



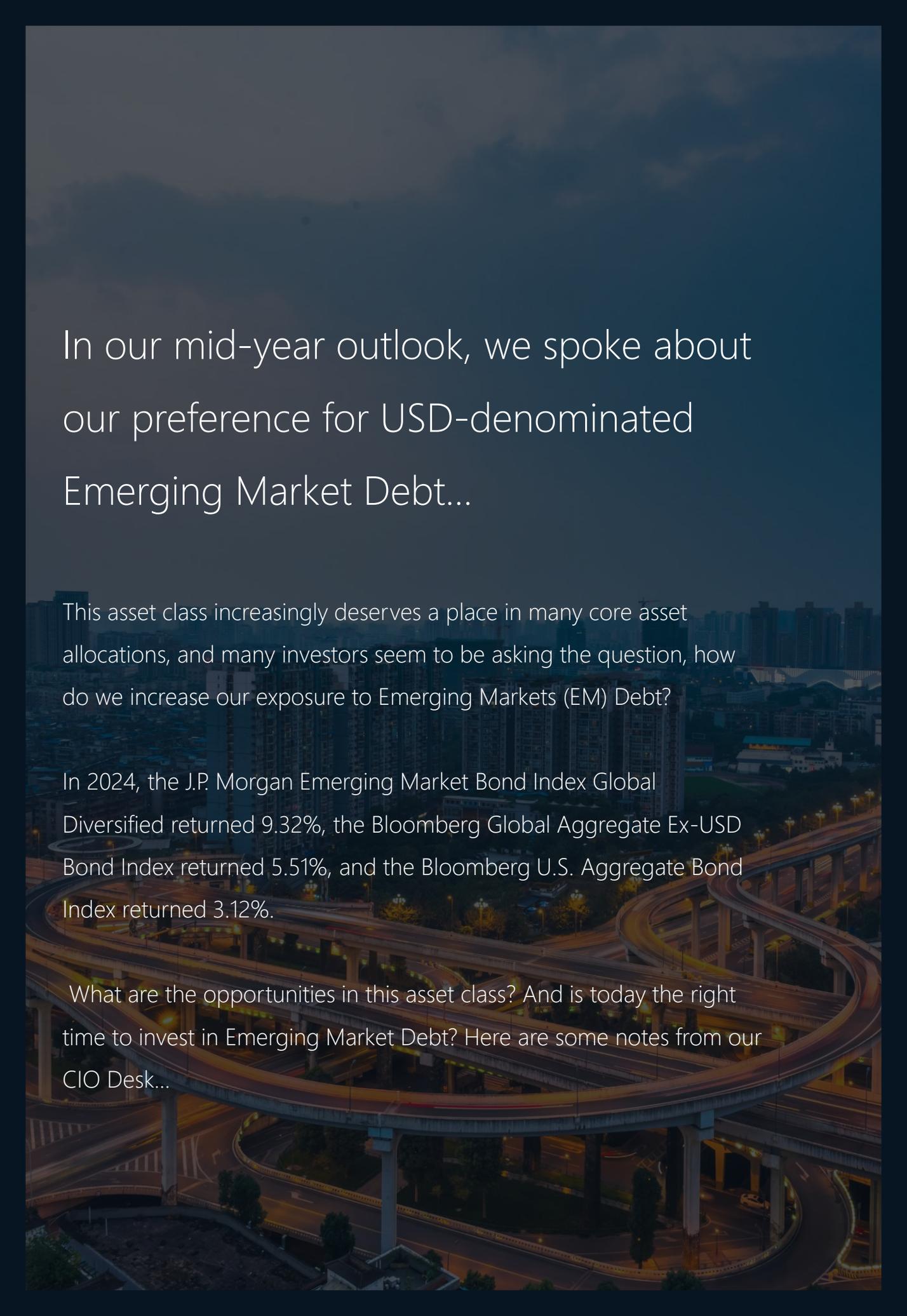
**JUPITER**  
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# Emerging Markets Debt Outlook

## October 2025

**KNOWLEDGE × SECURITY × PROSPERITY**

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# In our mid-year outlook, we spoke about our preference for USD-denominated Emerging Market Debt...

This asset class increasingly deserves a place in many core asset allocations, and many investors seem to be asking the question, how do we increase our exposure to Emerging Markets (EM) Debt?

In 2024, the J.P. Morgan Emerging Market Bond Index Global Diversified returned 9.32%, the Bloomberg Global Aggregate Ex-USD Bond Index returned 5.51%, and the Bloomberg U.S. Aggregate Bond Index returned 3.12%.

