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Spring 2026 IMF meetings: Six takeaways for global markets and emerging economies

Eric Fine
Portfolio Manager, Head of Active Emerging Markets Debt

The Emerging Markets Debt team recently returned from Spring 2026 IMF meetings in Washington, meeting with finance, banking, and political authorities from around the world. Here are our takeaways.

Key takeaways:

- Meetings were packed, including tourist-like big asset managers not focused on emerging markets (EM), but hearing about it as if it is the new thing.
- Everyone was bearish on the US dollar (USD) but we are bullish USD (vs. majors). (We own and like EMFX, but are focused on exporters.)
- China was loved, but still unowned.
- Commodities exporters > importers.

Below, we go into the more formally discussed takeaways. We start with three takeaways on the global economy and financial markets, and then three elaborated takeaways on emerging markets. We then review some key observations on key emerging markets.

The Setup - Top 3 Global Economy and Financial Risk Takeaways

1. **Economic uncertainty is certain.** Let's address some basics on the global economy and financial markets. The IMF published its key documents, the World Economic Outlook (WEO) and Global Financial Stability Report (GFSR), in the middle of an outbreak of war in the Middle East. At these meetings, the IMF presented a "reference forecast" as opposed to its usual "baseline", underlining economic and financial uncertainty. The IMF didn't emphasise this, but this uncertainty can't be under-emphasised. On topics ranging from a confident damage assessment in Qatar, to the economic implications for Thailand and the Philippines of resource constraints, uncertainty was the context. This reference forecast assumes the war will have "limited duration, intensity, and scope…consistent with commodity futures prices as of March 10."
2. **Commodity exporters win, importers lose.** Should anyone still care, with those assumptions, what the actual growth, inflation, and other forecasts are, and how they changed? While they are probably irrelevant in our view, growth is forecast to be a couple tenths lower at 3.2%, inflation similarly a couple tenths higher at 4.4% for 2026 (and it is expected inflation will decline thereafter). The most interesting observations come from cross-country dispersion in the reference forecast. If you have a pre-existing fragility, worse. The rest, shall we say, is speculation over the future of the US/Israel war with Iran, which we do not discuss.
3. **Financial stability risks unstable and in developed markets.** "Elevated" was the word used to

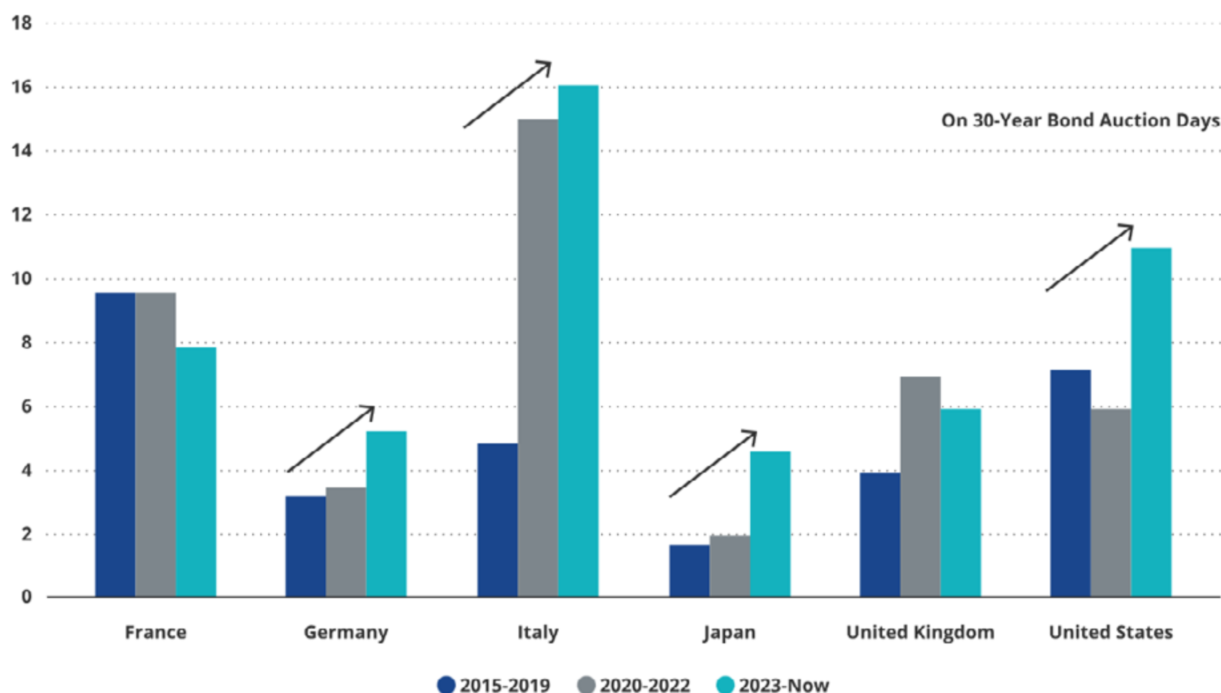
describe financial stability risks, and this is where the attitude implied by the "reference forecast" in the WEO somewhat fell apart. Of course, "the war" and its inflationary pressures are the drivers which could transmit into financial instability. The market's "orderly" corrections were noted. The key channels leading to financial stability risks were as follows. High debt/GDP levels lead risks, which led to higher bond yield gyrations; these, in turn, raise again the risk of the sovereign-banking nexus. Currency and capital outflows, particularly if they lead to greater portfolio and lesser foreign direct investment (FDI) flows, are another channel for risk.

