J.P.Morgan

Global Emerging Markets Research
29 June 2023

EM Fixed Income Focus

Mid-year debates around value in local markets and hard currency

- Diverging signals from data about the state of the global economy and cycle over the past few weeks since we wrote our mid-year outlook cloud the fundamental outlook, but are not yet giving rise to new trends.
- Overall EM fixed income has been taking these developments in its stride. EM rates (where we are OW) have moved lower, EM FX (where we are MW favouring higher yielders) has given back some gains, and EM sovereigns (where we are UW) have seen spreads continue to grind lower.
- The spread between GBI-EM yields and USTs is now close to all-time lows. While this has fundamental justification and the rationale to be OW duration ahead of rate cutting cycles is sound, we think it is sensible to trim the size of our GBI-EM Model Portfolio OW in duration to a more normal-sized long, from the close to max OW position at present.
- The bifurcation of EM sovereigns raises questions on valuations. EMBIGD ex-CCC spreads are 40bp below long-term averages at 275bp and far below the levels they would get to in a recessionary environment, while CCC and some single-B rated spreads are historically very wide. We discuss how much of this presents compelling value versus value traps.

Emerging Markets Strategy

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The *EM Fixed Income Focus* is JP Morgan's EM Fixed Income Strategy weekly publication, where we update our views of EM fixed income markets with focus on the key themes driving markets on a weekly basis. Round-ups of our EM local markets and sovereign credit recommendations are also included. An Emerging Markets Focus podcast will accompany each publication on J.P. Morgan's At Any Rate channel.

Good fundamentals but richer valuations in rates; bifurcation in hard currency

Higher rates and lower Europe and China growth support different outlook scenarios. Our EM 2H23 outlook rested on a set of scenarios from our economists about the US and global economy that sees two main paths: either a mild US recession without too much more DM central bank tightening or a hard-landing 2024 recession that follows further DM rate hikes. Given this, our preference has been for EM local bonds, as, due to slowing EM growth and inflation, EM central bank cutting cycles are forecast to broaden despite the risk of DM tightening. This week's ECB forum further reinforced a hawkish message while US rates now price in a hike by September and have priced out cuts in 2023. Against this backdrop, EM FX in spot terms has been moving-sideways since April, supporting our bullish stance on high carry currencies. The overall risk tone of markets remains strong focused on the resilience of US growth pushing out recession timing, leading to EM spread tightening for sovereigns going against our UW stance.

Recent meetings with investors to discuss the 2H outlook have allowed us to get a sense of consensus views and also where key areas of debate about the outlook are. Within EM some of the more interesting areas of focus for local markets are on the recent divergence of EM inflation trends from DM and what this means for EM local rates. For hard currency, there is a discussion about where the value lies in sovereign credit: is it in the distressed (CCC/single B) part of the market, or is this a value trap with ongoing defaults and low recoveries likely over the coming years. In this *Focus* we further the discussion on these EM-specific topics that are relevant for the investment outlook.

See page 17 for analyst certification and important disclosures.

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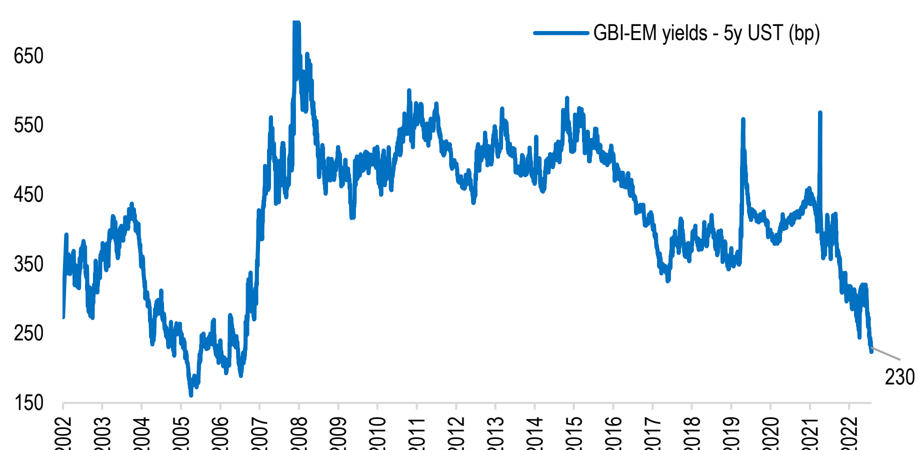
The rates receiver trade enters the 'delivery' phase

The spread between GBI-EM yields and USTs has narrowed close to all time lows, prompting a question on the value in the popular EM rates receiver trade (Figure 1). We have been advocating a mostly-bullish stance on EM rates for much of the year as disinflation in EMs takes hold and monetary policy easing cycles commence. Markets historically struggle to price these shifts in regime from a hawkish-to-dovish in 'one-shot,' which allows trends to persist. Downside surprises to inflation alongside rate cuts in mainstream high-yielders such as Hungary have further fuelled the rates rally. However, as spreads to US rates tighten, and the market prices in aggressive front-loaded rate cuts, the rates receiver trade is entering a new phase. Pricing out hikes and risk premia, and the pricing-in of rate cuts in anticipation of easing cycles is typically the stage of the trade where most profits are generated. The coming phase, which relies on delivery of rate cuts to exceed forwards is a slower-moving additional stage.

We note it is premature to add payers where policy rate cuts are yet to be delivered, but it is time to shift to a more moderately bullish duration stance in the GBI-EM Model Portfolio. Our GBI-EM Model portfolio currently is close to the maximum duration position, and we believe it is sensible to trim the size of this overweight. We think smaller-sized rates receiver positions are the best hedge for an environment where aggregate-valuations look tight, but where there are still compelling country-level opportunities to receive rates across all three regions. We have recently tried and failed to maintain rates payers where curves were too inverted in the face of still-high inflation (Colombia; here) or where risk-premia was insufficient (South Africa; here); we have been stopped out of these trades given the relentless rally which has pulled down all rates markets. In the face of potentially large rate-cutting cycles to yet come, payers based solely on valuations rather than a re-acceleration of inflation (and pricing in of more hikes in EM) are unlikely to work well.

Figure 1: Risk premia in EM rates relative to USTs is close to historical lows

Vertical axis (bp): Spread between GBI-EM GD yields and 5y UST yields.



Source: JP Morgan, Bloomberg Finance L.P.

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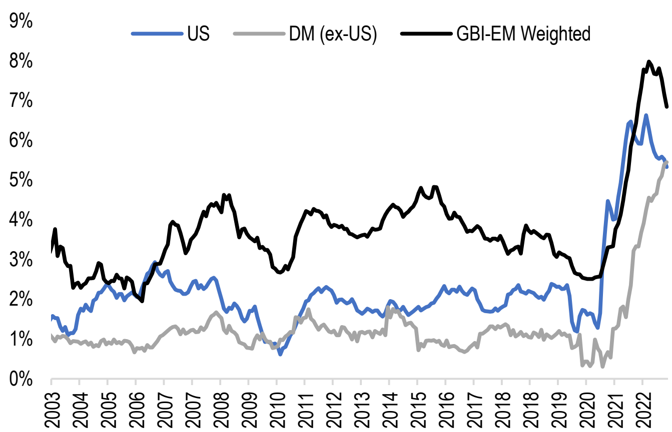
Latam and CEE driving core disinflation in EM and supporting our bullish duration stance in Brazil and Czechia. Although inflation still remains above central banks target across the board, core inflation has retraced in EM driven by a moderation in services inflation (see here). In fact, looking at core inflation shows that the disinflationary process has started with EM in the current cycle (Figure 2). Although core inflation has started to retrace in the US, it still continues to rise in other major DMs. This stronger retracement in inflation in EM has been mostly driven by Latam and CEE, with Brazil and Czechia being the countries where we have observed the most meaningful disinflation in core (Figure 3). As well as having an overall OW duration stance in our GBI-EM model portfolio, we are currently OW rates in both Czechia and Brazil and also hold Jan26 DI receivers in Brazil and 5y IRS receivers in Czechia on the view that this meaningful disinflation should provide a supportive environment for long duration positions.

