Marketing communication

Newsletter

Emerging Market

October 2026

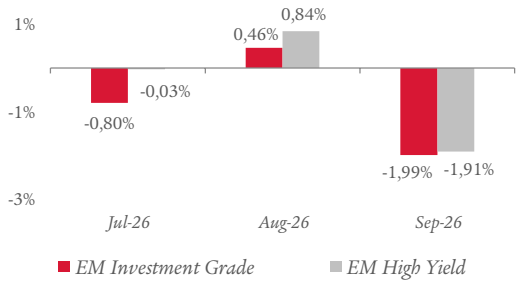
September was challenging for fixed income investors, as the Fed and ECB raised rates by 25 bps, reinforcing the higher-for-longer outlook. EM debt posted negative returns, pressured by rising U.S. Treasury yields, persistent inflation, higher energy prices, and Middle East uncertainty.
Brent ended above USD 100/bbl, as recovering regional exports were offset by increased Houthi attacks on Saudi energy infrastructure, raising supply concerns. U.S. Treasury yields rose across the curve as strong data and the Fed's cautious stance reduced expectations for policy easing, weighing on duration-sensitive assets.
Within EM credit, sovereigns outperformed corporates: sovereign spreads tightened by 10 bps, while corporate spreads widened by 13 bps. The gap was strongest in high yield, partly due to a technical adjustment to the sovereign index, while investment-grade spreads followed similar trends.

Monthly highlights

Performances: Investment Grade vs High Yield

High-yield bonds slightly outperformed investment-grade credit in September, benefiting from higher carry and lower duration as US Treasury volatility persisted. However, more pronounced spread widening limited relative performance.

Performance EM Investment Grade and High Yield Bonds

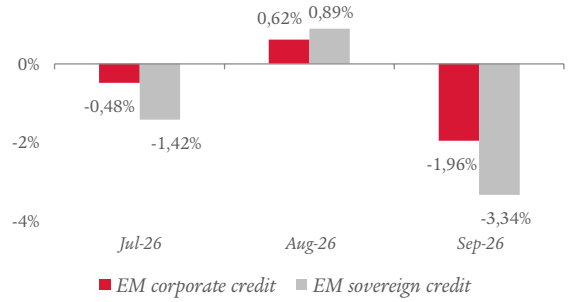


Source: Swiss Life Asset Managers, data as of 30.09.2026

Performance: Corporate vs Sovereigns

Corporates outperformed sovereigns during the month, benefiting from a shorter duration.
The technical adjustment to sovereign spread level of the index, didn't impact the return level.

Performance EM Hard Currency and Local Currency Corporates



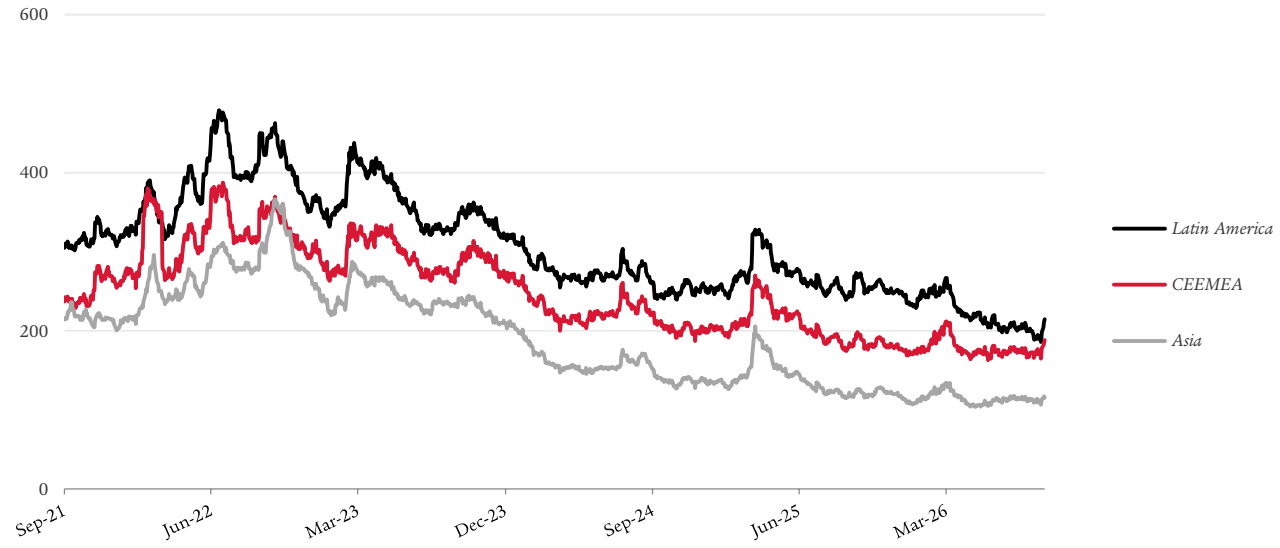
Source: Swiss Life Asset Managers, data as of 30.09.2026

