

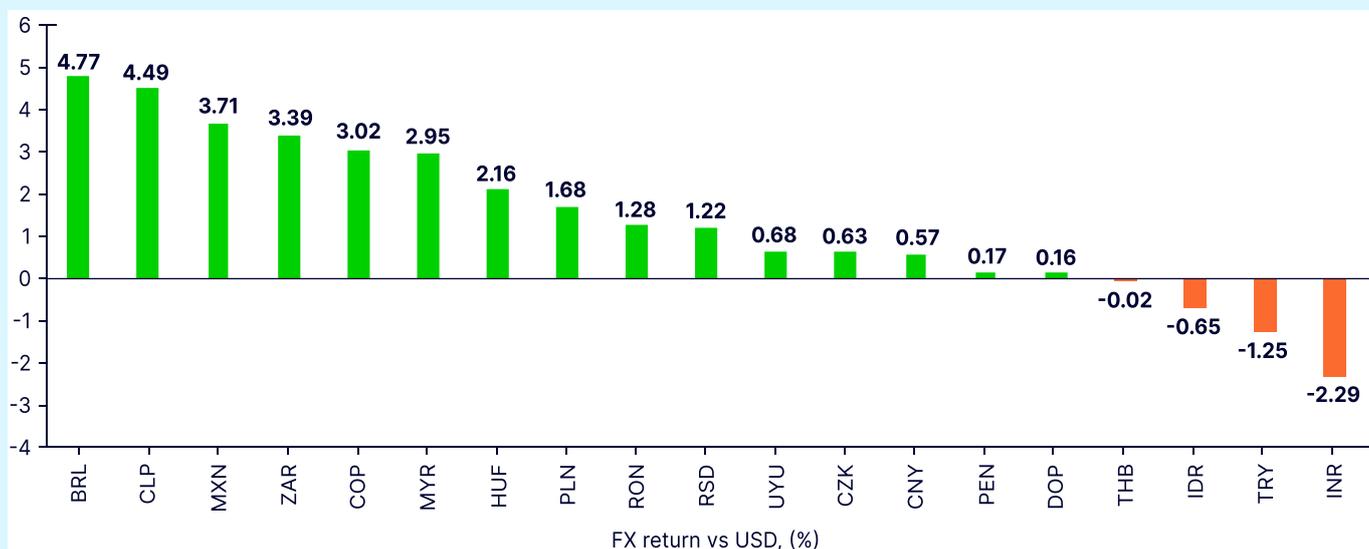
Market commentary: Emerging market debt

Insights
January 2026

Chart of the month: EM local currency sovereigns build on 2025 gains

Following a strong 2025, emerging market local currency sovereign bonds continued to benefit from a weaker US dollar, as reflected in the JP Morgan GBI-EM Global Diversified Index. Currency appreciation was the primary driver of returns in January, contributing approximately +1.4% to overall performance; 15 of the 20 currencies in the index strengthened against the greenback. However, India and Turkey FX returns lagged peers amid country-specific headwinds.

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



Sources: JP Morgan, Bloomberg Finance L.P., as of 30 January, 2026. JPM GBI-EM GD Index FX return by country (unweighted) vs USD. The performance data quoted represents past performance. Past performance does not guarantee future results.

EM debt sustains rally into 2026

Emerging market (EM) debt maintained the momentum developed through 2025 into the first month of 2026. The inflation environment continued to turn more favorable across most economies, which has allowed central banks to maintain or extend rate-cut cycles. Furthermore, EM growth differentials versus developed markets remained positive, and global liquidity conditions remain accommodative. While the macro backdrop continued to be largely favorable, sensitivity to US rates and geopolitical headlines remains. Indeed, geopolitical developments were key drivers of volatility in January.

