remains well below the level of developed markets.
- Within EM, India and Taiwan are trading at a premium both relative to their own history and to other emerging markets, while other markets – particularly China, Malaysia, and South Africa – are trading at a discount.

P/E ratio based on consensus earnings estimates for the next twelve months for the MSCI World (DM), MSCI EM, and MSCI EM country and sector indices.

Source: Bloomberg, date: 30/06/2025

## P/E ratio of the markets

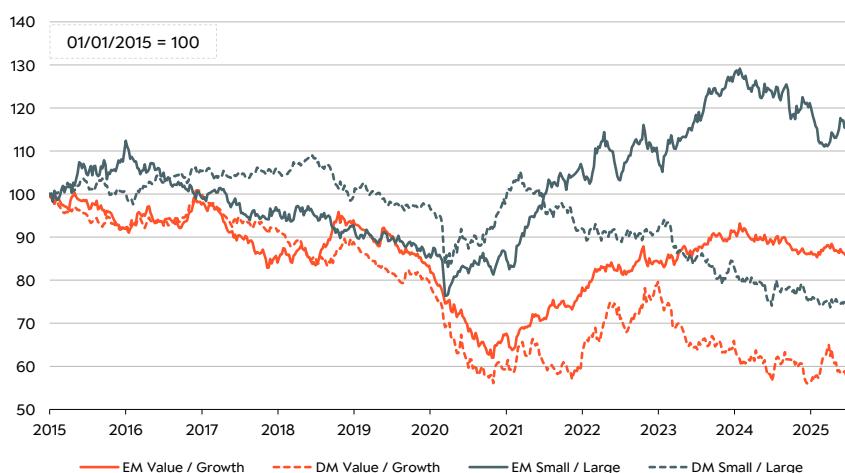


- The current P/E ratio in emerging markets stands at around 13, slightly above its long-term average, while the P/E ratio in developed markets remains clearly above its own historical midpoint at around 20.
- EM equities are historically cheap and continue to trade at a noticeable valuation discount compared to DM.

P/E ratio based on consensus earnings estimates for the next twelve months for the MSCI World (DM) and MSCI EM.

Source: Bloomberg, period: 01/01/2007 - 30/06/2025

## Factor performance



- In the second quarter, value stocks in both EM and DM lagged behind growth, as AI-driven tech heavyweights set the tone.
- EM small caps remain long-term outperformers and saw a strong rebound after Chinese large caps lagged behind, while DM small caps continued their weakness.

The comparison is based on net total return for the indices MSCI EM Value, Growth, Small Cap and Large Cap; MSCI World (DM) Value, Growth, Small Cap and Large Cap; in euros. Source: Bloomberg, period: 01/01/2015 – 30/06/2025



# Local currency bonds

## Key figures and value development

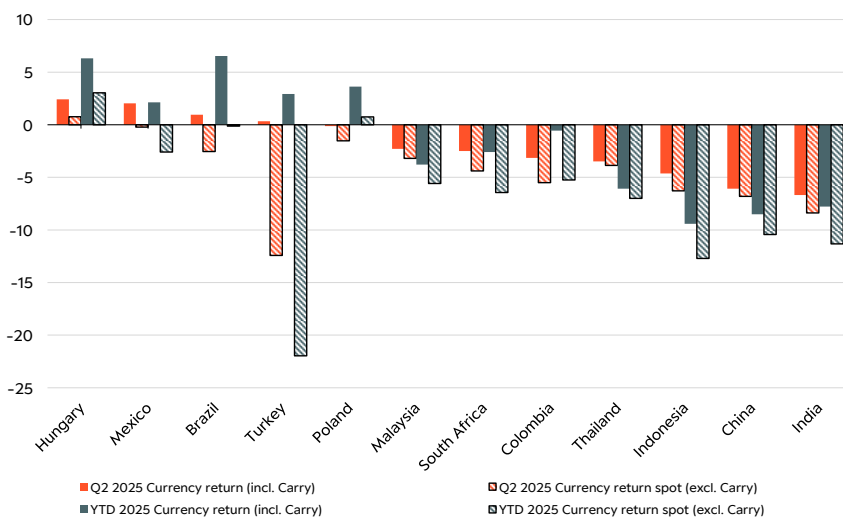
	Key figures			Performance (in %, Euro) Q2 25			Performance (in %, Euro) YTD 2025		
	Weight (in %)	Yield (in %)	Duration	Total Return	FX	Yield	Total Return	FX	Yield
<b>Local currency</b>	100.0	6.6	5.9	-1.5	-4.8	3.3	-1.7	-7.2	5.5
<b>Region</b>									
Latin America	19.3	10.4	4.4	0.4	-0.5	0.9	1.3	-0.5	1.8
Europe	11.9	9.8	3.6	0.2	-0.4	0.5	0.3	-0.3	0.6
Middle East	8.9	6.9	5.9	-0.3	-0.4	0.1	-0.3	-0.8	0.5
Asia	54.6	4.2	7.1	-1.9	-3.3	1.4	-3.0	-5.1	2.2
Africa	5.3	9.7	5.7	0.1	-0.2	0.3	0.0	-0.3	0.4
<b>Countries</b>									
China	10.0	1.6	7.3	-4.9	-6.7	1.8	-9.0	-10.0	1.0
Indonesia	10.0	6.4	6.4	-2.5	-6.3	3.8	-6.3	-11.8	5.5
Malaysia	9.0	3.5	7.5	-0.7	-3.2	2.5	-1.6	-5.6	3.9
Thailand	8.4	1.8	9.7	0.9	-3.9	4.8	-0.2	-7.1	6.9
Mexico	7.2	9.0	4.9	3.2	-0.1	3.3	7.9	-2.4	10.4
Brazil	6.3	13.6	2.6	4.5	-2.6	7.0	12.3	-0.1	12.5
South Africa	5.3	9.7	5.7	2.1	-4.3	6.4	0.0	-6.6	6.6

