

EM Outlook

The Recovery from COVID-19

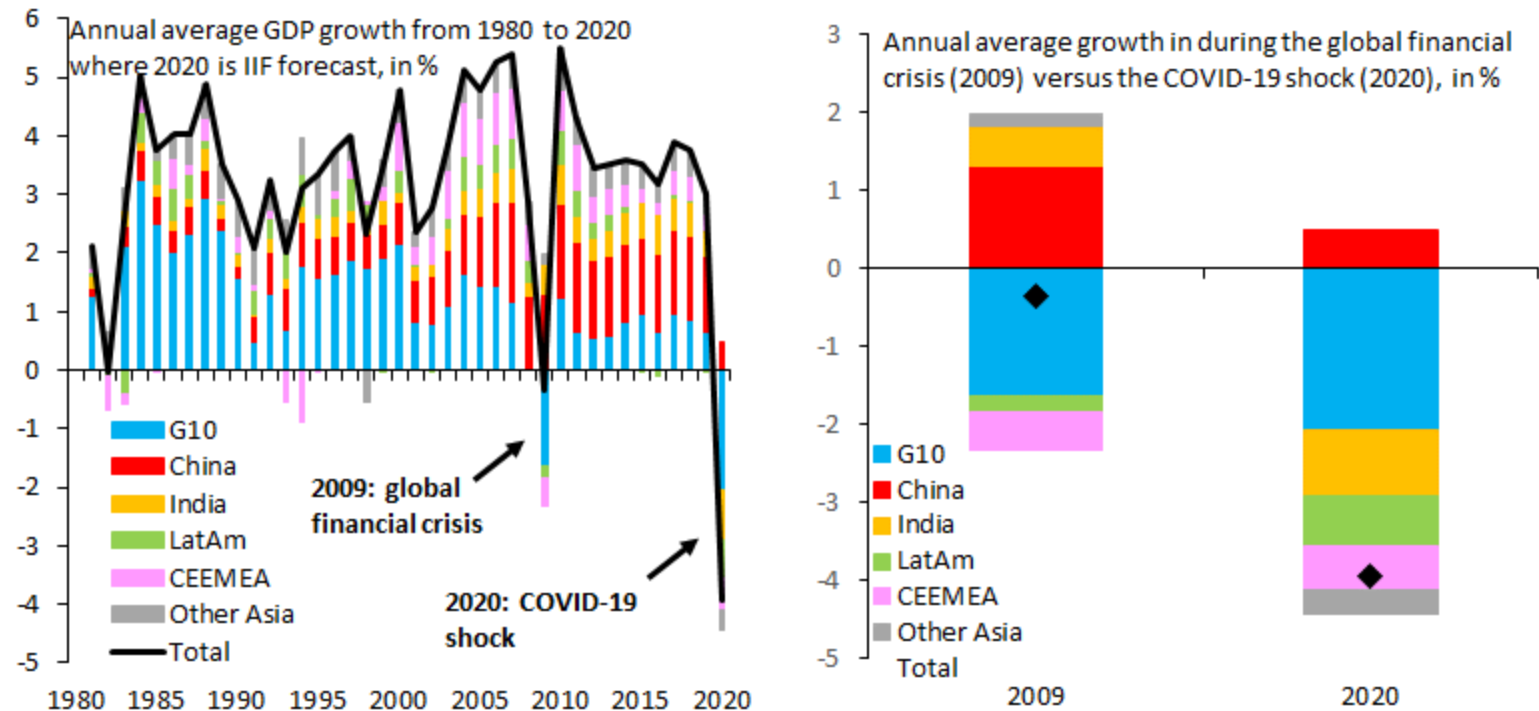
October 2020

Robin Brooks, Managing Director & Chief
