

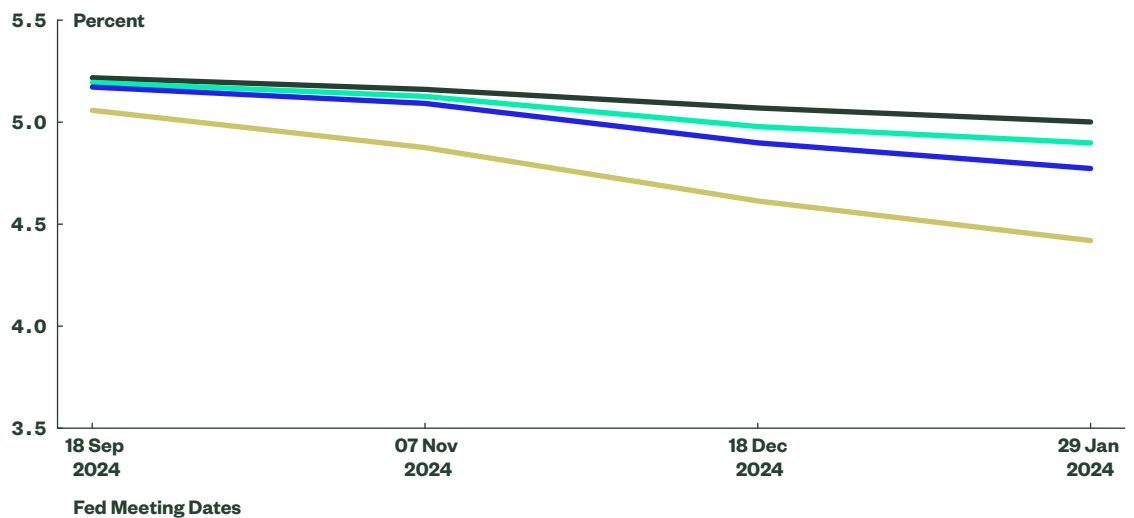
Emerging Market Debt

Market Commentary: July 2024

Chart of the Month: Markets Price in Near-Term Rate Cuts

Figure 1
Implied US Fed
Funds Rate

■ As of 30 April
■ As of 31 May
■ As of 28 June
■ As of 31 July



Source: Bloomberg Finance L.P., as of 31 July 2024. Past performance is not a reliable indicator of future performance.

EMD Commentary: July 2024

Emerging market (EM) debt in July benefited from tailwinds in the form of a softer US inflation print and increasing expectations of a rate cut by the US Fed in September. The improving prospects of the Fed easing monetary policy should bode well for emerging markets, since a Fed rate cut could widen the room for EM central banks in Europe and Latin America (LatAm) to cut rates further. However, there were bouts of uncertainty during June around the future trajectory of EM core rates, with markets factoring in US election outcome possibilities and prevailing geopolitical risks. While markets welcomed the reopening of Israel-Hamas talks in July, the situation remains very fragile. The broad EM inflation outlook improved in July, aided by the softening in commodity prices, especially oil, which fell by 4.5% in the month. Total returns were positive in July for both EM local currency and hard currency bonds. The US dollar weakness combined with a drop in EM local yields supported EM local bonds. EM hard currency debt benefited from a decline in US benchmark Treasury yields and rallies in some of the EM dollar bond markets.

In China, the third Plenum of the 20th CPC Central Committee concluded its four-day meeting (15–18 July) with a statement prioritizing high-quality development, digitalization of the real economy, development of the services sector, modernization of infrastructure, and enhancement of supply chain resilience. Meanwhile, the People's Bank of China (PBoC) lowered its key lending rates to record lows in July — the one-year loan prime rate, the reference rate for most corporate and household loans, was reduced by 10bps to 3.35%. The five-year rate, a reference rate for property mortgages, was also reduced by 10bps to 3.85%. In LatAm, the Central Bank of

Colombia reduced its benchmark interest rate by 50bps to 10.75% in July. In Europe, Hungary's central bank reduced its key base rate by 25bps to 6.75%. Central banks in EM Asia (ex-China) continued to be cautious, with interest rates unchanged in Philippines, Thailand, and Indonesia in July.

