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Fall 2026 IMF meetings: 1 Takeaway, 4 Implications, and 7 Denials



Eric Fine
Portfolio Manager, Head of Active Emerging Markets Debt

The team just returned from 2026 Annual IMF meetings in Bangkok, where we met with key global policymakers, investors and analysts. In this recap, we share our high level views as well as details on individual countries.

Key takeaways:

- **While we have been talking about "fiscal dominance" as a framing since 2012, it is now the dominant frame for looking at all sovereigns.**
- **The US is exceptional again.** Relative to the other major developed markets (Eurozone, Japan, UK), the US is in far better shape and the structure of the Eurodollar system means money flows from those markets to the US.
- **Europe is vulnerable for well-known reasons.** With no fiscal and financial union, individual sovereign bond markets such as France and Spain become vulnerable (and France itself will have to fix France).
- **Emerging markets remain largely exceptional for durable reasons, but emerging markets is not a monolith.** Low government debt, less levered financial institutions and independent central banks support them; China and Thailand are "poster children" for reserve quality currencies.
- **Not all emerging markets are following the Fed.** Mexico had already diluted that principle while India and Indonesia will be tested. The divergence is seen in countries with anchored inflation, low debt and leverage.
- **Developed market political risk.** Although markets still assume political stability, the K-shaped recovery in the US is becoming an intractable political challenge. All this implies higher bond yields.
- **US exceptionalism.** The realisation that the US is "least bad" among developed markets is starting to dawn and Europe no longer gets the benefit of the doubt. All this means a stronger US dollar.
- **Everyone remains an expert on geopolitics.** Participants continue to largely ignore major shifts (the Gulf closure, the Black Sea blockade) meaning crude oil prices are likely to be higher for longer.
- **China was everywhere and nowhere.** Participants had little exposure, but we think the Chinese yuan (CNY) will appreciate while external surpluses continue. This would lead to stronger CNY and Chinese government bond (CGB) prices over time.
- **India drifting, at best.** With an unorthodox policy stance, repeated currency intervention and no bullish catalysts, real rates are too low to anchor the currency. As a result, Indian government bonds are a zero weight in our funds.
- **Emerging markets has winners as well as losers.** Winners include Brazil, Colombia, Malaysia, Thailand and China. Losers include Indonesia, India, Philippines, Turkey and Mexico. The logical asset allocation implication is to be overweight the winners and underweight the losers.
- **The "AI is only about capex and productivity" framing no longer works.** AI debt issuance in 2026 transcends sovereign issuance and rising rates will find problems. US Treasury prices in the short term may end up depending on AI debt issuance.

The top takeaway (and its four asset price implications)

Fiscal dominance is now the dominant frame for looking at all sovereigns. This has been a long time coming. It's a framing we have used since 2012.

The broad asset price implications of this are:

1. **The US is exceptional again.** We've long lamented that fiscal dominance discourse often leaps to a "de-dollarisation" conclusion. We have thought this to be incorrect. Relative to the major developed markets (Eurozone, Japan and the UK), the US is in far better shape. The structure of the Eurodollar system is such that money will flow from these economies to the US.
    - This realisation seems to have dawned on meeting participants because of both the problems plaguing these countries but also because the US dollar and the US yield curve has flattened in response to Fed tightening. The simple heuristic we are emphasising is that if bond prices and the currency are falling, the country's credibility is being questioned. The US isn't in this box.
2. **Europe is extremely vulnerable for well-known reasons.** High debt exists in some places, but the absence of a fiscal and financial union means individual sovereign bond markets such as France or Spain become vulnerable. The issue then becomes the sovereign's political and policy response, which remains uncertain in countries such as France. France itself, rather than the EU or eurozone, will have to fix France.
3. **Emerging markets remain largely exceptional for durable reasons, but some are vulnerable.** Emerging markets (EM) exceptionalism, per our thesis, is based on low government debt, less levered financial institutions and independent central banks. They are also often supported by strong commodity export revenues. This thesis applies to both commodity exporters such as the Latin American nations as well as to commodity importers such as China and Thailand.
    - China and Thailand are our "poster children" for currencies that will become a normal part of a central bank's reserve mix, sharing reserve status with the US. The exceptional EMs include defensive "safe" assets that are being demanded as reserve assets, challenging the old view that EMs pay a higher premium because they are riskier. We've noted in other publications that overall EM bond volatility has been lower than developed markets (DM) bond volatility for some years now.
4. **Not all EMs are following the Fed.** Before this current Fed hiking cycle, Mexico's monetary policy had begun to depart from its usual practice of following the US central bank's rate hikes and cuts. This can be ignored by markets in stable or declining rate environments but will be tested in a rising US policy rate environment. In our view, markets may see this as a desire or willingness from the central bank to let the peso weaken. Other EMs will also be tested but more in terms of the monetary-fiscal system; India and Indonesia are examples.
    - We should also note that this divergence in many EMs is from a position of strength. Asian inflation has been lower than US inflation for several years while China's US dollar bonds trade through Treasuries. Many EMs are not going to hike along with the Fed, thanks to controlled inflation and inflation expectations and not worries over their financial systems' abilities to handle higher rates. EM sovereign and financial vulnerabilities are of a different order due to low debt and leverage.

