

AMUNDI FUNDS EMERGING MARKETS BLENDED BOND

Monthly
Portfolio
Update

30/11/2025

Meet the Team



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Market Comments

In November, EM debt was supported by a constructive global macro backdrop, broad-based disinflation and improving liquidity expectations.

US monetary-policy pricing and long-end moves dominated markets over the month. Fed-cut probabilities swung materially — falling to the mid-20s% intra-month before recovering to around an 80%+ probability by month-end — driving a bout of volatility across markets. After that two-way move, US Treasuries stabilised and the 10-year yield ended the month modestly lower, closing near 4.01% (down about 6bps on the month).

EM monetary policy stayed broadly supportive overall, but with regional differentiation. Asian and CEEMEA central banks were largely on hold. In LatAm, Banxico delivered a 25bp cut to 7.25% while the Brazilian central bank remained at a restrictive stance (Selic at 15%).

Political and geopolitical developments remained fluid, while sovereign credit trends continued to improve. The US draft peace framework for Ukraine revealed gaps with Russian, Ukrainian and European positions, making a near-term settlement unlikely. In idiosyncratic stories, S&P upgraded Ghana to B-, affirmed Qatar at AA with a stable outlook and shifted Uganda to a positive outlook.

Flows and performance stayed supportive, underpinned by improving technicals. Per JP Morgan data, YTD flows into retail EM Bond Funds are now at +\$25.2bn. EM hard-currency sovereign debt (JP Morgan EMBI Global Diversified Index) returned 2.13% in November and 13.02% YTD, EM local-currency debt (JP Morgan GBI-EM Global Diversified Index) returned 0.46% in November and 15.94% YTD and EM corporates (JP Morgan CEMBI Broad Diversified Index) returned 0.56% in November and 7.95% YTD.

Performance Analysis

The fund (I EUR Share class) returned 0.29% net of fees during the period relative to the benchmark return of 0.11%. Hard currency debt was the largest contributor to excess returns, followed by EM FX and duration management. Off-benchmark local currency debt was not a material contributor to performance.

Duration views were positive for returns during the period driven by a small long USD duration position. We also maintained a long EUR duration position.

Emerging market debt strategy was positive driven by EM country selection whereas our overweight beta exposure was a small drag as spreads widened from the lows. A preference for high yield issuers was helpful as investment grade was a relative underperformer.

EM country selection was positive, led by a long position in Turkey, as bonds continue to perform well. Although the most recent reading signalled a modest deterioration, the current account remains in surplus, tourism inflows are picking up, and the central government budget deficit is improving. A long position in Ukraine was also positive as the IMF announced an agreement with the country on a new \$8bn financing program.

Other positions that worked well included overweight positions in Venezuela, Ecuador and Nigeria, respectively. Sentiment around Venezuela remains positive given the possibility of US military intervention and a regime change. Meanwhile, bonds in Ecuador were helped by the US joint statement to set reciprocal trade agreements. Despite a recent referendum loss for the Noboa administration to amend the 2008 Constitution, the government remains focused on progressing its reform agenda. The current account is also in surplus while the fiscal deficit is improving. Lastly, an underweight in Panama was also helpful for returns as bonds gave up some of their recent gains.

An underweight in Bolivia, however, was a modest drag. There was limited dispersion across other issuers.

In EM FX, the largest contributor to returns was an underweight TWD position, followed by long positions in HUF, TRY and CLP, respectively. Positions that detracted from returns were driven by overweight positions in NGN, INR and an underweight in CZK.

In off-benchmark local rates, long positions in South Africa, Brazil and Nigeria were helpful but offset largely by a long position in Colombia, followed by Hungary, respectively.

Positioning Changes

Duration: As at the end of November, the Fund has an overweight duration position of about 1.31 yr relative to the benchmark. Our overweight largely reflects our off-benchmark local rates exposure as well as a long USD duration position.

