

The EM Trader

Fiscal In Focus

- **Fiscal risk pricing in EM to remain local.** EM local rates have been resilient to the recent bout of US back-end pressures, as market concerns over fiscal risks broaden out globally. Within EM, there is a wide dispersion of fiscal positions, but we find that in the markets where the fiscal deterioration over the past few years has coincided with that of the US (Colombia, Brazil, Poland, Hungary, and Romania), the long-end risk premium has traded more closely with USTs. By contrast, in markets where fiscal positions have been on a more stable footing (Czechia, Chile, India, Indonesia, South Africa), we have seen greater resilience, and we think that the generally lower levels of debt in EM compared to most other DM economies, should reduce the risk that a resumption of US back-end pressures from fiscal concerns would lead to broad-based pressure on EM local rate markets.
- **Long-end rate risk premia relative to fundamentals high in Czechia and Mexico; high overall premia in Colombia.** Benchmarking to fundamentals, we think that the back-ends in Czechia and Mexico offer value, where we find that risk premia are still priced high relative to domestic fiscal fundamentals that are on a better footing than their regional peers. Long-end risk premia are also exceptionally high in Colombia, but it might be harder to find catalysts outside of the 2026 elections to unlock it. In Korea, where risk premia are priced relatively conservatively on our measures, the recent political shifts could imply greater market pressures on the long-end of the KTB curve.
- **EM elections: Clear results should extend the revaluation of Korean stocks and currency.** The clear victory of the Democratic Party candidate in the South Korean presidential elections should pave the way for a swift formation of a new cabinet (given control of both the executive and legislative branches), substantial fiscal stimulus, renewed progress in US-Korea trade negotiations and further progress in implementing broad corporate governance reforms. All of this should ultimately aid in narrowing the long-held 'Korea discount' in Korean equities and the Korean Won. Korean equities offer decent growth, at extremely attractive valuations, and the KRW is one of the most sensitive to broad Dollar weakness with domestic policymakers also not looking averse to further strength. While the KOSPI index has rallied nearly 7% since the start of last week, with sharp moves in 'Value Up' pockets, we think positive momentum is likely to extend, and therefore continue to hold onto our long MSCI Korea trade in USD (M1KR

Kamakshya Trivedi
+44(20)7051-4005 |
kamakshya.trivedi@gs.com
Goldman Sachs International

Danny Suwanapruti
+65-6889-1987 |
danny.suwanapruti@gs.com
Goldman Sachs (Singapore) Pte

Sunil Koul
+44(20)7051-4931 | sunil.koul@gs.com
Goldman Sachs International

Tadas Gedminas
+44(20)7051-6015 |
tadas.gedminas@gs.com
Goldman Sachs International

Tarun Lalwani, CFA
+1(212)934-5821 | tarun.lalwani@gs.com
Goldman Sachs India SPL

Teresa Alves
+44(20)7051-7566 |
teresa.alves@gs.com
Goldman Sachs International

Victor Engel
+44(20)7051-3862 | victor.engel@gs.com
Goldman Sachs International

Lexi Kanter
+1(212)855-9701 |
alexandra.kanter@gs.com
Goldman Sachs & Co. LLC

Index). As the recommendation has gained 7% since our initiation in mid-May, we tighten our stop-loss to protect gains.

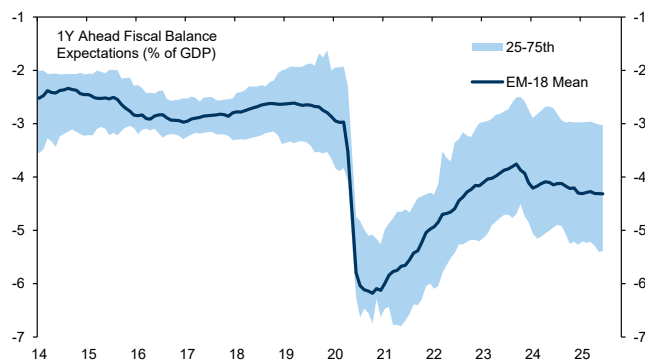
- **By contrast, the election outcome in Poland raises market risks.** By contrast, in Poland, the victory of Law and Justice party (PiS) in the presidential elections raises political uncertainty in one of the best performing EM equity markets this year, with MSCI Poland posting significant ytd gains (nearly 40% rally in dollar terms). While the initial post-election market reaction has been contained so far, Polish equities look vulnerable to a reversal, given normalized valuations and increased investor positioning, and against a backdrop of moderating growth and softening earnings momentum. The political uncertainty also raises the bar for further performance of local assets: fiscal deficits will be harder to correct, keeping curves steep and the Zloty already looks overvalued after a couple of years of strong performance.

EM Local Rates: Fiscal risk pricing to remain local

- **EM Local Rates — EM fiscal a mixed bag.** EM local rate markets have maintained their outperformance year-to-date and have remained resilient to the recent bout of back-end UST pressures. These pressures have eased over the past week, but the market focus on fiscal risks has broadened to outside of the US, including in EM. In this respect, the picture in EM is mixed as the post-pandemic consolidation since 2020 has stalled ([Exhibit 1](#)), and there is a wider dispersion in EM fiscal developments than compared to over the past 10 years. In some markets, like Czechia, Chile, Indonesia, Korea, India and South Africa, we have seen a better fiscal consolidation track record post the Covid pandemic ([Exhibit 2](#)). By contrast, fiscal developments in Brazil, Colombia, Poland, Hungary, Romania and Thailand have seen an outright deterioration in recent years, with fiscal deficits drifting wider since 2020, very much in line with the US. The relative fiscal deterioration in these countries has also been more concerning given that it has largely come as a negative surprise relative to market expectations ([Exhibit 3](#)), weighing on the long-end bond market performance. One broader silver lining, however, for EM fiscal positions compared to their DM counterparts, is that the overall level of debt remains much lower, and it has typically risen by less than debt levels in DM over the past five years ([Exhibit 4](#)).

Exhibit 1: EM Fiscal Consolidations Have Stalled, Although With Significant Divergence Within

Implied 1Y forward BBG consensus fiscal balance expectations (% of GDP)

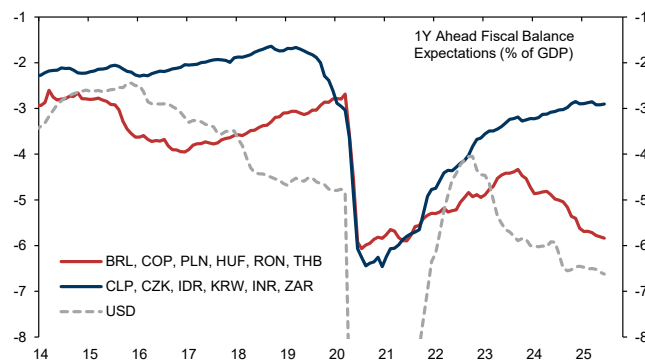


EM-18: BRL, CLP, CNY, COP, CZK, HUF, IDR, ILS, INR, KRW, MXN, MYR, PEN, PHP, PLN, RON, THB, ZAR

Source: Goldman Sachs Global Investment Research, Bloomberg

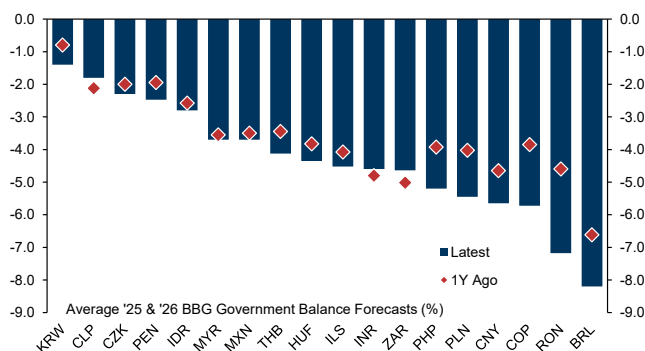
Exhibit 2: Fiscal Developments in BRL, COP and Most of the CEE Region Have Tracked US More Closely

Implied 1Y forward BBG consensus fiscal balance expectations (% of GDP), groupings vs. US



Source: Goldman Sachs Global Investment Research, Bloomberg

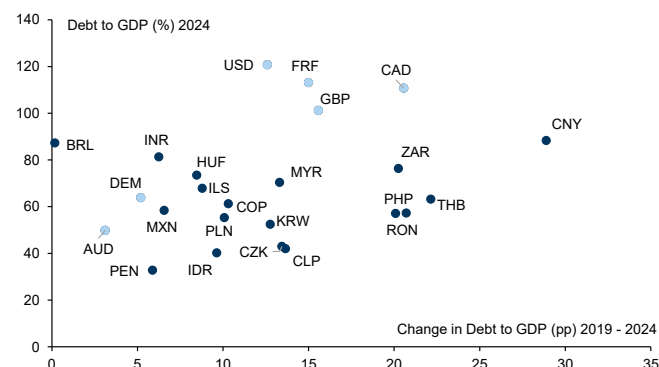
Exhibit 3: Expectations Around Fiscal Balances in BRL, COP, RON and PLN Have Worsened Significantly Over the Past Year
Change in BBG consensus government balance expectations



Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 4: EM Debt Levels Are Smaller and Have Recently Increased By Less Than in DM

Government debt (% of GDP) in 2024, vs. change in government debt between 2019-2024

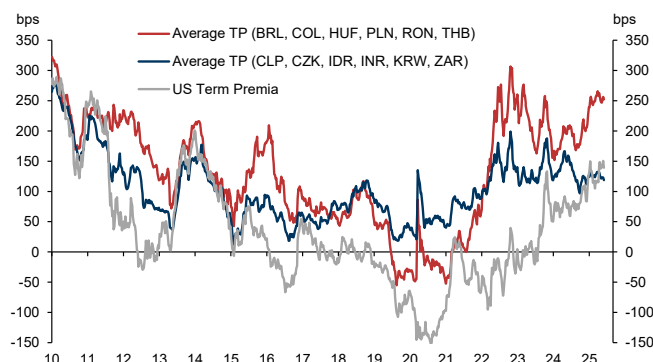


Source: Haver Analytics, Goldman Sachs Global Investment Research, IMF

- **Fiscal risk in EM to be priced as local rather than global risk.** In core markets, rising US fiscal concerns have come with a significant back-end steepening of the long-end of the UST curve and an increase in measures of term premia. Within EM, we have seen much smaller corresponding increases in EM local bond risk premia (Exhibit 5), as the market appears to have traded higher US long-end rates as an increase in 'US-specific' risk that has weighed on the US Dollar as well. Historically, we find that EM long-end risk premia tends to exhibit episodic sensitivity to UST risk premia pricing, which resonates with our previous findings that spillovers to EM local depends on the drivers of the US rate move. For example, in the past, cyclically-led repricing in 2014-2015 featured a strong global component in long-end risk premia pricing, whereas focusing more recently, the market has been differentiating more across EMs. If we follow the grouping from above between EMs that have seen a further deterioration in fiscal positions since 2023 versus the ones which have not, we see a clearer divergence in back-end performance since early 2024, as the increase in risk premium in the long-end risk premium in the CEE, BRL and COP has largely corresponded with an increase in US long-end risk premium. By contrast, in markets where fiscal policy has seen more consolidation, at least on a relative basis, long-end risk premium pricing has been much more stable. This is not to say that EMs cannot shift between these groups, and, for example, the recent elections in Korea likely imply higher fiscal deficits relative to what the market had expected previously at a time when the risk premia is quite compressed (Exhibit 6). However, we would argue that in an environment where the market is focused on trading fiscal risk, this risk is more likely to be traded as 'country-specific' risk, rather than implying a common sensitivity to which all EM markets would be responding.