EM hard currency debt posted modestly positive returns, driven by idiosyncratic developments and

sovereign spread compression to multi-year lows. For EM local currency debt, the weakening in the US dollar and high real yield provided support in the month. That said, the local currency gains achieved earlier in the month were partially reversed later amid a pickup in global risk aversion. This was partly fueled by an escalation in US-Iran tensions as the US ramped up rhetoric around potential US military action. Combined with renewed sanctions threats, this refocused markets on the vulnerability of Middle East energy infrastructure, with crude oil prices reacting to hit multi-month highs. For EMD, this translated into relative outperformance of oil-exporting economies, while oil-importing EM countries had to deal with the potential of higher inflation feeding into their economies. Perhaps the

biggest geopolitical development in the month centered on Venezuela, where US forces captured President Nicolás Maduro and removed him to a New York prison. The impact itself was largely contained to Venezuela, with the subsequent partial easing and redesign of oil sanctions allowing US-controlled Venezuelan crude exports. Venezuelan bonds rallied on prospects for increased oil revenues and the potential for debt restructuring. The US–Greenland dispute arguably had a more systemic impact, with the US resurfacing tariff threats against its European allies. This triggered a brief risk-off move, which pressured EM currencies for a time as investors targeted assets perceived to have greater ‘safe haven’ status.

In terms of monetary policy, the US Federal Reserve (Fed) kept its federal funds rate unchanged at the 3.50%–3.75% target range, an outcome in line with market expectations. The Fed’s pause reinforced EM central banks’ focus on policy aligned to inflation and currency stability. EM inflation trends remained benign, typically tracking lower in Asia, while remaining well anchored in several Latin American economies—this allowed most central banks to keep policy

rates steady, preserving attractive real yields, especially in EM Asia. In China, the People’s Bank of China maintained key lending rates at historically low levels for an eighth consecutive month, while also signaling readiness to provide targeted support to sustain growth and stabilize credit conditions. In Latin America, the Central Bank of Colombia surprised markets in raising its policy rate by 100 basis points (bps) to 10.25% in January, amid surging inflation expectations, a sharp minimum wage increase, and strong domestic demand.

On the EM fiscal front, the landscape was marked by front-loaded stimulus in China and other parts of Asia, where governments accelerated bond issuance and public spending to support growth. By contrast, countries such as Colombia and Brazil faced tighter fiscal trade-offs amid rising wage bills, debt-service costs, and political constraints, highlighting the differing fiscal conditions across the EM universe.

Net flows in the month for hard currency and local currency bonds were positive, amounting to +\$2.2bn and +\$3.9bn, respectively.¹

Figure 2: Emerging market debt index returns

	1m (%)	3m (%)	6m (%)	YTD (%)	12m (%)	3yrs (%)	5yrs (%)
In USD							
GBI-EM GD (EM Local Currency)	2.18	5.10	9.37	2.18	19.41	8.73	1.78
EMBI GD (EM Hard Currency)	0.68	1.82	7.57	0.68	13.45	9.70	2.14
CEMBI BD (EM Corporates)	0.74	1.47	4.34	0.74	8.67	7.66	2.64
In EUR							
GBI-EM GD (EM Local Currency)	0.87	1.97	5.22	0.87	4.34	5.48	2.21
EMBI GD (EM Hard Currency)	-0.61	-1.21	3.49	-0.61	-0.87	6.42	2.57
CEMBI BD (EM Corporates)	-0.54	-1.56	0.38	-0.54	-5.04	4.44	3.07
In GBP							
GBI-EM GD (EM Local Currency)	0.15	0.63	5.47	0.15	8.12	4.87	1.79
EMBI GD (EM Hard Currency)	-1.31	-2.51	3.73	-1.31	2.72	5.80	2.16
CEMBI BD (EM Corporates)	-1.25	-2.85	0.62	-1.25	-1.60	3.84	2.66

Sources: State Street Investment Management, Bloomberg, JP Morgan as of 30 January, 2026. The performance data quoted represents past performance. Past performance does not guarantee future results. 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 30 January 2026

