

# GAM Multibond - Local Emerging Bond

Marketing material for professional / institutional / accredited investors only

## Market environment

JP Morgan's Government Bond Index Emerging Market (GBI-EM) Global Diversified Index was up strongly in August (+3.07%) as US bond yields declined modestly and the USD weakened. Central and Eastern Europe, Middle East and Africa (CEEMEA) and Asia led the way, whereas returns in LatAm lagged (-0.53%) were negative on the month, dragged down by a sharp fall in Mexico and only modestly positive returns elsewhere. On a country level, Asian countries, including Indonesia, Malaysia and Thailand, were the star performers.

## Performance

The strategy outperformed the JPM GBI-EM Global Diversified benchmark by 8 basis points in August.

In gross terms and from a top-down angle, the strategy's August performance was driven higher by Rates, FX and Carry.

From a bottom-up perspective, positive contributions relative to the benchmark were led by the combined Mexican Rates overweight / FX underweight, the Colombian and South African Rates overweights, USD cash & cash equivalent holdings, as well as the Polish and Indonesian FX overweights.

However, the Chinese and Romanian FX underweights, the Turkish FX overweight and the Czech Rates overweight detracted to some extent.

## Positioning

In allocation terms, we again engaged in only a handful of select adjustments to our positioning – both from a top-down and bottom-up angle – while in the aggregate, we are modestly overweight both EM duration and EM FX, be it in nominal or beta-adjusted terms.

Our allocations are structured around the following unchanged cyclical top-down themes:

- Overweight EM Rates in countries with steeper yield curves, positive real yields and a sustainable fiscal outlook.
- Underweight EM Rates in countries with low/negative real yields.
- Overweight EM FX where balance of payments fundamentals appear most solid and/or in countries that are best positioned to outperform the global economic and/or commodity price cycle.
- Underweight EM FX where balance of payments fundamentals and/or fiscal/monetary policy are most challenged.
- Underweight or avoiding markets exposed to adverse political and/or economic event risk.

## Outlook

Growing evidence of a moderation in inflation in both EM and DM has ensured that the strategy remains long rates in both DM and EM economies. Expectations of resilient growth have kept the strategy long EM FX, and the USD risks are hedged by shorts in DM currencies such as the EUR, AUD and CAD and lower-yielding EM currencies such as China's CNY/CNH.



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JPMorgan GBI-EM (Government Bond Index-Emerging Markets) Global Diversified Composite Index is a comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds and includes only the countries that give access to their capital market to foreign investors (excludes China, India and Thailand). This index is unhedged USD.

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