Exhibit 5: Long-end Risk Premia in EMs With Weaker Fiscal Position Has Traded Similarly to the US, But More Resilient Where Fiscal Risk is More Contained

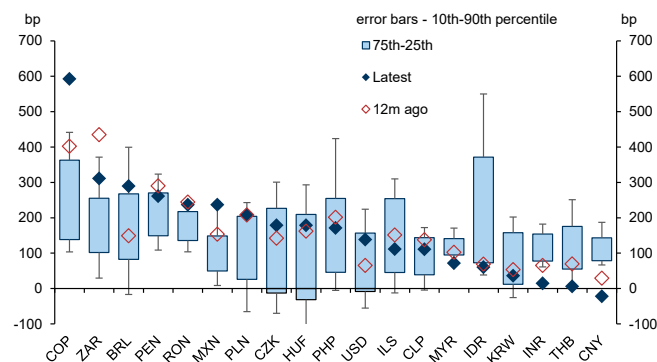
GS estimates of US and EM 10Y term premia



Source: Goldman Sachs Global Investment Research

Exhibit 6: High Risk Premia Pricing Across LatAm and CEEMEA; Very Low Risk Premia Across Asia, Including Korea

GS estimates of 10Y term premia from zero coupon bond curves



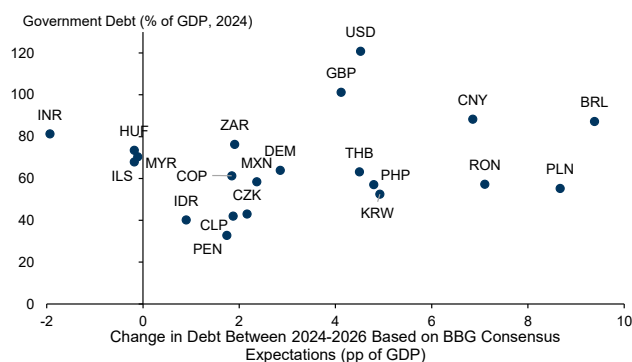
Source: Goldman Sachs Global Investment Research, Bloomberg

- **Benchmarking risk premia to fundamentals — Significant discount in Colombia; see value in Mexico and Czechia; Korea more exposed if fiscal shift is larger than expected.** To gauge the EM long-end risk premia pricing relative to fundamentals, we refresh our prior work on modelling EM 10Y term premia. In addition to measures of inflation expectations and EM external balance sheets, we use two measures to capture fiscal risk: 1) the level of debt (backward-looking and more slowly moving) and 2) implied change in debt over the next two years given market consensus expectations for budget balance and nominal GDP growth. On these two metrics (Exhibit 7), Brazil remains with the most fragile combination in EM with high levels of debt, but also an expected debt path that would feature a relatively large increase over the next few years. That said, the relatively large fiscal deficit expectations for the coming years in Romania and Poland also imply a large increase in debt as well. Still, most EMs on a forward-looking basis are likely to preserve their relatively more favourable fiscal position of having smaller increases in debt levels than in DMs. Bringing this to market pricing in (Exhibit 8) we plot our latest 10Y term premia estimates (x-axis) vs. predicted term premia based on domestic fundamentals (y-axis). The dotted line represents the 45 degree line, with all the markets to the left (right) showing where current term premia is above (below) fundamentals. Taken together, the long-end risk premia is priced exceptionally high in Colombia, where the relatively weak fiscal fundamentals would imply a high term premia within EM but where the current market pricing is also significantly in excess of this. Near-term catalysts to unlock this risk premia might be hard to come by, but elections next year could support a more meaningful compression there. Elsewhere, we think that long-end risk premia screens relatively high in Czechia and Mexico. While some increase in risk premia over the past year is warranted in both, the extent of the back-end repricing has likely gone too far, in our view. On the other hand, the relatively low risk premia pricing in Korea could come under pressure, where there is likely scope for the market to add more fiscal risk premia after the clear election outcome there if it leads to a larger fiscal expansion than expected. In South Africa, there has been strong momentum to price out

domestic risk premia, supported by a resolution to political uncertainty over the budget, and more recently, positive tailwinds from a potential lowering of the inflation target. On the latter, while we think that over the medium-term this should support a further pricing out of the very long-end risk premium, which still remains exceptionally steep, in the near-term, prospects of lower nominal growth may increase sensitivity to any potential disappointments in case fiscal concerns resurface, and the belly of the curve may provide safer longs.

Exhibit 7: BRL, PLN and RON Fiscal Positions Are Weak; Most EMs Are on a Better Standing Than Major DMs

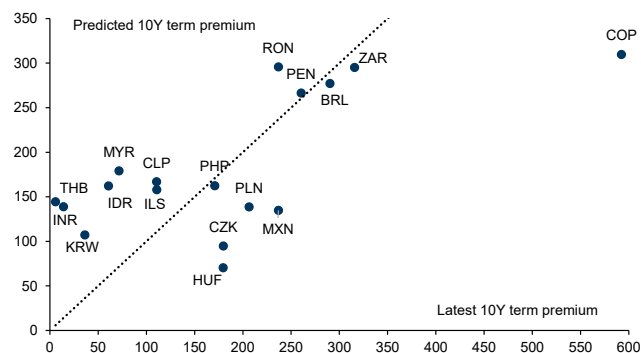
Government debt 2024 vs. projected change in government debt by 2026, using BBG consensus estimates



Source: Goldman Sachs Global Investment Research, Haver Analytics, IMF, Bloomberg

Exhibit 8: Significant Risk Premium in COP; CZK and MXN Trading Above Their Fundamentals

Actual vs. predicted GS 10Y term premium estimates

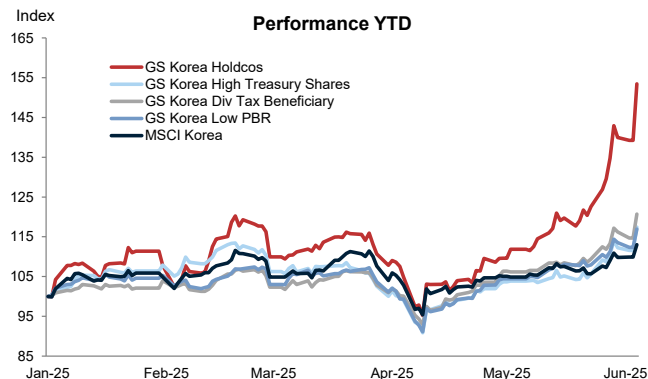


Source: Goldman Sachs Global Investment Research, Bloomberg

EM equities: Election results raise risks for Polish equities, bode well for Korea

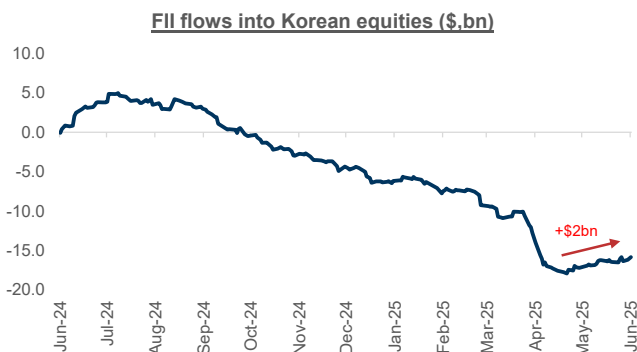
- **Korean election outcome bodes well for equities/FX and corporate governance reform.** Contrary to Poland, South Korean presidential elections on June 3 saw an expected outcome, with the main progressive Democratic Party candidate (who was leading in the polls) winning by a wide margin. Our economists expect a swift formation of a new cabinet (as the Democratic Party would control both the executive and legislative branches), substantial fiscal stimulus, renewed progress in US-Korea trade negotiations and further progress in implementing broad corporate governance reforms - all of which bodes positively for Korean equities and KRW.
- **Stay long Korean equities in USD.** Specifically for Korean equities, as we noted a couple of weeks ago, the equity market offers decent earnings growth (12% CAGR for 2025/26E), at attractive valuations, and renewed focus on corporate governance and the 'Value-Up' program-could ultimately aid in narrowing the long-held 'Korea discount'. While the KOSPI index has already rallied nearly 7% since the start of last week, with sharp moves in 'Value Up' pockets (holdcos, low P/B ratio stocks, dividend tax cut beneficiaries), we see this positive momentum extending given the removal of the political overhang and potential roll-out of pro-market measures from the new government, and therefore continue to hold onto our long MSCI Korea trade in USD (M1KR Index). As the trade has gained 7% since its initiation on May 21, 2025, we tighten our stop-loss to protect gains (entry index level: 100, current 106.94, target 115, revised stop 100 from 90 previously).

Exhibit 9: Korea Value Up and corporate reform beneficiaries (holdcos, low P/B ratio stocks, dividend tax cut beneficiaries) have recently outperformed



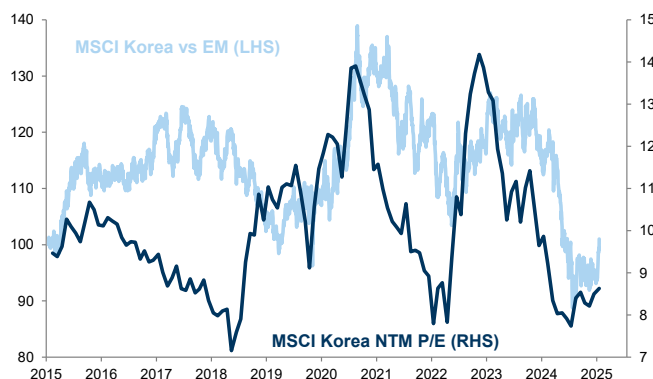
Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 10: Following persistent outflows, FIIs have turned buyers of Korean equities in the past couple of months



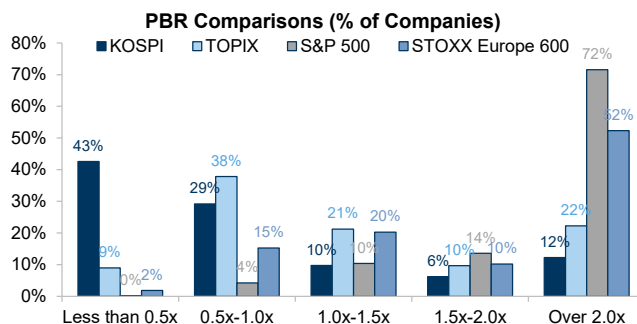
Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 11: Korea has been a laggard in recent years and still trades at inexpensive valuations...