What are the opportunities in this asset class? And is today the right time to invest in Emerging Market Debt? Here are some notes from our CIO Desk...

# Why allocate to EM Debt?

The simple answer is **improved yield**. EM debt typically pays a yield premium over developed market debt due to perceived higher risks.

Next, EM debt also offers unique **diversification** opportunities. EM debt has historically exhibited a moderate correlation with other fixed income sectors.

## EM Fixed Income correlation with other asset classes:

	Emerging Markets Bonds	US Investment Grade Bonds	US High Yield Corporate Bonds	US Investment Grade Corporate Bonds	US Treasury Bills	Global Investment Grade Debt
Emerging Markets Bonds	1.000	0.634	0.786	0.822	0.324	0.714
US Investment Grade Bonds	0.634	1.000	0.364	0.867	0.896	0.831
US High Yield Corporate Bonds	0.786	0.364	1.000	0.670	-0.032	0.475
US Investment Grade Corporate Bonds	0.822	0.867	0.670	1.000	0.602	0.792
US Treasury Bills	0.324	0.896	-0.032	0.602	1.000	0.688
Global Investment Grade Debt	0.714	0.831	0.475	0.792	0.688	1.000



Emerging markets can offer exposure to economic cycles that offer diversification from developed markets. For example, countries such as India and Chile were easing rates earlier this year while most developed countries were still holding rates in an attempt to ward off inflation. Further, the diverse macro-economic environments of each country within the emerging markets, can offset many of the macro risks from developed markets.

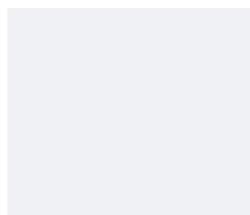


# Are there enough quality credit opportunities in emerging markets though?

Emerging markets credit has had a staggering journey over the past decade and a half. Today, more than half of the emerging market opportunity set has investment-grade credit ratings. This is not to contradict the fact that emerging market countries entail more risk than their developed market peers.

Enhanced fiscal discipline, declining debt-to-GDP ratios, and healthier current accounts though, have improved EM sovereign fundamentals in the recent past. In 2024, EM corporate bonds recorded a net \$70 billion in rating upgrades. This improving credit quality profile is reflected in the composition of the J.P. Morgan Corporate Emerging Markets Bond Index, where bonds rated A and above now constitute a 37% weighting compared to an average of 32% over the last five years.

Managers that identify issuers with strong fundamentals, have in-depth knowledge of the local macro-economic factors, and follow a disciplined data-driven approach to selecting securities are able to mitigate some downside risk and provide regular income generation.



# What does the U.S. Dollar weakness mean for this asset class?

Over the past 18 years, the U.S. Dollar Index (DXY) has exhibited a -0.55 correlation with the JP Morgan EMBI Global Core Index. This negative correlation makes a case for EM debt during the ongoing USD weakening cycle.

A weakening U.S. Dollar also provides support for EM central banks to have a reduced cost of borrowing and allows them to cut rates without being concerned about the negative currency impact.

A weak U.S. dollar lowers the foreign debt burden for EM issuers. It also boosts commodity-linked revenues for LATAM countries, further supporting the credit.

The U.S. Dollar has fallen ~9% against a basket of peers since the beginning of this year. The U.S. Dollar weakness will continue to be a positive factor for EM Debt performance.



# Sovereign vs Corporate Debt

EM sovereign credit offers higher spreads and longer durations, whereas EM corporates could offer improved downside mitigation in periods of market volatility or risk-off environment. While in the current market environment, there could be a bias towards one over the other, an ideal “all-weather” portfolio should have a mix of both.

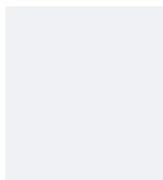


# How has 2025 been for EM Debt so far?

The tariff & trade related uncertainty in H1 2025, the burgeoning deficit, and stagflation concerns in the US economy raised questions about the safe-haven status of U.S. Treasuries. There was a sell-off in long-dated U.S. Treasuries government bonds in early H1 2025, along with wider spreads on EM sovereign debt. These spreads came down later as U.S. indicated its willingness to undertake negotiations.

Overall, EM bonds posted positive returns in the last two quarters. On the monetary policy front, a number of EM central banks cut rates except for Brazil which raised rates. USD-denominated EM debt benefited from narrowing spreads on sovereign bonds towards the later months of H1 2025, leading to price gains. Further, 17 of the 19 currencies in the JP Morgan GBI-EM Global Diversified Index gained against the USD in Q2.