Exhibit 1 shows the greater bond yield reactions on auction days, which the IMF uses to represent this phenomenon. It's a good chart. Our take would be that these are developed markets (DM) subject to "fiscal dominance" which is the real driver, and many in EM are not subject to this, and have thus outperformed DM bonds over multiple time horizons. This has been our framing for over a decade, and it is gaining popularity. Such a take would be unwelcome to the IMF's biggest shareholders, but we think it is still the better framing.

Exhibit 1 – DM Bond Markets Look Riskier

Bond Yields React More to Bond Auctions

(Basis point change on auction days, 90th percentile within indicated periods)



Sources: Bloomberg Finance L;P;. national debt office; and IMF staff calculations.

Note: The figure shows the 90th percentiles of daily 10-year bond yield changes on 30-year bond auction days wSihtin the indicatde periods.

The Top 3 Takeaways for emerging markets

1. **Apotheosis for EM.** Participants, both from the policy world and markets, were bullish on EM as well as bearish on the US dollar. The asset-price implication of this, in our view, is bullish support for USD against the majors.
   a. The US dollar's reserve status and "de-dollarisation" were elevated to an enduring force driving markets by many.
   b. China was seen to have risen and to be rising, generally.
   c. We also observed to meeting participants that Chinese Government Bonds (CGBs) outperformed US Treasuries during the war phase; initially everyone knew but nobody said it, but discussions

opened up. Private common knowledge became public common knowledge at IMF meetings. We think this is noteworthy.

d. This Chinese yuan (CNY) and CGB performance also anchored a big portion of Asia, which otherwise would normally have been subject to much more FX weakness. China itself, Malaysia, Korea, and Taiwan also behaved as safer assets than expected. National Infrastructure Investment Plans (NIIPs) were central in our argument that CNY was curiously unpopular throughout 2025.

e. Much of this anti-USD sentiment fits the ideological leanings of most participants. Concerns about the dollar are laid entirely at the feet of the current administration, not decades of fiscal profligacy and monetary forbearance, nor geopolitical shifts. A key observation.

