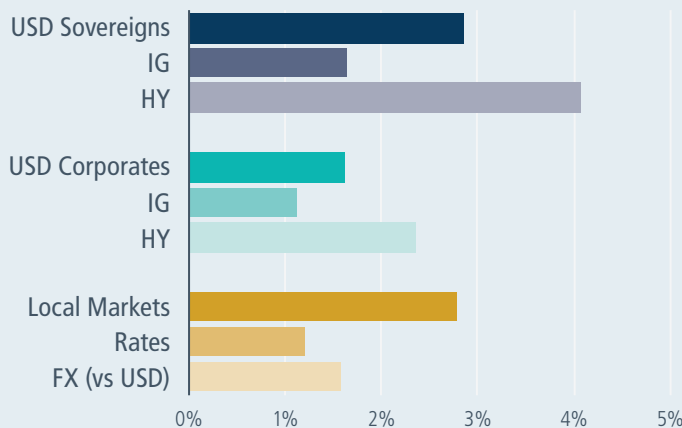


## MARKET REVIEW

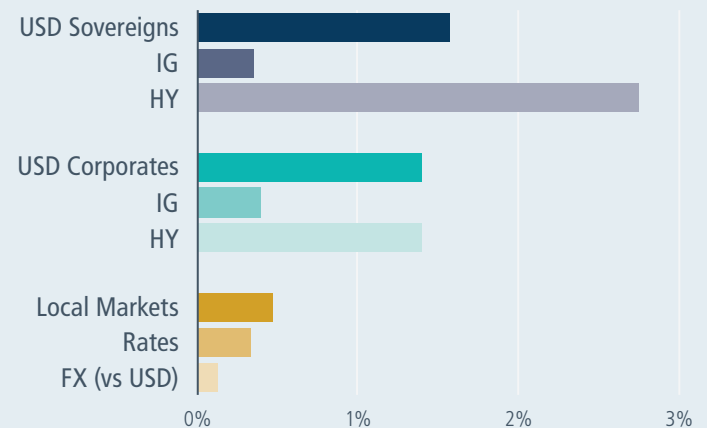
Despite ongoing geopolitical uncertainty and elevated energy prices caused by tensions in the Middle East, emerging markets (“EM”) debt indices rebounded during April. Yields on hard currency sovereign and corporate credit fell by 0.41% and 0.33%, respectively, versus similar-maturity U.S.

Treasuries. Local currency bond markets kept pace with hard currency markets, with EM currencies rallying against the U.S. dollar, while interest rates came down moderately from the recent peak levels reached in late March.

## April 2026 EMD Returns



## Year-to-Date 2026 EMD Returns



Source: JP Morgan Indices (EMBI Global Div, CEMBI Broad Div, GBI-EM Global Div), Bloomberg

## Economic and Political Developments

- » In Hungary’s closely watched parliamentary elections, the opposition Tisza Party (Respect and Freedom Party) secured a historically strong mandate, clearing the two-thirds majority threshold that would give it power to amend the country’s constitution. Péter Magyar, the leader of the relatively new, conservative party, will be inaugurated as Prime Minister on May 9, officially taking over from the sixteen year rule of Viktor Orbán. Magyar has been outspoken about working more closely with the European Union (EU), marking a break from Orbán’s antagonistic EU relationship. Hungarian assets rallied following the vote, as the change in leadership is likely to facilitate EU financial support returning to the country, while Magyar stated that he supports adopting the euro as the national currency by 2030.
- » Peru also held elections in April. Although the official results are not yet complete, the legislature appeared on track to continue shifting towards the political right. In the presidential vote, conservative candidate Keiko Fujimori, daughter of former authoritarian president Alberto Fujimori, earned about a 17% share, putting her in the lead against a long list of contenders. Fujimori will participate in a runoff on June 7, and her competitor is likely to be leftist Roberto Sánchez, who has received approximately 12% support and very narrowly leads conservative Rafael López Aliaga.
- » Romanian politics faced turbulence after the government’s largest coalition partner, the PSD (Social Democrats) withdrew, due to disagreements about the ongoing fiscal austerity drive under Prime Minister Ilie Bolojan. The leftist PSD surprisingly teamed up with the far-right AUR (Alliance for the Union of Romanians) to force a no confidence vote, which passed on May 5, ending the current government. President Nicușor Dan will begin the work of forming a new coalition, potentially under a new Prime Minister.
- » The UAE announced it was departing the Organization of the Petroleum Exporting Countries (OPEC), ending its membership after almost sixty years. The UAE has voiced frustration with OPEC policy in recent years, as the country has invested in greater oil production capacity that it has been unable to use. The UAE’s decision can also be seen as part of a broader split with Saudi Arabia, as the traditionally aligned GCC partners have been at odds over a variety of geopolitical issues.