Item	Δ 1 Month	Δ 3 Months	Δ YTD	Current Level
GBI-EM GD Yield	-1 bps	-5 bps	-1 bps	5.86%
EMBI GD Yield	-2 bps	-4 bps	-2 bps	6.79%
EMBI GD Spread	-9 bps	-18 bps	-9 bps	245 bps
CEMBI BD Yield	-4 bps	2 bps	-4 bps	6.33%
CEMBI BD Spread	-11 bps	-14 bps	-11 bps	258 bps
CDX.EM 5y	3 bps	-8 bps	3 bps	128 bps
10y UST	7 bps	16 bps	7 bps	4.24%
Dollar Index (DXY)	-1.35%	-2.82%	-1.35%	
DOW 30	1.73%	2.80%	1.73%	48,892
Oil (WTI)	13.57%	6.94%	13.57%	\$ 65.21

Source: JP Morgan, Bloomberg as of 30 January, 2026. The performance data quoted represents past performance. Past performance does not guarantee future results. 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 +2.18% (in USD terms) in January 2026, as measured by the JP Morgan GBI-EM Global Diversified Index. A major contribution to this performance came from the foreign exchange (FX) component (+1.41%), as the US dollar weakened amid a Fed pause and narrowing rate differentials; high EM carry and benign inflation supported capital inflows. Fifteen out of the 19 currencies in the index gained against the dollar in January. The contribution from the bond component, which combines the bond and interest rate returns, was also positive (+0.76%). In terms of local market returns, Turkey outperformed on an absolute basis. The GBI-EM GD Index yield decreased by 1bp in January. On a regional basis, Latam outperformed, followed by Europe. Asia delivered the poorest returns on an absolute basis, driven by volatility and major Asian currencies losing ground against the greenback.

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 \$)	2.18	5.10	2.18
FX return (vs \$)	1.41	3.15	1.41
Price return (local currency)	0.30	0.55	0.30
Interest return (local currency)	0.46	1.40	0.46
In EUR			
Total return (in €)	0.87	1.97	0.87
FX return (vs €)	0.11	0.02	0.11
In GBP			
Total return (in £)	0.15	0.63	0.15
FX return (vs £)	-0.61	-1.32	-0.61

Sources: State Street Investment Management, Bloomberg, JP Morgan as of 30 January, 2026. The performance data quoted represents past performance. Past performance does not guarantee future results. 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*

January 2026	Country	Total return USD (%)	Bond return (%)	FX return (%)	Index weight (%)	Index impact (bps)**
GBI-EM GD		2.18	0.76	1.42		
Top 5 performers	Brazil	7.1	2.3	4.8	6.4	46
	Chile	5.6	1.1	4.5	1.8	10
	Mexico	5.6	1.8	3.7	10.0	56
	Colombia	5.6	2.5	3.0	3.7	20
	South Africa	5.4	2.0	3.4	7.5	40
Bottom 5 performers	Peru	1.2	1.0	0.2	2.1	2
	China	1.0	0.4	0.6	10.0	10
	Indonesia	-1.0	-0.4	-0.7	9.9	-10
	Thailand	-1.9	-1.9	0.0	8.2	-15
	India	-2.2	0.1	-2.3	10.0	-22

Source: State Street Investment Management, JP Morgan, Bloomberg as of 30 January, 2026. The performance data quoted represents past performance. Past performance does not guarantee future results. 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.

Brazil was the best performer in January. Brazil's central bank kept its benchmark rate unchanged at 15%, stating that a prolonged hold is needed to keep inflation on a steady path toward the target—the country's annual inflation rate dipped to 4.26% in December from 4.46% in November, recording the lowest level since August 2024. Driven by strong foreign inflows and high real carry, the Brazilian real appreciated against the US dollar by around 3.9% in January to close at 5.26.

Chile was another good performer in the month. The Central Bank of Chile retained its policy rate at 4.5% in a unanimous decision, citing a more supportive external backdrop and progress in disinflation. The annual inflation rate decreased to 2.8% in January from 3.5% in December, its lowest rate since February 2021. A sharp uptick in copper prices helped the Chilean peso, which appreciated against a weak US dollar by 2.9% in January and closed at 873.70.