Figure 2: Core inflation shows that disinflation has arrived first in EM

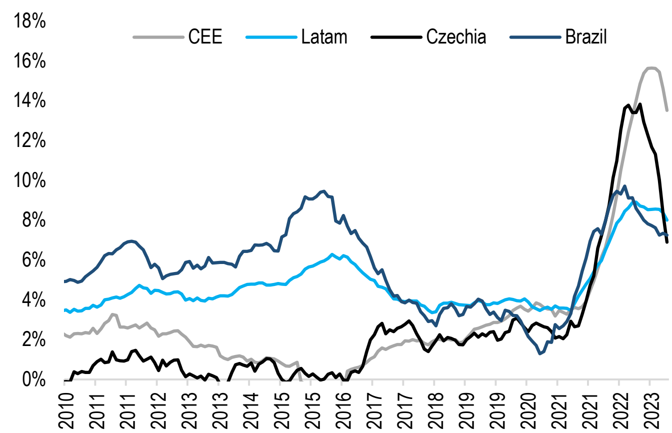
Vertical axis (%): 12m rolling realized core inflation. DM ex-US is the average of Euro area, United Kingdom, and Japan.



Source: J.P. Morgan, Haver Analytics.

Figure 3: This disinflation is more meaningful in Latam and CEE; driven by Brazil and Czechia

Vertical axis (%): 12m rolling realized core inflation.



Source: J.P. Morgan, Haver Analytics.

But still-tight labour markets beg the question: has the short-end of EM curves moved too far and whether central banks will have the sense of urgency to cut rates that is consistent with market pricing? At the same time as we start to see more meaningful disinflation taking place across EM, labour markets remain tight with unemployment around the lowest levels seen in decades (Figure 4). While it may be a stretch to cite this as signs of an 'immaculate disinflation,' it prima facie raises the question of whether the disinflation can be sustained absent a rise in unemployment rates. At the very least, central banks are unlikely to have the urgency to aggressively front load rate cuts in this context. Current market pricing of policy rate changes up to two years in EM curves shows fast and significant cuts consistent with recessionary environments (Figure 5). However, with labour markets being as robust as they continue to be, EM central banks have little cost of cutting slowly and cautiously while they await more clarity on the DM policy cycle.

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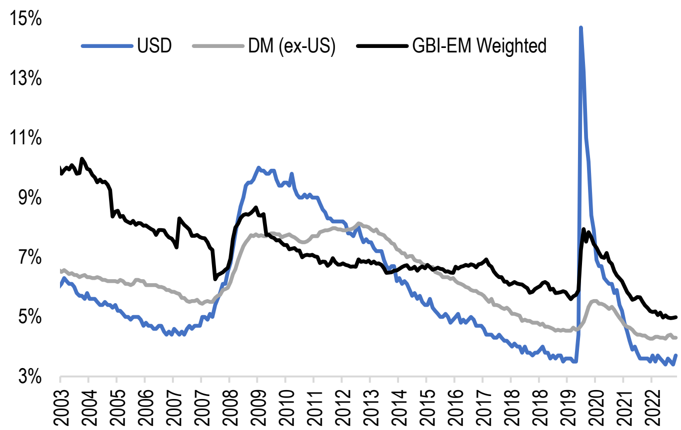
Figure 4: While unemployment across the board remains a multi-decade lows

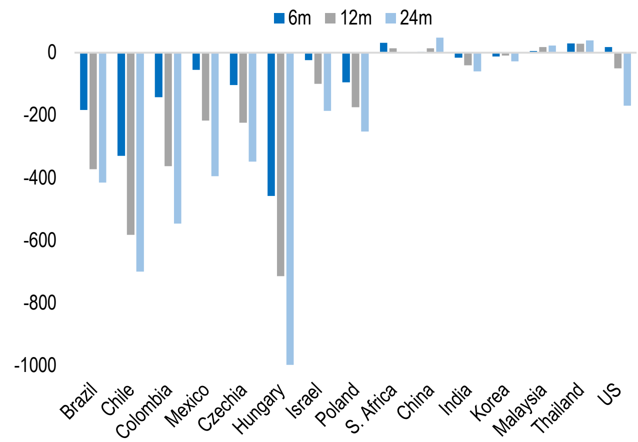
Vertical axis (%): Unemployment rate. DM ex-US is the average of Euro area, United Kingdom, and Japan.



Source: J.P. Morgan, Haver Analytics.

Figure 5: Short-end of EM curves currently prices significantly cuts

Vertical axis (%): Changes in policy rates for 6, 12, and 24 month horizons as priced by the market. See our latest [What is Global EM What's Priced In?] report for more information.



Source: J.P. Morgan.

Türkiye Price Action: Further FX depreciation as markets await more policy tightening

We envisaged higher USDTRY post-elections regardless of the result, seeing pre-election stimulus as putting pressure on the lira (see here). This has played out, with the trade balancing widening substantially in May. We have recently taken profits on our long USDTRY on the view that the risk reward for holding bearish TRY positions has now shifted, with credit growth collapsing, the upcoming tourism season likely to drive modest CA surpluses, and the potential for more orthodox policy (see here). However, in the first meeting after the election, the CBRT hiked the policy rate to 15% (from 8.5%) – below market consensus at 20% – leading to further lira depreciation. The CBRT signalled gradual rate hikes going forward by stating that monetary tightening will be further strengthened in a timely and gradual manner until a significant improvement in the inflation outlook is achieved. Our economists maintain the 30% year-end policy rate forecast, but with a more gradual tightening cycle. While we are on the side-lines for now, we think investors will require more decisive increases in interest rates before considering long positions in the lira.

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For EM hard currency sovereigns, the question of if or where there is value in the asset class is an important one that is at the forefront of discussions with investors. Our team has been discussing the bifurcation of EM sovereigns given EMBIGD ex-CCC spreads are 40bp *below* long-term averages and at 275bp are far below the levels they would get to in a late-cycle recessionary environment. While at the same time, CCC and some single-B rated spreads at 3,443bp are historically very wide — even after having driven the rally since mid-May. In total return terms, the IG component of the EMIBGD is flat since May 15, while the HY segment saw a 4.3% total return over the same period, led by a 15.7% performance by CCC rated sovereigns. Our own preference has been to look for underweights in the higher rated part of the EM sovereign market (mostly in the BB-rated bucket and including many oil exporters that have performed well), which we think will be where any real beta sell-off will occur and where there is little value. We have seen overweight tactical opportunities in the CCC and single-B rated sector since last summer, rotating through longs in El Salvador, Tunisia, Ecuador, Egypt, which we no longer hold and most lately Nigeria where we are OW but which we cut in half last week.

To put this in theoretical terms, the debate is about where there is most credit spread over-compensation, or where the 'credit spread puzzle' premium is greatest in EM sovereigns. We tend to think that this compensation is highest when market concerns are highest and so look for cyclical sell-offs and parts of the asset class that have weakened the most (i.e. the distressed parts) as typically the best source of over-compensation and resulting value. But there are two counter-arguments that we hear being made against this. First, that the current cycle is different for the lower-rated countries as they have borrowed too much when financing was easy, are much more interest rate sensitive in a higher interest rate world, and face an increasingly difficult restructuring environment. That view-point argues that the current spreads of lower-rated countries are not offering value against a multi-year outlook of higher default rates and lower recovery rates. We accept that this time is different in those ways, but think that we will have opportunistic over-pricing of these risks in certain countries and have been trying to exploit this.

