

Market commentary: Emerging market debt

Insights
November 2025

Local currency EMD drives returns in November

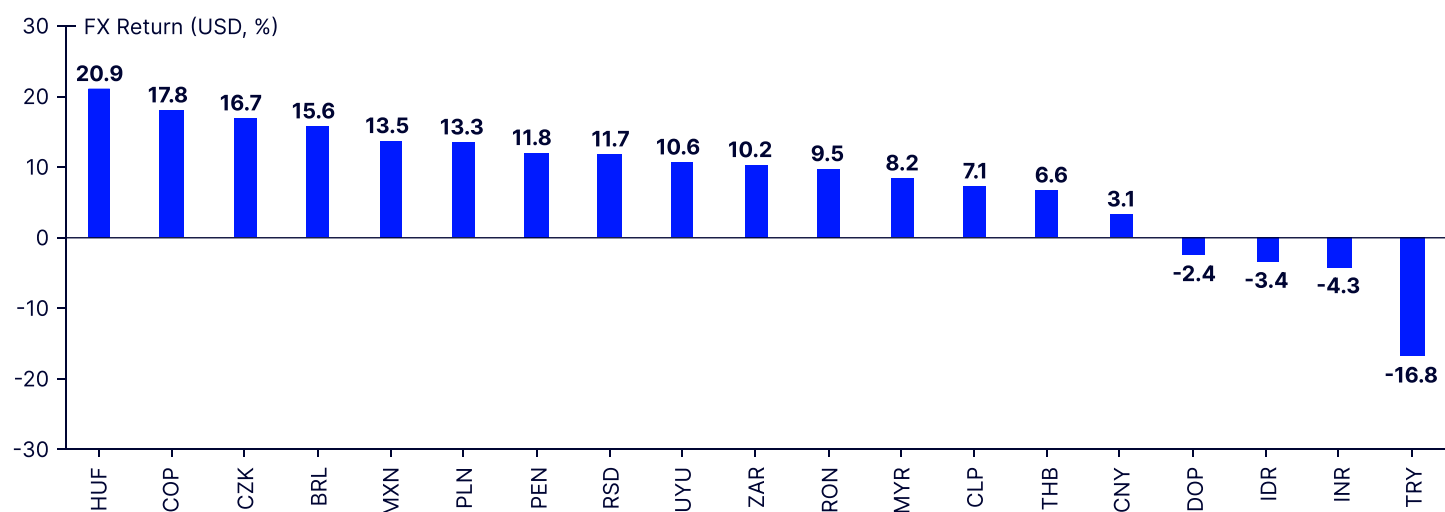
Emerging market (EM) debt sustained positive momentum in November, underpinned by resilient macro data, strong investor demand, and continued dovish global monetary conditions. The US-China trade truce continued to ease pressure on global supply chains. Markets priced in a high probability of a 25 basis points (bps) rate cut by the US Federal Reserve (Fed) in December, following dovish signals from key policymakers. This expectation provided some relief to EM currencies, especially in Latin America (LatAm). However, the US government shutdown and the consequent absence of data shifted market participants' focus towards idiosyncratic issues in EM. China's exports to non-US markets remained robust, underpinning growth stabilization, while other EM Asian economies showed steady export resilience. Trade tensions lingered, with India and Brazil still facing cumulative tariffs of up to 50%, prompting both countries to accelerate export diversification strategies. Regional trade optimism was reinforced as agreements reached during the Association of Southeast Asian Nations (ASEAN) summit in October

were formalized in November, strengthening US trade ties with Malaysia, Thailand, Vietnam, and Cambodia. The geopolitical backdrop remained fragile with stalled Russia-Ukraine talks and increased US pressure on Venezuela. Tensions in the Middle East persisted, with sporadic resurfacing of violence despite the US-brokered ceasefire between Israel and Hamas, keeping risk premiums elevated for select issuers.

Chart of the month: USD weakness sustains local currency EMD momentum

Emerging market local currency sovereigns continued to capitalize on tailwinds from a weakening US dollar, taking its impressive year-to-date return to 17.5% through November, as measured by the JP Morgan GBI-EM Global Diversified Index. Currency gains were major drivers, contributing 8.2% to overall performance, with 16 of the 20 index currencies appreciating against the greenback. India and Turkey were notable underperformers due to idiosyncratic challenges.

