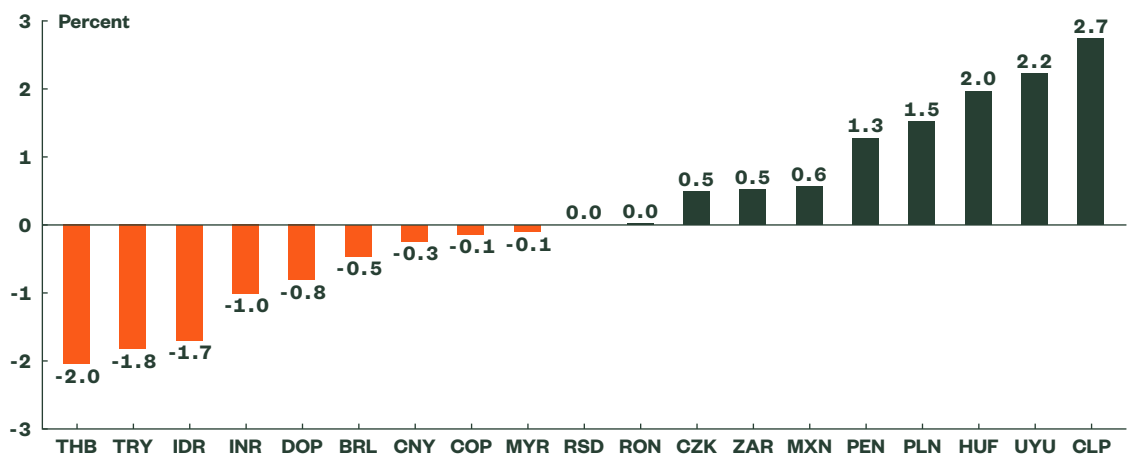


# Emerging Market Debt

## Market Commentary: February 2025

### Chart of the Month: Varied Impact on EM Currencies Amid Shifts in Macro Backdrop

Figure 1  
EM Currency  
Performance vs USD  
(February 2025)



Source: Bloomberg, JP Morgan, as of 28 February 2025. 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.

### EMD Commentary: February 2025

Emerging market (EM) debt began February amid headlines around US tariffs on imports from Mexico, Canada, and China. While the 25% tariffs on Mexico and Canada were pushed back by 30 days, a 10% tariff on Chinese imports was retained. China then imposed retaliatory tariffs, export controls, and announced antitrust investigations involving US companies, exacerbating the ongoing trade tensions with the US. The uncertainty around tariff negotiations impacted yields across the board, though not by the same magnitude, as markets factored in the possibility of President Trump using trade policy to foster non-trade agreements. The Trump administration also announced sector-specific tariffs of 25% on US imports of steel and aluminum. This move impacted EM currencies that have a high beta towards US demand, with countries in EM Asia affected. Markets welcomed the continuation of the Israel-Hamas ceasefire and the Russia-US talks being held in Saudi Arabia. The US and Russia agreed to work towards ending the Russia-Ukraine war, although Ukraine and other European countries were excluded from the dialogue. Uncertainty around the geopolitical landscape persisted with the abandoning of plans to sign a US-Ukraine minerals deal after a tense White House meeting between President Trump and President Zelensky on 28 February.

Overall, EM local currency bonds posted positive returns in February with the FX component a slight headwind to performance. EM hard currency debt benefited from a rally in treasuries, despite a widening in sovereign spreads. There was a slight uptick in the consumer price index (CPI), year-on-year, in some EM economies. In addition to domestic inflation dynamics, EM central banks faced challenges from tariff threats and price pressures emerging from the Trump administration, with a number of the banks continuing to adjust their monetary easing cycle timeline. Some of the major EM central banks kept benchmark interest rates on hold in their February fixings, with Mexico and India notable exceptions. Mexico's central bank lowered its key rate by 50 basis points (bps) to 9.5% in February, while the Reserve Bank of India unanimously voted to reduce its key repo rate by 25 bps to 6.25%. In China, economic growth prospects remained cloudy with a slowdown in overall consumption. Amid fluctuations in the Chinese yuan and targeted trade policy measures from the Trump administration, the People's Bank of China kept its key rates unchanged in February. China's National People's Congress will meet in March to present new GDP growth and deficit targets.