Second, is an argument that the excess risk-premia is actually in the higher-rated portion of the market. This argues that many of the countries with an IG-rating have actually very low default risk given debt metrics and reserves, and so even current low spreads overcompensate for this. This sounds plausible, but when we look at the current spreads on the countries most named, it is difficult to see that value. Looking at some of the IG-rated names in the EMBIG, the nearest-to-10y maturity bond has a spread pickup to UST yields of: 33bp in Abu Dhabi (8y bond), 24bp in Qatar (7y bond), 21bp in Malaysia (8y sukuk bond), 6bp in Kuwait (only a 3y bond), and -12bp in China (8y bond). Saudi 10y at 89bp may have more of a case for that – and we are OW there – but investors tend to see more risk and supply for Saudi. We work with an assumption that there is a minimum level of 'unknowable' risk over 10 years when lending to an EM country, whereby governments can change along with fundamentals, and there is usually some tail geopolitical/political risk that needs compensation for, as Russia in 2022 showed despite strong credit fundamentals and an IG rating. These spreads are therefore low when seen against that potential risk in our view.

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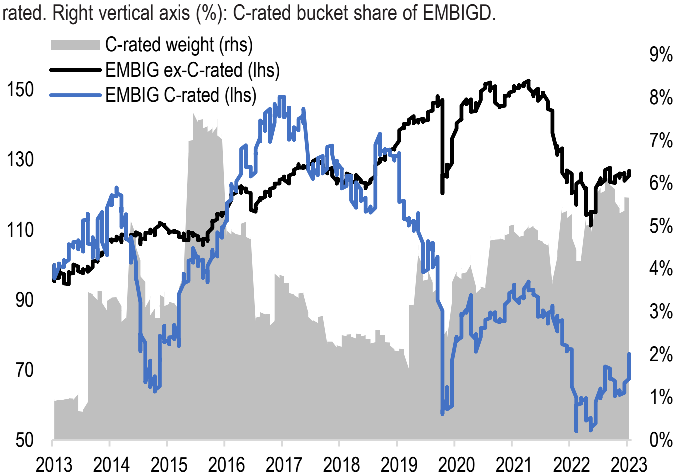
The C-rated bucket of the EMBIGD has underperformed over the last decade, but 2023 has been a good year for this more distressed part of EM sovereign credit. In order to compare the historical performance of this more distressed share of sovereign credit versus the broader asset class we construct a total return index for both C-rated EMBIG bonds as well as EMBIG ex-C-rated bonds (Figure 6). Looking over the last 10 years – a period when share of C-rated bonds in the EMBIG has become more relevant – shows that the performance of this bucket has been worse than that of the other components of the index. Although C-rated bonds generally provide higher yields, spread losses have historically generated lower total returns and higher volatility. This year, however, the story has been different. After being the worst performing pocket of EM sovereign credit in 2022, C-rated bonds have significantly outperformed the other pockets in 2023 with YTD total returns at almost 20% (Figure 7).

Figure 6: C-rated share of EMBIGD has increased over the last decade, but it has had worse return characteristics

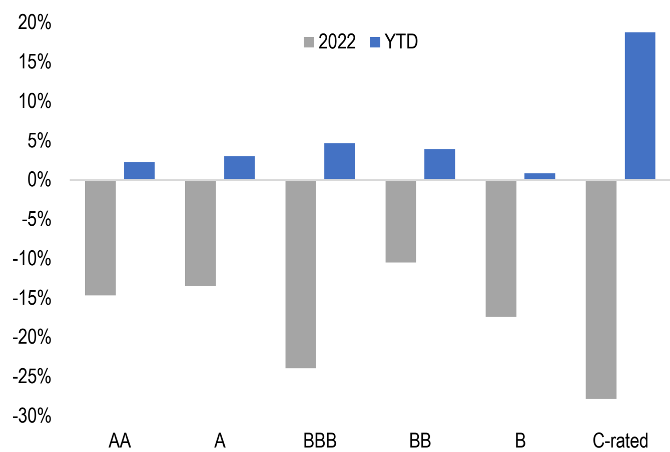
Left vertical axis: total return index for C-rated EMBIGD bucket and EMBIGD ex-C-rated. Right vertical axis (%): C-rated bucket share of EMBIGD.



Source: J.P. Morgan.

Figure 7: C-rated bucket has been the outperformer in 2023, after being the worst one in 2023

Vertical axis (%): YTD and 2022 returns for different rating buckets of the EMBIGD.



Source: J.P. Morgan.

Recent developments in Zambia have raised the question of whether there is more upside in distressed credits should restructurings occur sooner and on better terms. Official creditors (including China) have agreed debt relief terms with Zambia, after a year of discussions and nearly 3 years of default on sovereign hard currency bonds. On the positive side, there is some progress being made on distressed situation in the G20's *common framework* process, where bonds have been in default for many years and this can unlock the prospect that payments will return post-restructuring. Markets have also seen some upside in the implications of the terms of the official sector restructuring for bondholders, given the idea of upside in payments to the official sector if the economy improves may be carried through to the bondholder restructuring. However, the official sector has reportedly agreed to a repayment schedule of 20 years, an initial 3y grace period, and a very low coupon over the 20 years. This could imply the private sector will be asked to take a large NPV loss to be comparable to that taken by the official sector and will push much of the upside in current bond prices to be dependent on future payments that are contingent on upside in the economy, with lower coupons on bonds in the near future despite risk-free rates being high. Should bondholders insist on better terms, we may see an ongoing period of discussions, with the official sector potentially hardening its stance.

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EM Local Markets Views Roundup

EM Local Markets Strategy Views: Latin America Summary

	Local currency rates	FX
Argentina	**No outright trades.** BCRA raised the Leliq rate to 97% from 91% amid FX pressures, with yearly inflation running at triple digits. The rollover of local currency debt remains a concern given the heavy maturities profile ahead of the elections.	**No outright trades.** Reserves have been falling non-stop since the beginning of the year. The crawling peg depreciation was reaccelerated amid FX pressures. The gap between the BCS and the official rate has been hovering around 100%.
Brazil	**OW.** We favor receivers in the front end of the curve given positive inflation dynamics and high real rates. The fiscal framework was received with optimism by markets, which coupled with the BCB directors nominations removed a big source of uncertainty.	**OW.** We expect global conditions to continue fuelling appetite for carry. Brazil offers the highest real rates in EM and volatility has been low, while many idiosyncratic catalysts are out of the way.
Chile	**UW.** Unappealing bond valuations make us bearish Chilean duration. CLP rates have rallied on the expectations of imminent central bank cuts, with inflation and activity cooling down.	**UW.** Disappointing Chinese data in the near term point to weak prospects for copper. CLP has decoupled from recent copper price action, and having been one of the main beneficiaries of the Chinese reopening optimism, it looks prone to a correction. BCCh seems more likely to cut sooner than other Latam CBs, deteriorating the carry profile in Chile faster than elsewhere in EM.
Colombia	**MW.** Colombia's BanRep hiked +25bp to 13.25% following the bout of political noise around President Petro's cabinet reshuffle and the end of the coalition. While inflation remains high, lower political uncertainty and a pro-duration environment make payers hard to hold.	**MW.** A starting point of cheap valuations amid lower perceived political risks seem to have prevailed as drivers for FX, and we do not see strong enough catalysts to drive weakness in the currency for the time being. External accounts continue to warrant caution, while lower oil prices in a global recession environment could further complicate Colombia's external and fiscal situation.
Dominican Republic	**MW.** BCRD delivered a 50bp cut to 8% in its May meeting, one month earlier than we expected, on conviction that inflation has decelerated and on slowing growth. Our economists have front-loaded their foorecasts for cuts, and now see the policy rate at 5% by year-end, below their prior estimate for a neutral-like 6.5% rate. We favor 3yr Central Bank bonds.	**MW.** DOP's REER is moderately below its 20-year average. Strong inflows have given the currency good support, and we do not expect material weakness for the DOP going forward.
Mexico	**OW.** Mexico has appealing real rates, relatively robust external and fiscal accounts; and quieter politics relative to the region. With the latest inflation data showing a deceleration in prices and an improvement in the trend of the core component, our economists anticipate Banxico cutting in November.	**OW.** Good carry, strong fundamentals and structural factors should support the currency. The US economic cycle, fluctuations of risk appetite and uncertainty around the Fed's policy are however risks ahead.
Peru	**OW.** After a convoluted few months last year, the political situation in Peru has found a more stable equilibrium that should be favorable to local assets. Inflation has started decelerating, while growth has taken a toll after the protests. Political turmoil is yet to affect rates, thanks partly to BCRP credibility, strong reserves, and robust fiscal balances.	**OW.** PEN did not benefit much from the China re-opening story as political noise kept flows muted, limiting the potential correction on the way down. BCRP's reliance on FX intervention should keep the currency on check as the central bank gradually eases monetary conditions.
Uruguay	**MW.** BCU paused its cutting cycle on the back of reaccelerating inflation, after having delivered an initial cut of -25bp in April that brought the rate to 11.25%. The disinflationary process however is getting back on track, and our economist now sees the policy rate converging to 10.5% by year-end. Carry is attractive but we see limited space for bond yields to move lower.	**MW.** UYU has been a strong performer amongst currencies in EM, thanks to strong terms of trade and appealing real rates. The drought, coupled with compressing interest rates differentials and lower FDI inflows as the UPM plant achieved completion are risks ahead.