Figure 1: Year-to-date EM currency performance vs US dollar



Source: JP Morgan, Bloomberg Finance L.P., as of 28 November, 2025. Past performance is not a reliable indicator of future performance.

Figure 2: Emerging market debt index returns—As of 28 November, 2025

	1m (%)	3m (%)	6m (%)	YTD (%)	12m (%)	3yrs (%)	5yrs (%)
In USD							
GBI-EM GD (EM Local Currency)	1.35	3.24	7.59	17.51	15.24	9.72	1.51
EMBI GD (EM Hard Currency)	0.41	4.38	10.01	13.48	11.90	10.45	2.02
CEMBI BD (EM Corporates)	0.24	1.77	5.46	8.21	7.62	8.86	2.68
In EUR							
GBI-EM GD (EM Local Currency)	0.79	4.12	5.24	4.84	4.88	5.42	2.13
EMBI GD (EM Hard Currency)	-0.14	5.27	7.61	1.25	1.83	6.13	2.64
CEMBI BD (EM Corporates)	-0.31	2.64	3.16	-3.45	-2.05	4.60	3.30
In GBP							
GBI-EM GD (EM Local Currency)	0.50	5.27	9.50	11.07	10.55	5.88	1.67
EMBI GD (EM Hard Currency)	-0.43	6.43	11.97	7.26	7.34	6.59	2.17
CEMBI BD (EM Corporates)	-0.60	3.77	7.34	2.28	3.24	5.06	2.83

Sources: State Street Investment Management, Bloomberg, JP Morgan as of 28 November, 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.

Oil prices declined further in November on oversupply concerns, easing inflationary pressures for oil-importing EM economies such as India and Thailand while prompting Gulf exporters to accelerate borrowing. The disinflation trend continued in some of the major EM economies, especially in India where the annual inflation rate fell to 0.25% in October from 1.44% in September, the lowest on record.

Most EM central banks held policy rates unchanged, sustaining attractive real yields in local currency bonds. In LatAm, the Bank of Mexico lowered its benchmark interest rate by 25bps to 7.25% in November. In China, the People's Bank of China (PBoC) kept its key lending rates at record lows for a sixth consecutive month in November, in line with market expectations. The one-year loan prime rate and the five-year mortgage reference rates were maintained at 3% and 3.5%, respectively. Overall, EM local currency bonds posted positive returns, benefiting from the weakening US dollar, disinflation, and increased inflows. EM hard currency debt posted positive returns, driven by the treasury component returns and the uptick in investor risk sentiment. Net flows in the month for hard currency and local currency bonds were +\$0.8bn and +\$1.3bn, respectively.¹

Figure 3: Key EM and Macro levels as of 28 November 2025

Item	Δ 1 Month	Δ 3 Months	Δ YTD	Current Level
GBI-EM GD Yield	-1 bps	-2 bps	-50 bps	5.90%
EMBI GD Yield	1 bps	-47 bps	-103 bps	6.84%
EMBI GD Spread	7 bps	-28 bps	-56 bps	270 bps
CEMBI BD Yield	5 bps	-12 bps	-57 bps	6.36%
CEMBI BD Spread	12 bps	-4 bps	-7 bps	283 bps
CDX.EM 5y	0 bps	-10 bps	-37 bps	135 bps
10y UST	-6 bps	-22 bps	-56 bps	4.01%
Dollar Index (DXY)	-0.35%	1.73%	-8.32%	—
DOW 30	0.32%	4.77%	12.16%	47716
Oil (WTI)	-3.98%	-8.53%	-18.36%	\$58.55

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Local currency market highlights

EM local currency debt returned +1.35% (in USD terms) in November 2025, as measured by the JP Morgan GBI-EM Global Diversified Index. A major contribution to this performance came from the foreign exchange (FX) component (+0.79%), with a weakening in the US dollar in November. Market expectations of a Fed rate cut in December and data uncertainty emanating from the US government shutdown weighed on the US currency. Seventeen out of the 20 currencies in the index gained against the dollar in November. The contribution from the bond component, which includes the combined bond and interest rate returns, was also positive (+0.56%). EM local currency debt continued to benefit from high real yields and market expectations on rate cuts in the medium term from EM central banks. The GBI-EM GD Index yield decreased by 1bp in November. On a regional basis, LatAm outperformed in absolute terms, while South Africa outperformed in relative terms.