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 12: ... with more than 40% of KOSPI stocks trading below 0.5x on a PBR basis



Source: FactSet, Goldman Sachs Global Investment Research

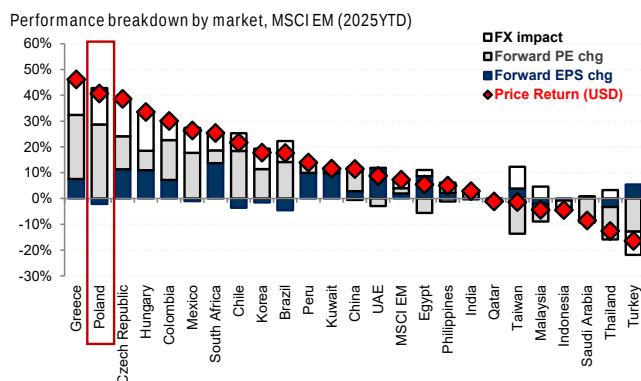
■ **Polish equities look vulnerable post-elections, given their strong ytd gains...**

The initial equity market reaction, following the surprise outcome of the Polish presidential elections on Sunday, which saw the Law and Justice party (PiS) candidate winning the presidency, was fairly contained. Polish equities, as measured by MSCI Poland, fell 80-90bp each on Monday and Tuesday, modestly underperforming the broader MSCI EM index. While the challenges following this election outcome, related to shifts in legislative agenda or strains on the coalition government, could result in higher uncertainty in the near term, the fundamental set-up in Polish equity markets was already looking less attractive heading into these elections. Polish equities have rallied 26% ytd and nearly 40% in USD terms, with MSCI Poland being the second-best performing market in EM this year.

- **...and weakening earnings momentum after Q1.** Much of the ytd rally was fueled by optimism around European growth and hopes of sustained fiscal policy shifts, and primarily driven by a significant compression in equity risk premium. This has brought current valuations to more normalized levels at 9x forward P/E, which is already above our macro-modelled 'fair value' (of 8x). At the same time, earnings momentum and economic activity (which was strong in 1Q) has been weakening.

Moreover, investor positioning has increased, with Polish equity exposure within EM active funds near multi-year highs. This current set-up, coupled with only a limited pricing of political risk premium post elections, makes Polish equities vulnerable to a larger correction. Sector-wise, banks that are well-owned and have seen strong gains could see profit-taking, with investors potentially rotating into consumer sectors, especially in the event of dovish monetary and expansionary fiscal policy shifts.

Exhibit 13: Polish equities are up nearly 40% ytd in dollar terms, with least EPS contribution among EM European markets



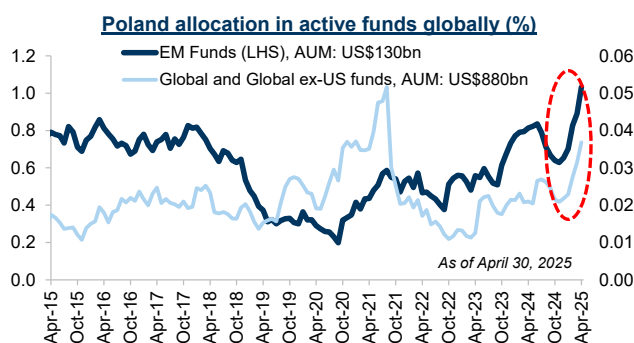
Source: Goldman Sachs Global Investment Research, FactSet

Exhibit 14: The strong earnings momentum in 1Q, as measured by the breadth of analyst EPS revisions, has been weakening



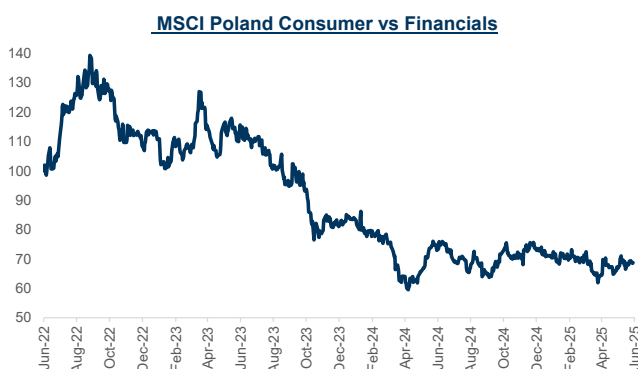
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 15: Investor positioning has increased sharply, with Polish equity exposure within EM active funds near multi-year highs



Source: EPFR, FactSet, Goldman Sachs Global Investment Research

Exhibit 16: Banks have seen a sharp outperformance and could see investor rotation into consumer sectors, especially in case of dovish monetary and expansionary fiscal policy shifts



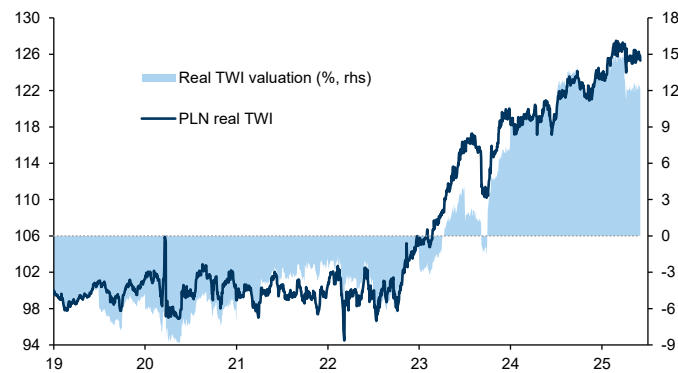
Source: Goldman Sachs Global Investment Research

- **A higher bar for Poland local performance.** The reaction in Polish rates and the currency has also been fairly contained so far. Part of this reflects the coincidence of conventional macro impulses, with the central bank keeping rates on hold this week which limits the extent of the immediate currency reaction. And in the medium-term, a split government will probably keep fiscal policy loose, long-end rates higher, and those forces, alongside the monetary policy reaction function and broader macroeconomic developments should continue to drive the Zloty's trajectory. Stepping back, the Zloty has been one of the best performing EM currencies over the past couple of years, given the combination of strong growth and hawkish policy, also coincidentally delivered against the backdrop of divided

government. This has meant that PLN screens just over 10% overvalued on our 60:40 GSDEER:GSFEER average (Exhibit 17). That raises the bar for further outperformance, and makes the currency more vulnerable to more adverse political outcomes that either lead to more domestic instability or tensions with the EU that jeopardises capital inflows. For the same reasons, at least until the near-term monetary policy reaction is clear, the rates curve is likely to remain steep. The steepening pressures in the rates market are also likely to persist given the already large fiscal deficits that will be harder to correct amid increased political uncertainty.

Exhibit 17: PLN overvaluation raises the bar for further outperformance.

*60/40 fair value is computed using 60% of the corresponding GSDEER fair value and 40% of the GSFEER fair value.



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

The authors would like to thank Emilia Illinger for her contribution to this report. Emilia is an intern in the Markets team.

Macro forecasts and outlook

Market values in the exhibits that follow are as of 03 June, unless otherwise stated.

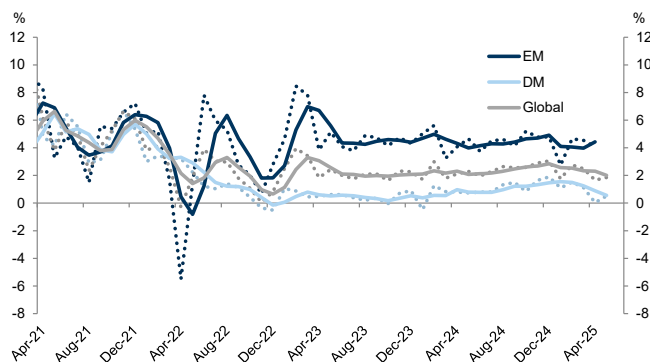
Goldman Sachs macro forecasts for major EMs vs. consensus

	GDP growth					Inflation					Policy rate				
	2024	2025		2026		2024	2025		2026		Current	2025		2026	
	Actual*	GS	Cons	GS	Cons	Actual*	GS	Cons	GS	Cons		GS	Cons	GS	Cons
Brazil	3.4	2.3	2.0	1.6	1.6	4.8	5.5	5.3	4.3	4.3	14.8	14.8	14.7	12.3	12.1
Chile	2.6	2.4	2.2	2.0	2.1	4.5	3.9	4.4	3.3	3.2	5.0	4.3	4.6	4.3	4.1
China	5.0	4.6	4.5	3.8	4.1	0.2	0.0	0.3	1.0	1.0	1.7	1.3	1.4	1.1	1.4
Colombia	1.6	2.5	2.4	2.4	2.8	5.2	4.7	4.8	3.5	3.7	9.3	8.0	8.1	7.0	6.9
Czech Republic	1.0	2.2	2.0	2.9	2.3	2.4	1.9	2.4	1.9	2.1	3.5	3.0	3.3	2.8	3.0
Hungary	0.5	0.7	1.5	3.0	3.0	3.7	4.4	4.6	3.5	3.5	6.5	6.0	6.0	4.0	5.1
India	7.0	6.3	6.3	6.2	6.5	6.7	4.7	3.9	3.6	4.2	6.0	6.3	5.4	5.5	5.4
Indonesia	5.0	4.7	4.8	4.8	4.9	2.3	1.8	2.0	3.6	2.7	5.5	4.8	5.2	4.8	4.9
Israel	0.3	2.6	3.4	4.5	3.8	3.0	3.3	3.1	2.1	2.1	4.5	4.0	4.1	3.3	3.2
Malaysia	5.1	3.7	4.1	3.9	4.3	1.8	1.9	2.1	2.1	2.3	3.0	2.8	2.7	2.8	2.7
Mexico	1.5	0.0	0.0	1.4	1.3	4.2	3.9	3.7	3.7	3.6	8.5	7.3	7.5	6.8	6.8
Peru	3.3	3.0	3.1	2.6	2.7	2.0	2.3	1.9	2.3	2.3	4.5	4.5	4.5	4.5	4.3
Philippines	5.7	5.6	5.6	5.7	5.7	3.2	1.5	2.2	2.2	3.0	5.5	5.0	5.0	5.0	4.7
Poland	2.9	3.4	3.3	3.6	3.3	3.8	3.7	4.0	2.2	3.1	5.3	4.3	4.7	3.5	3.6
Romania	0.8	1.3	1.6	3.4	2.5	5.6	4.4	4.8	2.6	3.5	6.5	6.0	6.0	4.0	4.7
Russia	4.3	0.5	1.5	2.0	1.2	8.5	10.3	9.2	9.3	5.5	21.0	20.0	17.0	11.0	11.3
South Africa	0.6	1.2	1.2	2.0	1.7	4.4	3.1	3.4	3.7	4.4	7.3	6.5	7.0	6.5	6.9
South Korea	2.0	1.1	0.9	2.1	1.8	2.3	1.8	2.0	1.8	1.9	2.5	2.3	2.1	2.3	2.0
Thailand	2.5	1.5	2.0	1.6	2.1	0.4	0.0	0.7	0.5	1.0	1.8	1.3	1.4	1.3	1.3
Turkey	3.2	3.1	2.9	3.8	3.3	58.5	32.0	34.3	21.4	21.6	46.0	33.0	36.3	24.0	23.5

Light blue cells indicate GS forecast above Bloomberg (median) consensus, grey cells indicate GS forecast below Bloomberg (median) consensus. For GDP and inflation, annual average data are used for GS forecasts and consensus. For India, GDP and inflation data are referred to fiscal year (2025 is India FY2025). For policy rates, end of year data are used for GS forecasts and consensus. * We take GS forecast if actual not available.