Source: J.P. Morgan.

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EM Local Markets Strategy Views: EMEA EM Summary

	Local currency rates	FX
Czech Republic	**OW CZGB in the GBI-EM Model Portfolio, receive 5y CZK IRS.** The Czech Republic remains the poster child for slowing growth and inflation in EMEA EM. Momentum measures of core CPI have shifted sharply lower in recent months, while the growth outlook remains anaemic. We hold 5y swap receivers, with scope for elevated inflation premia to compress, and long bond positions given cheap valuations. A hawkish CNB should also help terminal rates further out the curve price lower, but may drive some tactical curve bear flattening, in our view.	**UW CZK as an RV versus OW PLN.** We believe CZK is among the more vulnerable currencies globally to a recession scenario. It is substantially overvalued based on REER levels vs. long term averages, with the pace of real appreciation exceeding productivity differentials since end-2019. CNB's FX intervention backstop remains a key support, but we expect the currency focus to naturally fade as headline inflation drops below 3% from January 2024.
Hungary	**MW HGBs in the GBI-EM Model Portfolio; hold HUF 1s3s IRS steepeners.** With the NBH recently commencing their cutting cycle, and headline inflation printing at -0.4%mom in May, we see this as adding to the momentum for further HUF curve steepening, as the market gets more comfortable pricing deeper cuts. 1s3s remains our preferred expression. Elsewhere, the government has introduced new regulations targeting retail, bank and institutional investors, and could potentially drive an additional HUF 2,000bn of demand for local government bonds.	**OW HUF in the GBI-EM Model Portfolio.** FX total returns usually peak only 6 months after central banks commence an easing cycle following emergency hikes and so far the NBH approach has proven very credible. HUF continues to offer outstanding carry against a much improved current account position with lower FX positioning than for other high carry currencies in Latam. We have been concerned about entry levels, but with now lower immediate concerns on the USD momentum, we are long HUF.
Israel	**Hold 2y2y ILS IRS receivers.** We view Israeli rates bullishly through the late cycle lens, amid weakening data for the economy, labour markets and housing. However, given the still elevated FX risks, which BoI Governor Yaron recently suggested could lead to further rate hikes, taking a precise view on front-end pricing and the ultimate peak rate is still difficult. We prefer bullish positions in the belly of the IRS curve, via a 2y2y IS IRS receiver, where lower terminal rates can be priced.	**Neutral ILS; bearish medium term outlook.** While ILS may appear weak in spot terms, especially versus equity prices, we see the potential shift in local FX hedging behaviour as underappreciated by the market. Recent data show a substantial shift higher in FX exposures by local institutional investors, which may be structural in nature given the increased domestic political volatility. We are neutral USDILS at current levels not seeing a clear opportunity; however we are now more bearish medium term on the currency.
Poland	**OW POLGBs in the GBI-EM Model Portfolio.** The case for bullish duration views in CEE broadly is increasingly; with POLGB valuations attractive on a forward-looking basis and providing adequate compensation for fiscal risks, we are OW to complement OWs in CZGBs. We also see scope for foreign positioning to return back to POLGBs after persistent outflows since 2018, particularly with the spread of 10y POLGBs to 10y CZGBs elevated versus the 5y average.	**OW in the GBI-EM Model Portfolio; 11-Dec-23 EUR/PLN put (4.40), spot ref: 4.4850.** We think relative underperformance of PLN versus currencies like CZK is due to reverse, given strong fundamentals (best BoP in the region), fading financial account drags (FX mortgage conversions have largely passed), and scope for relatively bearish positioning to reverse at a time of cheap valuations. Elections could provide an additional bullish catalyst, but this is better expressed in options, in our view.
Romania	**MW ROMGBs in the GBI-EM Model Portfolio.** ROMGBs are likely to trade similarly to CEE peers in the coming months, in our view, but given relatively worse forward-looking valuations and extended foreign positioning in local bonds, we prefer longs elsewhere, keeping us MW. On the bullish side, we note reduced risks of a sharp RON devaluation make owning ROMGBs FX-unhedged more attractive and ROMGB issuance is well ahead of schedule.	**MW in the GBI-EM Model Portfolio; long 06-Sep-23 EUR/RON forward.** The current account is deeply in deficit, even accounting for FDI and the capital account, which can explain some share of the deficit as funded investment goods imports. Real effective exchange rate is above long term averages and we also see some evidence of loss of competitiveness in export shares. We believe this will motivate the NBR to allow a devaluation trend following EURRON stability since September 2021, especially in light of much lower inflation risks.
Serbia	**MW in the GBI-EM Model Portfolio.** The NBS surprised by delivering a 25bp rate hike at its latest MPC, after pausing last month. Sticky inflation pressures remain a concern. With long-end SERBGBs offering little premia versus ROMGBs, and forward looking real yields are negative across the curve (when deflated by end-23 core inflation forecasts), we prefer a neutral stance on SERBGBs despite the more favourable duration backdrop.	**MW in the GBI-EM Model Portfolio.** We fully expect authorities to maintain dinar stability through active FX interventions in 2023. The current account deficit is set to remain wide, but it should remain largely funded by positive net FDI inflows, keeping the basic balance in neutral territory and pressure on RSD minimal.
South Africa	**MW in the GBI-EM Model Portfolio.** As a US/global recession nears, the morphing macro/policy backdrop can see South African rates trade more like credit than duration and with higher correlation to FX. For now though, a late cycle bullish EM duration environment may see ZAR rates struggle to reprice higher (outright and versus DM rates) without a near-term catalyst, making FX a better vehicle for bearish SA views. For local bonds, the recent relief rally has offered breathing room for investors who are still largely OW, but we would use such rallies to reduce longs.	**UW in the GBI-EM Model Portfolio; 11-Aug-23 USD/ZAR call (20), spot ref: 18.7954.** ZAR has been among the best performing EM currencies MTD, but we view this move as technical rather than fundamental, with short positioning squeezes amid lower geopolitical risk leading ZAR to overshoot its terms-of-trade. ZAR REER is 6% overvalued in our BEER model, and year-end FV is forecast to fall another 10%. This suggests no valuation buffer for a currency with multi-decade low levels of carry versus the USD at sub 3.50%, which is inadequate for domestic macro and global recessionary risks.
Turkey	**MW in the GBI-EM Model Portfolio.** Local bond yield adjustment post-elections has been mild, with TURKGB yields still much below our fair value estimates of 26-33%. The pace of CBRT bond buybacks has normalized, but we think it will be difficult to materially reduce bond purchases given large local bank holdings of TURKGBs and a worsening fiscal stance. The new CBRT governor hiked the policy rate to 15%; OIS markets price policy rates at 26% by August and 28.5% by year-end.	**MW in the GBI-EM Model Portfolio.** We envisaged higher USDTRY post-elections regardless of the result, seeing pre-election stimulus as putting pressure on the lira. This has broadly played out, with the trade balancing widening substantially in May. We now think risk-reward on USDTRY longs is worse, with credit growth collapsing, the upcoming tourism season likely to drive modest CA surpluses, and the potential for more orthodox policy. Much depends on the delivery of a credible and orthodox stabilization package for USDTRY stability.
Egypt	**MW in the GBI-EM Model Portfolio.** Despite a recent deceleration, inflationary pressures are likely to persist over the coming months also driven by regulated prices. As we see headline CPI remaining above 30% until early 4Q, we continue to look for an additional 100bp hike to the deposit rate, taking it to 19.25% by year-end. The biggest risk to our profile remains the one related to further and sharp FX depreciation.	**MW in the GBI-EM Model Portfolio.** We are now MW EGP in the GBI-EM Model Portfolio as the delay in delivering key privatization reforms has led to lower-than-expected FDI and FPI inflows. That said, we do not believe a large FX adjustment is imminent as authorities may be fatigued from prior depreciations not resulting in a narrower import bill nor a sustained increase in portfolio inflows. In the meantime, USD/EGP will continue to trade in a range until such a time that authorities are able to deliver on other reforms that will prove as a catalyst for longer-term investment.