## Central Bank Policy Highlights

- » The U.S. Federal Reserve is weighing the risks around inflation, which remains mildly above its target, and an employment situation that it views as broadly balanced. In their April meeting, Fed officials voted to stay on hold at the 3.5-3.75% policy rate. Resilient economic data and higher energy prices have caused markets to price monetary policy on hold throughout 2026, versus the easing that was priced prior to the Iran conflict.
- » EM central banks largely kept policy rates on hold in April as they evaluate the implications of higher energy prices, though there were exceptions. Authorities in the Philippines chose to hike and signaled more may come, highlighting their concern that inflation may breach the 4% tolerance ceiling through 2027. Pakistan's central bank hiked by 100 basis points, in anticipation of inflation rising beyond the 5-7% target range.

Country	Prior Rate	New Rate	Cut / Hold / Hike
Thailand	1.00%	1.00%	Hold
Poland	3.75%	3.75%	Hold
Peru	4.25%	4.25%	Hold
Chile	4.50%	4.50%	Hold
Philippines	4.25%	4.50%	Hike
Indonesia	4.75%	4.75%	Hold
India	5.25%	5.25%	Hold
Uruguay	5.75%	5.75%	Hold
Hungary	6.25%	6.25%	Hold
Romania	6.50%	6.50%	Hold
Colombia	11.25%	11.25%	Hold
Pakistan	10.50%	11.50%	Hike
Brazil	14.75%	14.50%	Cut
Kazakhstan	18.00%	18.00%	Hold
Egypt	19.00%	19.00%	Hold
Turkey	37.00%	37.00%	Hold

Source: Bloomberg, Country Sources

## OUTLOOK

EM fundamentals began 2026 on a healthy footing. Heading into the U.S./Israel conflict with Iran, growth was steady, inflation was contained, real rates were firmly positive, and external accounts were in balance, underpinned by elevated foreign reserves. The primary economic effect of the conflict has been higher energy prices, which will likely put upward pressure on inflation and keep growth more subdued relative to prior expectations. However, assuming that the Strait of Hormuz can gradually reopen in coming weeks, the economic implications should be manageable.

Prior to the energy price shock, EM central banks were easing monetary policy, though they remained prudent by maintaining a gap between policy rates and inflation. This approach served policymakers well, and it may allow central banks to be patient regarding the path of future policy.

While energy prices will likely remain higher than before the conflict, we anticipate prices moving lower in the latter half of the year. Combined with our view that EM currencies should resume appreciation versus the U.S. dollar, we anticipate the inflationary impulse to be moderate for most countries.

Over the long term, structural forces continue to benefit EM debt, including stronger growth prospects relative to developed markets and a widening set of investment opportunities across nearly 90 countries, spanning sovereign, corporate, and local market bonds. Renewed interest in diversification has been favorable for EM assets, and flows have demonstrated a degree of resilience to the current geopolitical volatility. In our view, EM debt offers value as a strategic allocation, with attractive yields that can generate income over time.

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