We retain a positive outlook on EM debt markets as the worst of global trade tensions are largely behind us, and we do not expect a meaningful impact from the US government shutdown to growth. Tariff increases of around 18% will weigh on US growth and consumption, but the impact should be offset by further fiscal policy support and further Fed rate cuts through 2026. Furthermore, corporate earnings remain strong, AI and capex spending are supportive for activity and productivity gains. Given current market conditions, the asset class can continue to deliver mid-high single digit returns, supported by the resumption of inflows, record levels of money-market liquidity and lower US rates.

Emerging markets will remain the biggest driver of global growth in 2026, led by Asian countries like India and China, where activity is supported by stimulus measures and exports. Other countries also retain some flexibility to offset tariffs through monetary and/or fiscal stimulus. Some have also pursued IMF programs and/or debt restructuring subject to adherence to structural reform measures.

EM debt offers an attractive diversification opportunity away from the US with absolute yield levels still attractive, especially in an environment where global short rates are declining. Some of the higher yielding segments of the market still also offer attractive spread levels relative to their US equivalents. A Fed easing cycle, even if gradual, should reduce the attractiveness of US assets while supporting the duration and income component of EM debt. USD weakness and lower US treasury yields should also underpin EM local rates and currencies. Some countries still have room to cut rates, yet most are approaching the end of their easing cycle, while some (notably Brazil, Colombia, Turkey and Hungary) are more cautious.

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Technicals also remain favourable. Investor flows have resumed for the first time since 2021, and hard currency debt net issuance should decline next year due to higher cash flows. Strong returns in 2025 and investors remain underweight the asset class. Strong returns this year and \$8 trn sitting in global money market assets should support a pick-up in demand. Credit quality is also improving across the universe as upgrades outpace the level of downgrades.

Our base case is the 'Goldilocks' environment for carry is likely to be sustained. US growth is resilient but will slow below trend along with job growth, enabling further rate cuts from the Fed. The pass-through from tariffs has been modest, although a resurgence in US trade tensions is a risk. Other concerns include an escalation in the geopolitical landscape in the Middle East and/or the Russia/Ukraine conflict.

We maintain a preference for those countries that are commodity exporters, where fundamentals are improving, and/or those that have strong buffers in place to weather an external shock. The impact of tariffs on GDP growth still appears to be the largest for Asia, a region that we remain broadly underweight due to valuations.

We are constructive on EM hard currency bonds given the supportive macro environment and outright attractive yield levels relative to history. Our return profile is largely driven by carry, and we favour high yield selectively as there is still some room for some spreads to tighten. We remain selectively positioned in Latin America and EM Europe and also hold longs in select Sub-Saharan African countries. We remain underweight Asia where spreads are generally tight. From a rating perspective, investment grade issuers offer limited upside at current valuations.

Some of our favoured countries include Argentina and Mexico, respectively. Argentina is benefiting from better fundamentals, including an improving balance of payments position, fiscal anchor, and implicit US support, although we will monitor upcoming mid-term elections. In Mexico, quasi-sovereign valuations are attractive, and there is room for spreads to tighten relative to the sovereign.

In CEE, we like Turkey given attractive valuations while macro fundamentals are also improving. We like Egypt due to the government's structural reform plans as part of its IMF package, while its balance of payments position is also improving.

Lower US rates should support EM FX carry; and with EM inflation well-contained, there is still some scope for further rate cuts which could see further gains in local debt duration. As such, we remain long EM rates in countries with high nominal and real yields where there is room to ease policy and/or rates have peaked. Some frontier countries have also seen large devaluations which leaves FX attractively valued. We remain selective and avoid positioning in countries that are more vulnerable to slowing growth or a reversal of capital flows.

Within local rates, key positions include Hungary, Brazil, Colombia, Brazil and South Africa. In Hungary, carry is attractive and the NBH is cautious in further rate as inflation remains sticky and above its target range. Although we have reduced our exposure, we still like Brazil and real rates remain one of the highest in the EM universe and have room to fall in 2026. In South Africa, the curve remains steep and we expect the SARB for to formally revise its inflation target lower. In Colombia, rates should only fall gradually due to fiscal risks which is supportive for the attractive carry.

In EM FX, we are selective but like countries that offer high carry, including HUF, TRY, EGP and COP. In Asia, we are broadly underweight the region but like higher yielding currencies IDR and INR.

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