Economist



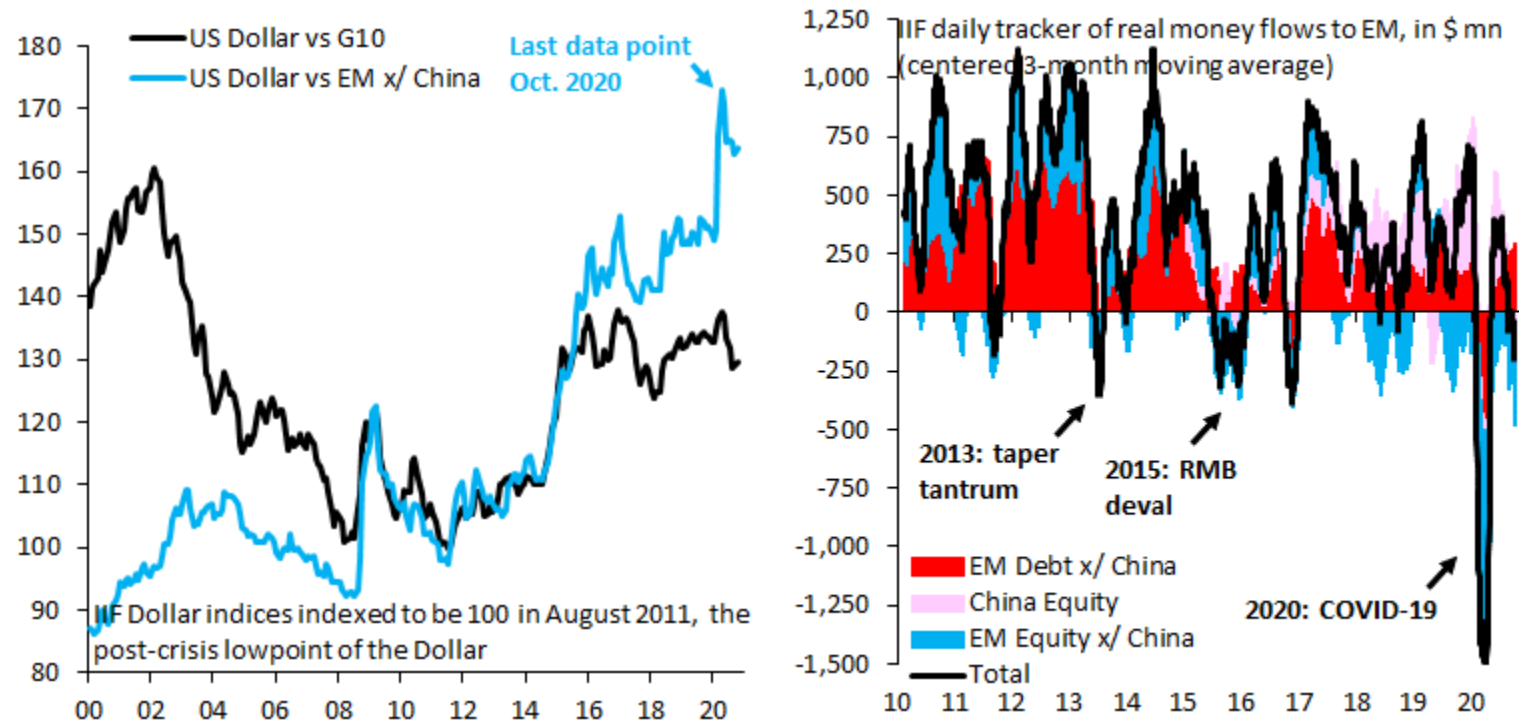
Recovery from COVID-19

We forecast a much deeper global GDP recession than in 2009.