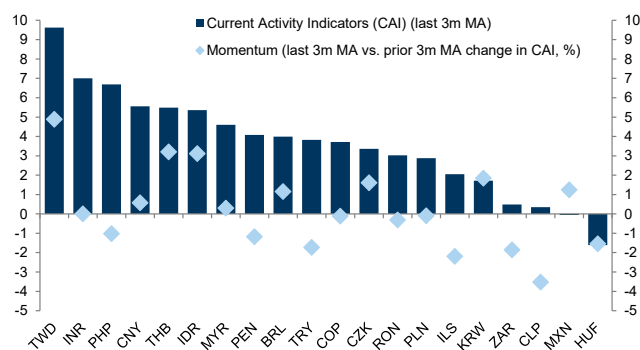
Source: Bloomberg, Goldman Sachs Global Investment Research

GS Current Activity Indicators (CAI)



Source: Goldman Sachs Global Investment Research

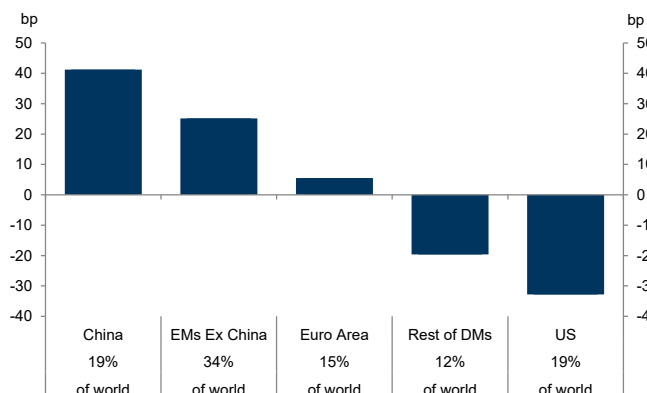
GS Current Activity Indicators (CAI) - latest level and momentum



Momentum calculated between Jan-25 and Apr-25.

Source: Goldman Sachs Global Investment Research

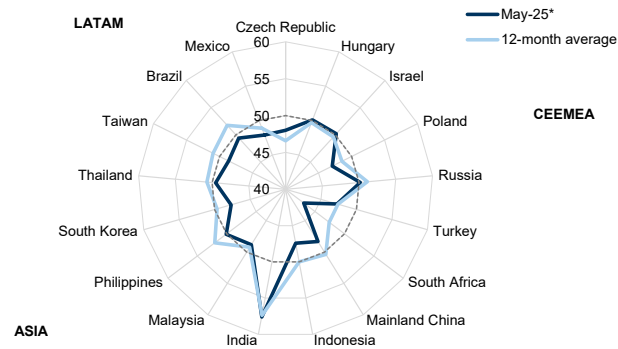
Regional contributions to change in global CAI (Jan-25 - Apr-25)



Regional contributions are weighted by the respective PPP GDP world share.

Source: Goldman Sachs Global Investment Research

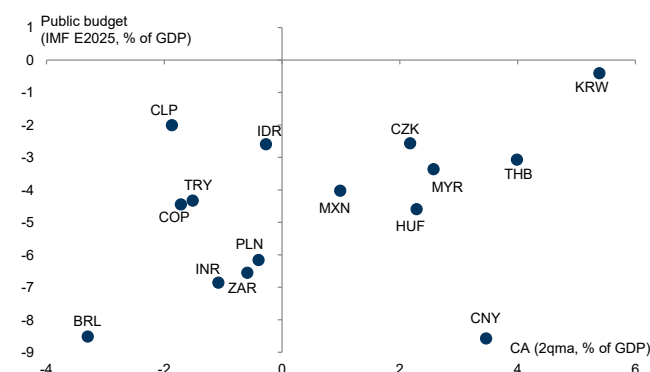
Manufacturing PMI



*For Mexico IMEF Business Climate Index and for Israel global PMI are shown. Apr-25 for THB, ILS.

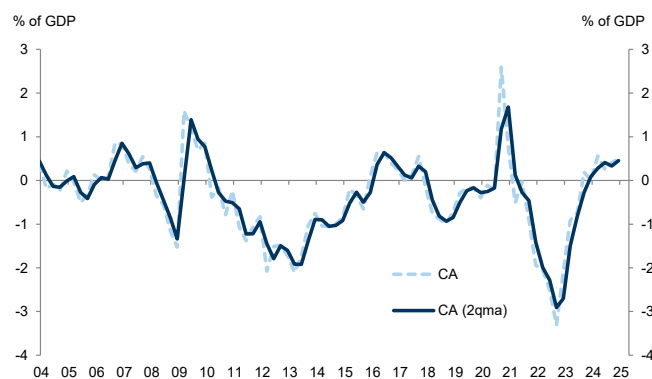
Source: Markit, Haver Analytics, Goldman Sachs Global Investment Research

External and fiscal balances



Source: Haver Analytics, Goldman Sachs Global Investment Research

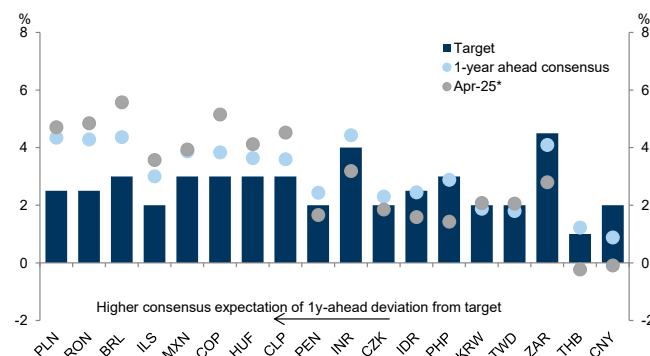
EM average current account balance



Average of BRL, CLP, CNY, COP, CZK, HUF, IDR, INR, KRW, MXN, MYR, PLN, THB, TRY and ZAR.

Source: Haver Analytics, Goldman Sachs Global Investment Research

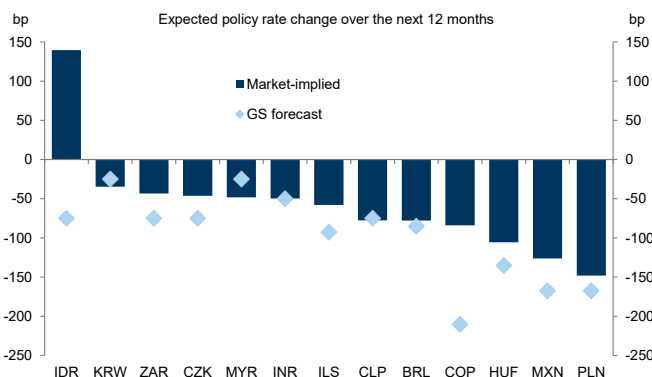
Consensus inflation expectations vs. 1-year realised and Central Bank's targets



*May-25 for IDR, PEN.

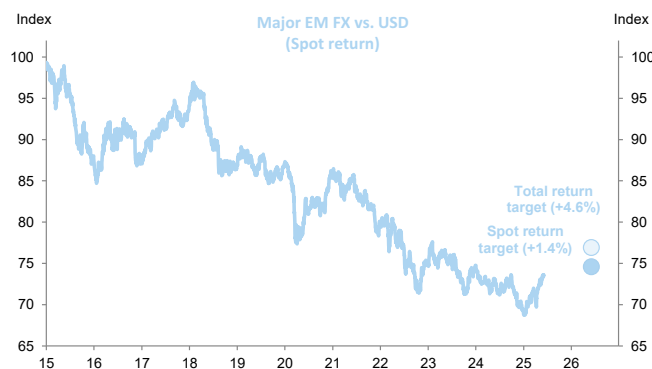
Source: Consensus Economics, Haver Analytics, Goldman Sachs Global Investment Research