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 \$)	1.35	3.24	17.51
FX return (vs \$)	0.79	1.09	8.20
Price return (local currency)	0.13	0.74	4.02
Interest return (local currency)	0.43	1.41	5.29
In EUR			
Total return (in €)	0.79	4.12	4.84
FX return (vs €)	0.23	1.98	-4.46
In GBP			
Total return (in £)	0.50	5.27	11.07
FX return (vs £)	-0.07	3.12	1.76

Sources: State Street Investment Management, Bloomberg, JP Morgan as of 28 November, 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*

November 2025	Country	Total return USD (%)	Bond return (%)	FX return (%)	Index weight (%)	Index impact (bps)**
GBI-EM GD		1.35	0.56	0.79	—	—
Top 5 performers	South Africa	4.5	3.3	1.2	7.0	32
	Dominican Republic	4.0	1.4	2.7	0.3	1
	Chile	2.9	1.5	1.5	1.7	5
	Brazil	2.6	1.8	0.8	7.6	20
	Poland	2.3	1.1	1.2	8.1	19
Bottom 5 performers	Serbia	0.6	0.2	0.4	0.3	0
	Colombia	0.3	-2.8	3.1	3.8	1
	China	0.2	-0.2	0.5	10.0	2
	India	-0.4	0.4	-0.8	10.0	-4
	Indonesia	-0.7	-0.6	-0.1	10.0	-7

Source: State Street Investment Management, JP Morgan, Bloomberg as of 28 November, 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.

South Africa was the best performer in November. In line with expectations, the South African Reserve Bank reduced its key repo rate by 25bps in November to 6.75%. Policymakers noted that the recent acceleration in inflation is temporary and that inflation remained on track to meet the new 3% medium-term target. The yield on South Africa's 10-year sovereign bond decreased to 8.49% in November, from 8.85% at the end of October. The South African rand appreciated against the US dollar by 1.3% in November and closed at 17.11.

Brazil was another good performer in November, supported by strong capital inflows and broad US dollar weakening. In its November fixing, the central bank of Brazil maintained its benchmark interest rate at 15%, citing the need to keep inflation on a path toward the target amid persistent uncertainty. The yield on Brazil's 10-year sovereign decreased to 13.41% in November, from 13.77% ending October. The Brazilian real appreciated against the US dollar by 0.8% in November and closed at 5.34.

Poland was another good performer in November. The annual inflation rate in Poland fell to 2.4% in November from 2.8% in October, recording the lowest level since April 2024. In its November meeting, the National Bank of Poland lowered its interest rate from 4.50% to 4.25%. Poland retained its A/A-1 local currency rating from S&P Ratings, supporting investor confidence despite fiscal deficit concerns. The Polish złoty appreciated against the US dollar by around 1.0% in November and closed at 3.65.

Indonesia was the worst performer in November amid net foreign selling of government bonds that reversed earlier inflows. In its November meeting, Bank Indonesia held its benchmark interest rate unchanged at 4.75%, in line with expectations and aimed at supporting the country's currency. The rate remains at its lowest level since October 2022, following cumulative cuts of 150bps since September last year. The Indonesian rupiah depreciated against the US dollar by 0.2% in November and closed at 16,660.

India was another poor performer in November, with much of this attributable to negative FX returns. The Indian rupee depreciated against the US dollar by 0.8% in November and closed at 89.46. Steep tariffs applied by the US, prolonged uncertainties on a US-India trade deal, and heavy foreign institutional investor outflows from Indian equity markets weighed on the currency. The bond component return was flat in the month with the yield on 10-year INR-denominated sovereigns decreasing to 6.49% from 6.53% in October.