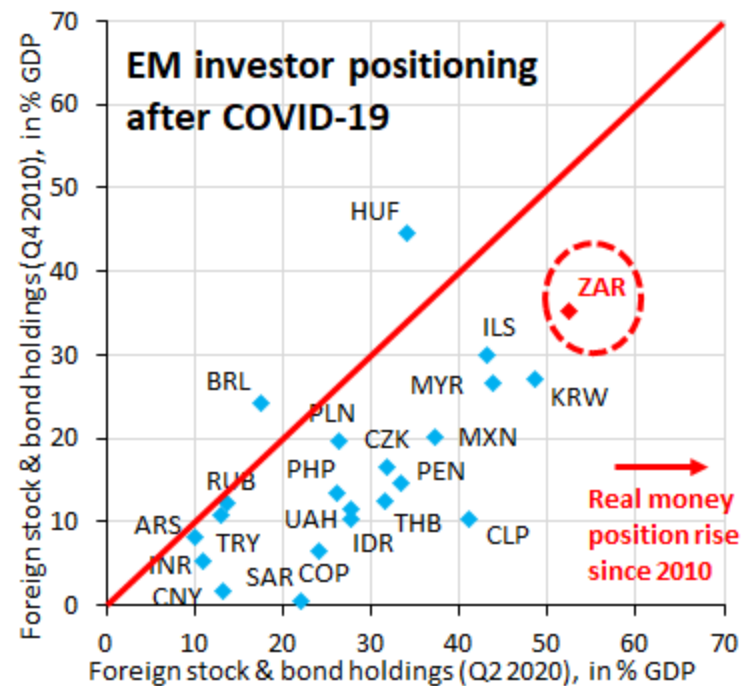
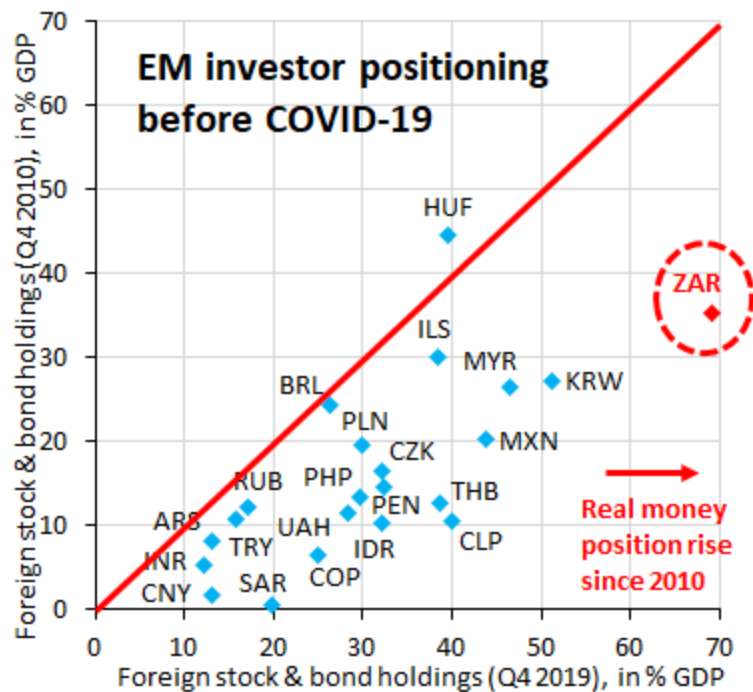
Recovery from COVID-19

The Dollar is very elevated versus non-China EM & flows are weak.