Source: J.P. Morgan.

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EM Local Markets Strategy Views: EM Asia Summary

	Local currency rates	FX
China	**Neutral:** Risks remain binary for rates after the big rally in the past few weeks, with the upside hinged on the stimulus hopes while the downside on how much longer the policy vacuum would sustain. Liquidity could remain loose over the short run but bond supply is likely to pick up notably in 2H after a lackluster issuance in 1H. Although the PBoC is unlikely to stay on the sidelines, larger issuance could introduce more volatility in money market rates.	**Bearish:** The bar to reverse CNY FX weakness in 2H23 is high as policy makers will have to over-deliver to prompt a China FRI upturn. The ongoing softness in economic activity portends additional weakness in PMIs and June economic data, thereby prolonging the bearish macro context for CNY FX. This, coupled with an unfavorable summer seasonality for CNY FX (due to dividend payout flows and summer travel peaks), could keep pressuring CNY FX on the weak side in 3Q. As a result, we stay bearish CNY with an UW CNY position in GBI-EM, while considering dips in 3Q still opportunities to buy USD/CNY.
Hong Kong	**Bullish:** A Fed pause has in past cycles been followed by a directional decline in HKD rates. 3y HKD IRS fell by an average of 60bp within 3 months after the Fed delivered its last hike in the latest two rate cycles. 3m Hibor vs. Libor now looks less inverted compared to levels in previous Fed policy cycles, rendering further upside in Hibor more limited. Stay received 3y HKD IRS	**Neutral:** Continued Fed hike and an expected pause thereafter do not support a durable deviation of USD/HKD from the weak side convertibility yet over the short run. But volatility is expected to rise, dampening the carry appeal as HKMA has drained liquidity and the aggregate balance is on course to further decline until Fed starts to ease.
India	**Neutral with steepening bias:** Our economist expects inflation to stay sticky even as RBI cuts 50bp in 4Q23, a recipe for curve steepening. However INR rates have over-richened recently: the NDOIS curve discounts 100bp+ of RBI rate cuts over the next 12-mo amounting to a ~50% unwinding of this cycle's tightening, far in excess of unwind ratios priced across the rest of Asia	**Neutral:** India's current account dynamics have improved, thanks to lower commodity prices and a growing services surplus. While equity inflows have thus far been supportive we do not expect inflows to continue. Even if inflows were to continue however, we expect spot to trade around 82.25 over the next three months (assuming $82 Brent and continued growth in services surplus). Finally, the central bank is likely to use inflows to rebuild FXR.
Indonesia	**Neutral with steepening bias:** IndoGBs have rallied in a near-straight line since March, supported by softer-than-expected inflation prints that could return CPI back to the 2%-4% target range earlier than anticipated, and in conjunction with IDR FX stability open up room for BI rate cuts in late H2. But current levels are prohibitively rich, to the tune of 40-50bp vs. UST yields and the domestic cycle. Stay with 5s20s steepeners as a long duration proxy with signficant RV edge and well geared to BI easing.	**Neutral:** After a protracted period of undervaluation, IDR appears to be trading around levels commensurate with Indonesia's BOP fundamentals. Although the valuation thrust is gone, continued inflows into IndoGBs could augur more strength in the near term. But we note positive seasonality for USD/IDR in June, around the end of dividend season. In the medium term the current account surplus is expected to narrow.
Korea	**Bullish:** Upside surprises on domestic demand, sticky core inflation, re-widening of the CD fixing - policy rate spread, and OW investor positioning have frustrated KTB rallies of late. But services sector strength is expected to fade in H2, and the KRW curve is priced for much shallower rate cuts relative to the US that leaves ample room for downward convergence in yields. Long 10Y KTBs.	**Neutral:** Trade deficit has continued to weighed on KRW: electronics exports have been weak and this has only been exacerbated by a still-onerous energy import bill. However, the currency has been recently lifted by strong foreign equity inflows, much of this thanks to enthusiasm around all things AI.
Malaysia	**Bullish:** The KLIBOR - OPR spread has shrunk sharply as runaway competition for deposits among local banks has likely peaked. With only ~20bp of KLIBOR fixing easing priced in over the next year, there is room for MYR yields to surprise the market dovishly. Long 5Y MGS.	**Neutral:** CNY remains a source of volatility as the ringgit has exhibited the greatest sensitivity among EM Asia FX to the yuan. Better conversion of exporter proceeds should support the currency but this could be undermined by expectations of FX weakness.
Philippines	**Neutral:** Sharp rally in RPGBs as BSP has signaled that end of hiking cycle is near and one CPI print surprised to the downside. But with 3m/3m CPI run rate still running ~8% saar, there are better candidates in HY EM to own.	**Bearish:** The peso remains one of the most expensive currencies in Asia right now. Markets appear to be pricing in a very benign BOP outlook for the Philippines which is unlikely to materialize in the current economic climate.
Singapore	**Neutral:** Recent outperformance of SORA vs Fed Funds is likely due to declining USD/SGD momentum, but we think scope of further outperformance is limited.	**Bullish:** S$NEER is currently 1.4% above the mid but our bullish SGD trade benefits from an upward slope. Forwards are already pricing in the NEER descending to slightly below the mid of the band in one year.
Taiwan	**Neutral:** Despite a surprise rate hike last month, there is little scope for an extension of the CBC tightening cycle after two quarters of negative GDP prints. Inflation is expected to subside in H2 and return real policy rates to positive territory by 1Q24. We are on the lookout for good entry levels to receive TWD NDIRS.	**Bearish:** USD/TWD has historically traded with a premium during periods of geopolitical tensions but there is no such premium currently. TWD also remains vulnerable to weaker global growth via semiconductor exports. Finally we expect lifer hedging to be historically modest.
Thailand	**Neutral with flattening bias:** There is likelihood of greater post-election fiscal spending. However CPI is surprising to the downside, and long-end have begun to attract foreign inflows as UST yields fall. A 3s20s flattener is geared to a global duration rally hedged for contingent fiscal risks that may prolong the BoT tightening cycle	**Bullish:** We remain long THB vs CNH, INR, PHP equally weighted. Tourism flows, which normally taper off during this time of year, should benefit from China's reopening. We expect the current account to swell by yearend. The baht is strong (BOP-implied level is 35.30) but this is to be expected given speculative interest in this story.