Net flows in February for hard currency and local currency bonds amounted to +\$1.0bn and -\$0.7bn, respectively.<sup>1</sup>

Figure 2  
**Emerging Market Debt  
Index Returns —  
As of 28 February 2025**

	1m (%)	3m (%)	6m (%)	YTD (%)	12m (%)	3yrs (%)	5yrs (%)
<b>In USD</b>							
GBI-EM GD (EM Local Currency)	0.66	0.74	-1.21	2.72	2.41	1.66	-0.38
EMBI GD (EM Hard Currency)	1.57	1.59	2.90	3.03	9.82	3.36	0.61
CEMBI BD (EM Corporates)	1.55	1.80	2.78	2.36	8.75	4.06	2.34
<b>In EUR</b>							
GBI-EM GD (EM Local Currency)	0.61	2.31	5.15	2.28	6.57	4.30	0.71
EMBI GD (EM Hard Currency)	1.52	3.17	9.51	2.58	14.27	6.04	1.71
CEMBI BD (EM Corporates)	1.51	3.39	9.39	1.91	13.15	6.77	3.47
<b>In GBP</b>							
GBI-EM GD (EM Local Currency)	-0.67	1.70	3.12	2.17	2.89	3.84	-0.10
EMBI GD (EM Hard Currency)	0.23	2.55	7.40	2.48	10.33	5.57	0.90
CEMBI BD (EM Corporates)	0.21	2.76	7.28	1.81	9.25	6.29	2.64

Sources: State Street Global Advisors, Bloomberg, JP Morgan, as of 28 February 2025. 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 28 February 2025**

Item	Δ 1 Month	Δ 3 Months	Δ YTD	Current Level
GBI-EM GD Yield	0 bps	3 bps	-6 bps	6.33%
EMBI GD Yield	-18 bps	-6 bps	-30 bps	7.57%
EMBI GD Spread	12 bps	-8 bps	3 bps	328 bps
CEMBI BD Yield	-25 bps	3 bps	-24 bps	6.68%
CEMBI BD Spread	1 bps	-1 bps	2 bps	292 bps
CDX.EM 5y	-4 bps	0 bps	-16 bps	156 bps
10y UST	-33 bps	4 bps	-36 bps	4.21%
Dollar Index (DXY)	-0.70%	1.78%	-0.80%	—
DOW 30	-1.58%	-2.38%	3.05%	43841
Oil (WTI)	-3.82%	2.59%	-2.73%	\$ 69.76

Source: JP Morgan, Bloomberg, as of 28 February 2025. 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 0.66% (in USD terms) in February 2025, as measured by the JP Morgan GBI-EM Global Diversified Index. The index continued with a positive tone in February, albeit not as strong as observed in January. The main contributions to this performance outcome came from combined price and interest rate returns (+0.79%), with the GBI-EM GD Index yield staying flat in the month. On a regional basis, LatAm was the best performer, while Asia was on the opposite end due largely to the negative performance of its currencies. The foreign exchange (FX) return was slightly negative (-0.13%), with 10 out of the 19 currencies in the index weakening against the greenback. The macro backdrop in February weighed on selected EM currencies, especially in Asia.