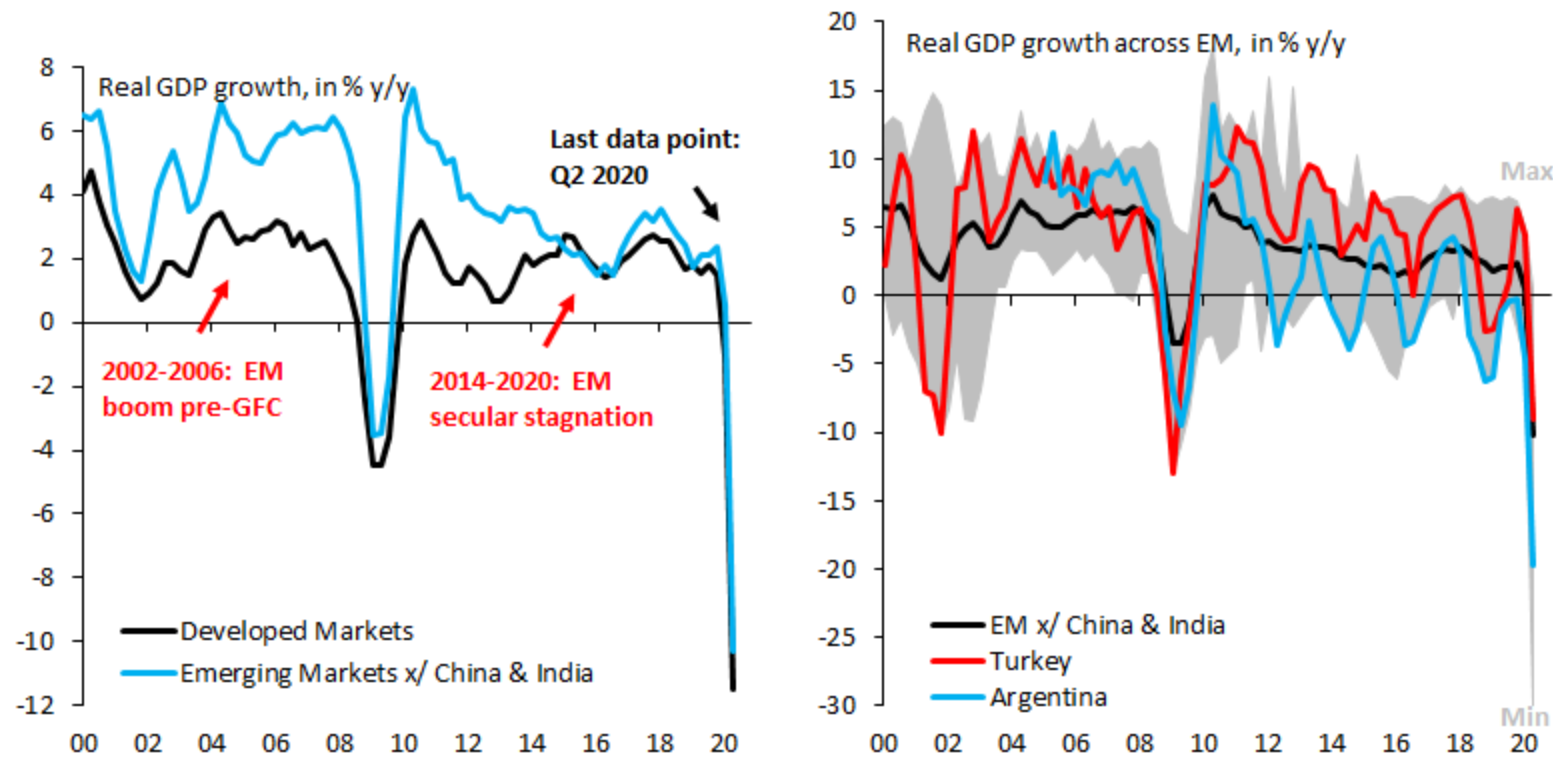
Recovery from COVID-19

EM continues to suffer from foreign investor over-positioning.



Recovery from COVID-19

The EM growth model faces big challenges in many places.

