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Emerging Markets Fixed Income Outlook

Rates, spreads, and country selection

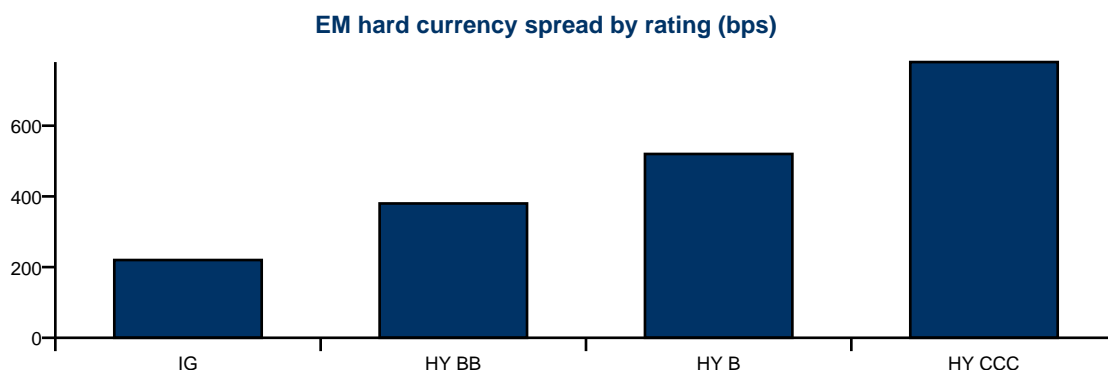
February 11, 2026

Executive Summary

Emerging markets fixed income in 2026 is influenced by the path of developed market rates, idiosyncratic country fundamentals, and technical flows. We present our outlook for hard and local currency debt, with a focus on rate sensitivity, spread valuation, and country level views. Our base case assumes a gradual easing cycle in the U.S. and Europe with a soft landing for growth. We see selective value in hard currency high yield and in local markets with attractive real yields and reform momentum. We highlight key catalysts and risks and provide actionable recommendations for portfolio positioning.

Rates and spread environment

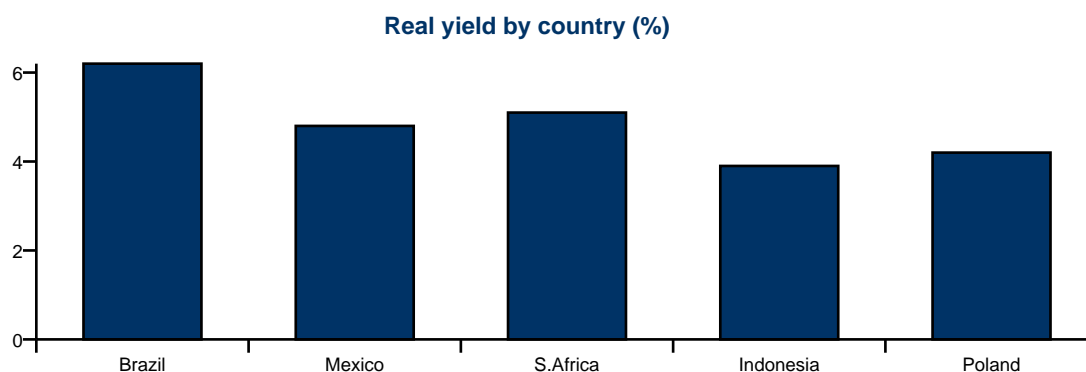
We expect developed market central banks to remain data dependent, with a gradual easing bias supporting duration in EM local markets. Hard currency spreads have tightened from peaks; we see selective value in high yield sovereigns and corporates where fundamentals have improved and technicals are supportive. Our rate view incorporates Fed and ECB policy paths and the implications for EM rate differentials and capital flows. We discuss the term structure and the relative appeal of short versus long duration in the current environment. Currency volatility remains a key consideration for local currency exposure, and we integrate FX views into our recommendations.



Source: J.P. Morgan Research. Option adjusted spread, illustrative.

Country and segment views

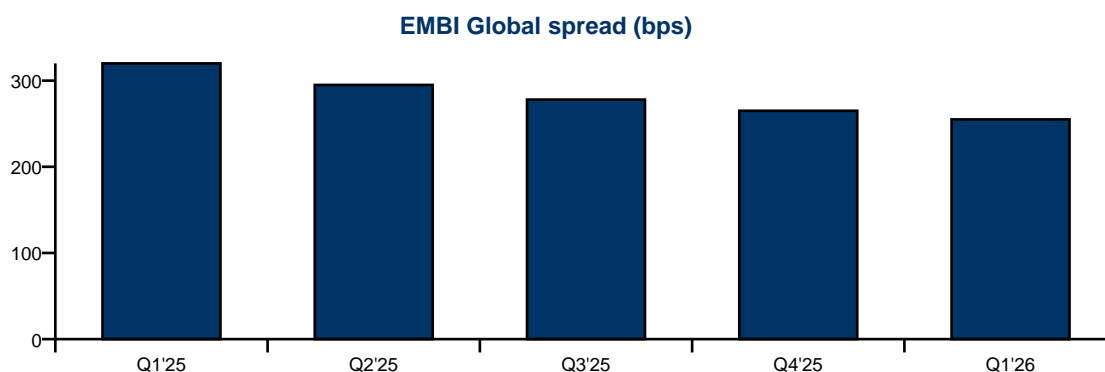
Our overweight positions reflect a combination of real yield appeal, reform progress, and relative value versus peers. We highlight selected countries in Latin America and EMEA and note ongoing caution on frontier names with refinancing or political risk. Currency views are integrated into our local currency recommendations. We provide a summary of our country ratings and discuss the rationale for our key overweights and underweights. We also consider the corporate EM bond market and the relative value of sovereign versus corporate credit in selected jurisdictions. Technical factors, including index inclusion and fund flows, are part of our assessment.



Source: J.P. Morgan Research. 10Y local bond yield less inflation, est.

Risks and scenario analysis

Key risks include a more hawkish than expected Fed, sovereign stress in high yield names, and political or geopolitical shocks. We present scenario analysis and discuss the implications for spreads and returns. We also consider the impact of commodity prices and of China growth on EM assets. Our base case remains cautiously constructive, but we advocate for diversification and for attention to liquidity and position sizing. We highlight names and countries that we believe offer favorable risk reward and that can serve as core holdings or tactical overlays.



Source: J.P. Morgan. EMBI Global composite spread.

Implementation and recommendations

We provide concrete recommendations for portfolio positioning, including suggested allocations to hard currency versus local currency and to investment grade versus high yield. We highlight specific countries and issuers that we favor and those we recommend avoiding or underweighting. We also discuss duration positioning and currency exposure. Our recommendations are intended for institutional and professional investors and should be considered in the context of individual objectives and constraints. We encourage clients to engage with our team for tailored discussion and for ongoing updates as conditions evolve.

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