Where is the market in denial? The seven blind spots and their asset implications

Markets, like people, are often in denial. Mark Twain once said, "it is easier to fool someone than to convince them that they have been fooled".

Many investors now acknowledge their blind spot, with the rise in gold prices forcing many sell-side institutions to re-frame their thinking. But EM economists have been given multiple observations of fiscal dominance playing out over time. Scenarios in which monetary policy loses traction in reserve currency countries have received less attention in G10 economic analysis. In our view, this is a consequence of "fiscal dominance", which can produce both higher yields and a weaker currency.

Furthermore, G-10 yield curve analysis, the term premium in particular, tends to emphasise inflation over risks such as technical default, dependence on offshore borrowing or political crises. We think that the use of the "fiscal dominance" terminology among DM economists is only the beginning of the end of denial and not a symbol of universal acceptance.

With that example and introduction, here are the top seven market "denials", to our eye.

1. **DM political risk.** Fiscal dominance always ends up being mediated by politics. Market participants may still underestimate how unpredictable that response can become in developed markets, where political stability remains the baseline expectation. Europe's governments are unpopular. The "exceptional" US, where we argue it is the "least bad" among the DMs, the K-shaped recovery is an unavoidable political challenge. This is an interesting example because the K-shape is partially driven by the US's open capital account, consistent with its reserve status, as well as the attractiveness of the US financial system and its assets. For asset allocators, we believe this all leads to higher bond yields.
2. **US exceptionalism.** In previous IMF meetings, Europe has been given the benefit of the doubt. At some iterations, there was hope (Germany ending its debt brake is an example). But that hope is gone, and the Euro as we know is the only major fiat alternative to the US dollar. Some European market participants are beginning to question how much policy independence Europe has, challenging long-held assumptions about its autonomy. The US dollar may strengthen moving forward as a result.
3. **Everyone remains an expert on geopolitics.** In our view, participants continue to ignore major geopolitical shifts for the most part. Part of this is defensible given paying attention to US politics was useless for predicting asset prices. Geopolitical risk was always absorbed and crude oil exported. Not now. The closing of the Persian Gulf was the first in its thousand-plus year history and Iran's population size is dominant in the region. The Black Sea is under blockade by Russia, a country that is also population-dominant in its region. But the core problem is deeper in our view. There is always a "grown-up" table, where shaping information is part of the strategy in any conflict. The Kursk offensive and the "drones changed warfare" narrative, for example, were successful in information terms but were not useful from a military perspective. We have seen similar dynamics in the current Gulf conflict, meaning investors may have to live with higher for longer oil prices.
4. **China was everywhere and nowhere.** The most striking observation was that participants did not have much exposure to China. Chinese officials rarely present at these meetings, but participants set an agenda that often includes China. China itself was not a central discussion this time, as evidenced by how China-centric discussions were set up. In our view, the US was offering generous advice to the Chinese: revalue the currency to address concerns about "overcapacity" or subsidies, then use their fiscal space to stimulate consumption. It is amazing that achieving low inflation is now a bad thing, but it makes sense if you are as financialised as the US.

