Perspectives

Emerging markets

SwissLife Asset Managers

4th quarter 2026

Key takeaways

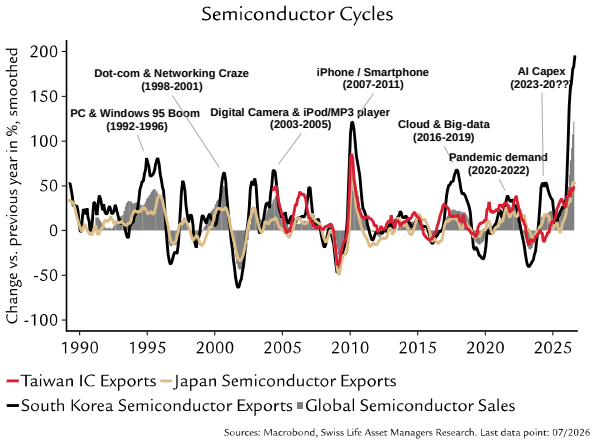
- Emerging markets benefit from improving fundamentals and the ongoing AI investment boom
- China's growth likely to consolidate towards year-end, but this increases demand for oil
- Political shift to the right in Latin America favours reforms but gives rise to institutional risks

Number in focus

100

Disruptions to Saudi oil pipelines and more robust demand from China have pushed the oil price back above USD 100 per barrel. Should the situation escalate further, there is greater upside potential with corresponding inflation risks for the global economy. If this downside scenario does not occur, however, we expect oil prices to again fall below USD 100. Physical supply remains solid despite the disruptions, supported by increased shipments from non-Gulf states and an increase in bypass transport. As the current situation is not sustainable over the long term, we expect a diplomatic rapprochement in the medium term and a corresponding easing of price pressure.

Chart in focus



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 07/2026

Emerging markets are at the heart of the AI hardware supply chain and are therefore particularly benefiting from the current AI boom. However, in the past, semiconductor cycles were usually limited to two to three years. It cannot therefore be ruled out that the current cycle will also end earlier than expected. However, there are several factors that suggest it will last longer. Technology companies have long-term plans for their AI investments and have concluded corresponding supply contracts. In addition, the spread of AI is still in its infancy. In contrast to previous technology cycles, there is no clear saturation point so far as applications and computing demand continue to grow.

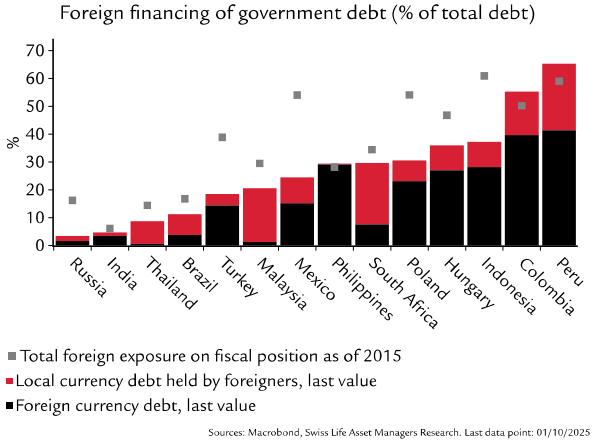
Why emerging markets remain surprisingly robust

The current environment is actually anything but favourable for emerging markets. The ongoing disruption of oil transportation through the Strait of Hormuz is pushing up energy prices and adding to inflationary pressures. At the same time, the US central bank is raising interest rates and tightening global financing conditions. In the past, this has triggered concerns about capital outflows, currency devaluations and financing problems in countries with a high degree of foreign dependency. Nevertheless, emerging markets are proving remarkably resilient. There are structural and cyclical reasons for this. A key structural factor is the marked improvement in the economic situation. First, many emerging markets have introduced more credible monetary policy in recent years. This was particularly evident during the post-pandemic surge in inflation, when many central banks reacted earlier and more decisively than those in developed economies. As a result, many countries now have positive real interest rates and can align their monetary policy more closely with domestic economic conditions. Second, current account balances have improved significantly over the past decade, reducing dependence on foreign financing. Third, the average government debt in emerging markets is lower than that in developed economies. In addition, the debt structure has become more robust after the ratio of foreign currency debt has been significantly reduced. This reduces vulnerability to capital outflows, exchange rate movements and tightening global financing conditions. The second reason is cyclical: the AI hardware boom. Emerging markets play a critical role throughout the entire AI value chain. The focus is on Taiwan and South Korea as the world's leading producers of logic and memory chips, benefiting from exceptionally strong demand. However, the AI supply chain goes far beyond that. Singapore, Malaysia, Vietnam and Thailand are taking on key roles in semiconductor design, assembly, testing and packaging. There are also noticeable effects outside Asia. Mexico has become an important location for the production of servers and electronics. Chilli and Peru supply much of the copper needed for data centres, power grids and semiconductors. Even Hungary benefits from Foxconn's subsidiary Cloud Network Technology, which produces server and cloud infrastructure for AI data centres. The AI investment boom is therefore not only supporting individual technology leaders, but is also providing positive momentum across a broad group of emerging markets.