Mexico also performed well in January. The local bonds rallied in the month, supported by falling yields, benign inflation data, and market confidence in Banxico's policy framework. Mexico's high real yields has continued to attract domestic institutional demand and selective foreign inflows into longer-dated issues. The yield curve experienced a 'bull flattening' in January, with the 10-year yield decreasing by around 24bps. The Mexican peso appreciated against the US dollar by around 3.0% in January and closed at 17.46.

India was the worst performer in January as FX weakness and heavy bond supply outweighed supportive domestic fundamentals. The annual inflation rate increased to 1.33% in December from 0.71% in November, although this outcome was below the market forecast of 1.5%. The yield on India's 10-year sovereign bond increased to 6.70% in January from 6.59% in December. Amid weak inflows and FX intervention by the Reserve Bank of India, the Indian rupee fell against the US dollar by around 2.4% in January and closed at 91.99.

Thailand was also a poor performer in January, with policy and supply dynamics a notable factor. Inflation in Thailand increased to 0.66% in January, up from 0.28% in December and ahead of expectations of 0.40%. Thailand's issuance activity in January added near-term supply pressure and weighed on prices. The sovereign yield curve 'bear steepened' in January, with the 10-year yield increasing by around 36bps. The Thai baht marginally appreciated against the US dollar by around 0.10% in January and closed at 31.48.

Hard currency market highlights

EM hard currency sovereign debt returned +0.68% (in USD terms) in January 2026, as measured by the JP Morgan EMBI Global Diversified Index, for a ninth consecutive month of positive returns. This outcome was aided by a combination of idiosyncratic developments, robust fundamentals, and increased inflows from sustained investor interest. The spread component return (+0.80%) was the major contributor. EM hard currency spreads narrowed to record tight levels with strong carry demand and renewed inflows amid improved risk appetite. The treasury component return was marginally negative (-0.12%), driven by geopolitical headwinds and intermittent risk-off episodes in the month. The compression in Investment grade/High Yield (IG/HY) sovereign spreads enabled the high yield sub-index to outperform its investment grade counterpart by a sizeable margin (+1.64%).

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	0.68	1.82	0.68
Spread Return	0.80	1.72	0.80
Treasury Return	-0.12	0.10	-0.12
IG Sub - Index	-0.14	-0.15	-0.14
HY Sub - Index	1.50	3.82	1.50

Sources: State Street Investment Management, Bloomberg, JP Morgan as of 30 January, 2026. The performance data quoted represents past performance. Past performance does not guarantee future results. 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*

January 2026	Country	Total return (%)	Spread return (%)	Trsry. return (%)	Avg. Index weight (%)	Index impact (bps)**
EMBI global diversified		0.68	0.80	-0.12		
Top 5 performers	Venezuela	29.8	29.5	0.3	1.3%	38
	Lebanon	25.7	25.4	0.3	0.5%	14
	Gabon	9.7	9.6	0.1	0.2%	2
	Sri Lanka	7.0	7.2	-0.2	1.0%	7
	Argentina	3.9	4.0	-0.1	2.7%	10
Bottom 5 performers	Indonesia	-0.8	-0.7	-0.1	4.1%	-3
	South Africa	-0.9	-0.8	-0.1	2.8%	-3
	Bahrain	-1.2	-1.1	0.0	2.9%	-3
	Egypt	-1.2	-1.3	0.0	2.9%	-4
	Ethiopia	-1.5	-1.8	0.3	0.1%	0

Source: State Street Investment Management, JP Morgan, Bloomberg as of 30 January, 2026. The performance data quoted represents past performance. Past performance does not guarantee future results. 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.

Venezuela stood out in January, contributing 38bps to the index return. Venezuelan sovereigns (priced at 40 cents on the dollar) and quasi-sovereign bonds, that have been in default since 2017 surged sharply in the month, driven by political regime change expectations. Markets priced in a credible path to a sovereign debt restructuring and higher recovery rates under a transitional government, something that was considered impossible under Nicolás Maduro due to sanctions.