   We think this scenario will occur: the Yuan will appreciate, fiscal policy will eventually get engaged and the economy will become more balanced. After the April 2025 IMF Meetings, we predicted that the CNY and CGBs would appreciate. While we appreciate the political pressure on China, we argue this is a tailwind to our view. China is going to decide what China is going to do, and that means external surpluses will continue, perhaps indefinitely.
5. **India is drifting, at best.** India was not prominent as a topic at the meetings, which is unusual given that it is now a significant portion of the GBIEM (Government Bond Index-Emerging Markets). A lot of this is because India is already unorthodox compared to other EMs, mostly centred on the Reserve Bank of India's management of the rupee. A permanent shift up in commodity prices added to participants' general desire to "avoid" investing or spending much time on it. There seem to be no bullish catalysts, and more than these catalysts might be needed if global commodity prices remain elevated. Real rates are too low to provide a credible anchor, and in our view, the exchange rate will remain under pressure.

6. **EM is not a monolith; there are winners as well as losers.** The winners, and where we are overweight, are Brazil, Colombia, Malaysia, Thailand (a surprise to us), China, Pakistan, Peru, Uruguay, Paraguay, Kazakhstan, the Dominican Republic and many sub-Saharan African commodities exporters. In contrast, the losers/areas where we are underweight are Indonesia, India, Philippines, Turkey, Mexico, Senegal, Ukraine, Romania, Lebanon and Mozambique. Eastern Europe is also a potential loser due to the competing China manufacturing challenge, energy/supply costs and its link to the EU's issues.
7. **AI is only about capex and productivity.** Participants broadly held the view that analysis of AI should focus solely on its measurable effects, namely the impact of capital expenditure on growth. We shared that view. AI has been a key growth and profit driver, meaning this was the right lens. Similarly, the crowd is far more comfortable with a range of estimates or scenarios for the "productivity" gains from AI, noting that economists have not been great at predicting this throughout history.
   But this, in our view, isn't the right lens now. There are numerous new risks, magnified by global AI-related debt issuance exceeding sovereign issuance in 2026, alongside AI's growing share of investment-grade issuance and benchmarks.
   Rising rates will find problems and there will be milestones for this. We've talked for months about Oracle and Coreweave being "lily pads" on this path to discovery. Energy costs also strike us as an underappreciated risk, which means politics is also a risk. Profitability challenges at frontier labs from open-source models is another. While these ultimately may have nothing to do with AI's future, the fact that AI companies are competing with sovereign debt issuance in a rising rate environment, financing concerns – and therefore, the performance of US Treasuries – are likely to dominate the discussion for the foreseeable future.

What the IMF World Economic Outlook and Global Financial Stability Report said

Both publications are must-reads, in our view. They were released in Bangkok while we were at the meetings, and both are about shrinking buffers.

The key points from the World Economic Outlook (WEO) are:

1. **Steady headline, reshuffled interior:** Global growth is projected at 3.1% in 2026 (3.5% in 2025) and 3.4% in 2027, while global headline inflation jumps to 4.7% this year before easing to 4.1% in 2027. The IMF's own framing is that growth is being reallocated given the war-induced energy supply shock and to AI-related demand. Economies riding the AI investment boom or favourable terms of trade are doing relatively well while energy importers and lower-income economies are not. We argue this is the IMF's way of saying EM is not a monolith.
2. **The baseline is a timetable, not a forecast of the war:** The reference forecast assumes the Strait of Hormuz reopens in March 2027 and that pre-war conditions are restored by October 2027.
   The petroleum price index projection now averages US$96 a barrel in 2026 (16% above the April assumption) and natural gas about 36% above the April price. Policy and geopolitical uncertainty are assumed to stay elevated through 2027. This assumption is what would produce a V-shaped recovery for the Gulf, with double-digit declines in Bahrain, Iraq, Kuwait and Qatar to be followed by double-digit rebounds in 2027. Given this assumption looks unlikely to be realised, 2027 growth may be revised down and inflation revised up.
3. **Advanced economies:** 2.1% in 2026, 1.8% in 2027. The US is at 2.3% in both years (2027's forecast was raised since April), the UK at 1.3% and 1.2% (the Fund credits AI investment), the Euro area at 1.1% and 1.2%, Germany at 1.3% and 1.1% respectively, France at 0.4% and 0.7% and Japan at 0.7% in both years. The Eurozone, Germany and France figures are the "Europe is extremely vulnerable" point mentioned above in growth form.
4. **China at 4.5%, India at 7.0%.** China is projected to grow at 4.5% in 2026 and 4.0% in 2027, with second quarter growth of 4.3% as weak consumption and property strains outweighed strong exports