China: Buffer effect on global oil market eases

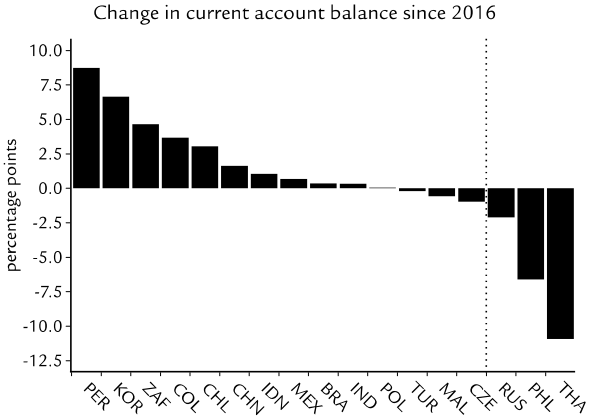
China's economy continues to develop at two different speeds. While high-tech industry and exports posted double-digit growth rates in the first eight months of the year, private consumption and investment outside strategic future-oriented industries remain subdued. Momentum in the industrial sector is being driven by both the global AI boom and China's efforts to strengthen its technological self-reliance and drive industrial modernisation. Domestic demand on the

Chart 1: Less dependency on foreign investors strengthens EM debt resilience



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 01/10/2025

Chart 2: Current account balances have improved significantly over the past ten years



Sources: Macrobond, Swiss Life Asset Managers. Last data point: Q3 2025

other hand, continues to be weighed down by the ongoing real estate crisis. Property prices continue to fall, especially outside affluent tier 1 cities, and are weighing on the assets of private households. At the same time, construction activity remains weak, as the significant housing surplus still needs to be reduced. In addition, the upheavals on the energy markets as a result of the Iran war have affected economic activity, particularly in the refinery sector. We expect the economy to remain divided, although growth dynamics at the end of the year should be more broad-based. For example, the sharp rise in refinery margins (see chart) suggest there will be a recovery in refinery activity. Both the easing of Chinese export restrictions on refined oil products and the sharp rise in fuel prices globally, which is making production more attractive, are contributing factors to this. At the same time, the government is likely to speed up the implementation of already decided fiscal measures. Against the backdrop of weak investment activity, this support is likely to focus mainly on infrastructure projects, advanced manufacturing, renewable energy and other strategic sectors. While this supports the growth outlook for China, it has less positive implications for the oil market. In recent months, China has had a stabilising effect on global oil markets by reducing its oil imports and increasing the use of inventories. However, oil demand should pick up moderately again with a recovery in refinery activity and a pick-up in investment. While China will continue to exert a dampening effect on the oil market, it will be less so than in the past.

Latin America: Is the political shift to the right continuing?

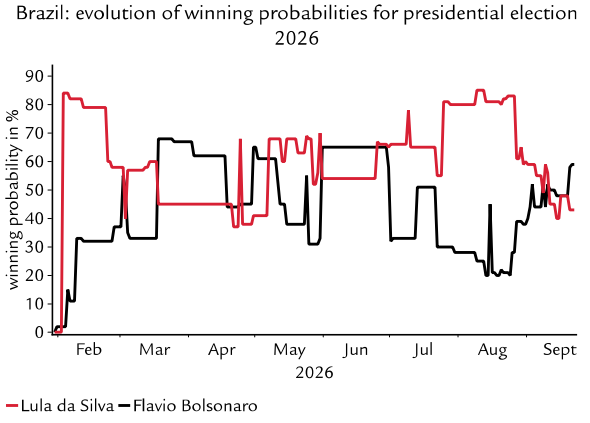
On 4 October, Brazil will elect a new president. Luiz Inácio Lula da Silva and the right-wing senator Flávio Bolsonaro are the main candidates. Current surveys suggest that the election will end in an extremely narrow run-off. Brazil could therefore serve as a litmus test for whether the political shift to the right will continue in Latin America. In fact, the political map of the region has changed significantly over the past two years. Conservative or right-wing candidates have been elected in several countries, most recently Abelardo de la Espriella in Colombia and Keiko Fujimori in Peru. A key driver of this development is growing uncertainty. Although Latin America accounts for only about eight percent of the world's population, it accounts for about a third of all murders worldwide. As a result, many voters have lost faith in the established parties. Candidates who promise to crack down on crime are becoming increasingly popular. This presents a mixed picture for the economy. On the positive side, many of the new governments are focusing on sound public finances and market-based reforms. Argentina is a prominent example in this respect: under President Javier Milei, inflation has been brought down significantly. At the same time, there are risks. Where institutions are weakened or the rule of law is undermined, this could in turn erode investor confidence and limit the region's long-term growth potential.

Chart 3: China's refineries producing more oil products again thanks to rising profit margins



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 22/09/2026

Chart 4: Brazil: Current surveys suggest that the election will end in an extremely narrow run-off



Sources: Macrobond, Predictit, Swiss Life Asset Managers Research. Last data point: 22/09/2026

Economic Research



Marc Brütsch
Chief Economist
marc.bruetsch@swisslife-am.com
in @marc_brütsch



Damian Künzi
Head Macroeconomic Research
damian.kuenzi@swisslife-am.com
in @damian_künzi



Josipa Markovic
Economist Emerging Markets
josipa.markovic@swisslife-am.com
in @josipa_markovic



Christoph Lauper
Economist Quantitative Analysis
christoph.lauper@swisslife-am.com
in @christoph_lauper



Florence Hartmann
Economist Developed Markets
florence.hartmann@swisslife-am.com
in @florence_hartmann

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