GS and market-implied policy rate change on a 12-month horizon

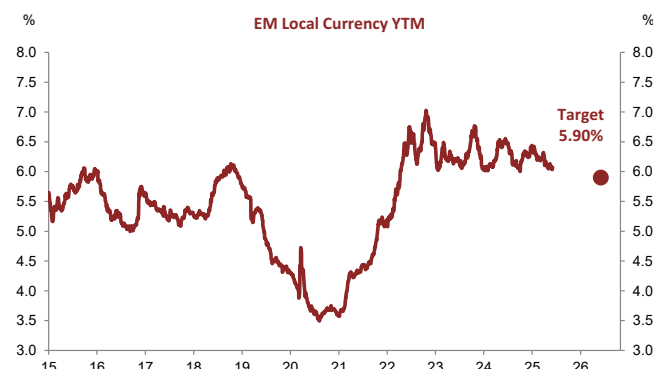


Source: Bloomberg, Goldman Sachs Global Investment Research

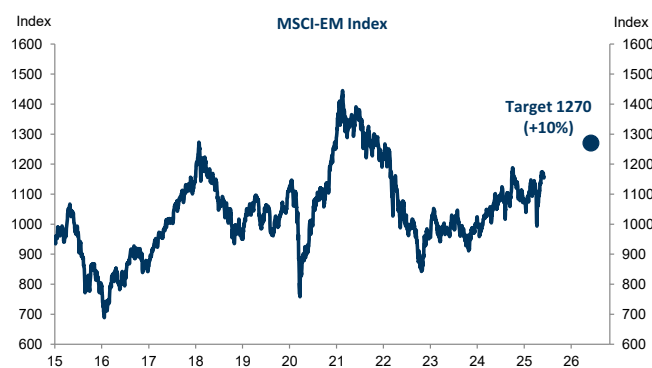
Market forecasts and valuations



Source: Goldman Sachs, Goldman Sachs Global Investment Research



Source: Bloomberg, Goldman Sachs Global Investment Research

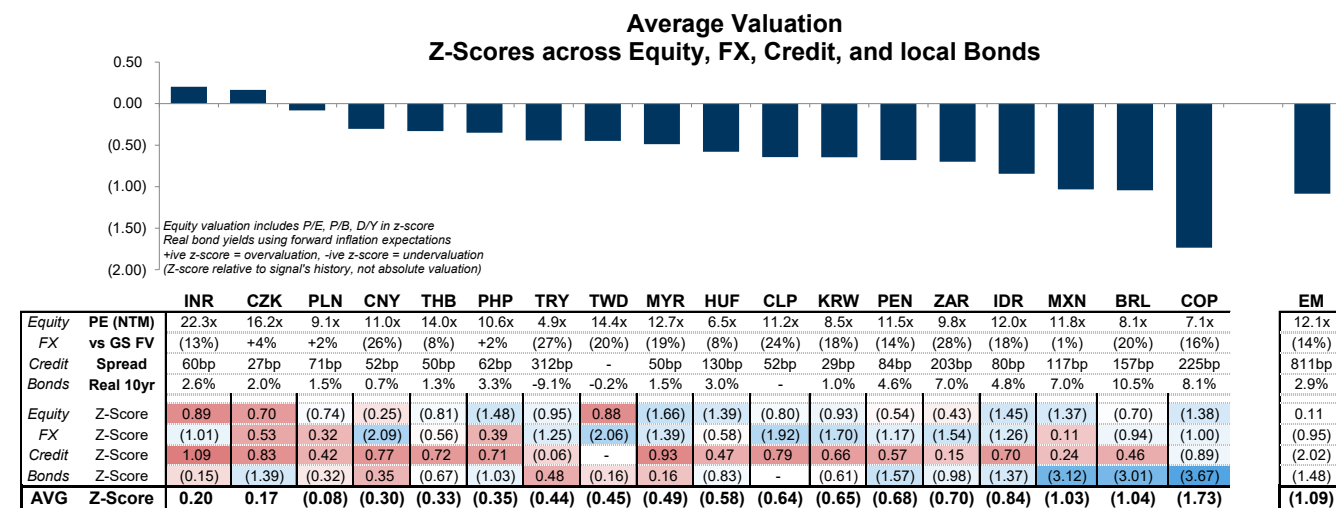


Source: Datastream, Goldman Sachs Global Investment Research



Source: Haver Analytics, Goldman Sachs Global Investment Research

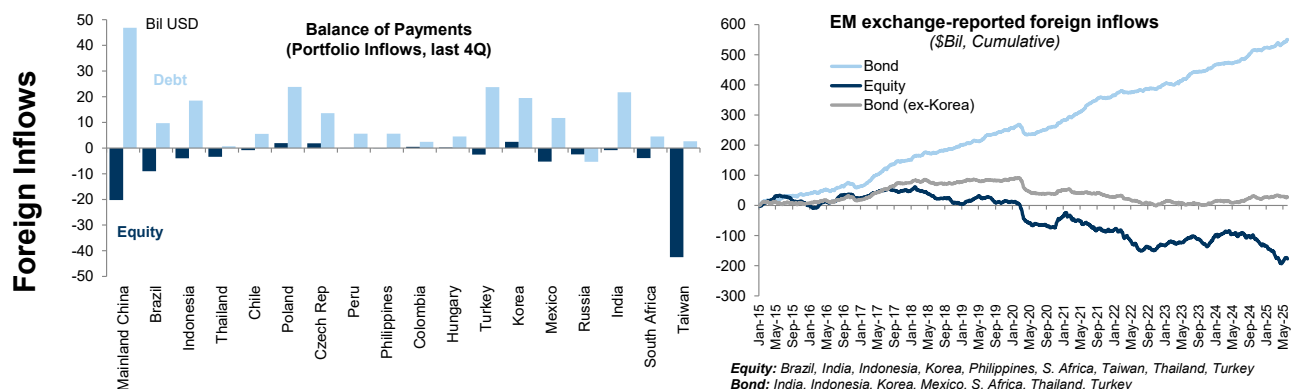
EM cross asset valuation



Source: FactSet, Datastream, Goldman Sachs Global Investment Research

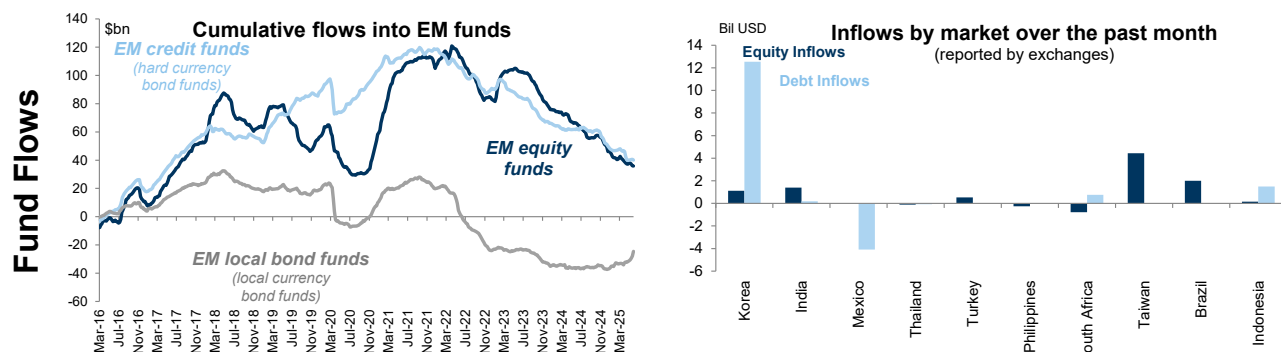
Flows and Positioning

EM portfolio investment and exchange-reported foreign flows



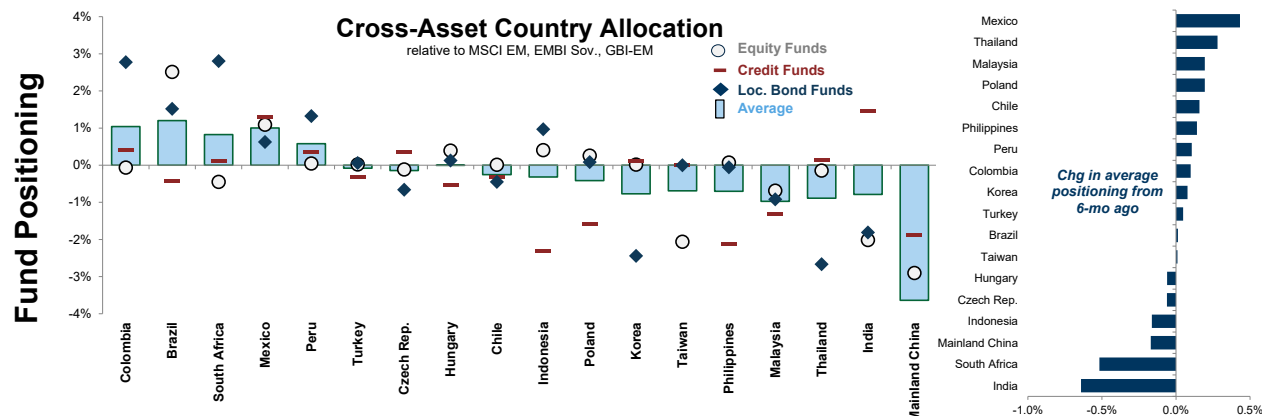
Source: Haver Analytics, Bloomberg, Goldman Sachs Global Investment Research

Cumulative flows into EM mutual funds



Source: EPFR, Bloomberg, Goldman Sachs Global Investment Research

Cross-asset mutual fund positioning



Source: EPFR, Goldman Sachs Global Investment Research

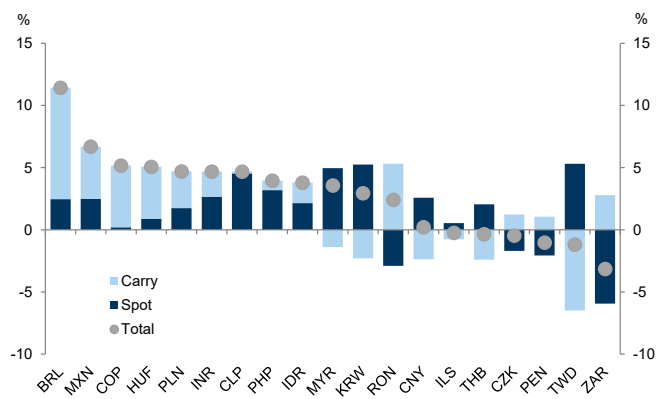
EM Currencies

		Spot	L3M spot return (%)	Forecast			12M return forecast (%)			Fair value			Valuation* (%)		
				3M	6M	12M	Spot	Carry	Total	GSDEER	GSFEER	60/40 Avg	GSDEER	GSFEER	60/40 Avg
vs. USD	ARS	1184.3	-10.1	1250.0	1350.0	1500.0	-21.0								
	BRL	5.64	2.8	5.65	5.60	5.50	2.5	9.0	11.4	4.18	5.04	4.53	-25.8	-10.5	-19.7
	CLP	941	-1.2	940	920	900	4.5	0.1	4.7	696	745	716	-26.0	-20.8	-23.9
	CNY	7.18	-0.2	7.20	7.10	7.00	2.6	-2.4	0.2	5.17	5.44	5.28	-27.9	-24.3	-26.5
	COP	4108	0.7	4200	4150	4100	0.2	5.0	5.2	3447	3676	3538	-16.1	-10.5	-13.9
	CZK	21.87	5.0	22.32	21.83	21.08	3.7	-1.1	2.6	25.24	18.59	22.58	15.4	-15.0	3.3
	HUF	355	3.3	366	352	333	6.4	1.8	8.2	333	306	322	-6.0	-13.8	-9.1
	IDR	16343	-0.3	16300	16200	16000	2.1	1.7	3.8	14381	12877	13779	-12.0	-21.2	-15.7
	ILS	3.52	3.0	3.55	3.50	3.50	0.5	-0.8	-0.2	3.52	3.05	3.33	0.0	-13.2	-5.3
	INR	85.7	1.7	84.5	84.0	83.5	2.7	2.0	4.7	76.5	70.9	74.3	-10.7	-17.3	-13.4
	KRW	1379	5.0	1360	1340	1310	5.2	-2.3	3.0	1171	1108	1146	-15.1	-19.6	-16.9
	MXN	19.22	5.5	19.25	19.00	18.75	2.5	4.2	6.7	20.26	17.28	19.07	5.4	-10.1	-0.8
	MYR	4.25	3.9	4.25	4.15	4.05	5.0	-1.4	3.6	3.36	3.73	3.51	-20.9	-12.3	-17.4
	NGN	1583	-3.9	1600	1500	1400	13.1								
	PEN	3.62	0.9	3.70	3.70	3.70	-2.1	1.0	-1.0	2.97	2.92	2.95	-17.9	-19.5	-18.6
	PHP	55.7	3.1	55.0	54.5	54.0	3.2	0.8	4.0	58.8	54.2	57.0	5.6	-2.8	2.2
	PLN	3.76	2.3	3.84	3.70	3.50	7.3	0.6	7.9	4.03	3.34	3.75	7.2	-11.2	-0.1
	RON	4.44	3.1	4.55	4.48	4.33	2.5	2.8	5.3		4.71		6.1		
	RUB	79.0	12.1	100.00	105.00	110.00	-28.2	19.5	-8.7	80.3	73.5	77.6	1.7	-6.9	-1.7
	THB	32.66	3.4	33.00	32.50	32.00	2.0	-2.4	-0.3	31.62	28.27	30.28	-3.2	-13.4	-7.3
	TRY	39.13	-6.8	41.00	43.00	45.00	-13.1	38.5	25.4	25.91	32.24	28.44	-33.8	-17.6	-27.3
	TWD	30.0	9.3	30.0	29.0	28.5	5.3	-6.5	-1.2	26.2	23.4	25.1	-12.6	-21.9	-16.3
	UAH	41.56	-0.7	42.00	43.00	46.00	-9.7	10.5	0.8						
	ZAR	17.87	2.2	19.50	19.25	19.00	-5.9	2.8	-3.1	12.74	14.27	13.36	-28.7	-20.1	-25.3
vs. EUR	CZK	24.87	0.1	25.00	25.10	25.30	-1.7	1.2	-0.5	30.10	24.69	27.93	21.0	-0.7	12.3
	HUF	404	-1.5	410	405	400	0.9	4.2	5.1	397	406	401	-1.5	0.6	-0.7
	PLN	4.27	-2.5	4.30	4.25	4.20	1.8	2.9	4.7	4.80	4.43	4.65	12.4	3.7	8.9
	RON	5.05	-1.7	5.10	5.15	5.20	-2.9	5.3	2.4		6.26		24.0		
	RUB	89.8	6.8	112.00	120.75	132.00	-31.9	22.4	-9.6	95.8	97.6	96.5	6.6	8.7	7.4

*A positive value signals overvaluation.