and higher oil prices weighed on activity. India is projected at 7.0% in both years, upgrades of 0.6 and 0.3 percentage points respectively thanks to domestic demand, services and AI-related investment.

5. **Buffers are shrinking and the risks are to the downside.** The IMF says the margins of adjustment that made the global economy resilient are narrowing rapidly. The risks it names are a persistent or escalating Middle East conflict that keeps energy and food prices high, rising sovereign bond yields and renewed trade tensions. It calls the AI risk two-sided. Either expectations could prove too optimistic and trigger a market correction or productivity gains could arrive sooner than expected.
6. **Fiscal space, again.** Public debt is rising almost everywhere as yields climb, and the Fund has been saying that global public debt is approaching 100% of GDP. Managing Director Kristalina Georgieva noted that advanced economies were the worst offenders. The advice was to rebuild fiscal space immediately, have any support for households facing higher energy and food prices temporary and targeted, and to keep monetary policy data-dependent and tailored to each country. All this is fiscal dominance, minus the phrase.
7. **EM and Southeast Asia.** Fiscal policy in emerging and developing economies is expected to tighten over time. Several Southeast Asian economies are projected to benefit from the global technology upturn, and in some cases, from emergency fiscal measures. An accompanying IMF blog cautioned that the favourable window for EM may not last.

The key points from the Global Financial Stability Report (GFSR) are:

1. **Resilience is not safety.** The report's first chapter is titled "Beneath the Resilience: Rising Risks, Unresolved Vulnerabilities." Markets have held up on upward growth surprises, strong earnings and AI optimism. Financial conditions are also relatively accommodative, but the IMF says financial stability risks remain elevated.
2. **An AI-related correction is the first risk named.** The Fund reviewed 14 circular-financing transactions dating from 2023, identifying about US$300 billion in equity investment and US$650 billion in debt in exchange for roughly US$1.4 trillion in future revenue commitments. Hyperscalers are borrowing more and investors have leveraged into AI stocks. Stress at a key recipient would lower revenue forecasts and investment valuations and weaken the value of the debt in those deals.
3. **Sovereign yields may be normalising toward pre-GFC levels.** Yields have risen on energy-driven inflation, fiscal concerns and, in some cases, stronger economic growth. The amplifiers the Fund flags are feedback loops between fiscal imbalances and leveraged bond trades, central bank balance sheet reduction and a greater reliance on price-sensitive investors. Higher yields also raise discount rates, which depresses asset valuations and reduces the value of bonds used as collateral.
4. **Cyber is now a systemic risk.** In more than 70% of reported cases this year, software providers had almost no time to patch a vulnerability before it was exploited. This is more than double the share in 2021, when providers typically had close to 300 days.
5. **Banks are resilient overall, with a growing tail.** Under the adverse scenario, banks holding 22% of global banking assets would end up below regulatory capital limits, up from 18% a year ago. Elsewhere, pension funds and insurers hold more illiquid assets and derivatives and lean on the same asset managers, private credit is carrying more leverage and on-demand funding commitments, and hedge funds now manage about US$13 trillion, more than three times the 2013 level (this was the subject of an analytical chapter in the GSFR).
6. **EM spreads are tight but yields are not.** Bond yields have risen while spreads over advanced economy peers remain compressed. The IMF sees this as a conundrum, but we don't see it that way because strong growth is consistent with tight spreads. The Fund also expressed concerns about buffer depletion in some low-rated EMs as well as a growing reliance on less transparent funding sources in some frontier economies. It urges EMs to rebuild buffers while financial conditions remain

accommodative.