**High quality EM debt continues to see strong demand.** Despite the relatively low credit spreads, the yields continue to be attractive and capital flows continue to be healthy. The market is also ripe for higher quality EM issuers to raise capital at attractive levels. Investors are looking global for investment opportunities, and the short dollar trades are adding to the downward pressure on the USD.



# Is it a good time to invest in EM Debt?

EM debt yields are currently at attractive levels and central banks have started their cutting cycle. Inflation in most EM markets is within target levels and a weak U.S. Dollar could potentially help further towards keeping inflation in check.

The difference in yields between EM and DM may have shrunk over the past few quarters when EM debt had a strong rally, yet we continue to see meaningful pockets of value especially in the high yield sub-sector. Even today, value can be found in EM with an additional premium for the same level of credit risk as DM.





The outlook from credit rating agencies for emerging-market debt has become more positive than negative, with ratings upgrades on an improving trajectory.

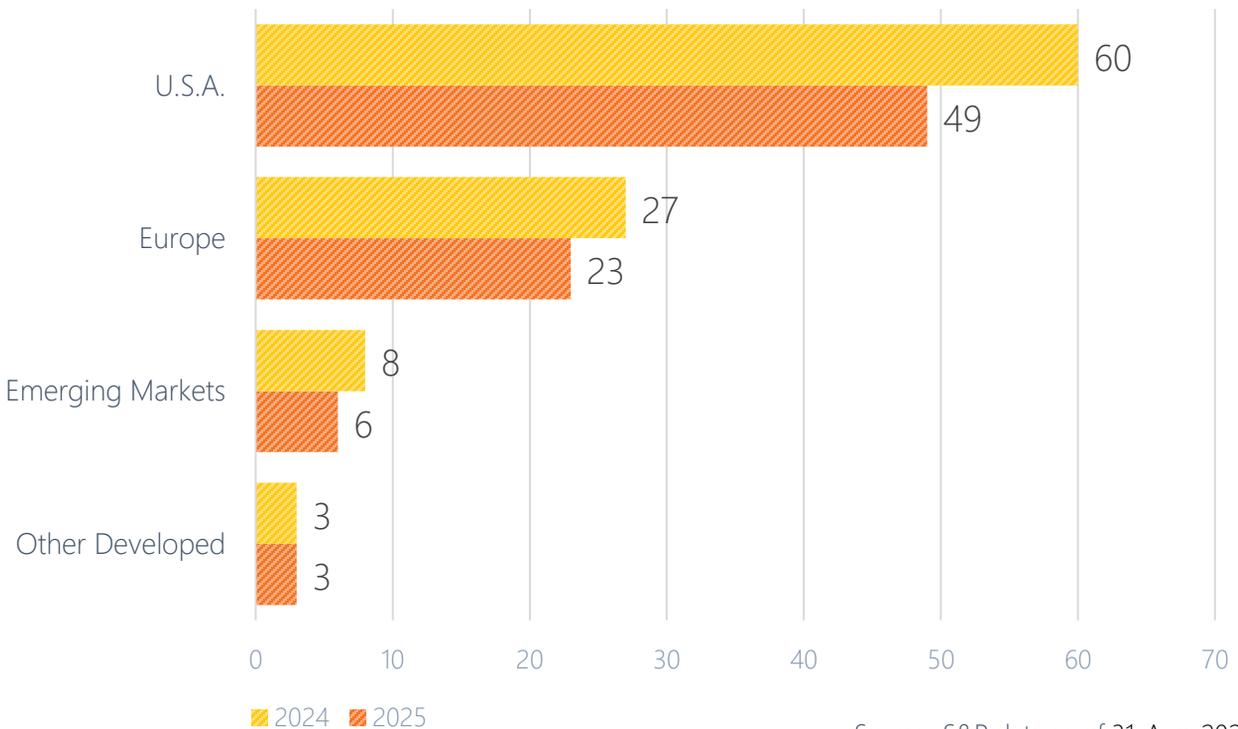


UBS Asset Management  
September 2025



# Corporate Defaults by Region

Number of Defaults in 2024 - 2025



Source: S&P, data as of 31-Aug-2025

## In summary, why now?

- EM bonds continue to exhibit better prospects and outlook relative to DM.