Disclaimer: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historical market data. Historical market trends are not a reliable indicator of future market behavior. These data are provided for illustrative purposes only. Depending on the date of publication, the information presented may differ from the updated data.

Regional Performance

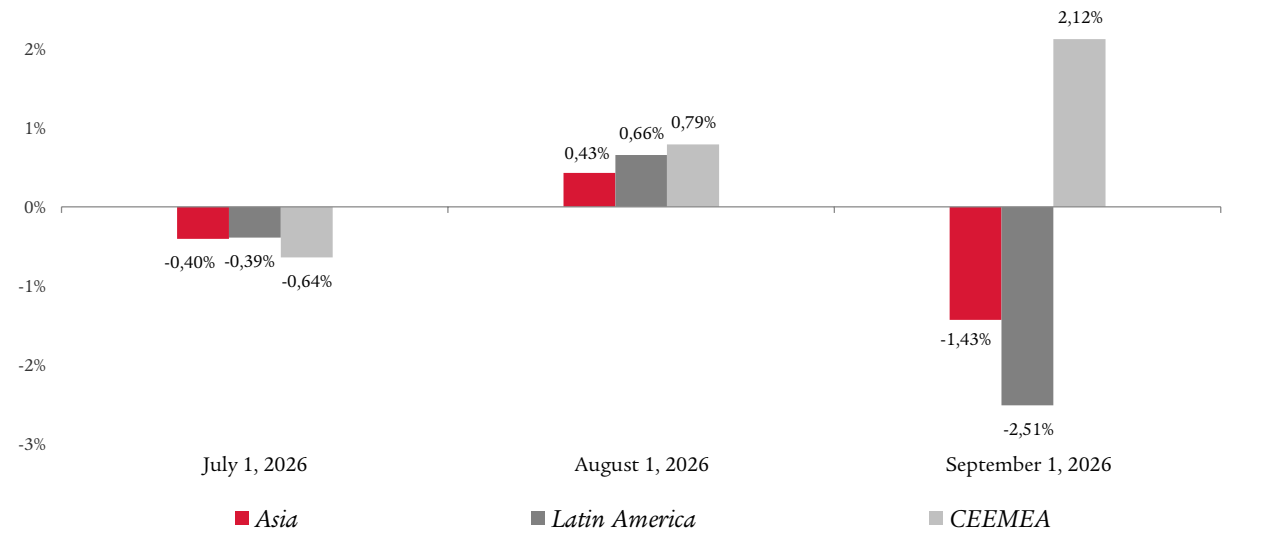
Asia outperformed its regional peers, benefiting from shorter duration and stronger credit quality, which helped limit spread widening relative to other regions.

Regional Credit spread (bps) - Duration weighted - EM Hard Currency Corporate Bonds



Source: Swiss Life Asset Managers, data as 30.09.2026

Regional Performance - EM Hard Currency Corporate Bonds



Source: Swiss Life Asset Managers, data as 30.09.2026

Disclaimer: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historical market data. Historical market trends are not a reliable indicator of future market behavior. These data are provided for illustrative purposes only. Depending on the date of publication, the information presented may differ from the updated data.