Source: J.P. Morgan.

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EM Local Markets Trades Summary

GBI-EM Model Portfolio Positions

- **EM Rates: OW overall.** We are OW across all regions and long duration should continue to perform as the beginning of EM cutting cycles approaches, even if front-ends overprice near-term cuts. Hold longs across EM Asia (Malaysia, Hong Kong, Korea), EMEA EM (Czechia, Poland, Israel), Latam (Brazil, Mexico, Peru) and frontiers (Sri Lanka, Dominican Republic). Stay short in Chile and hold a number of curve trades.
- **EM FX: MW overall.** Stay MW EM FX overall but bullish many high carry currencies, mostly in Latam. In the model portfolio, we are UW in EMEA EM, UM in EM Asia and OW in Latam. We hold UW/short in EM Asia (PHP, CNY, TWD), EMEA EM (ZAR, RON, CZK), Latam (CLP) and frontiers (KES, NGN). Our longs are in SGD, THB, PLN, HUF, MXN, BRL, and PEN.

	OW	UW
FX	THB, HUF, PLN, BRL, MXN, PEN	CNY, PHP, CZK, ZAR, CLP
Rates	Malaysia, Czechia, Poland, Brazil, Mexico, Peru	Chile

GBI-EM Model Portfolio changes since 9 June (excluding rebalances)

- No changes

Outright trade changes since 9 June

- Took profits on long 12-Jul-2023 USDTRY FX forwards on 21 June
- Closed 2y ZAR IRS payers versus 2y USD OIS receivers on 27 June
- Closed 2y Colombia IBR payers on 27 June

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Outright EM Local Markets Trade Recommendations

EM Asia

Rates		Entry	Current	Target	Review	Entry Date
Indonesia	INDOGB 5s20s steepener	60bp	69bp	-	-	01-Feb-23
Korea	Long 10y KTB	3.56%	3.69%	3.06%	-	06-Jan-23
Malaysia	Long 5y MGS	4.20%	3.49%	-	-	23-Nov-22
Thailand	THAIGB (3s20s) flattener	174bp	87bp	-	-	23-Nov-22
Hong Kong	Receive 3y HKD IRS	4.61%	4.19%	-	-	28-Oct-22
India	IGB 5s30s steepener	20bp	31bp	-	-	06-Oct-22
FX		**Entry**	**Current**	**Target**	**Review**	**Entry Date**
Thailand	Long THB NEER basket via 12m fwds	100	100.56	-	-	27-Feb-23
Singapore	Long S$NEER spot basket	100	107.46	101.5	99.5	07-Mar-22
Taiwan	Long USD/TWD via 12m NDF	30.74	31.11	-	-	19-May-23

EMEA EM

Rates		Entry	Current	Target	Review	Entry Date
Czechia	Receive 5y CZK IRS	4.52%	4.37%	3.75%	4.85%	02-Feb-23
Israel	ILS 2y2y receiver	2.98%	3.09%	2.50%	3.30%	21-Nov-22
Hungary	HUF 1s3s IRS steepeners	-426bp	-376bp	-225bp	-490bp	04-May-23
FX		**Entry**	**Current**	**Target**	**Review**	**Entry Date**
Romania	Long EUR/RON via 6m fwd	5.02	4.99	5.10	4.95	02-Mar-23
Poland	Long 11-Dec-23 EUR/PLN put (4.40)	0.54%	0.84%			09-Jun-23
South Africa	Long 11-Aug-23 USD/ZAR call (20.00)	1.30%	0.35%	-	-	10-May-23

Latam

Rates		Entry	Current	Target	Review	Entry Date
Mexico	Long Mbono May 23	8.65%	8.58%	8.30%	9.60%	12-Jan-23
Brazil	Receive DI Jan26	11.67%	10.29%	10.00%	11.90%	11-Aug-22
FX		**Entry**	**Current**	**Target**	**Review**	**Entry Date**
Brazil	09-Aug-23 USD/BRL put spreads	0.95%	2.19%	-	-	09-May-23
Chile	Long USD/CLP	803.55	800.5	845	780	23-May-23

Frontiers

Rates		Entry	Current	Target	Review	Entry Date
Dom. Rep.	Long 3y central bank bonds	12.60%	9.60%	10.00%	14.00%	28-Feb-22
Sri Lanka	Long 3m T-bill, FX-unhedged	26.20%	26.20%	-	-	27-Mar-23
FX		**Entry**	**Current**	**Target**	**Review**	**Entry Date**
Kenya	Long USD/KES via 6m NDFs	113.55	142.38	126	108	24-Jan-22
Nigeria	Long USD/NGN via 3m NDFs	550	772.2	600	500	22-May-23

J.P. Morgan. Levels as of 29-Jun-23 4:00pm LDN time.

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EM Sovereign Credit Views Roundup

EM Sovereign Credit Strategy Views: Summary

	View
Saudi Arabia	OW: Conceived as an RV against Chile (UW) with our view that current tight spread differential remains at odds with diverging macroeconomic trends. While the external picture is set to remain supportive for KSA, the material current account imbalances and the expected deterioration in Chile's fiscal stance will keep pressure on the country's valuations.
Eskom	OW: The budget support from the government is credit positive for Eskom materially improving its repayment capabilities. Furthermore, with the government support over the near term and guarantee on few of its bonds, we believe spreads should trade much closer to the sovereign.
Cote d'Ivoire	OW: Cote d'Ivoire Eurobonds sharp underperformance since March seems overdone given the IMF anchor and relatively stable debt dynamics. While crowded positioning could be a risk, we believe bonds have space to outperform.
Nigeria	OW: Nigeria's government embarked on the reform agenda at a brisk pace which has been a positive surprise. We take partial profits given the outperformance but expect room for some near-term surprises.
Bahrain	UW: Bahrain has been one of the top outperformers in the EMBIGD last year fueled by high oil prices and currently screens rich across wide range of metrics. Given such tight valuations, we think spreads should underperform the index.
Chile	UW: Conceived as an RV against Saudi Arabia (OW) with our view that current tight spread differential remains at odds with diverging macroeconomic trends. While the external picture is set to remain supportive for KSA, the material current account imbalances and the expected deterioration in Chile's fiscal stance will likely keep pressure on the country's valuations.
Colombia	UW: While the country continues to flag wide to its rating, the negative policy agenda has been contained, and the external imbalance has improved, the country remains exposed to oil and fiscal spending is elevated, as evidenced by the upward revisions to the 2024 deficit, which suggests a solid pipeline of supply
Azerbaijan	UW: Current oil prices remain supportive for Azerbaijan but we think the tight valuations in bond spreads is likely overdone with spreads screening rich versus its peers.
Iraq	UW: A confluence of positive catalysts led to Iraq's outperformance versus the EMBIGD peers over the past few months. We are UW however as the outperformance seems overdone given the underlying fundamentals remain fragile.
Trinidad & Tobago	UW: We hold an UW in TRITOB as a funding credit which is screening on the tighter end of B and BB rated peers.
South Africa	UW: While the budget support is positive for Eskom, it adds to the fiscal burden of the sovereign. Moreover, continued load shedding negatively impacts the GDP growth and thus, we believe sovereign bonds will remain under pressure over the near term.
Kenya	UW: Kenya enters an uncertain period of meeting its FY 2024 expected financing gap especially given $2bn Eurobond maturity coming due. Kenya has materially high public and publicly guaranteed external debt servicing needs next year along with an elevated current account burden. While Kenya's shorter-tenor bonds are already pricing these concerns in our view, the belly to longer tenor bonds are still trading tighter to Nigeria.
Ghana	MW: The IMF's Executive Board approval on $3bn, 3y ECF program is positive and reaffirms the authorities fiscal consolidation plans. The current market pricing implies a break-even exit yield of 14%, but in our view, a swift restructuring could see it more closer to 12% but we remain on the side lines given the path ahead could remain tricky with regards to debt negotiations with both the official and commercial creditors.
Pakistan	MW: Discussions with regards to getting the IMF EFF program on track are still ongoing although it is important to note that the program is set to expire in June. Bi-lateral partners have informed the Fund with regards to financing commitments of $3bn. Meanwhile immediate FX concerns however have eased as China has come to Pakistan's rescue twice via fresh loans.
Sri Lanka	MW: The IMF approved the nearly $3.0bn 4yr EFF program for Sri Lanka and the focus now shifts to the debt restructuring process with authorities plan to share their plan by mid-May. The main targets especially with regards to the quantum of debt relief suggest a heavy reliance on a sharp fiscal improvement which only a handful of emerging markets have been able to pull over the past twelve years, most of them commodity exporters during cycle peaks.
Mongolia	MW: A We stay MW as we think EMBIGD MONGOL spreads currently around the middle of the B rated complex (excluding the 1000bp club) is fair. We think that MONGOL's outperformance YTD is justified considering both the benefits from China's re-opening in recent months and the easing of the sovereign's immediate external bonded debt roll-over pressures. However prudent macroeconomic management is still required due to a shallow external shock buffer, the impact of global slowdown concerns, and risk for extra supply due to contingent liabilities.