7. **The policy menu:** The IMF's recommendations for policymakers include: putting debt on a sustainable path, limit leverage and liquidity mismatches in AI, private credit and other nonbank sectors and hardening cyber defences through better incident reporting and resilience testing.

Our country-specific observations

The notes below come from our own meetings and those of our colleagues during the week, which were held under Chatham House rules. They are organised by region and, within each region, by our view of how much the country matters to portfolios and benchmarks. Remarks are reported without attribution to any speaker or affiliation, and we note where a view comes from an outside participant rather than an official.

Asia

China: A senior Chinese official skipped the usual state-of-the-economy talk and instead made the case for investing in Renminbi-denominated assets: lower volatility and lower correlation with global benchmarks than US Treasuries or the S&P 500, tight bid-ask spreads, high turnover, a Panda market above CNY1.3 trillion and CGB inclusion in many benchmarks. The IMF has Chinese growth at 4.5% this year and 4.0% in 2027.

One speaker argued the CNY should keep strengthening, perhaps to 6.6–6.5 per US dollar by year-end, with capital outflows and a reverse Balassa-Samuelson effect from AI-driven services productivity as the limits. At least one large bank has also lowered its year-end USD/CNY target to 6.60. Another stressed the local government problem (property-sale revenue down from about 8% to 2% of GDP, and VAT-sharing that rewards overcapacity) and said the authorities are comfortable absent an external shock. One participant dissented: no financial crisis but the CNY is unlikely to appreciate, meaning bonds may be the best asset class as rates may head lower Japan-style. The same participant noted heavy Chinese imports of gold bars and coins, which he treats as savings rather than consumption.

Indonesia: A senior policymaker described the June–July hikes as a frontloaded defence of the rupiah rather than a response to inflation, said policy is on hold and walked through the toolkit meant to attract portfolio flows: relaxed hedging rules, a new FX-documentation framework, local-currency settlement arrangements with seven central banks, secondary-market IndoGB purchases (emphasised as "not QE") and SRBI (a pro-market monetary policy instrument designed to manage domestic liquidity and support rupiah stability).

He appeared to be cautiously confident on the MSCI review, noting authorities have gone above and beyond what MSCI has asked. Later in the week, MSCI said Indonesia no longer merits EM status and is weighing a "standalone" classification. Although the final decision is due in November, the 10-year local yield jumped 10 basis points (bps) to 7.37% on the news.

Philippines. A senior policymaker said the focus is inflation rather than growth. 75 bps of hikes have removed a lot of accommodation, and more tightening may be on the way. A severe El Niño scenario could push headline CPI above 15% year-on-year in Q1 2027. Infrastructure spending is down about 30% this year, with growth expected to recover in 2027. For the peso, it is the pace rather than the level that matters.

Latin America

Brazil was on everybody's mind. The 10-year yield sits around 13% but all eyes are on the runoff between Lula da Silva and Flavio Bolsonaro. The latest polls point to a tighter race, and betting markets have seen a reduction in the probability of a Flavio Bolsonaro presidency. President Lula is spending to win votes (free nationwide weekend transit and ending the six-day work week) and undoing that largesse will be politically costly whoever wins. However, a change in political direction could also open the door to fiscal discipline and a rally in local rates.

Mexico: Policymakers are as split now as they were in March and May. Some put more weight on the strong peso and weak activity while the official we met weighs inflationary global risks more. Services inflation is showing incipient moderation, particularly in housing. Non-core inflation is at atypically low levels; both the inflation gap and the ex-ante real-rate gap are close to zero. Fiscal measures have cushioned the energy shock. The economy is growing below potential but activity is rebounding on consumption and investment, and as mentioned before, the central bank does not need to follow the Fed. There is a risk that Banxico embarks on a rate cutting cycle as the Fed is doing the opposite. In addition, transmission from policy to credit is weak, the peso's beta to the S&P 500 and VIX is the fourth highest in EM.