Hard currency market highlights

EM hard currency sovereign debt returned +0.41% (in USD terms) in November 2025, as measured by the JP Morgan EMBI Global Diversified Index, for a seventh consecutive month of positive returns. This outcome was aided by a combination of robust fundamentals, increased inflows from continued investor interest, and tailwinds from expectations of a Fed December rate cut. The treasury component return (+0.75%) was the major contributor, driven by a bull flattening in the US Treasury yield curve and rallies in the high yielding segment. The spread component return was negative (-0.34%), with the JPM EMBI GD spread widening by 7bps in the month. Hard currency sovereign spreads widened from low levels in October, triggered by increased supply of new issuances and selective risks being repriced. The high yield sub-index outperformed its investment grade counterpart by a sizeable margin (+0.81%).

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	0.41	4.38	13.48
Spread Return	-0.34	2.09	5.99
Treasury Return	0.75	2.24	7.07
IG Sub-Index	0.01	3.04	10.40
HY Sub-Index	0.82	5.74	16.59

Sources: State Street Investment Management, Bloomberg, JP Morgan as of 28 November, 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*

November 2025	Country	Total return (%)	Spread return (%)	Trsry. return (%)	Avg. Index weight (%)	Index impact (bps)**
EMBI global diversified		0.41	-0.34	0.75	—	—
Top 5 performers	Bolivia	12.1	11.6	0.5	0.2	3
	Ecuador	10.5	9.7	0.7	1.5	16
	Venezuela	6.0	5.6	0.4	1.0	6
	Ukraine	5.1	4.3	0.8	1.3	7
	Nigeria	3.0	2.5	0.5	2.4	7
Bottom 5 performers	Colombia	-1.1	-1.9	0.8	2.8	-3
	Benin	-1.9	-2.7	0.9	0.2	0
	Gabon	-2.7	-3.3	0.6	0.2	-1
	Lebanon	-3.5	-3.9	0.4	0.4	-1
	Senegal	-13.4	-14.4	1.2	0.2	-3

Source: State Street Investment Management, JP Morgan, Bloomberg as of 28 November, 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.

Ecuador stood out in November, contributing 16bps to the index return. Ecuador has been a strong performer this year following the re-election of President Daniel Noboa in April, and the market advanced again in November despite a referendum in which constitutional changes backed by Noboa were rejected. In November, Fitch Ratings upgraded Ecuador's Long-Term (LT) debt ratings to 'B-' from 'CCC+' and assigned a Recovery Rating of RR3, removing it from "Under Criteria Observation".

Ukraine was another good performer in November, contributing 7bps to the index return. International Monetary Fund (IMF) Ukraine Reserve Foreign Exchange Holdings increased to USD 45,561.0 million in November, from USD 42,711.3 million in October. The IMF and Ukrainian authorities reached a staff-level agreement for a USD 8.2 billion Extended Fund Facility agreement. The agreement entails maintaining macroeconomic stability, restoring debt sustainability, tackling corruption, and improving governance.

Nigeria also performed well, contributing 7bps to the index return. Nigeria's bond markets experienced renewed demand in November, supported by excess domestic liquidity and global risk-on sentiment. In November, S&P Global Ratings revised its outlook on Nigeria to positive from stable, backing the country's ongoing economic reforms and also affirmed the 'B-/B' long- and short-term foreign and local currency sovereign credit ratings.

Senegal was among the underperformers in November, detracting 3bps from index return. Senegal continued to underperform as the country grapples with the USD 7 billion of hidden borrowing that was discovered last year. Senegal's debt-to-GDP ratio is now above 100%. The country's prime minister rejected restructuring of the country's debts, but doubts over fiscal sustainability remain, with Senegal's dollar bonds trading at around 60 cents on the dollar.

Lebanon was another underperformer in November, detracting 1bp from index returns—the spread component accounted for the underperformance. The country's dollar bonds continued to trade at distressed levels due to ongoing default, profound economic challenges, and stalled financial sector restructuring. Lebanon's long-term foreign debt rating was affirmed by Moody's at C.

Endnote

1 Source: JP Morgan.

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