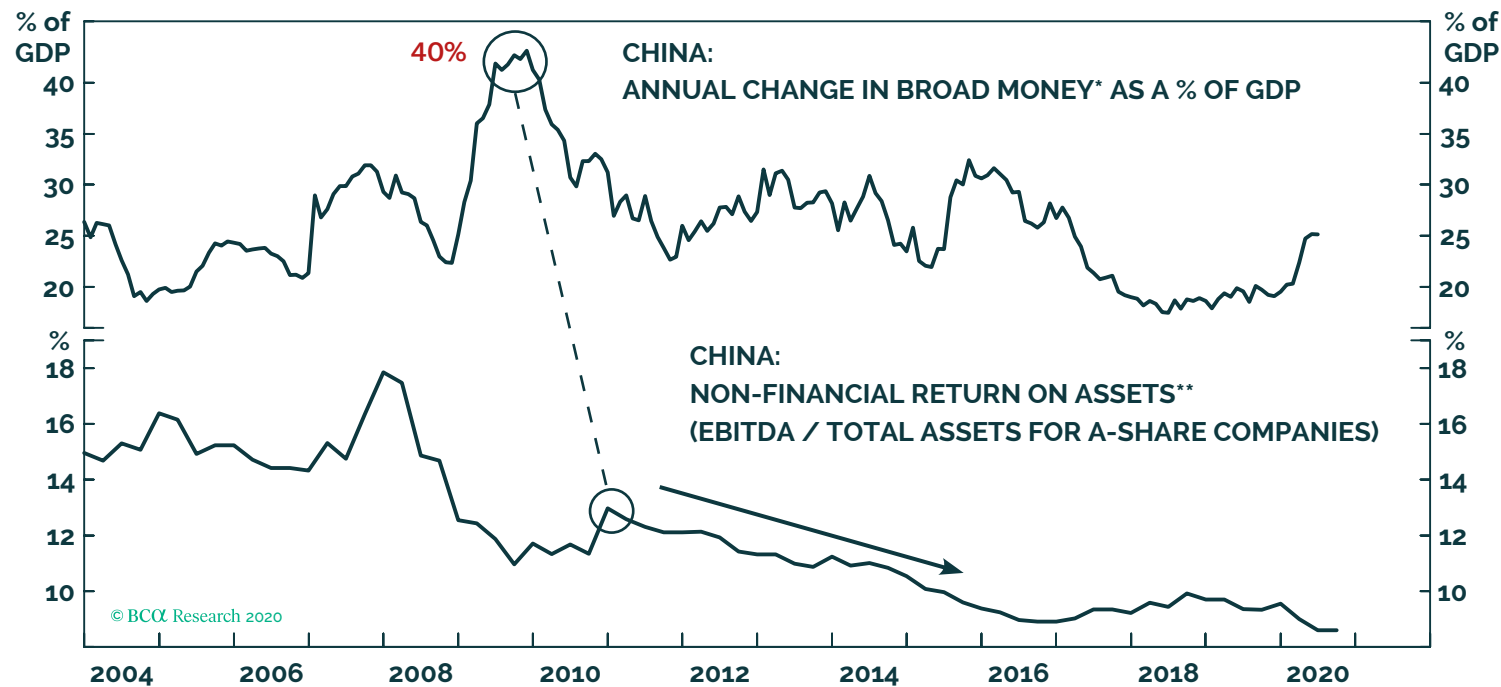


Implications Of Soft- And Tight-Budget Constraints: EM vs. US

Arthur Budaghyan

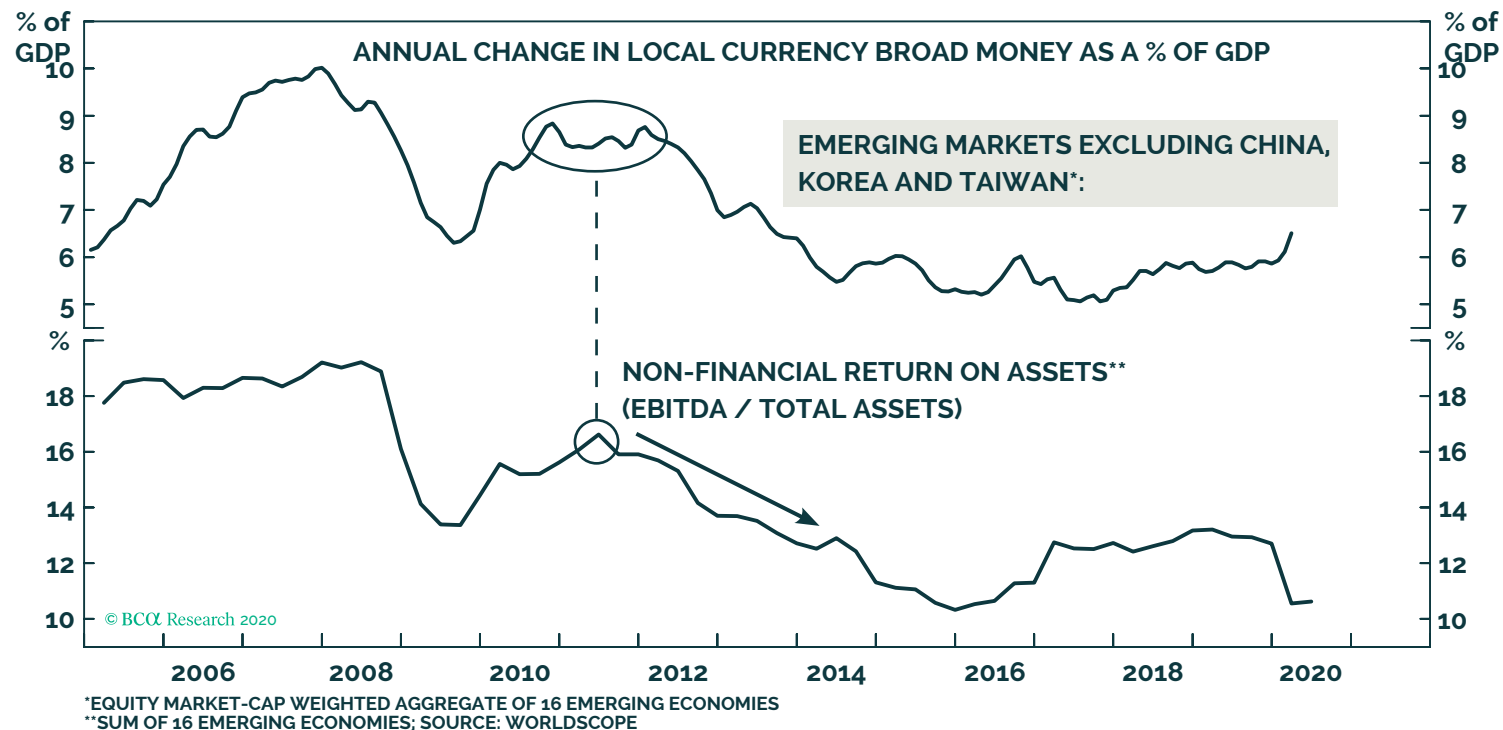
Chief Emerging Markets Strategist

China: Easy Money & Return On Assets

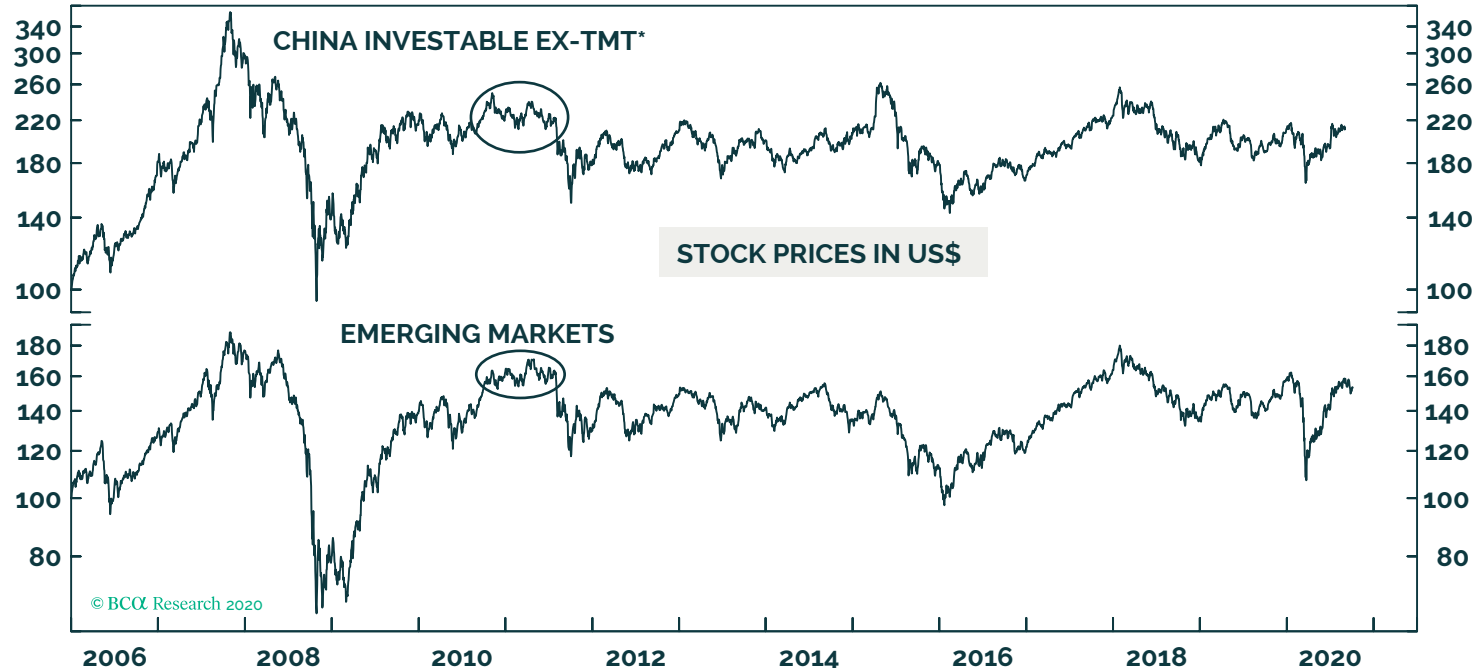


*BCA CALCULATION; TOTAL OF NON-FINANCIAL INSTITUTIONS HOUSEHOLDS