Lebanon was another good performer in January, contributing 14bps to the index return. The country's dollar bonds benefited from improved market sentiment on the probability of International Monetary Fund (IMF) led reforms and a long-awaited debt restructuring. The rally in Lebanon's USD-denominated bonds was boosted by deep-distress dynamics (bonds trading at 29 cents on the dollar), where incremental positive news and improving investor sentiment spurred price gains from a low base.

Argentina also performed well, contributing 10bps to the index return. Argentina's USD bonds rallied in January as default risk eased and spreads compressed to multi-year lows following President Milei's strong midterm election mandate, successful January debt payments, and confidence in fiscal and structural reforms. Argentina's international reserves increased to USD 44.5 billion in January from USD 41.2 billion in December.

Egypt was among the underperformers in January, detracting 4bps from index return. Egypt faced external pressure from regional geopolitical tensions, which disrupted Suez Canal traffic, keeping concerns elevated around its balance of payments issues. Additionally, continued reliance on external financing made Egypt more sensitive to shifts in investor risk appetite, which weighed on spreads.

Bahrain was another underperformer in January, detracting 3bps from index returns—the spread component accounted for the underperformance. Bahrain's USD-denominated bonds lagged in January, largely due to high debt levels, oil-dependent fiscal risks, and deterioration in market sentiments, resulting in inferior returns to higher-quality Gulf Cooperation Council (GCC) sovereigns.

Endnote

1 Source: JP Morgan.

About State Street Investment Management

At State Street Investment Management, we have been helping create better outcomes for institutions, financial intermediaries, and investors for nearly half a century. Starting with our early innovations in indexing and ETFs, our rigorous approach continues to be driven by market-tested expertise and a relentless commitment to those we serve. With over \$5 trillion in assets managed*, clients in over 60 countries, and a global network of strategic partners, we use our scale to deliver a comprehensive and cost-effective suite of investment solutions that help investors get wherever they want to go.

* This figure is presented as of December 31, 2025 and includes ETF AUM of \$1,950.80 billion USD of which approximately \$173.02 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 Investment Management are affiliated. Please note all AUM is unaudited.

statestreet.com/investment-management

State Street Global Advisors (SSGA) is now State Street Investment Management. Please [click here](#) for more information.

Marketing communication

State Street Global Advisors Worldwide Entities

Important Risk Information

The information provided does not constitute investment advice as such term is defined under the Markets in Financial Instruments Directive (2014/65/EU) and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell any investment. It does not take into account any investor's or potential investor's particular investment objectives, strategies, tax status, risk appetite or investment horizon. If you require investment advice you should consult your tax and financial or other professional advisor.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the applicable regional regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Past performance is not a reliable indicator of future performance.

Investing involves risk including the risk of loss of principal.

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.

Diversification does not ensure a profit or guarantee against loss. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise bond values and yields usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. International Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. Investing in high yield fixed income securities, otherwise known as junk bonds, is considered speculative and involves greater risk of loss of principal and interest than investing in investment grade fixed income securities. These Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Increase in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable.

Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations.

Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

Currency Risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

This document may contain certain statements deemed to be forward-looking statements. All statements, other than historical facts, contained within this document that address activities, events or developments that SSGA expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions and analyses made by SSGA in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances, many of which are detailed herein. Such statements are subject to a number of assumptions, risks, uncertainties, many of which are beyond SSGA's control. Please note that any such statements are not guarantees of any future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

All the index performance results referred to are provided exclusively for comparison purposes only. It should not be assumed that they represent the performance of any particular investment.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

The views expressed in this material are the views of the EMEA Fixed Income Specialists of SSGA's Global Fixed Income Group through the period ended 31 January 2026 and are subject to change based on market and other conditions.

© 2026 State Street Corporation. All Rights Reserved.
ID3848485-3437638.71.2.GBL.RTL 0226 Exp. Date: 28/02/2027