- Local currency bonds benefited from their attractive coupons and falling yields in the second quarter of 2025.
- However, the strong euro weighed so heavily on currency performance that the total return amounted to -1.5%.
- Bonds from Europe stood out positively due to their proximity to the euro and the improved economic outlook in the European Union.
- Asian currencies depreciated as a result of the US tariffs, meaning that these bonds lost the most value.

Total return (including reinvested dividends) for selected Bond indices, in euros and in per cent, sorted by last quarter performance.

Source: ICE BofA, period: 12/31/2024 – 06/30/2025

## Currency changes against the euro – with and without interest income

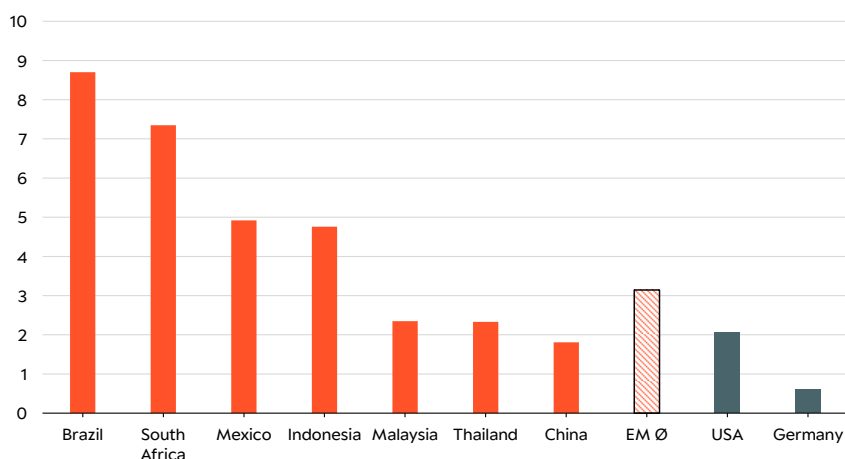


- Currencies from Latin America and Asia depreciated against the euro in the second quarter due to the high trade dependency on the US as a result of the US tariff announcements.
- The Turkish lira depreciated by over 12% against the euro as a result of the mass protests in Turkey. However, the high money market interest rate fully compensated for this.

Presentation of currency development against the euro including (excluding) interest income shows the development including (excluding) the collection of the money market interest rate in the respective foreign currency.

Source: Bloomberg, period: 12/31/2024 – 06/30/2025

## Current 10-year real yield in %



- Real yields in developing countries remain at a high level.
- There is still an attractive premium compared to developed countries in particular.
- The highest real yields in the 10-year segment can currently be found in Brazil, South Africa and Mexico.
- EM central banks continue to wait for increasing interest rate cuts by the US Federal Reserve to lower interest rates.

10-year real yield calculated as 10-year nominal yield minus the annual change in the respective inflation rate. EM = Equilibrated average of 16 EM countries.