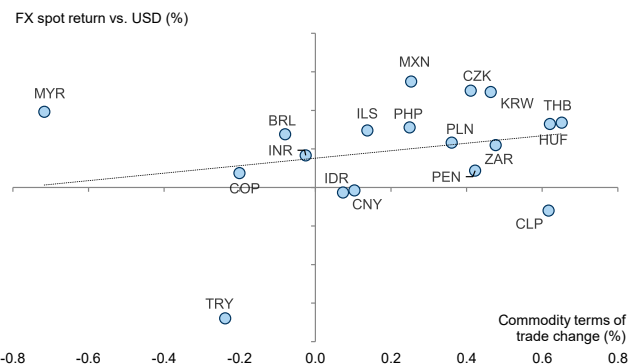
Source: Goldman Sachs, Goldman Sachs Global Investment Research

12-month return forecasts vs. USD CEE currencies vs. EUR



Source: Goldman Sachs, Goldman Sachs Global Investment Research

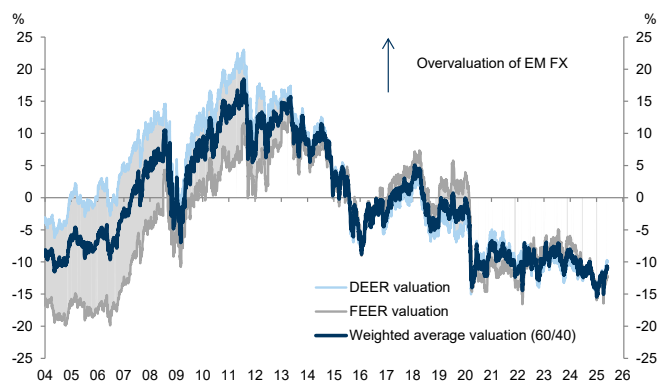
Last 3-month commodity terms of trade change and spot return vs. USD



Source: Goldman Sachs, Goldman Sachs Global Investment Research

Valuation of EM* FX vs. USD

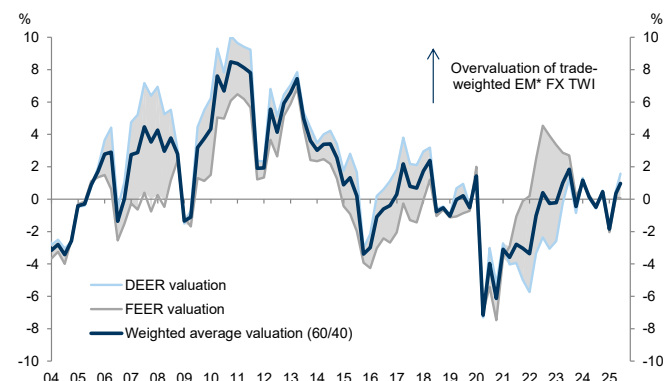
CEE currencies vs. EUR



*Average of 15 countries.

Source: Goldman Sachs, Goldman Sachs Global Investment Research

Trade-weighted valuation of EM* FX

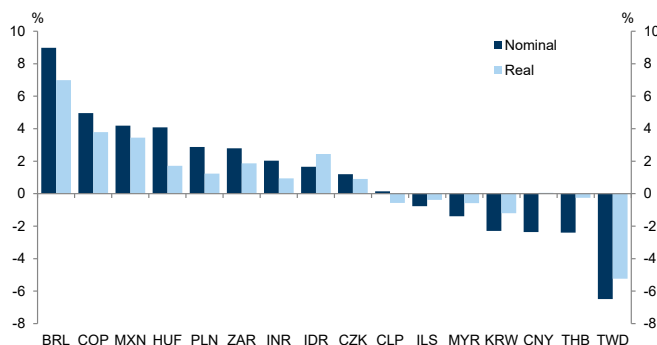


*Average of 15 countries.

Source: Goldman Sachs, Goldman Sachs Global Investment Research

Nominal and real 1-year carry vs. USD

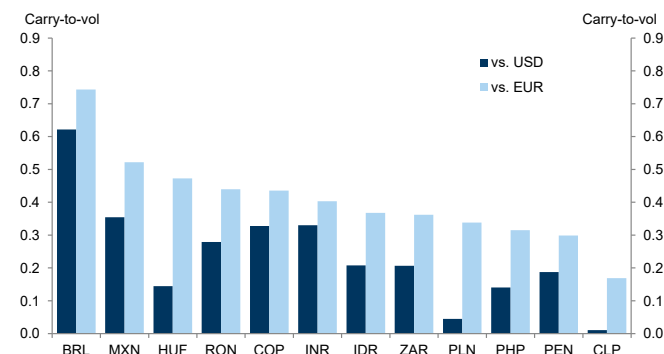
CEE currencies vs. EUR



Source: Consensus Economics, Goldman Sachs, Goldman Sachs Global Investment Research

Carry-to-vol

12-month carry to 3-month annualized realized volatility



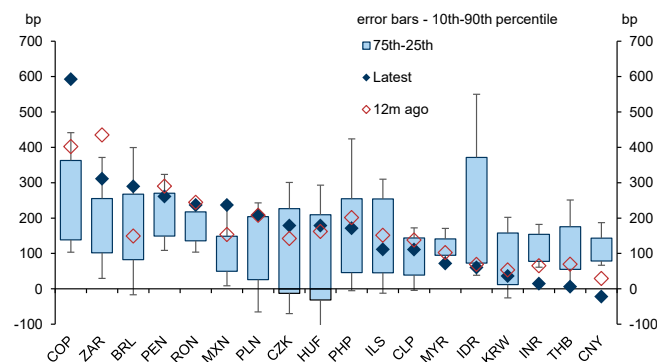
Source: Goldman Sachs, Goldman Sachs Global Investment Research

EM Local Rates

	Nominal swap rates						Slopes						Real swap rates						Bloomberg Barclays EM Local Currency	
	Spot (%)			L3M change (bp)			Spot (%)			L3M change (bp)			Current (%)			Hist. percentile			Yield (%)	L3M USD return (%)
	2Y	5Y	10Y	2Y	5Y	10Y	2s5s	5s10s	2s10s	2s5s	5s10s	2s10s	2Y	5Y	10Y	2Y	5Y	10Y		
BRL	13.93	13.75	13.79	-84	-115	-103	-0.19	0.04	-0.14	-31	12	-19	9.23	9.79	10.33	95	94	94	13.6	7.9
CLP	4.45	4.70	5.14	-62	-54	-35	0.26	0.44	0.69	8	19	27	0.86	1.37	1.97	54	50	56	5.5	0.5
CNY	1.49	1.50	1.57	-18	-15	-13	0.01	0.07	0.08	4	1	5	0.77	0.23	-0.07	73	17	6	1.6	1.4
COP	8.17	8.52	9	11	25	37	0.35	0.62	0.96	15	12	26	4.18	4.95	5.85	91	95	97	11.2	-0.8
CZK	3.24	3.34	3.64	-32	-35	-24	0.11	0.30	0.40	-3	11	7	1.03	1.22	1.58	90	91	92	3.8	7.9
HUF	5.97	6.05	6.51	-41	-41	-25	0.08	0.46	0.54	0	16	16	1.82	2.39	3.18	70	73	75	6.5	5.9
IDR	6.20	6.52	6.85	-23	-13	-3	0.31	0.33	0.65	10	10	20	3.99	4.17	4.42	94	86	79	6.7	2.2
ILS	4.18	4.18	4.42	15	19	23	0.00	0.24	0.24	4	4	8	1.66	1.83	2.19	97	93	85	4.4	2.4
INR	5.43	5.63	5.79	-51	-33	-24	0.20	0.16	0.36	18	9	27	1.39	1.60	1.78	64	57	44	6.3	6.6
KRW	2.30	2.41	2.57	-28	-21	-11	0.10	0.17	0.27	7	10	17	0.42	0.47	0.61	71	67	68	2.6	5.8
MXN	7.48	7.72	8.18	-65	-51	-34	0.23	0.46	0.70	14	17	31	3.87	4.37	5.00	73	80	84	8.9	9.1
MYR	3.14	3.23	3.47	-37	-30	-22	0.09	0.25	0.33	6	8	14	1.00	1.15	1.43	73	57	53	3.5	7.1
PLN	4.15	4.09	4.45	-98	-84	-66	-0.07	0.36	0.30	14	18	32	0.70	1.04	1.68	54	65	68	4.8	6.5
THB	1.35	1.43	1.78	-39	-37	-33	0.08	0.35	0.43	1	4	5	0.38	0.02	0.07	79	30	19	2.0	5.8
ZAR	7.00	7.41	8.54	-34	-35	-25	0.40	1.14	1.54	-1	9	9	3.04	3.21	4.19	91	83	84	10.0	5.1
EM (10% Cap)																			6.07	4.8

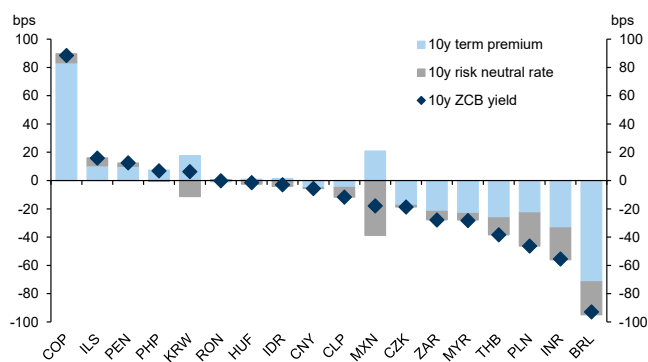
Source: Bloomberg, Goldman Sachs, Goldman Sachs Global Investment Research

Current 10-year local bond term premia estimates vs. historical interquartile range



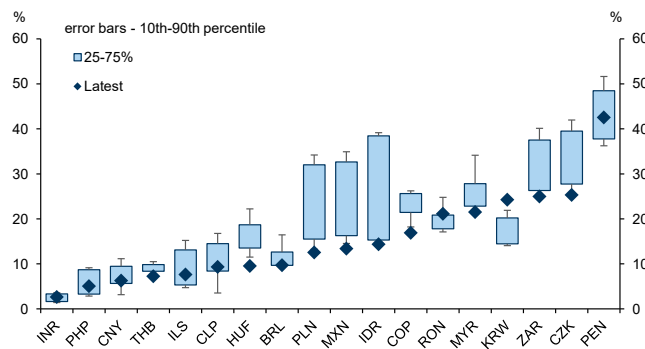
Source: Bloomberg, Goldman Sachs Global Investment Research

Decomposition of last three-month 10y rate changes in risk-neutral rate and term premium



Source: Bloomberg, Goldman Sachs Global Investment Research

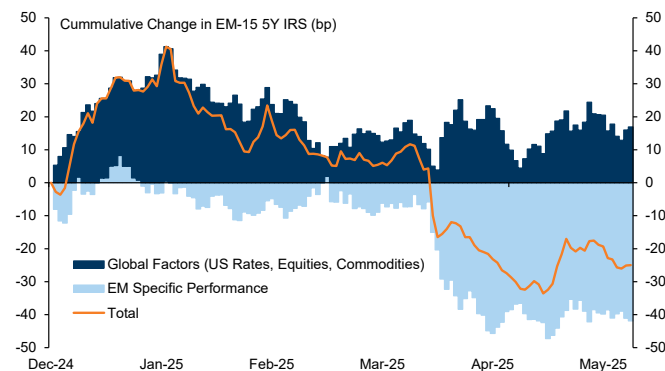
Local government bonds foreign ownership vs. last 10-year range