Colombia: A senior policymaker told us that inflation is well above target and more persistent than in regional peers. CPI is seen at 6.9% by December 2026 and at 4.3% by the end of 2027. Both forecasts factor in the impact of El Niño. Tightening was frontloaded and 12.75% may be the limit of this cycle. However, should a 10% minimum wage increase take place would force more hikes.

Elsewhere, the structural fiscal deficit has been widening for 10 years, and a credible plan is needed before the central bank can turn less hawkish. A sell-side political-risk assessment puts the chance of a new fiscal rescue law at 60% (albeit passing in watered down form). The plan includes asset sales (the Ecopetrol stake among them), an end to fuel subsidies, a smaller state and a debt reprofiling to cut interest costs. The government is eager for an IMF precautionary line or stand-by.

Argentina: The tone was optimistic with officials arguing the country has experienced a cultural change on fiscal discipline, pointing to structural reform which passed with limited support in Congress (RIGI, labour and tax measures). The officials also compared RIGI with Chile's DL600 foreign investment statute which passed in 1974. Only US$6 billion of US$100 billion of approved mining investment has been made, so the pipeline is large. Officials also noted a cleanup of the central bank's balance sheet, a money supply-based program with FX flexibility, and dollars slowly returning to the banking system. Fiscal credibility was described as the president's most important asset, with taxation and labour reform to come after the elections. What investors now want is reassurance that the reforms will survive into the next presidential term.

Peru: A senior policymaker said private employment is growing about 6%, the current account surplus is about 4% of GDP, the fiscal deficit is running at about 1.5% of GDP through 2027 and public debt is about 26% of GDP. Headline inflation of 4.5% is above target but excluding energy food and transport, is about 1.8%. The policymaker also forecast that El Niño's impact is at its peak. The message was that a hike is coming and the question is timing, with the policymaker saying there is no desire to follow Brazil's path. A long run of short-lived administrations is a drag, although a restored two-chamber congress should make a full five-year term likelier. Soberano yields are expected to decline over three to four years.

Chile: A senior policymaker said the central bank is moving with caution given oil pressures could prove persistent and the reconstruction bill's tax cuts should lift investment from early 2027. Growth has been weaker than expected because of mining, unemployment is edging up, and the output gap is about -1%. The FX accumulation program is small and the policy rate is close to the middle of the neutral range.

Uruguay: The economy is more diversified and less exposed to the energy shock: oil imports are 1.6% of GDP versus nearly 7% in 2008, and fossil fuels' share of power generation has fallen from 50% to 2%. The government targets a balanced primary budget by 2030, with the headline deficit falling from 4.1% of GDP in 2026 to 2.5%. Most of the measures are revenue-based, which carries implementation risk. Foreign exchange reserves stand at 20% of GDP, or 1.96 times the IMF's reserve adequacy metric. Officials also see encouraging signs on OECD membership, which could reinforce confidence in the country's policy framework.

Dominican Republic: The economy is doing better than expected despite the energy shock. Inflation peaked at 5.7% in June and is 5.1% now. A return to target is expected in Q4 2026. Elsewhere, economic growth is running about 4.5%, the current account deficit should be about 1% of GDP and the IMF has

reclassified the exchange rate regime as floating. The budget deficit has been revised to 3.6–3.7% of GDP off the back of energy subsidies. Officials do not expect the central bank to have to follow the Fed if the Fed hikes further.

Paraguay. Officials expect growth of 4.5% in 2026 and 4.2% in 2027 while public debt is about 38% of GDP. In 2026, the fiscal rule was relaxed to clear arrears of about 2% of GDP in health and construction left by the previous administration, with the return to 1.5% pushed to 2028. The Atome project is on hold after the President revoked its decrees in June amid a power-pricing dispute with Brazil.