Net flows in July were negative for both hard currency and local currency bonds, amounting to -\$1.2bn and -\$1.3bn, respectively. (Source: JP Morgan).

Figure 2
**Emerging Market Debt
Index Returns —
As of 31 July, 2024**

	1m (%)	3m (%)	6m (%)	YTD (%)	12m (%)	3yrs (%)	5yrs (%)
In USD							
GBI-EM GD (EM Local Currency)	2.27	2.80	0.00	-1.52	0.08	-2.40	-1.02
EMBI GD (EM Hard Currency)	1.87	4.34	5.33	4.26	9.18	-2.13	0.10
CEMBI BD (EM Corporates)	1.50	3.94	4.79	5.41	9.87	0.10	2.35
In EUR							
GBI-EM GD (EM Local Currency)	1.30	1.58	0.38	0.53	1.97	0.62	-0.46
EMBI GD (EM Hard Currency)	0.89	3.10	5.74	6.43	11.25	0.90	0.67
CEMBI BD (EM Corporates)	0.53	2.70	5.19	7.60	11.94	3.20	2.94
In GBP							
GBI-EM GD (EM Local Currency)	0.65	0.22	-0.86	-2.26	0.25	0.21	-1.97
EMBI GD (EM Hard Currency)	0.25	1.72	4.43	3.47	9.37	0.49	-0.85
CEMBI BD (EM Corporates)	-0.11	1.32	3.89	4.61	10.05	2.78	1.38

Sources: State Street Global Advisors, Bloomberg, JP Morgan, as of 31 July, 2024. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable. Performance returns for periods of less than one year are not annualized.

Figure 3
**Key EM and Macro levels
as of 31 July 2024**

Item	Δ 1 Month	Δ 3 Months	Δ YTD	Current Level
GBI-EM GD Yield	-22 bps	-26 bps	18 bps	6.37%
EMBI GD Yield	-23 bps	-34 bps	33 bps	8.18%
EMBI GD Spread	9 bps	27 bps	16 bps	400 bps
CEMBI BD Yield	-25 bps	-55 bps	-22 bps	6.79
CEMBI BD Spread	11 bps	15 bps	-37 bps	312 bps
CDX.EM 5y	-5 bps	-8 bps	4 bps	169 bps
10y UST	-37 bps	-65 bps	15 bps	4.03%
Dollar Index (DXY)	-1.67	-2.00	2.73	—
DOW 30	4.41	8.00	8.37	40843
Oil (WTI)	-4.45	-4.91	8.74	\$ 77.91

Source: JP Morgan, Bloomberg, as of 31 July, 2024. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

Local Currency Market Highlights

EM local currency debt returned +2.27% (in USD terms) in July 2024, as measured by the JP Morgan GBI-EM Global Diversified Index. A major contribution to the total return outcome came from bond returns (+1.64%). Regionally, Africa and Asia were the clear outperformers, although all regions delivered positive results — this included LatAm, despite a negative drag from most of the region's currencies. The GBI-EM GD Index yield decreased by 22 bps in May. Total contribution from foreign exchange (FX) returns was also positive (+0.64%) in the month. The broad US dollar depreciation in July fueled positive FX returns, with 11 out of the 19 currencies in the index stronger against the dollar.

Figure 4
**Key Return Drivers of
EM Local Government
Bond Markets**

GBI-EM GD (EM Local Currency)	Monthly Return (%)	3 Month Return (%)	YTD Return (%)
In USD			
Total Return (in \$)	2.27	2.80	-1.52
FX Return (vs \$)	0.64	-0.60	-4.74
Price Return (Local Currency)	1.16	2.03	0.01
Interest Return (Local Currency)	0.48	1.38	3.21
In EUR			
Total Return (in €)	1.30	1.58	0.53
FX Return (vs €)	-0.34	-1.82	-2.69
In GBP			
Total Return (in £)	0.65	0.22	-2.26
FX Return (vs £)	-0.98	-3.19	-5.48

Sources: State Street Global Advisors, Bloomberg, JP Morgan, as of 31 July, 2024. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable. Performance returns for periods of less than one year are not annualized.