2. **Let's try to see through the war (majors version).** There was a palpable desire to "move on" which for this crowd means scenario analyses to detect permanent winners and losers. The asset-price implication of this, in our view, is that again USD bullish against majors (EUR, JPY, GBP).

   a. The US wins, economically, or is last to fall (after South Asia and Europe). This was a consistent conclusion from US-focused participants. This is consistent with a bullish USD asset price view, particularly versus the majors (EUR, JPY, GBP).

   b. The major DMs had no positive story emerging from IMF meetings, as outside the US they all lose via an adverse terms of trade shock and leveraged sovereigns/financial systems.

   c. There was a palpable desire to "move on" which for this crowd means scenario analyses to detect permanent winners and losers. The asset-price implication of this, in our view, is that again USD bullish against majors (EUR, JPY, GBP).

3. **Let's try to see through the war (EM version).** EM has winners, DM has losers (other than US). The asset-price implication of this, in our view, is EM exporters over importers.

   a. Commodity exporters over commodity importers. The primary lens for this EM opportunity is (correctly, in our view) commodity exporters versus importers, but our broader point is that this is a manageable and diversified set of winners and losers not just losers in DM bonds which dominate investor portfolios.

   b. But also, it includes a "safe" Asia that also generates (non-commodity) external surpluses; these have emerged as winners, or not losers. The meetings more-or-less congealed on a stylised version for the major EMs as we describe in the table below, and which has been a good description of our positioning. Asset-price moves during the war are consistent with this version of who wins and losses from rising commodity prices.

   c. Emerging Europe (Poland, Hungary in particular) is basically left out of this framing (other than Turkey as a loser), because the continent and those names are net commodities importers, with larger debt loads recently. This is generally bearish for the region. (At the time of writing, we have an overweight Hungary for idiosyncratic reasons, an overweight on Czech due to its cheapness, and an underweight in regional behemoth Poland, as well as underweight Turkey).

Exhibit 2 – Table of EM Winners and Losers

"Commodities Exporters"	"Asian Exporters"	"Asian Importers"
Colombia	China	India
Brazil	Malaysia	Indonesia
Chile	Korea	Philippines
Peru	Taiwan	Pakistan
South Africa	-	Sri Lanka Thailand Turkey
Sub-Saharan Africa	-	-

d. Some countries have pain already in the pipeline. Regardless of one's war outlook, they require a quick resolution in order to avoid a sharp change in their economic conditions. Philippines, Thailand, India, Indonesia, as well as smaller Pakistan and Sri Lanka fall clearly in this category.
e. The Gulf will be permanently changed. Bond markets are not cheap enough to warrant exposure, even if there is a "positive" outcome, which is elusive to define. The opportunity costs of avoiding Gulf exposure are practically zero. For example, Oman is emerging as a winner from the crisis but the USD bonds trade at 80 basis points (bps) over US Treasuries. It is hard to see a case in the region (though Egypt did cheapen out and became attractive).
f. Sub-Saharan Africa (which mostly offers USD-denominated bonds but also some serious local currency bond markets) was such a winner that an inaugural bond for Democratic Republic of Congo was issued during the meetings.

On to Details – Key Observations on Key Countries

Brazil – Recent internal polls boosted investor sentiment, as they show that the opposition candidate has a fighting chance in upcoming presidential elections. Another positive is that the central bank remains independent, calibrating its easing cycle in line with fundamentals rather than pre-election politics. However, the fiscal situation is concerning, and it remains to be seen whether the opposition can make a breakthrough if it wins the presidential election in the fall.

There was a lot of optimism about **Venezuela** during the Spring meetings culminating in the IMF restoring formal contact. The US administration is prioritising government and social stability in Venezuela to try to engineer a recovery of the oil sector. At least for now, the US appears content to work with the Rodriguez government indefinitely. A reform of the electoral system and new Presidential elections could be delayed until 2028 or even later. The return of Maria Corianna Machado to Venezuela could spoil the calm environment for the US administration and force a discussion of elections sooner by activating the street.