Emerging Europe and Central Asia

Turkey. A senior policymaker said that although inflation expectations have not improved, actual disinflation is resuming. Energy and the Iran conflict remain the key risks. Reserves, adjusted for the decline in the gold price, are close to pre-war levels. The faster pace of lira depreciation was described as a mechanical adjustment to keep monthly depreciation near 1.8%. Given this was not a change in policy or level target, we believe it is premature to talk about floating. The bigger risk is domestic dollarisation rather than capital outflows, given easing and macroprudential tightening can't happen at the same time. Higher US rates may also make policymakers more wary of further easing. The domestic fund crisis risks a MSCI downgrade of Turkey's emerging market status.

Hungary: A senior policymaker said monetary policy has to remain restrictive in order to keep real rates positive. But the risks do not end there. The government's undecided fiscal consolidation package is the key risk. Others include the fact there is also no euro-adoption path and that 2026 growth has been revised down to 1.8% on weak private investment. Companies are waiting for the 2027 budget. On the positive side, FX reserves have risen to over €62 billion (from €34 billion in February 2022) and the inflation target is moving to 2.5% from January 2028.

Czech Republic: The assessment we heard is that the economy, and in particular household consumption, is more resilient than many expected and fiscal policy is loose and has room to loosen further in 2027. Core inflation is stable but elevated and domestic demand is the main inflation pressure, so the official we met sees the possibility of additional tightening, although the timing may be adjusted for the ECB but not the trajectory. Geopolitics has helped the country's manufacturing sector.

Romania: Fiscal consolidation of about 3% of GDP over two years is under way. The country's GDP has been contracting, with a negative output gap of close to 4%. Nominal wages and employment are both falling, so the labour market is no longer an inflation source. The leu is seen as about 1% overvalued versus 5% a few years ago. The EU's RRF program has ended and is to be replaced in part by SAFE loans (a first tranche in November). FDI is falling and the excessive-deficit procedure requires a 3% deficit within seven years.

Kazakhstan: Growth was 6.5% in 2025 and is at 4.1% so far this year. Inflation has fallen to 9.3% from 13% a year ago, even as policy rates have been cut by 175 bps. Gold is 77–78% of reserves and officials are not comfortable with such a "mono-gold" composition; about 50% was described as the right long-run share and 75% as defensible for now given geopolitical risk. Elsewhere, inclusion of Kazakhstan's local currency debt in the benchmark emerging market bond index could come as early as September 2027 if the March-May 2027 client survey comes back positive.

Ukraine: Officials said forecasts will be revised significantly on intensified Russian shelling. 2026 growth, which was forecast at 1.8%, will be revised to slightly negative while September inflation rose to 10%, compared with an earlier forecast of 8.6%. Rates have been hiked from 15% to 16% as a result. Alternative export routes can handle at most about 3 million tonnes. Ukraine normally ships out 4 to 5 million tonnes. Elsewhere, FX liberalisation is on hold as officials feel the country is in a war of attrition. The hope is that Ukraine is not the one to blink first.

Middle East and Africa

The Gulf: We heard that the baseline assumes the conflict ends by year-end and oil returns to prewar levels in 2027. If borne out, this may produce a V-shaped recovery although there is no known bailout plan for Bahrain. For Saudi Arabia, Vision 2030 proceeds with full determination, buffers are huge and the non-oil sector remains robust. Across the region, tourism has fallen by single digits rather than the 30% or more first feared. Bahrain is expected to run a fiscal consolidation of the kind Oman did, with solid regional support. The consensus view is that economic pressure alone is unlikely to force a collapse in Iran, and that US$100/barrel oil would not cause one anywhere in the region.

South Africa: An official said growth is weaker, inflation is higher and gold is serving as a useful buffer in the energy-importing country. The ex-ante real policy rate is slightly above the 2.8–2.9% neutral estimate, meaning smaller hikes are preferred while conditions are monitored. Business inflation expectations respond more to direct engagement than to central bank signalling. Reforms enacted in South Africa's state-owned electricity company has lifted potential growth from about 0% to about 1%.

Egypt and Lebanon: Egypt has one IMF review left before year-end and no immediate financing needs. Lebanon's delegation was in Bangkok and the central issue is that a comprehensive solution for the banking sector still has no clear timeline. Restructuring advisers said the process is not advancing and reforms are not moving.

