

The views expressed in these posts are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.

Unsere Emerging Markets und Global Income Inhalte sind auf Deutsch verfügbar.

本ページには、翻訳が無く原文のみが掲載されているブログの投稿も含まれております

[EMERGING MARKETS DEBT](#) | [OUTLOOK](#)

2023 Investment Outlook: Emerging Markets Debt

By: EV Forward | December 15, 2022

Signals Indicate an Enticing Entry Point for EM Debt

KEY POINTS

- 1 Along with the improving macro, fundamental and technical picture, compelling valuations point to a market reset for EM debt.
- 2 We see a number of attractive opportunities across the universe, particularly in local interest rates and also in corporate spreads.
- 3 Sentiment swings may affect EM assets in 2023, although market pessimism appears to have peaked.

What We Are Seeing

Several signs indicate that emerging markets (EM) debt is poised for a turnaround in 2023. To start, valuations appear compelling on a historical basis and relative to other asset classes. In our view, market pricing in EM debt for macro uncertainty was aggressive through most of the past year — perhaps more than for any other asset class.

However, macro uncertainty is now beginning to recede in two key ways: First, the U.S. Federal Reserve's hawkish policy stance appears to have topped out, as inflationary headwinds look to be gradually dissipating. Second, while the future of China's COVID policy is not clear, it appears that authorities are starting to relax restrictions amid growth concerns and increasing social pressures.

Many EM economies are revising growth forecasts upward in line with stronger fundamentals. Monetary discipline should pay off for those countries that took early and decisive action on raising interest rates, as they will enjoy greater flexibility in managing central bank policy to stimulate growth ahead.

The technical picture is also showing nascent signs of recovery. EM debt recently saw net inflows return after record outflows of \$87 billion from the asset class over the first 10 months of 2022.¹

We believe that outflows have likely bottomed out and anticipate stronger net flows in 2023. In particular, we expect multi-sector managers, who drastically cut exposure to EM bonds in 2022, to continue increasing allocations as the outlook improves.

What We Are Doing

Based on our bullish views, we have been adding select opportunities across our EM debt portfolios. We remain particularly optimistic about EM local interest rates, as real yield differentials between emerging and developed markets appear very attractive. While slightly off their peak, those differentials remain among the highest levels seen since the global financial crisis.

Most recently, we have also been adding selectively to our positioning in EM currencies, where compensation appears comparatively attractive, given the level of risk. On the hard currency side, we maintain a slight preference for EM corporate over sovereign debt.

What We Are Watching

We continue to evaluate all opportunities on a bottom-up, country-by-country and company-by-company basis, as we believe this to be the best way to find attractive EM turnaround stories.

We recognize, however, that the broad asset class remains more sensitive to macro conditions and market sentiment at present. So we continue to monitor developments in key global markets, such as the U.S. and China, and their impact on the asset class.

Marshall Stocker, Ph.D., CFA
Co-Head of Emerging Markets Debt
Portfolio Manager

Bradford Godfrey, CFA
Institutional Portfolio Manager
Emerging Markets Debt

¹ J.P. Morgan, Global Emerging Markets Research: EM Flows Weekly, November 18, 2022.

Risk Considerations: *The value of investments may increase or decrease in response to economic and financial events (whether real or perceived) in the U.S. and global markets. The strategy employs an "absolute return" investment approach, benchmarking itself to an index of cash instruments and seeking to achieve returns that are largely independent of broad movements in stocks and bonds. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, currency exchange rates or other conditions. In emerging or frontier countries, these risks may be more significant. Investments in debt instruments may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. Exposure to derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other investments. As interest rates rise, the value of certain income investments is likely to decline. The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, including weather, embargoes, tariffs, or health, political, international and regulatory developments.*



EV Forward

"We remain particularly optimistic about EM local interest rates, as real yield differentials between emerging and developed markets appear very attractive."



Marketing Communication

To report a website vulnerability, please go to [Responsible Disclosure](#).

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

This site (www.eatonvance.jp) is operated by Eaton Vance Management (International) Limited ("We"). We are a limited company, registered in England and Wales under company number 4228294 and have our registered office at 125 Old Broad Street, London, EC2N 1AR. Our VAT number is 762717416.

Eaton Vance Management (International) Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is entered on the FCA's register with register number 208634.

The information on this webpage is not intended for U.S. residents. To visit our U.S. website [please click here](#).

Eaton Vance Management (Registration No. 1121338) and Parametric Portfolio Associates (Registration No. 1217626) are the registered trade marks of Eaton Vance.