Source: J.P. Morgan.

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EM Sovereign Credit Recommendations Roundup

EMBIGD Model Portfolio Positions

- We stay UW EMBIGD despite spreads rallying of late, as most outcomes for the global cycle ahead likely lead to spread widening.

OW	UW
Saudi Arabia, ESKOM, Cote d'Ivoire, Nigeria	Trinidad & Tobago, Chile, Colombia, Bahrain, South Africa, Iraq, Azerbaijan, Kenya

Recent EMBIGD Model Portfolio Trade Changes

Date	Issuer	Region	Change
09-Feb-23	Iraq	Middle East	Neutral to UW
09-Feb-23	PLNIJ	Asia	OW to Neutral
09-Feb-23	DOMREP	Latin America	Neutral to OW
09-Feb-23	COSTAR	Latin America	Neutral to UW
02-Mar-23	ESKOM	Africa	Neutral to OW
02-Mar-23	Panama	Latin America	Neutral to OW
02-Mar-23	Serbia	EM Europe	Neutral to OW
02-Mar-23	Azerbaijan	EM Europe	Neutral to UW
02-Mar-23	Guatemala	Latin America	Neutral to UW
02-Mar-23	South Africa	Africa	Neutral to UW
02-Mar-23	Cote d'Ivoire	Africa	UW to Neutral
02-Mar-23	Mongolia	Asia	UW to Neutral
13-Mar-23	Uzbekistan	EM Europe	OW to Neutral
13-Mar-23	Senegal	Africa	OW to Neutral
13-Mar-23	DOMREP	Latin America	OW to Neutral
30-Mar-23	Papua New Guinea	Asia	OW to Neutral
30-Mar-23	Costa Rica	Latin America	UW to Neutral
17-Mar-23	Ecuador	Latin America	Neutral to OW
05-May-23	Serbia	EM Europe	OW to Neutral
30-Mar-23	Cote d'Ivoire	Africa	Neutral to OW
15-May-23	Ecuador	Latin America	OW to Neutral
22-May-23	Nigeria	Africa	Neutral to OW
22-May-23	Kenya	Africa	Neutral to UW
16-Jun-23	Panama	Latin America	OW to Neutral
16-Jun-23	Guatemala	Latin America	UW to Neutral

Recent outright trade changes

- We enter a long-end RV trade: Buy Oman 7% 51s vs Sell Peru 5.625% 50s (link) – 09 Feb-23
- Buy Eskom 6.35% 28s and buy South Africa Dec-28 maturity CDS basis package (link) – 02 Mar-23
- We enter an RV long PEMEX 10 2033 short MEX 4.875 2033 (link) - 05 May 23
- We close an outright long in Egypt 5.75% 24s (link) - 22 May 23

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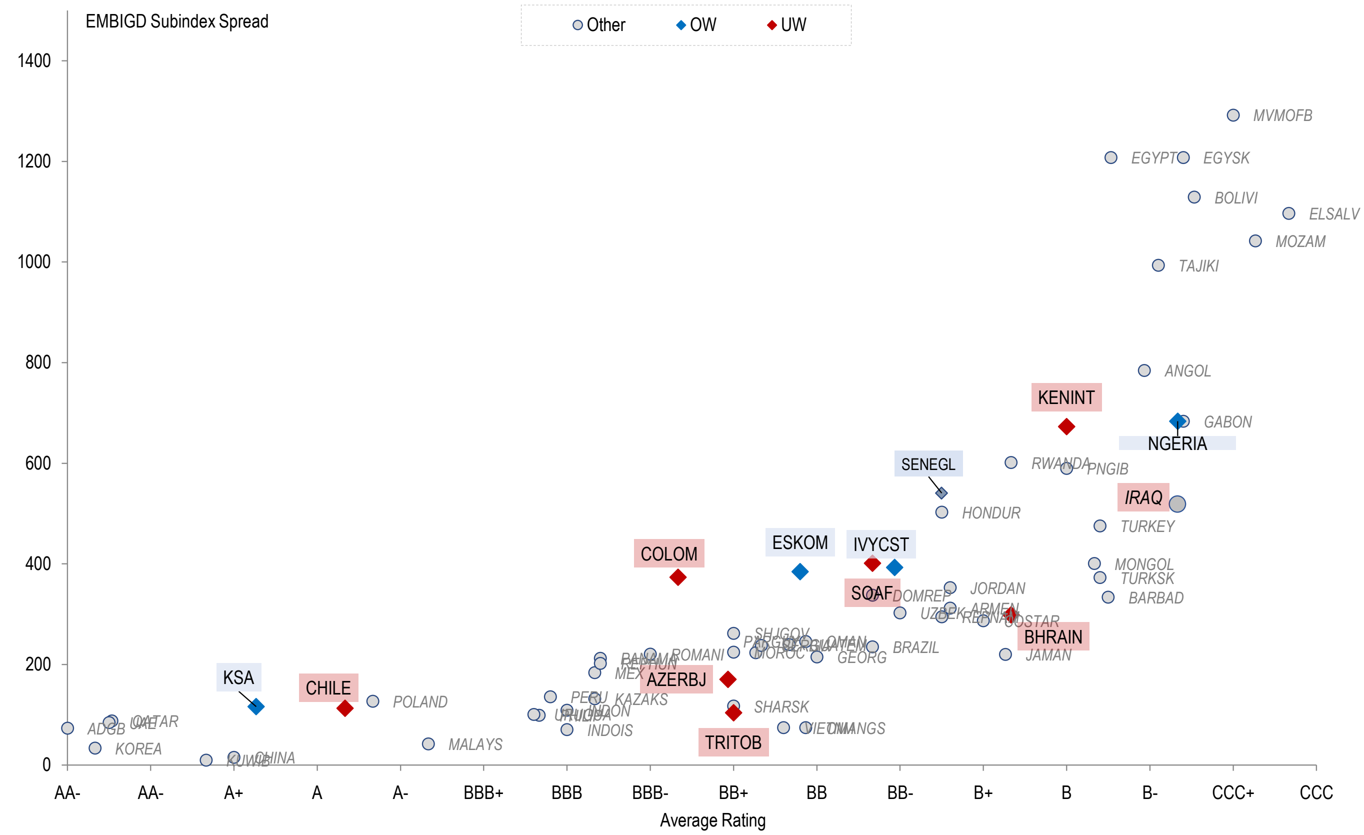
Figure 8: EMBIGD Model Portfolio recommendations

EMBIGD subindex spread (bp, y-axis) versus average credit rating (x-axis); blues denote current OW and reds denote current UW recommendations



Source: J.P. Morgan.