Senegal and sub-Saharan Africa: While growth in sub-Saharan Africa is seen at 4.5% in both 2026 and 2027, the future may increasingly be dependent on whether a country is an oil importer or exporter. Interest costs have risen to 13% of revenue on average, with some countries above 25%. About one-third of countries are at high risk of debt distress or are experiencing it. Senegal reached staff-level agreement in early September and is the first test case for the G20's sovereign debt roundtable. But the creditor committee has not yet been formally constituted, treatment of domestic debt and the TRS is open, and board approval cannot proceed without enough progress with creditors (nor can a committee function without China). Congo's program is tied to Gabon's audit and the CEMAC peg question and Mozambique's FX market is not working. The revised LIC-DSF (low income country debt sustainability framework) is approved but won't kick in until September 2027.

Observations of Thailand: 1970s vs today

VanEck's emerging market debt portfolio manager Eric Fine lived in Thailand from 1975 to 1979, after his parents were sent there following the US evacuation of Saigon. In this last section, Fine shares some observations he now has of the country as a visitor and investor, and we think they provide a useful context in regards to emerging markets, where they have come from and how they have evolved.

1. **I didn't see one stray dog:** When I lived there, Bangkok was beginning to euthanise them given they were a clear public health risk. Rabies treatments for humans were common at the time.
2. **No police, no army, no guns:** There were several coups or coup attempts when I was there and rioting by students were both normal and violent. Once a year, every major intersection had police and military back up. The police were ubiquitous in dealing with crime, not political unrest.
3. **No more khlongs:** Bangkok traffic was never a problem because we always used khlong (canal or narrow waterway) boats. They were eventually filled to make roads.
4. **No more billboards on the dangers of hard drugs:** I was not sure what to make of this but one could assume it is a sign that the problem isn't as acute as it used to be. Many older Thai locals in my day had red-stained teeth from chewing betel. I was also shocked to learn that marijuana was legalised[1].
5. **It remains by far my favourite country outside the US, in large part because the people are special in meaningful ways.** My best example of Thai peaceability is the "bending with the wind" strategy, seen when Japan made its initial moves on Bangkok in 1941. The US ended up not declaring war on Thailand, making post-war arrangements far more successful. That remains, and is, a core strength in a world with shifting alliances.

Finally, here's a fun comparison of Thailand and the US, spotlighting how both countries have changed in various ways since 1979.

	Thailand: 1979 → today	United States: 1979 → today
Population	44.7M → 71.6M (+60%)	225M → 342M (+52%)
GDP, nominal US$	$27.4bn → $577bn (about 21x)	$2.6tn → $30.8tn (about 12x)
GDP per capita, nominal US$	$612 → $8,057 (about 13x)	$11,674 → $90,027 (about 8x)
Life expectancy at birth	61.7 → 77.1 years (+15.4)	73.8 → 79.8 years (+6.0)
Births per woman	3.45 → 1.21 (-65%)	1.81 → 1.63 (-10%)
Human rabies cases per year (nearly all fatal, so cases ≈ deaths)	370 (1980, the reported peak) → 7 (2025)	1–2 a year (1980s–90s) → about 2 a year (2015–24)
Human rabies incidence per 100,000 people	0.78 (1980) → 0.01 (2025)	under 0.001 → under 0.001
Stray dogs (your author's count)	Everyone ended up with several → zero	n/a

Source: World Bank and UN World Population Prospects, via GeoRank.org (retrieved 2026); "today" is 2025 for population, GDP and GDP per capita, with life expectancy and fertility the latest estimates. Rabies: Thai Department of Disease Control and published literature (370 deaths in 1980, the reported peak year, equal to 0.78 per 100,000; 7 deaths in 2025 as reported by the DDC); US CDC (22 cases in 1980–97; 17 cases in 2015–24). Clinical rabies is almost invariably fatal once symptoms appear, so reported cases and deaths are effectively the same count; what prevents cases is post-exposure vaccination after a bite. The last rows are Eric's observations.

[1]Editor's note: Cannabis is currently decriminalised for medicinal use only. In 2025, recreational sales of the drug were recriminalised due to allegations that under regulation had made the drug available to children and increased addiction rates.

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

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