Figure 5
**Best and Worst
Performers Across EM
Local Government Bond
Markets in USD***

July '24	Country	Total Return USD (%)	Bond Return (%)	FX Return (%)	Index Weight	Index Impact (bps) [†]
GBI-EM GD		2.27	1.64	0.64		
Top 5 Performers	Peru	4.5	1.5	3.1	2.1%	10
	South Africa	4.5	4.1	0.4	8.8%	39
	Hungary	4.3	3.1	1.2	3.0%	13
	Thailand	4.2	1.0	3.2	9.4%	39
	Malaysia	3.7	1.0	2.7	10.0%	37
Bottom 5 Performers	Turkey	0.8	1.8	-1.0	1.6%	1
	India	0.6	1.0	-0.4	2.0%	1
	Brazil	-0.2	1.6	-1.8	8.4%	-1
	Mexico	-0.5	1.4	-1.9	10.0%	-5
	Uruguay	-0.9	1.3	-2.2	0.2%	0

Source: State Street Global Advisors, JP Morgan, Bloomberg as of 31 July, 2024. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable. *Country and currency performance of JP Morgan GBI-EM Global Diversified Index. **Index impact is calculated by multiplying the period ending weight by total return.

Peru was the best performer in July. In its July meeting, the central bank kept its policy rate unchanged at 5.75%. The country's annual inflation rate increased from 2.0% in May to 2.3% in June. However, inflation expectations for twelve months out decreased from 2.56% to 2.53%, which is still within the central bank's target range. The Peruvian sol appreciated against the US dollar by 2.97% in July and closed at 3.73.

South Africa was another strong performer in July. The South African Reserve Bank kept the repo rate unchanged at 8.25% for the seventh consecutive meeting. The central bank added that inflation expectations do not yet reflect the 4.5% midpoint objective over the medium term — South Africa's annual inflation rate dipped to 5.1% in June from 5.2% in May. The South African rand appreciated against the US dollar by 0.05% in July to close at 18.20.

Hungary was another good performer. In line with market expectations, Hungary's central bank lowered its key base rate by 25bps to 6.75% in July, marking the tenth reduction since it commenced monetary easing in October 2023. Hungary's annual inflation rate stood at 3.7% in June, easing from the five-month high of 4% in May. The Hungarian forint appreciated against the US dollar by 1.31% in July and closed at 363.98.

Mexico was among the underperformers in July. The annual inflation rate in Mexico increased for the fourth consecutive month to 4.98% in June, up from 4.69% in May and above market forecasts of 4.84%. This marked the highest reading in a year, driven by the post-election slump in the Mexican peso caused by heightened political uncertainty. The peso depreciated against the US dollar by 1.63% in July and closed at 18.62.

Brazil was another underperformer in July. The annual inflation rate in Brazil increased to 4.23% in June, marking the second consecutive month of rising consumer prices following a seven-month period of easing. The Central Bank of Brazil maintained its Selic rate at 10.50% in July, in line with expectations of an extended pause of the rate-cutting cycle. The Brazilian real fell against the US dollar by 1.01% in July and closed at 5.65.

Hard Currency Market Highlights

EM hard currency sovereign debt returned +1.87% (in USD terms) in July 2024, as measured by the JP Morgan EMBI Global Diversified Index. The treasury component return (+2.49%) was the major contributor to performance, offsetting losses coming from spread returns (-0.61%). The JPM EMBI GD spread widened by 9bps in July. Around 90% of the countries in the index ended the month with positive returns. The performance of hard currency treasuries was also influenced by country-specific factors and market repricing of a rate cut by the US Fed in September. The JPM EMBI GD yield decreased by 23 bps in July and the high yield (HY) sub-index outperformed its investment grade (IG) counterparts.