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

GBI-EM GD (EM Local Currency)	Monthly Return (%)	3 Month Return (%)	YTD Return (%)
<b>In USD</b>			
<b>Total Return (in \$)</b>	<b>0.66</b>	<b>0.74</b>	<b>2.72</b>
FX Return (vs \$)	-0.13	-0.77	0.90
Price Return (Local Currency)	0.35	0.10	0.89
Interest Return (Local Currency)	0.44	1.42	0.94
<b>In EUR</b>			
<b>Total Return (in €)</b>	<b>0.61</b>	<b>2.31</b>	<b>2.28</b>
FX Return (vs €)	-0.17	0.80	0.45
<b>In GBP</b>			
<b>Total Return (in £)</b>	<b>-0.67</b>	<b>1.70</b>	<b>2.17</b>
FX Return (vs £)	-1.46	0.18	0.35

Sources: State Street Global Advisors, Bloomberg, JP Morgan, as of 28 February 2025. 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\***

February '25	Country	Total Return USD (%)	Bond Return (%)	FX Return (%)	Index Weight (%)	Index Impact (bps)**
<b>GBI-EM GD</b>		<b>0.66</b>	<b>0.79</b>	<b>-0.13</b>		
<b>Top 5 Performers</b>	Mexico	3.8	3.2	0.6	10.0	38
	Chile	3.5	0.8	2.7	1.8	7
	Peru	3.2	1.9	1.3	2.0	6
	Uruguay	2.9	0.7	2.2	0.2	0
	Hungary	2.4	0.5	2.0	2.3	6
<b>Bottom 5 Performers</b>	Indonesia	-0.7	1.1	-1.7	10.0	-7
	India	-0.8	0.3	-1.0	9.0	-7
	China	-1.0	-0.8	-0.3	10.0	-10
	Thailand	-1.2	0.9	-2.0	8.8	-10
	Turkey	-1.7	0.2	-1.8	1.7	-3

Source: State Street Global Advisors, JP Morgan, Bloomberg, as of 28 February 2025. 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.

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**Mexico** was the best performer in February despite headwinds in the form of tariffs from the Trump administration. In its February meeting, the Central Bank of Mexico reduced its key rate by 50bps to 9.5% on the back of softening inflation and economic contraction last year. Mexico's annual inflation rate eased for the third month in January, hitting a four-year low of 3.59%. The Mexican peso appreciated against the US dollar by 0.61% in February and closed at 20.55.

**Chile** was another good performer in February, with FX returns largely accounting for the return. The country's currency gained in February against the backdrop of yield differences with the US and the strengthening in commodity prices, especially copper. The Chilean peso appreciated against the US dollar by 1.73% in February and closed at 963.30.

**Peru** also featured among the better performers in the month. The annual inflation rate in Peru fell to 1.48% in February from 1.85% in January. This marked the lowest reading since September 2018. In its February meeting, Peru's central bank kept its benchmark interest rate unchanged at 4.75%, in line with expectations. The Peruvian sol appreciated against the US dollar by 0.96% in February and closed at 3.69.

**Turkey** was the worst performer in February. The major contribution to this underperformance came from negative FX returns. The Turkish lira depreciated against the US dollar by 2.02% in February and closed at 36.47. Returns from the bond component was flat. The annual inflation rate in Turkey decreased to 39.05% in February, from 42.12% in January. This marked the ninth consecutive month of declining inflation and the lowest reading since June 2023.

**Thailand** was another underperformer in February, largely due to negative FX returns. The Thai baht depreciated against the US dollar by 1.48% in February and closed at 34.17 — headwinds from potential US tariffs on semiconductors weighed on the currency. Thailand's annual inflation rate in Thailand decreased to 1.08% in February from an eight-month high of 1.32% in January.

## Hard Currency Market Highlights

EM hard currency sovereign debt returned +1.57% (in USD terms) in February 2025, as measured by the JP Morgan EMBI Global Diversified Index. The treasury component return (+2.30%) was the major contributor to performance. The macro backdrop was shaped by a reduction in benchmark treasury yields, new and potential US tariffs, and idiosyncratic developments across the EM universe. The overall JPM EMBI GD yield decreased by 18 bps in February. The vast majority of countries ended the month higher, with a fairly uniform pattern of returns. The spread component return was negative (-0.72%), with the overall JPM EMBI GD spread widening by 12 bps. The widening in Investment Grade-High Yield (IG/HY) spreads in February resulted in the IG sub-index outperforming the HY counterparts by +1.36%.