Source: Haver Analytics, Goldman Sachs Global Investment Research

Contribution of local and global shocks to aggregate 5Y IRS performance

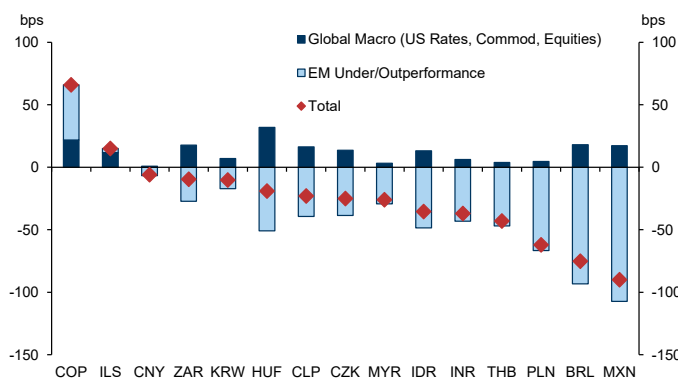
Performance over the past 6 months



Source: Goldman Sachs Global Investment Research, Bloomberg

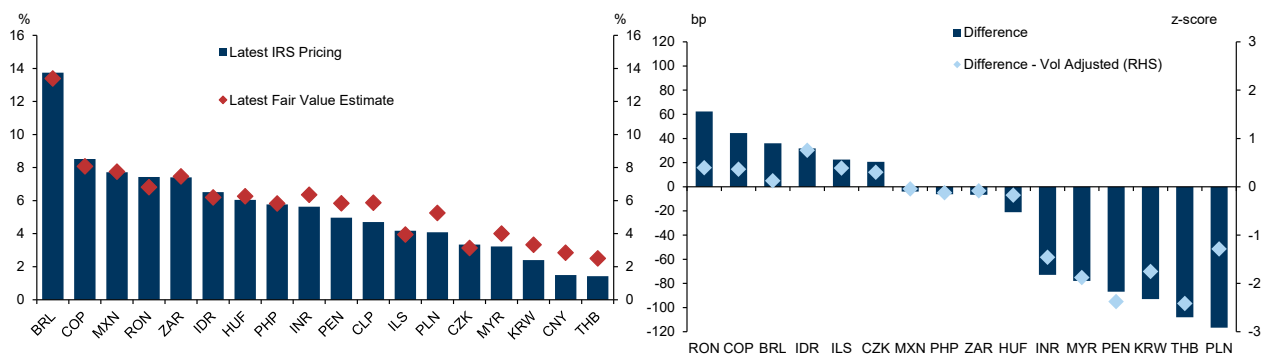
Contribution of local and global shocks to country specific 5Y IRS performance

Performance over the past 6 months



Source: Goldman Sachs Global Investment Research, Bloomberg

Latest fair value estimate vs. IRS pricing (LHS); Valuation gap (RHS)



Source: Goldman Sachs Global Investment Research, Bloomberg

EM Equities

	wgt	Index	Current	12-mo	Equities Performance (%)			P/E	P/B	D/Y	EPS % change (NTM)						Consensus	
					Local		USD				Local			USD			2025E	2026E
					1w	ytd	ytd				1m	3m	12m	1m	3m	12m		
					NTM	LTM	C				NTM	1m	3m	12m	1m	3m	12m	
Korea	9.7%	KOSPI	2698	2800	4.0	9.9	16.6	8.5	1.0	2.7	1.0	5.3	9.2	4.1	11.6	9.6	18.3%	14.4%
Greece	0.6%	ASE	1831	1700	2.8	32.4	41.9	8.4	1.3	5.8	1.0	3.6	11.1	0.8	13.1	16.1	-1.3%	7.2%
Peru	0.3%	SPBLPGPT	31316	32500	2.3	9.6	13.4	11.5	2.2	4.4	0.7	2.8	16.1	1.9	4.0	19.8	7.8%	9.8%
South Africa	3.3%	JSE 40	86553	94500	2.0	18.6	24.0	9.8	2.0	4.1	0.7	7.3	21.3	3.7	10.3	26.4	31.7%	16.9%
Poland	1.1%	WIG	101476	103000	1.7	26.6	36.6	9.1	1.4	6.6	0.3	1.6	15.5	0.8	8.4	21.4	18.5%	-1.5%
Egypt	0.1%	EGX30	32697	35000	1.7	3.1	5.4	4.9	1.8	6.3	1.2	1.4	15.3	3.3	3.3	9.6	25.5%	10.0%
Hungary	0.3%	BUX	95698	100000	0.9	18.5	29.8	6.5	1.1	5.1	2.9	5.5	11.7	2.8	14.1	12.8	0.6%	4.4%
Czech Rep	0.2%	PX	2149	2100	0.0	24.1	34.6	16.2	2.1	5.4	2.4	3.4	0.6	2.2	13.5	4.2	-9.1%	26.0%
India	18.7%	NIFTY	24751	26200	-0.3	2.6	2.8	22.3	3.9	1.4	-0.3	2.2	6.6	-1.5	4.5	4.0	12.0%	15.1%
Brazil	4.4%	IBOV	137027	150000	-0.9	8.4	16.3	8.1	1.6	6.8	-2.8	-3.8	-8.3	-4.0	-1.5	-15.9	15.3%	8.4%
China	29.1%	MXCN	72	72	-3.2	9.9	11.3	11.0	1.5	3.0	-0.3	-0.1	9.4	0.6	1.1	10.1	3.1%	11.9%
Mexico	2.1%	MEXBOL	57842	59700	-1.0	16.7	24.3	11.8	2.0	4.4	-1.1	1.0	8.6	-0.2	6.9	-4.6	18.3%	10.8%
UAE	1.6%	DFMGI	5481	5600	-1.2	8.8	8.8	9.2	1.7	5.2	1.6	9.3	21.5	1.6	9.3	21.5	2.9%	10.0%
Malaysia	1.3%	FBMKLCI	1508	1680	-1.7	-8.9	-4.1	12.7	1.3	4.4	0.0	-0.3	5.7	1.4	4.6	16.9	5.0%	6.8%
Qatar	0.8%	DSM	10463	11000	-2.5	-1.1	-1.1	10.8	1.5	4.8	0.1	0.3	-0.4	0.1	0.3	-0.4	0.7%	7.6%
Turkey	0.5%	XU100	9020	10500	-2.5	-7.4	-18.2	4.9	1.0	4.6	0.7	9.4	-4.1	-1.4	1.8	-21.2	40.1%	49.1%
Thailand	1.1%	SET	1149	1250	-3.1	-15.9	-12.1	14.0	1.6	4.1	-4.0	-3.4	-3.4	-2.4	0.6	8.2	15.9%	7.5%
Taiwan	18.1%	TWSE	21347	22500	-3.2	-9.8	-1.2	14.4	2.7	3.0	0.0	0.6	29.6	6.7	10.2	40.1	13.7%	13.6%
China	29.1%	MXCN	73	84	-3.2	9.9	11.3	11.0	1.5	3.0	-0.3	-0.1	9.4	0.6	1.1	10.1	3.1%	11.9%
Saudi Arabia	4.6%	SASEIDX	10990	12200	-3.2	-7.7	-7.5	14.4	2.1	4.4	0.4	-0.9	6.9	0.4	-0.9	6.9	9.6%	11.4%
Colombia	0.1%	COLCAP	1609	1600	-3.6	22.7	28.4	7.1	1.1	8.6	1.0	1.8	7.6	2.4	1.0	0.1	1.5%	2.3%
Indonesia	1.3%	JCI	7176	7200	-3.8	-3.5	-4.5	12.0	2.1	5.5	-2.0	-4.3	-7.6	-0.1	-2.6	-7.8	-0.8%	8.9%
Chile	0.5%	IPSA	8048	9075	-4.4	14.9	20.5	11.2	1.4	4.0	-2.1	-4.2	6.1	-0.9	-3.1	3.1	21.6%	8.4%
EM (USD)	-	MSCI EM	1157	1270	-1.4	4.0	7.3	12.1	1.8	3.2	0.4	1.6	8.4	1.5	4.6	9.2	13.3%	12.5%

Source: FactSet, Goldman Sachs Global Investment Research

EM Regional performance

	Annual Returns (USD Terms)						
	MSCI China	Korea & Taiwan	EM Europe & ZA	India	LatAM	ASEAN	MENA
2011	(20%)	(18%)	(25%)	(38%)	(22%)	(1%)	(23%)
2012	19%	17%	21%	24%	5%	15%	7%
2013	0%	5%	(11%)	(5%)	(16%)	(10%)	21%
2014	5%	(4%)	(2%)	22%	(15%)	5%	8%
2015	(10%)	(11%)	(29%)	(7%)	(33%)	(21%)	(24%)
2016	(1%)	10%	8%	(3%)	28%	6%	4%
2017	51%	36%	35%	37%	21%	24%	1%
2018	(20%)	(18%)	(26%)	(9%)	(9%)	(10%)	12%
2019	21%	20%	6%	6%	15%	3%	5%
2020	27%	40%	(8%)	14%	(16%)	(9%)	(6%)
2021	(23%)	6%	1%	25%	(14%)	(5%)	30%
2022	(24%)	(32%)	(8%)	(9%)	(0%)	(3%)	(7%)
2023	(13%)	24%	8%	20%	25%	(5%)	2%
2024	16%	7%	2%	11%	(30%)	(2%)	1%
YTD	11%	5%	25%	3%	20%	(8%)	(2%)
1w	(2%)	(0%)	1%	(0%)	(2%)	(2%)	(1%)

Source: FactSet, Goldman Sachs Global Investment Research

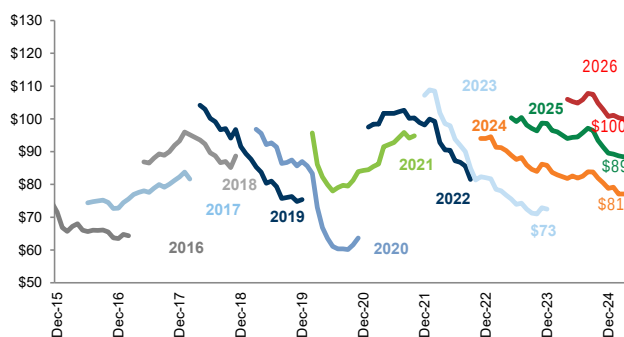
EM Macro Slices performance

Perf vs EM



Source: Goldman Sachs Global Investment Research, FactSet

Earnings revisions for MSCI EM have been negative in recent weeks



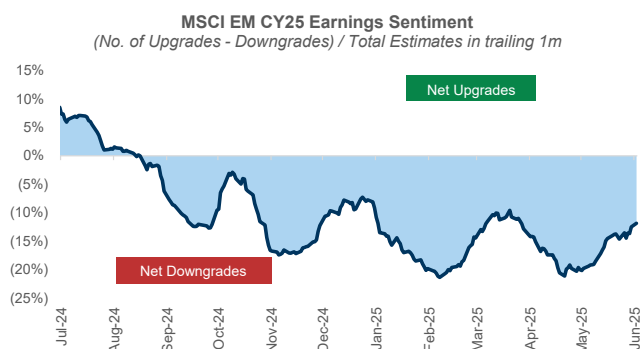
Source: FactSet, I/B/E/S, MSCI, Goldman Sachs Global Investment Research