Source: Bloomberg; date: 06/30/2025





# Hard currency bonds

## Performance by rating and region

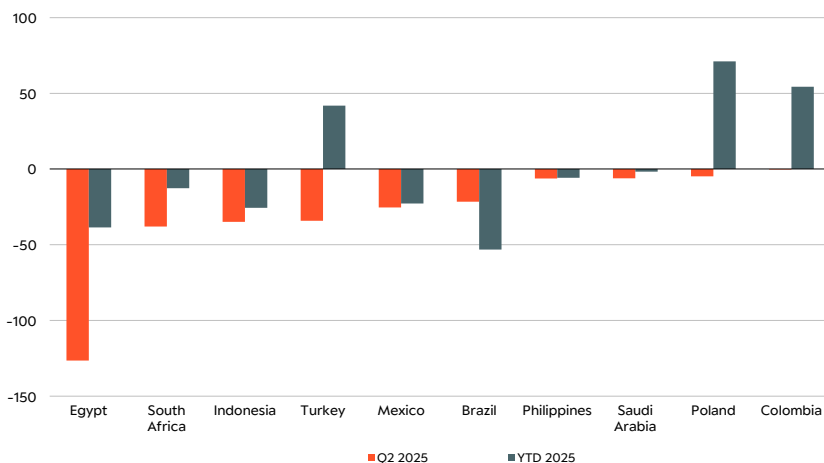
	Key figures			Performance (in %, Euro hedged) Q2 25			Performance (in %, Euro hedged) YTD 25		
	Weight (in %)	Yield (in %)	Spread (in Bp)	Total Return	Spread	Yield	Total Return	Spread	Yield
<b>Hard currency</b>	100.0	6.0	219	2.7	2.1	0.6	3.6	0.9	2.7
<b>Rating group</b>									
IG	65.0	5.0	129	1.2	0.9	0.3	2.0	0.5	1.6
High Yield	35.0	7.8	387	1.5	1.3	0.2	1.6	0.4	1.1
<b>Rating class</b>									
AA-Rated	8.2	4.7	60	0.1	0.0	0.0	0.2	0.0	0.3
A-Rated	21.2	4.5	85	0.3	0.2	0.1	0.6	0.1	0.5
BBB-Rated	35.6	5.4	171	0.8	0.6	0.2	1.2	0.4	0.9
BB-Rated	19.7	6.2	231	0.5	0.3	0.1	0.8	0.1	0.6
B-Rated	8.2	8.6	468	0.3	0.3	0.1	0.4	0.1	0.3
CCC-Rated	7.1	11.3	727	0.7	0.7	0.1	0.4	0.2	0.2
<b>Region</b>									
Latin America	30.8	6.9	280	1.3	1.2	0.1	1.5	0.6	0.9
Europe	22.5	5.4	224	0.5	0.2	0.2	0.5	0.1	0.4
Middle East	22.3	5.1	107	0.3	0.2	0.1	0.7	0.0	0.7
Asia	15.2	4.8	97	0.3	0.2	0.1	0.5	0.0	0.4
Africa	9.1	8.6	478	0.4	0.3	0.1	0.5	0.2	0.3

- Hard currency bonds performed positively in the second quarter at 2.7%. This was driven by the spread component, i.e. falling risk premiums.
- Lower-rated bonds benefited from their shorter duration and higher risk sensitivity, while better-rated bonds rose less strongly due to their higher duration and lower risk sensitivity.
- Bonds from Africa and Latin America benefited the most from falling risk premiums due to higher risk sensitivity.

Total return (including reinvested dividends) for selected Bond indices, in euros and in per cent, sorted by last quarter performance.

Source: ICE BofA, period: 31/12/2024 – 06/30/2025

## Spread changes by country

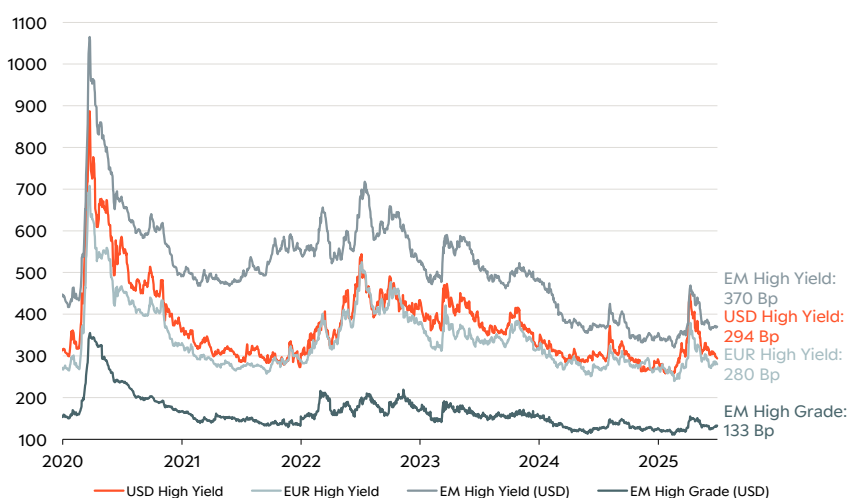


- Risk premiums on hard currency bonds narrowed in the second quarter of 2025.
- The frontrunner was Egypt, which continued to benefit from returning investor confidence.
- The widening in Turkey due to the ongoing domestic political events declined in the second quarter, like Poland.

Spread by country, from ICE BofA Indices

Source: ICE BofA, period: 12/31/2024 – 06/30/2025

## Relative comparison of risk premiums



- Risk premiums on EM government bonds are trading at historically low levels due to their robust fundamentals.
- High-yield bonds from the emerging markets in particular continue to offer an attractive premium of around 60 or 80 basis points over comparable bonds from the US or Europe.

The asset swap spread (in bp) shows how high the risk associated with the corporate bond is. This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanations above.

Source: FactSet, period: 01/01/2020 – 06/30/2025



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