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 (%)
<b>Total Return (in \$)</b>	<b>1.57</b>	<b>1.59</b>	<b>3.03</b>
Spread Return	-0.72	0.68	0.15
Treasury Return	2.30	0.90	2.88
IG Sub-Index	2.27	0.71	2.98
HY Sub-Index	0.91	2.42	3.06

Sources: State Street Global Advisors, Bloomberg, JP Morgan, as of 28 February 2025. 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\***

February '25	Country	Total Return (%)	Spread Return (%)	Treasury Return (%)	Average Index Weight (%)	Index Impact (bps)**
<b>EMBI Global Diversified</b>		<b>1.57</b>	<b>-0.72</b>	<b>2.30</b>		
<b>Top 5 Performers</b>	Lebanon	19.0	18.6	0.4	0.4	7
	Venezuela	8.1	7.7	0.4	0.7	5
	Ethiopia	4.7	4.4	0.3	0.1	1
	Ukraine	4.2	1.8	2.3	1.4	6
	Bulgaria	3.4	0.2	3.2	0.2	1
<b>Bottom 5 Performers</b>	Benin	0.0	-2.8	2.9	0.2	0.0
	Senegal	-4.0	-6.1	2.2	0.3	-1.3
	Rwanda	-5.2	-7.0	1.9	0.1	-0.3
	Argentina	-5.3	-7.0	1.9	2.4	-12.8
	Ecuador	-15.9	-17.4	1.8	1.0	-16.0

Source: State Street Global Advisors, JP Morgan, Bloomberg, as of 28 February 2025. 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.

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**Lebanon** was one of the outperformers in February, contributing 7 bps to index returns, with the spread component largely accounting for the return outcome. Lebanon faced fresh attacks from Israel in February. Lebanese Finance Minister Yassine Jaber revealed that the World Bank is working on establishing a USD 1 billion reconstruction fund for the country, in an ongoing effort to support economic recovery.

**Ukraine** was another good performer in February, contributing 6 bps to index returns. In February, Ukraine and US agreed to establish an investment fund into which Ukraine would contribute 50% of the proceeds from the future monetization of state-owned mineral resources. This deal was subsequently put on hold following the meeting between President Trump and President Zelensky on 28 February. The yield on Ukraine's USD-denominated 10-year bond decreased to 13.21% from 13.73% at the end of January.

**Venezuela** was another good performer in February, contributing 5 bps to index returns. The country's US dollar bonds gained amid expectations on progress towards debt restructuring following elections in January. However, investor sentiment was dented later in the month when President Trump revoked the oil license given to Chevron to operate in Venezuela, accusing President Nicolas Maduro of not making progress on electoral reforms.

**Ecuador** was among the underperformers in the month, detracting 16 bps from index returns. The first round of Ecuador's presidential election was held on 9 February with the incumbent receiving fractionally more votes than the left wing challenger (44.17% vs 43.97%). President Daniel Noboa replaced the finance minister Juan Carlos Vega with Luis Alberto Jaramillo, the former minister of trade and production.

**Argentina** was another underperformer, detracting 13 bps from index returns. President Milei faced criticism for his recent promotion of a cryptocurrency which subsequently fell in value. Milei's opponents tried to launch a senate probe into the matter but fell one vote short of the two-thirds majority required. Argentina's international reserves decreased to USD 27.99 billion ending February, from USD 28.31 billion a month earlier.

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## Endnote

1 Source: JP Morgan.

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

<sup>†</sup>This figure is presented as of December 31, 2024 and includes ETF AUM of \$1,577.74 billion USD of which approximately \$82.19 billion USD 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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ID2706750-3437638.591.GBL.RTL 0325  
Exp. Date: 31/03/2026