EMD Outlook and Portfolio Positioning Views

Quarterly Summit Recap: July 2026

Emerging Markets Showing Resilience amid the Geopolitical Storm

- **EM macro fundamentals stand out favorably** versus developed countries, in our view. Global growth is rebalancing toward EM and Europe away from the US as consensus now expects roughly flat US growth, whereas we estimate EM growth will reach >4% in 2026. We believe this is supported by resilient export driven by the tech sector in Asia and favorable conditions for various commodity exporters across EMEA and Latam.

- **China remains the laggard**. Weak domestic demand persists, and we see limited near-term policy support from upcoming meetings; we believe a more forceful fiscal response would be needed to shift the trajectory materially and further support EM growth.

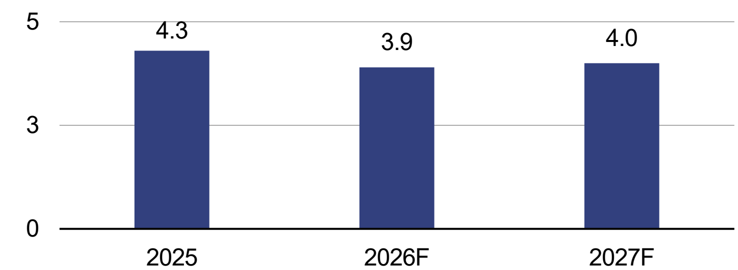
- **Developed markets central banks stay hawkish**, keeping a lid on the current rally. The Fed and ECB have leaned more restrictive as inflation holds above target; further tightening remains on the table if growth and inflation stay firm. **EM central bank policy is increasingly heterogeneous,** with policy paths increasingly data-dependent and sensitive to external financial conditions**.**

- **Inflation forecasts, however, have ticked up for emerging markets** in 2026 as countries maneuver the oil price shock from the closing of the Strait of Hormuz. We expect this to abate in aggregate in 2027.

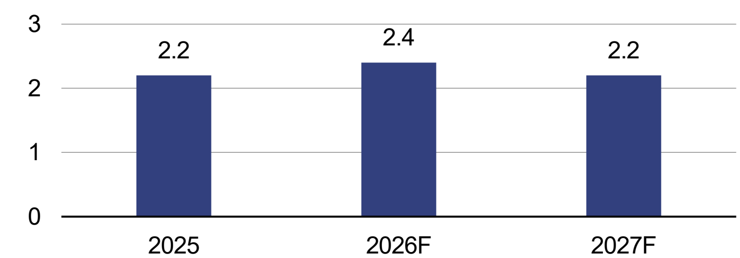
- **Technicals remain supportive** across EMD. Flows resumed following the Iran conflict and remain net positive YTD. Investors are steadily increasing strategic asset allocations to EMD, while we also see tactical investments are also on the rise seeking to capture the still elevated yield environment.

- **Geopolitical risks remain elevated**. Middle East/Iran tensions remain a persistent, if not acute, tail risk to monitor.

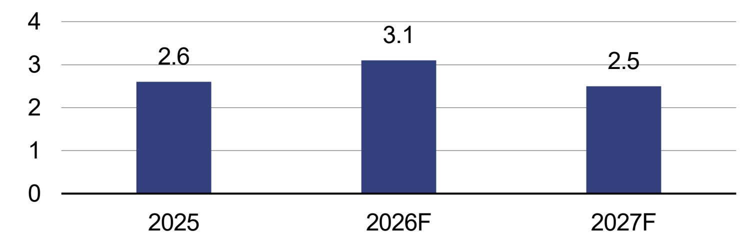
Real GDP Growth (%)



Current Account (% GDP)

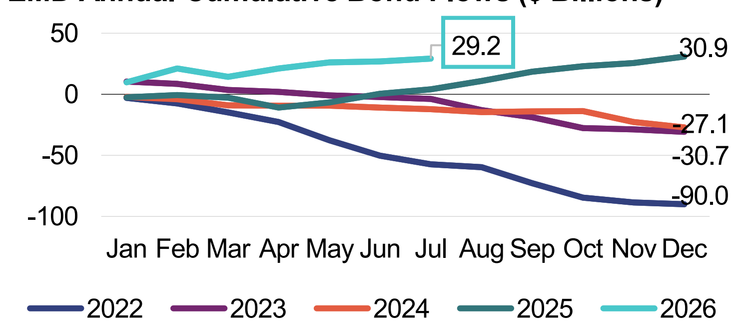


CPI Inflation (Year-End)



Source: Neuberger. As of July 2026. 2026 figures refer to Neuberger EMD Team forecasts based on Global EM (GDP-weighted). Forecasts may not materialize.

EMD Annual Cumulative Bond Flows ($ Billions)



Source: JPMorgan, EPFR. As of July 22, 2026.