The Figure of the month



25tn RMB

China's new six-networks infrastructure programme

Josipa Markovic
Emerging markets economist

Macroeconomic environment

Amid weak investment growth, China is preparing a new infrastructure programme, with plans to invest around RMB 25 trillion between 2026 and 2030 across six key networks: water infrastructure, power grids, computing centres, telecommunications, logistics and urban pipeline systems. Unlike previous stimulus programmes that primarily aimed to boost short-term growth and often resulted in excess capacity, the current initiative is more technology-oriented and addresses genuine infrastructure gaps. Another key difference is its funding structure. Whereas the 2008 stimulus relied heavily on local governments, the new programme draws more support from the central government, state-owned enterprises and policy banks, reducing pressure on already strained local government finances. While sizeable, the programme amounts to roughly 3% of cumulative GDP over the next five years, far below the post-GFC stimulus, which exceeded 10% of annual GDP. As a result, it is unlikely to significantly accelerate economic growth. However, it should help offset the drag from the property downturn and weaker local-government infrastructure spending, supporting China's ability to maintain growth in the 4.5-5% range. Encouragingly, the NBS construction PMI rose to 50.3 in September from 46.9 in August, returning to expansion territory. The programme could also have positive global spillovers. By boosting domestic demand, it may absorb more industrial output, increase commodity imports and reduce reliance on exports, helping to narrow China's trade surplus over time.

Brazil's manufacturing downturn contrasts with robust EM growth

Emerging markets continue to display remarkable resilience, with growth surprising to the upside. This strength is reflected in the aggregate EM manufacturing PMI, which improved to 51.9 in September and remains firmly in expansion territory. Brazil is a notable exception. Its manufacturing PMI fell to 44.8 in September, marking a third consecutive month below the 50-point threshold. While parts of the economy remain resilient, interest rate-sensitive sectors such as manufacturing continue to struggle under highly restrictive real interest rates, which remain above 7%. The outcome of the first round of elections on 4 October may offer some relief. Right-leaning parties made significant gains in the Senate, and although no presidential candidate secured an outright majority, Flavio Bolsonaro appears to enter the 25 October runoff with growing momentum. A more market-friendly policy mix could strengthen fiscal credibility and potentially give the central bank greater scope to ease monetary policy. However, a renewed wave of "Bolsonarismo" could also raise concerns around institutional stability and the rule of law.

OUR STRATEGY

"The macroeconomic backdrop continues to be broadly supportive for emerging markets "

Dorthe Fredsgaard Nielsen
Emerging Market Senior Portfolio Manager

Gabriele Bartoletti, CFA
Emerging Market Senior Portfolio Manager

Strategy for Emerging Markets

Emerging market bonds navigated a challenging environment in September. Geopolitical tensions, market volatility and rising US Treasury yields weighed on performance, primary issuance and fund flows. Nevertheless, fundamentals remain supportive: economic activity continues to show resilience, while corporate credit quality is improving, with rating upgrades outpacing downgrades in the third quarter. Looking ahead, we see limited scope for any meaningful de-escalation of tensions in the Middle East before the US midterm elections in early November, a backdrop that continues to support energy-exporting economies. By contrast, Asia, which is structurally dependent on energy imports, continues to benefit from the sustained strength of the investment cycle in artificial intelligence and semiconductors, with positive spillover effects gradually extending to adjacent sectors. These dynamics have contributed to the remarkable resilience of emerging market credit, particularly within the Investment Grade segment. Credit spreads widened slightly in September but remain close to historical lows, leaving limited room to absorb any deterioration in the macroeconomic outlook. While our constructive view on the asset class remains unchanged, geopolitical developments and a further rise in US Treasury yields continue to represent the main risks. Any escalation leading to a broader energy or inflation shock could weigh on the global growth outlook and challenge current valuations. We remain positive on emerging market credit. However, following the asset class's strong performance and given stretched valuations, a more selective approach is required, with a focus on issuers that still offer attractive risk-adjusted return potential.