Figure 6
Key Return Drivers
of EM Hard Currency
Government Bond
Markets in USD

EMBI GD (EM Hard Currency)	Monthly Return (%)	3 Month Return (%)	YTD Return (%)
Total Return	1.87	4.34	4.26
Spread Return	-0.61	-0.77	3.04
Treasury Return	2.49	5.15	1.18
IG Sub-Index	1.82	5.07	1.36
HY Sub-Index	1.91	3.63	7.23

Sources: State Street Global Advisors, Bloomberg, JP Morgan as of 31 July, 2024. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable. Performance returns for periods of less than one year are not annualized.

Figure 7

Best and Worst Performers Across EM Hard Currency Government Bond Markets*

July '24	Country	Total Return (%)	Spread Return (%)	Treasury Return (%)	Average Index Weight (%)	Index Impact (bps)**
EMBI Global Diversified		1.87	-0.61	2.49		
Top 5 Performers	Ukraine	10.0	8.4	1.5	0.9%	9
	Ethiopia	8.9	8.0	0.9	0.1%	1
	Ecuador	7.0	4.8	2.1	1.1%	8
	Suriname	4.5	2.3	2.2	0.1%	0
	El Salvador	4.3	2.0	2.2	0.7%	3
Bottom 5 Performers	Ghana	-0.3	-2.0	1.7	0.9%	0
	Gabon	-1.6	-3.2	1.6	0.2%	0
	Maldives	-3.1	-4.1	1.0	0.1%	0
	Sri Lanka	-3.6	-4.7	1.1	0.9%	-3
	Lebanon	-3.7	-4.4	0.7	0.1%	-1

Source: State Street Global Advisors, JP Morgan, Bloomberg as of 31 July, 2024. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable. *Country and currency performance of JPM EMBI Global Diversified Index **Index impact is calculated by multiplying the period ending weight by total return.

Ukraine was the best performer in July, contributing 9bps to index returns. Ukraine finalized a debt restructuring agreement with its bond holders that reduces the face value of the country's outstanding debt by over a third and cuts the payments due over the next three years by around 90%. Ukraine's 10-year dollar bond yield decreased to 30.52% in July from 31.59% at the end of June.

Ecuador was another good performer in July, contributing 8bps to index returns, with the spread return component largely accounting for that. The country's dollar bonds rallied in July as Finance Minister Juan Carlos Vega confirmed the narrowing of the fiscal deficit and laid out funding plans. Ecuador is expected to receive USD 3 billion in loans from multilateral lenders.

El Salvador was another good performer in July, contributing 3bps to index returns. Optimism towards El Salvador's dollar bonds improved, aided in part by a market narrative around Trump winning the US election. A Trump win could help El Salvador secure a deal with the IMF that has in part been stalled on the basis of the country having Bitcoin as legal tender. A deal with the IMF would enable the country to have access to billions of dollars to fund economic reforms.

Sri Lanka was among the underperformers in July, detracting 3bps from index returns. Sri Lanka continued to struggle in its effort to negotiate with creditors following its default in 2022 and as it sought to move past its worst financial crisis. The South Asian nation will hold elections in September with the incumbent leader Ranil Wickremesinghe seeking a new mandate on the back of tough fiscal reforms.

Lebanon was another underperformer in July, detracting 1bp from index returns, driven largely by the spread component. The treasury returns were positive, marginally offsetting sizeable negative total returns. Lebanon's dollar bond markets were negatively impacted by the spillovers from the conflict in Gaza and fighting at Lebanon's southern border with Israel. The grim economic situation weighed on the country's outlook.

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* Pensions & Investments Research Center, as of December 31, 2023.

[†] This figure is presented as of June 30, 2024 and includes ETF AUM of \$1,393.92 billion USD of which approximately \$69.35 billion USD is in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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