- Fiscal concerns in EM are now better priced, more broadly accepted, and are less severe than previous cycles.
- Inflation remains subdued. EM central banks remain cautious, avoiding aggressive rate cuts.
- The macro backdrop is also supportive: consensus expectations point to a weaker U.S. Dollar, lower U.S. interest rates, and a relatively stable commodity environment.
- Flows continue to support the EM rally, increasingly driven by positioning. Importantly, positioning in EM FX, rates, and credit remains well below pre-Taper Tantrum levels, suggesting room for further upside.
- EM bonds continues to offer meaningful diversification from DM risks, particularly those in the U.S. and Europe, and technicals are likely to remain favorable for EM debt.
- EM currencies have also developed their own momentum. Several are now outperforming in EUR terms, driven by domestic fundamentals rather than external factors.





Emerging-market bond funds are beating other US-dollar-denominated bond categories in 2025. Among the catalysts are the rising creditworthiness of emerging-market countries and increasing demand for diversification outside the US.

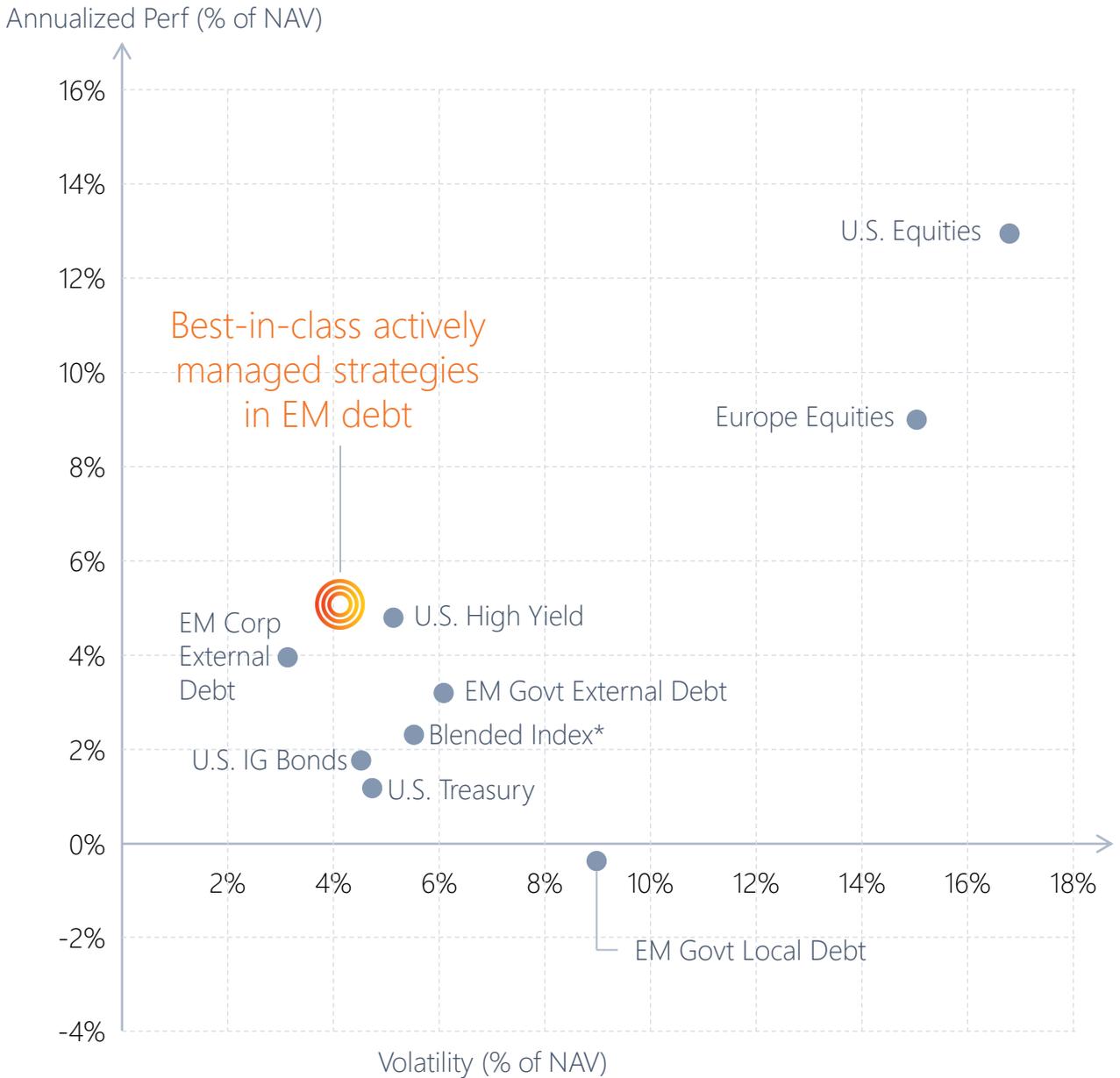


Morningstar,  
21 August, 2025



# EMD can potentially offer strong risk-adjusted returns and portfolio diversification

GIPS composite performance over 10 years



EM fixed income often sits at an optimal point in terms of risk/return profile against global asset classes.