Brazil: Election Surprise Boosts Market Sentiment

Brazil's first-round presidential election delivered a surprise outcome, with Senator Flavio Bolsonaro narrowly outperforming incumbent Luiz Inácio Lula da Silva, setting up a highly contested runoff later this month.
More importantly for investors, the congressional vote points to a significantly more right-leaning legislature, with Bolsonaro's PL party expanding its presence in both the Senate and the lower house, potentially reducing fragmentation and facilitating easier coalition building for Flavio while complicating it for Lula.
Markets responded positively to the outcome, viewing Flavio Bolsonaro's stronger-than-expected performance as supportive of fiscal discipline, structural reforms and a more business-friendly policy agenda. His strong show has transformed what only weeks ago appeared to be likely a Lula victory into a far more balanced race, with vote migration, endorsements and voter turnout now expected to determine the final outcome.
From an investment perspective: fiscal credibility matters far more than politics. Markets are less focused on growth and more concerned about whether the next administration can deliver a credible fiscal framework capable of paving the way for sustainably lower rates.
Beyond domestic politics, the election reflects a broader trend across Latin America, where voters have increasingly challenged incumbents amid slowing growth and fiscal pressures. Brazil's policy direction carries regional and global significance given its status as Latin America's largest economy, a major commodity exporter and a key voice within BRICS. A more market-friendly administration could strengthen investor appetite for both Brazilian and wider Latin American assets, while supporting a more pragmatic approach to trade, energy policy and international investment.

Swiss Life Asset Managers

Swiss Life Asset Managers has more than 165 years of experience in managing the assets of the Swiss Life Group. This insurance background has exerted a key influence on the investment philosophy of Swiss Life Asset Managers, which is governed by such principles as value preservation, the generation of consistent and sustainable performance and a responsible approach to risks. Swiss Life Asset Managers offers this proven approach to third-party clients in multiple European locations.

As at 30 June 2026, assets under management for third-party clients amount to EUR 170.7 billion. Together with insurance assets for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at EUR 325.9 billion. Swiss Life Asset Managers is a leading institutional real estate investor in Europe[1]. Of the assets totalling EUR 325.9 billion, EUR 97.7 billion are invested in real estate. In addition, Swiss Life Asset Managers, in cooperation with Livit, manages real estate totalling EUR 26.9 billion in value. Total real estate assets under management and administration at the end of June 2026 thus came to EUR 124.6 billion.

Swiss Life Asset Managers employs more than 2300 people in Europe.

A financially self-determined life

Swiss Life enables people to lead a financially self-determined life and look to the future with confidence. Swiss Life Asset Managers pursues the same goal: We think long-term and act responsibly. We use our knowledge and experience to develop future-oriented investment solutions. This is how we support our customers in achieving their long-term investment objectives, which in turn also take account of their client's needs so they can plan their future in a financially self-determined manner.

[1] #2 IPE Top 150 Real Estate Investment Managers 2025 Ranking Europe, #2 INREV Fund Manager Survey 2026

Warning:
The information contained in this document is accessible to professional and non-professional clients within the meaning of art. 4 of the LSFin, which incorporates the MiFid directives. This document is intended for information and marketing purposes only. It should not be construed as investment advice or an invitation to invest. This presentation contains historical market data. Historical market trends are not a reliable indicator of future market behavior. These data are provided for illustrative purposes only. Depending on the date of publication, the information presented may differ from the actual data. The figures, comments and analyses contained in this document do not constitute any commitment or guarantee on the part of Swiss Life Asset Managers France.

Swiss Life Asset Managers France cannot be held liable for any decision taken on the basis of this information. All information and opinions expressed in this document are subject to change. Potential investors should read the DIC and the prospectus of each fund before subscribing. These documents are available free of charge in paper or electronic form from the fund's Management Company or its representative: Switzerland: Swiss Life Asset Management AG, General-Guisan-Quai 40, P.O. Box 2831, 8002 Zürich; France: Swiss Life Asset Managers France, 122, rue la Boétie, 75008 Paris or at fr.swisslife-am.com. Source: Swiss Life Asset Managers, data to 30.09.2026. "Swiss Life Asset Managers" is the brand name for the asset management activities of the Swiss Life Group.

Find all our publications on:
www.swisslife-am.com

If you have any further questions, please do not hesitate to contact us:
In France: service.clients-securities@swisslife-am.com, Tel.: +33 (0)1 40 15 22 53
In Switzerland: info@swisslife-am.com

Swiss Life Asset Managers France
Portfolio Management Company
GP-07000055 of 13.11.2007
Limited liability company governed by an executive board with capital of EUR 671 167
Registered office: Tour la Marseillaise, 2 bis, boulevard Euroméditerranée, Quai d'Arenc 13002 Marseille
Main office: 122, rue La Boétie, 75008 Paris