Korea, Turkey, and Poland saw downgrades, while Peru and China saw upgrades

	EPS Growth		EPS Revision (1 Week)		EPS Revision (1 Month)	
	2025	2026	2025	2026	2025	2026
Brazil	2%	10%	-0.2%	-0.3%	-1.4%	-2.1%
Chile	33%	0%	-1.1%	-1.3%	-2.1%	-2.0%
China	6%	14%	-1.5%	-1.3%	-0.2%	-0.1%
Colombia	1%	2%	0.1%	0.3%	1.0%	0.9%
Czech Republic	-3%	19%	-0.1%	-2.3%	0.6%	-3.2%
Egypt	14%	13%	0.4%	-0.2%	2.4%	2.8%
Greece	6%	6%	0.2%	0.2%	1.3%	1.4%
India	12%	15%	0.0%	0.1%	-0.8%	-0.7%
Indonesia	-2%	8%	-0.1%	0.0%	-0.8%	-0.4%
Korea	20%	15%	0.0%	-0.2%	-0.5%	-0.7%
Kuwait	2%	3%	-0.4%	-0.3%	1.0%	1.1%
Malaysia	3%	7%	-1.6%	-1.6%	-3.1%	-3.3%
Mexico	14%	9%	0.1%	-0.2%	-0.5%	-1.2%
Peru	10%	10%	0.8%	0.4%	1.8%	0.7%
Philippines	9%	10%	-0.1%	0.0%	-0.5%	-0.4%
Poland	42%	3%	-0.2%	-1.0%	2.0%	-2.5%
Qatar	1%	8%	0.0%	0.0%	0.4%	1.0%
Saudi Arabia	5%	11%	0.0%	0.1%	0.1%	0.4%
South Africa	36%	15%	1.5%	1.7%	0.4%	0.7%
Taiwan	15%	12%	-0.1%	0.0%	-1.3%	-1.7%
Thailand	9%	7%	-0.1%	-0.2%	0.3%	-0.7%
Hungary	-1%	4%	-1.0%	-1.4%	0.4%	-0.2%
Turkey	63%	55%	0.3%	0.2%	0.2%	1.1%
UAE	6%	10%	0.1%	-0.2%	2.0%	3.6%
MSCI EM	11%	14%	-0.5%	-0.4%	-0.4%	-0.6%

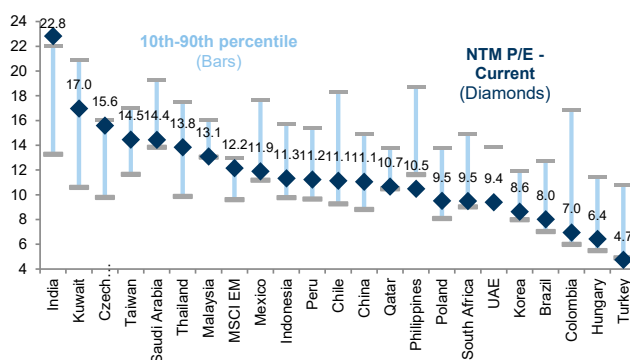
Source: FactSet, I/B/E/S, MSCI, Goldman Sachs Global Investment Research

CY2024 earnings sentiment remains soft



Source: FactSet, I/B/E/S, MSCI, Goldman Sachs Global Investment Research

Valuation dispersion persists across EM markets



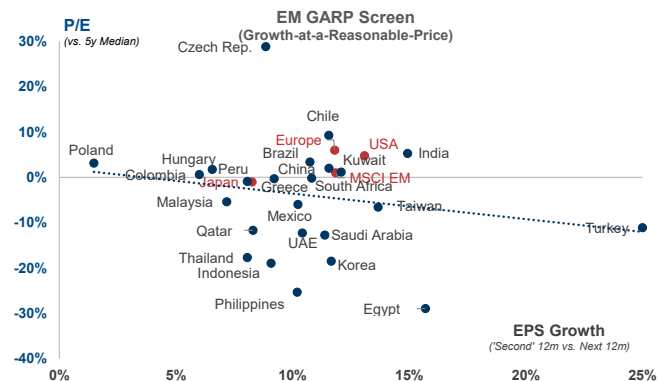
Source: FactSet, MSCI, Goldman Sachs Global Investment Research

Valuation Z-score Markets

MSCI Markets	Current			Z-Score (10-years)			Avg Z-Score
	P/E (NTM)	P/B (LTM)	DIV YLD (LTM)	P/E (NTM)	P/B (LTM)	DIV YLD (LTM)	
Thailand	13.8	1.6	3.9	-1.1	-2.0	-2.9	-2.0
Philippines	10.5	1.7	3.1	-1.9	-0.9	-2.7	-1.8
Indonesia	11.3	2.2	5.2	-2.2	-1.1	-1.9	-1.7
Malaysia	13.1	1.3	4.2	-1.4	-1.8	-1.5	-1.6
Hungary	6.4	1.1	4.6	-0.9	-0.5	-2.4	-1.3
Qatar	10.7	1.5	4.6	-1.1	-1.1	-1.1	-1.1
Mexico	11.9	2.0	3.8	-1.0	-0.6	-1.3	-1.0
Colombia	7.0	1.1	8.2	-0.9	-0.3	-1.2	-0.8
Korea	8.6	1.0	2.3	-0.9	-0.6	-0.8	-0.8
Turkey	4.7	1.0	2.8	-1.1	-1.1	0.4	-0.6
Brazil	8.0	1.6	6.5	-0.8	-0.4	-0.3	-0.5
Peru	11.2	2.1	4.2	-0.6	0.3	-1.1	-0.5
Saudi Arabia	14.4	2.1	4.0	-1.0	0.2	-0.6	-0.5
South Africa	9.5	2.0	3.0	-0.9	-0.2	0.3	-0.3
Poland	9.5	1.4	4.7	-0.5	1.1	-1.3	-0.3
Chile	11.1	1.4	3.5	-0.6	-0.4	0.2	-0.3
China	11.1	1.5	2.3	-0.2	-0.4	-0.1	-0.2
UAE	9.4	1.8	5.0	-0.8	1.0	-0.8	-0.2
Kuwait	17.0	2.3	3.3	0.2	1.2	0.2	0.5
Taiwan	14.5	2.7	2.6	0.0	1.2	1.2	0.8
India	22.8	3.9	1.2	1.4	1.2	0.6	1.1
Czech Republic	15.6	2.1	5.8	1.3	1.7	0.5	1.2
MSCI EM	12.2	1.8	2.7	0.0	0.8	0.0	0.3

Source: FactSet, MSCI, Goldman Sachs Global Investment Research

P/E vs Earnings Growth



Source: FactSet, MSCI, Goldman Sachs Global Investment Research

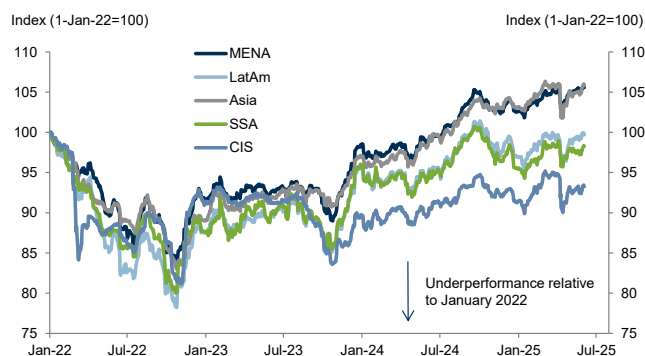
EM Sovereign Credit

Rating	Currency Code	Country	Duration	Sovereign Spread (bp)				Return (%)		Valuations (~5-year)		
				Spread	Pct. Rank	2wk ch.	YTD ch.	2wk	YTD	Generic sovereign spread	Model-implied signal	Misalignment (Actual minus implied)
Medians		LatAm	7.5	194	8%	-4	-12	0.2	3	404	417	-51
		CEE/Balkans	7.2	114	13%	-10	-20	0.7	3	173	171	3
		CIS	6.3	279	36%	-11	-1	0.0	2	956	443	513
		SSA	5.0	567	17%	-70	-3	0.8	2	727	653	74
		Asia	5.6	188	95%	1	21	0.8	3	300	374	-13
		MENA	5.5	153	0%	-1	-2	0.2	3	541	574	28
		A	7.2	79	97%	-3	-13	0.3	3	74	104	-30
		BBB	8.1	128	41%	-5	-13	0.2	2	151	179	-28
		BB	6.0	203	1%	0	-20	0.4	3	335	323	12
		B	5.1	520	34%	11	3	0.6	0	622	613	-3
		IG	7.9	153	4%	-1	-3	0.4	2	109	158	-29
		HY	4.9	520	34%	11	3	0.3	2	495	455	32
		EM Hard Currency	-	327	0%	1	-62	-	-	443	436	29
A	CLP	Chile	9.1	79	0%	-6	-13	0.8	3	83	119	-36
	PLN	Poland	7.6	86	57%	0	-6	0.3	3	65	90	-25
	SAR	Saudi Arabia	6.7	80	-	-2	-13	0.5	3	96	-	-
BBB	HUF	Hungary	7.2	141	14%	-9	-15	0.9	4	161	147	15
	IDR	Indonesia	7.8	68	1%	-4	-14	0.5	3	97	141	-45
	MXN	Mexico	8.4	183	41%	-4	-15	0.6	4	-	-	-
	PEN	Peru	9.4	115	1%	-1	-11	0.4	3	115	175	-60
	PHP	Philippines	7.9	70	0%	0	-14	0.3	3	88	156	-67
	RON	Romania	6.3	239	60%	2	7	0.2	3	293	277	17
BB	BRL	Brazil	7.1	194	37%	-2	-40	0.5	6	179	182	-3
	COP	Colombia	7.5	316	23%	-14	-3	1.4	3	340	301	40
	CRC	Costa Rica	8.8	189	0%	0	-4	0.4	3	185	249	-64
	DOP	Dominican Republic	7.5	212	-	5	1	0.0	2	222	255	-32
	GTQ	Guatemala	6.5	191	0%	-7	-14	0.7	4	-	-	-
	XOF	Ivory Coast	5.6	404	44%	8	48	0.7	2	-	-	-
	JOD	Jordan	4.1	298	16%	-13	-44	0.8	5	388	299	89
	MAD	Morocco	6.5	153	0%	-1	-2	0.3	3	-	-	-
	OMR	Oman	6.0	129	-	-4	-11	0.4	3	147	207	-60
	ZAR	South Africa	6.0	278	4%	-5	21	0.5	2	276	289	-14
	TRY	Turkey	4.9	278	2%	14	39	-0.2	2	332	332	0
B	AOA	Angola	4.8	811	77%	-4	169	0.6	-2	961	593	368
	BHD	Bahrain	5.5	236	-	3	20	0.3	3	243	366	-122
	EGP	Egypt	5.5	520	0%	11	-1	-0.3	5	604	628	-25
	KES	Kenya	5.0	564	9%	-34	39	1.9	4	694	546	148
	MNT	Mongolia	3.6	305	10%	4	56	0.3	2	384	308	75
	NGN	Nigeria	5.3	520	0%	-37	3	2.1	4	689	515	173

Valuations as of 1st May. For more details, please visit the latest update of the EM sovereign credit model by clicking on the table above.

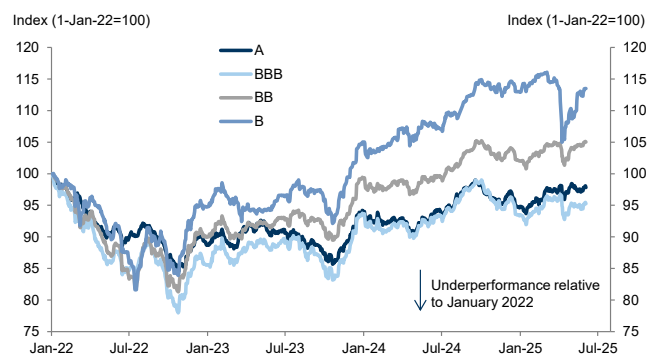
Source: Bloomberg, Haver Analytics, Goldman Sachs Global Investment Research

Median regional relative performance to January 2022



Source: Bloomberg, Goldman Sachs Global Investment Research

Median ratings relative performance to January 2022



Source: Bloomberg, Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Kamakshya Trivedi, Danny Suwanpruti, Sunil Koul, Tadas Gedminas, Tarun Lalwani, CFA, Teresa Alves, Victor Engel and Lexi Kanter, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

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