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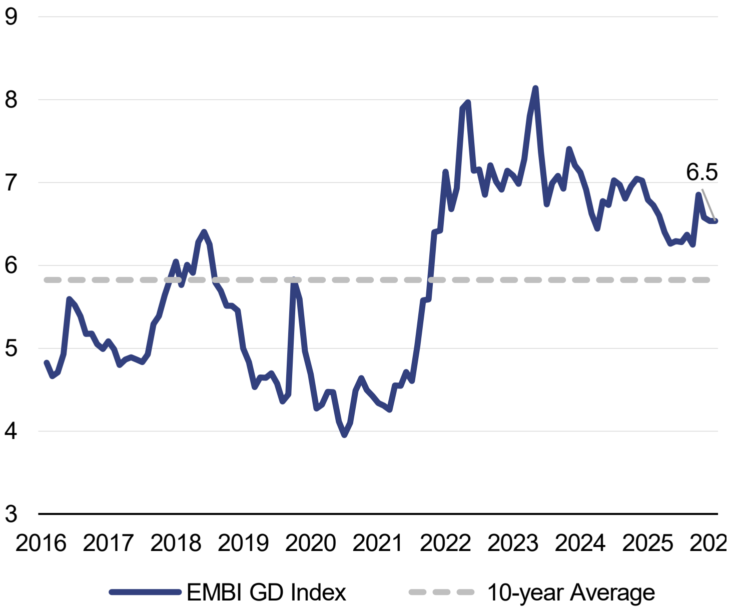
Hard Currency

Yields Supporting Carry Returns (%)



As of June 30, 2026. Source: JPMorgan. Duration-weighted Yield to Worst.
Past performance does not predict future returns.

Local Currency

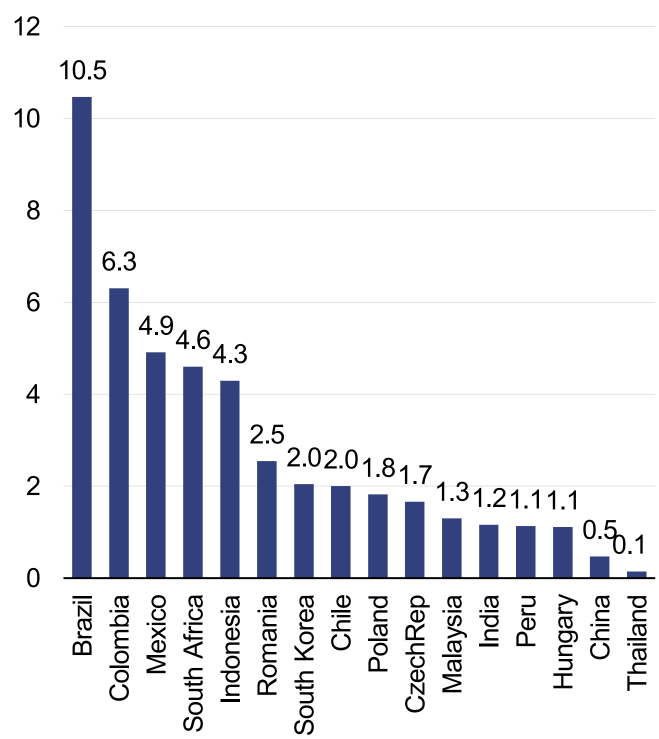
EM Real Rates Look Attractive With High Dispersion Between Countries

- EM FX market positioning remains underweight according to positioning surveys**.** Rates positioning is stable though we see some rotation within regions.
- **Local currency debt valuations stand out**, with real yields within at historically high levels in several EM local markets. In spite of the recent spike in energy prices, we maintain our duration overweight, with a focus on high yielders including South Africa, Mexico, and Colombia as well as select frontier countries.
- Medium term, we remain **constructive on EM currencies,** based on low current account deficits, improving capital inflows toward EM, and attractive carry. We maintain a bias toward high carry currencies, including overweights in the Brazilian real and frontier market currencies. However, we have trimmed exposure as global macro signals have deteriorated in the short term.

Taking Advantage of Dislocations amid Broadly Stable Fundamentals

- **Sovereign fundamentals remain broadly stable**, with current account metrics at favorable levels and supportive EM growth, in our view. Commodities remain supportive overall, though we increasingly differentiate metals, where we hold a more favorable medium-term view, from oil, which in the near term, is subject to unpredictably significant price swings related to the Middle East conflict.
- **Valuations remain the key constraint**: spreads are rich, with relative-spread measures versus DM at close to all time tights, keeping our valuation assessment negative despite otherwise constructive fundamentals and technicals.
- We maintain an **underweight spread duration** profile - sticking to a deep underweight in investment grade exposure, funding a selective long position in high yield, while favoring the middle part of curves given limited additional risk premia on long-end bonds on average.
- Most recent activity includes adding exposure to countries where we see relative value opportunities including Argentina for example. We also look to the new issuance market where we expect ongoing issuance from higher yielding countries.

EM Local Bonds Real Rates (%) – based on 1y expected inflation



As of June 30, 2026. Source: Bloomberg. Based on 5yr nominal rates minus 12month forward CPI.

Historical trends do not imply, forecast or guarantee future results.

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