Peru's terms of trades are at the strongest levels since 1951. Last year, GDP grew by 3.4%, formal employment grew by 2.6% and the fiscal deficit was just 2.2% of GDP. International reserves reached US$100bn. Inflation was just 1.5%. Peru achieved these amazing results without a President completing a full 5-year term since 2016. On 7 June, Peru will elect a new President who will have a good chance of serving a full term and implementing a reform agenda. Hopefully, this will lead to higher FDI and stronger and more inclusive growth in Peru.

Colombia will have Presidential elections at the end of May, and investors are becoming hopeful that the next government will be a center right government led by Paloma Valencia. The expectation of fiscal tightening and market friendly reforms under a Valencia government are helping the market ignore the very concerning actions of the Petro government which include a 23.7% minimum wage increase, the abandonment of the fiscal rule and ordering his Minister of Finance not to attend central bank board meetings in order to block rate hikes. The drama around the central bank was a lively topic of discussion during the Spring meetings.

After last year's midterm election victory (and scare), **Argentina** under the Milei government is making steady progress on implementing reforms before the 2027 Presidential elections. The government passed a budget, labour reform, a fiscal innocence reform to improve tax collection and made changes to mining legislation to encourage investment. Most importantly for bond holders, the government has purchased US$10bn in dollar reserves so far this year. However, the country may be reaching reform fatigue with Milei's popularity declining recently. While Milei is not up for re-election until late next year, having a non-Peronist win re-election in Argentina would be the most market positive event possible.

Romania is in a better position to handle Middle East challenges compared to its regional neighbours, but political noise can be deafening at times. There is an understanding among key coalition partners that there is no alternative to fiscal consolidation, this year's budget projections look credible, and, importantly, all fiscal measures that had to be passed were passed. However, there might be no room to cut rates until 2027.

Poland's geopolitical standing might have strengthened since 2022, but the country's deteriorating fiscal outlook is concerning, especially given that neither party is pushing particularly hard for fiscal consolidation.

Hungary is a key election turnaround story of the year, which put the euro adoption on the map following the resounding victory of the pro-EU Tisza party in parliamentary elections. Hungary's fundamentals improved since 2022, adding to investors' optimism and easing concerns about macro spillovers from the Middle East.

Indonesia has experienced negative outlook reports by Fitch and Moody's which worsened investors' sentiment, and there is still a risk that MSCI might downgrade Indonesia to "frontier" due to free float and investability concerns. The fiscal target is likely to hold, but the authorities need to utilise buffers prudently. The IMF is also pushing the government to boost revenue collection (which is low at 14% of GDP). The newly created sovereign wealth fund Danantara is considered a major contingent liability risk.

Philippines has had a corruption scandal impacting growth prospects going into the Iran war, which unfortunately means stronger headwinds for revenue collection and smaller fiscal space to manage the Middle East conflict's fallout. A high passthrough from oil prices to inflation can limit the central bank's room for additional easing.

Thailand is facing a combination of structural challenges, cyclical issues, background political noise, and geopolitical complications. The response to the Middle East crisis is different from the Ukraine conflict though. The new government is less populist and not willing to sacrifice fiscal consolidation for short-term political success.

Egypt emerged as a poster child for healthy policy responses to the Iran war, allowing the pound to act as a shock absorber instead of wasting international reserves and with the central bank turning hawkish to address potential inflation risks.

Sub-Saharan Africa's gains from stabilisation policies implemented by many countries in the region after the pandemic are being tested by the Middle East conflict. Oil exporters, Angola, Nigeria, Gabon and Cameroon have larger cushions, but are still facing growth and fiscal headwinds. Commodity importers, Benin, Cote d'Ivoire, Kenya, and Uganda are in a more difficult situation, with Kenya seeking emergency funding from the World Bank.

IMPORTANT DISCLOSURES

Any views expressed are opinions of the author at the time of writing and is not a recommendation to act.

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Contact us

www.vaneck.com.au

info@vaneck.com.au

61 2 8038 3300