Source: Bloomberg



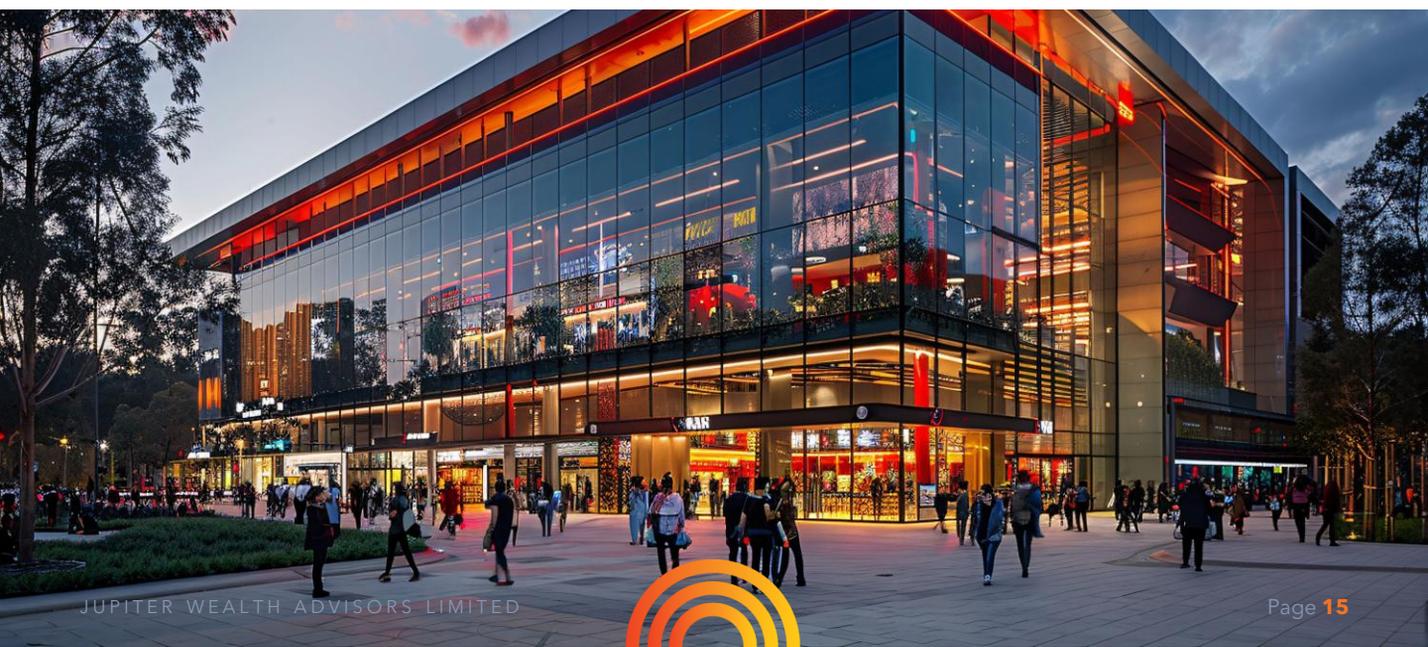
# How to invest in EM debt?

Active management in EM debt is necessary since this is a complex and fragmented market, with inefficiencies that can typically be controlled or even drawn on by an experienced manager backed by extensive local expertise in credit research and a large trading desk.

At Jupiter Wealth Advisors, we help our clients invest **directly** into EM bonds, as well as **through funds**.

When investing directly, our fixed income specialists follow a disciplined process of selecting the right issuer, tenor & yield suited to our client needs, as well as finding the best execution.

When selecting a fund, we follow a stringent selection process. This includes detailed risk & return analysis of the investment strategy, thorough due diligence on the fund manager, its depth of expertise & track record, reviewing the credit evaluation process as well as the risk management processes, the fee structure & finally the approval from our investment committee.





Speak to Jupiter advisors to know  
more about our recommendations  
in EM Debt

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