DEPOSITS, OTHER FINANCIAL CORPORATIONS, OTHER LIABILITIES AND RESERVE MONEY OF NON-FINANCIAL INSTITUTIONS AT PBOC; SOURCE: PBOC
**SOURCE: WORLDSCOPE

EM Ex-China: Easy Money & Return On Assets

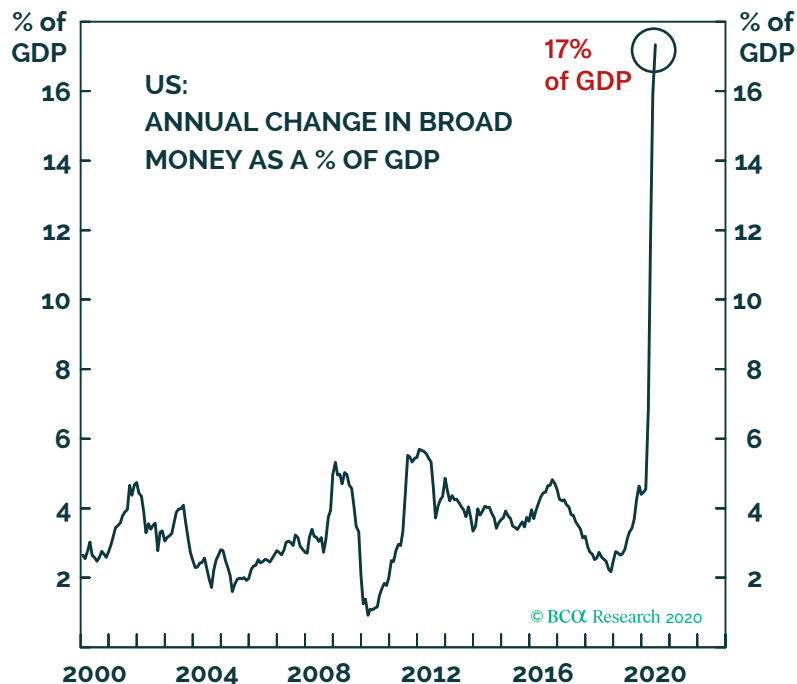


Easy Money = Poor Equity Performance



*EXCLUDES IT SECTOR BEFORE DEC 2018 AND EXCLUDES IT, MEDIA & ENTERTAINMENT AND INTERNET & DIRECT MARKETING RETAIL AS OF DEC. 2018
NOTE: BOTH SERIES ARE REBASED TO 100 ON JAN 2006; SOURCE: MSCI Inc. (SEE COPYRIGHT DECLARATION)

Soft-Budget Policies Will Likely Become Structural In The US



*SHOWN AS A 3-MONTH MOVING AVERAGE;
EQUITY MARKET CAP-WEIGHTED OF 16 EMERGING MARKET ECONOMIES

EM Currency & Equity Valuations