Figure 9: Current RV trade recommendations which shows the P&L of outstanding RV trade recommendations

Region	Trade description	Type	Entry date	Trade leg B/S	Notional ($mn)	Description	Spread (bp) Entry	Spread (bp) Current	Price Entry	Price Current	P&L ($) Since Entry	P&L ($) YTD 2023	P&L ($) 1 Week Δ
EUROPE	Buy Ukraine GDP warrant**	Outright	24-Mar-17	B	8.1	Buy UKRAIN 0% 40	-	-	31.0	37.9	556,452	206,725	28,750
Global	Oman vs Peru	RV	09-Feb-23	B	2.3	Buy OMAN 7% 51	365	382	102.0	99.5	2,505	2,505	10,224
			09-Feb-23	S	2.0	Sell PERU 5.625% 50	234	225	101.9	102.7	-60,093	-60,093	-6,142
							131	156	0.1	-3.2	-57,588	-57,588	4,082
EMEA	Eskom vs South Africa	RV	02-Mar-23	B	2.3	ESKOM 6.35 28	374	409	93.5	93.8	57,886	57,886	11,399
			02-Mar-23	B	2.0	South Africa 5y CDS	290	292	91.1	91.4	-30,127	-30,127	26,528
							84	117	2.4	2.4	27,759	27,759	37,926
LATAM	Pemex vs Mex	RV	05-May-23	B	2.9	Buy PEMEX 10% 2033	812	780	92.0	92.2	36,515	36,515	-10,593
			05-May-23	S	2.0	Sell MEX 4.875 2033	207	190	96.3	96.2	-12,103	-12,103	-9,173
							605	590	-4.3	-4.1	24,412	24,412	-19,766
											551,036	201,309	50,992

Source: J.P. Morgan.
Notes: **Entry level is the ask price, current level is the mid-price. Entry is bid/ask and current is mid.

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GBI-EM Model Portfolio and YTD performance

Portfolio Attribution YTD (bp)	Bonds	FX	Total	*Portfolio Positions*	Bond CTD	Bond Weight	FX Weight
Country positions	+15	-0	**+15**	Country positions	0.475	13.17%	1.50%
Overlay contribution	+1	-9	**-8**	Overlay position	-0.225	-4.69%	-1.50%
Final portfolio	**+17**	**-10**	**+7**	**Final portfolio**	**0.250**	**8.49%**	**0.00%**

Annualized TEV (bp)	**+54**	Annualized vol of final portfolio (inc. overlays; target: 150-250bp)
1-month VaR (bp)	**-26**	Portfolio excess return at the 5th percentile over 1-month period. Historical VaR is -26bp

	Final positions		*Country positions*			*YTD excess returns (country positions, bp)*		
	Bond View	**FX View**	**Bond CTD**	**Bond Weight**	**FX Weight**	**Bonds**	**FX**	**Total**
GBI-EM	OW	MW	0.475	+13.17%	+1.50%	+15	-0	+15
EM Asia	OW	UW	0.05	+0.77%	-0.50%	+0	-1	-0
EMEA EM	OW	UW	0.175	+4.24%	-0.50%	-6	-13	-19
Latin America	OW	OW	0.25	+8.16%	+2.50%	+21	+14	+34
China	MW	UW	-	-	-0.50%	-	+1	+1
Indonesia	MW	MW	-	-	-	-2	-2	-4
Malaysia*	OW	MW	0.05	+0.77%	-	+3	-	+3
Philippines	MW	UW	-	-	-1.00%	-	-4	-4
Thailand	MW	OW	-	-	+1.00%	-	+4	+4
Czech Republic	OW	UW	0.075	+1.46%	-1.00%	-2	-1	-2
Egypt	MW	MW	-	-	-	-	-8	-8
Hungary	MW	OW	-	-	+0.75%	-6	-5	-11
Poland	OW	OW	0.100	+2.78%	+0.75%	+1	+1	+2
Romania	MW	MW	-	-	-	+2	-1	+2
Turkey	MW	MW	-	-	-	-	-	-
Serbia	MW	MW	-	-	-	-	-	-
South Africa	MW	UW	-	-	-1.00%	-2	+1	-1
Brazil	OW	OW	0.10	+5.10%	+1.50%	+17	+7	+25
Chile	UW	UW	(0.05)	-0.81%	-1.00%	+1	-3	-2
Colombia	MW	MW	-	-	-	-	-15	-15
Dominican Republic	MW	MW	-	-	-	-	-	-
Mexico	OW	OW	0.10	+2.16%	+1.00%	-0	+19	+19
Peru	OW	OW	0.10	+1.71%	+1.00%	+3	+1	+4
Uruguay	MW	MW	-	-	-	-	+3	+3

Source: J.P. Morgan. Statistics as of COB 28-Jun-23 *FX carry returns calculated using T-Bills (up to 3m).

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EMBIGD Model Portfolio and YTD performance

Portfolio Returns YTD		*Portfolio Attribution YTD*	
Benchmark return	4.01%	**Market position return (bp):**	-6
Portfolio return	4.13%	**Credit selection return (bp):**	18
Portfolio Performance (bp)	12	**Portfolio Outperformance (bp):**	12

		As of June 28, 2023			Since Initiation		YTD Changes & Returns					1w chg
Credit selection returns	View	Current Position	Spread	Duration	Initiation Date	Spread Chg vs EMBIG (bp)	Spread Chg (bp)	Spread Chg vs EMBIG (bp)	Spread Returns (bp)	Carry Returns (bp)	Credit Returns (bp)	Credit Returns (bp)
Cote D'Ivoire	OW	1.1%	393	5.1	22-May-23	3	(35)	3	0	(0)	(1)	0
Eskom	OW	1.3%	385	2.9	1-Mar-23	35	31	35	(1)	(0)	(1)	0
Nigeria	OW	0.3%	683	5.6	22-May-23	(137)	(175)	(137)	13	0	13	(0)
Saudi Arabia	OW	1.1%	120	8.1	21-Nov-22	43	26	34	1	(3)	(2)	0
Azerbaijan	UW	-0.2%	170	3.8	1-Mar-23	24	21	24	(0)	0	0	0
Bahrain	UW	-1.0%	294	4.8	6-Oct-22	26	17	25	(0)	1	1	0
Chile	UW	-1.7%	113	10.6	21-Nov-22	19	(20)	(11)	(5)	3	(3)	0
Colombia	UW	-2.5%	373	7.7	21-Nov-22	13	4	12	(3)	1	(3)	2
Iraq	UW	-0.2%	519	1.9	8-Feb-23	87	98	87	0	(0)	0	0
Kenya	UW	-0.8%	673	3.9	22-May-23	(93)	(131)	(93)	(2)	(0)	(3)	0
South Africa	UW	-1.0%	401	6.3	1-Mar-23	50	47	50	1	0	1	0
Trinidad and Tobago	UW	-0.1%	163	2.9	6-Oct-22	82	6	14	0	0	0	0
Closed position return (bp):		15					Current Credit selection return(bp)				3	5

Source: J.P. Morgan. Transaction and other costs have not been included in these calculations. Full details of the calculation and historical comparisons are available. Past results cannot and should not be viewed as an indicator of future performance.

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