



Emerging Markets

Quantitative Market Monitor

MarketQuant Research

Monthly - February 2019

A unique combination of quantitative models and in-depth analytics applied to asset valuation in Emerging Markets

Contents

Key changes in valuation and risk metrics.....	4
Overall Performance and Risk Metrics.....	5
Equities - Valuation & Risk Metrics for 10 key EM	6
Equities - Overall EM performance	7
Fixed Income Fx - Valuation & Risk Metrics for 10 key EM	8
Fixed Income Fx - Overall EM performance	9
Fixed Income LC - Valuation & Risk Metrics for 10 key EM	10
Fixed Income LC - Overall EM performance	11
Individual Country Performance and Risks.....	12
Brazil	13
China	14
India	15
Indonesia	16
Mexico	17
Poland	18
Russia	19
South Africa	20
South Korea	21
Turkey	22
Methodology.....	23
Disclaimer.....	23
Your contacts at TAC ECONOMICS.....	24

Writing completed on February 1, 2019 with data up to January 31, 2019

Key changes in valuation and risk metrics

We highlight here the largest changes noted over 1 and 3 months in valuation and risk metrics for all 30 asset markets monitored in the QMM (equities, Fx and Lc fixed income for the 10 key Emerging Markets: Brazil, Russia, India, China, South Africa, Turkey, Poland, Indonesia, South Korea and Mexico).

Note on methodological change: the tables always incorporate updates as well as improvement in the quantitative tool assessing risk and valuation factors. Historical risk and valuation figures have been adjusted, and changes computed here are fully time-consistent.

Most significant changes – 1M	Category	Change	Current value	Previous month
Deterioration				
			-12 cheap / low risk to +12 expensive / high risk	
Russia - Equity	Valuation	0.8	1.8	1.0
China - Fx Fixed Income Risk	Risk	0.5	1.7	1.2
South Korea - Fx Fixed Income Risk	Risk	0.5	0.1	-0.4
Russia - Equity Risk	Risk	0.4	2.0	1.6
South Africa - Fx Fixed Income Valuation	Valuation	0.3	6.7	6.3
Improvement				
Poland - Fx Fixed Income Valuation	Valuation	-1.7	4.7	6.3
China - Fx Fixed Income Valuation	Valuation	-1.7	2.0	3.7
Mexico - Lc Fixed Income Risk	Risk	-1.4	2.2	3.6
Mexico - Equity Risk	Risk	-1.4	3.0	4.3
India - Fx Fixed Income Valuation	Valuation	-1.3	4.0	5.3
Most significant changes over last 3M	Category	Change	Current value	3 months ago
Deterioration				
Mexico - Equity Risk	Risk	1.2	3.0	1.7
Mexico - Lc Fixed Income Risk	Risk	1.1	2.2	1.0
Mexico - Fx Fixed Income Risk	Risk	1.1	3.2	2.1
South Korea - Fx Fixed Income Risk	Risk	1.0	0.1	-0.9
China - Equity Valuation	Valuation	1.0	2.8	1.8
Improvement				
India - Fx Fixed Income Valuation	Valuation	-4.3	4.0	8.3
South Africa - Equity Risk	Risk	-3.9	-2.8	1.1
India - Lc Fixed Income Valuation	Valuation	-3.8	0.8	4.6
Brazil - Fx Fixed Income Valuation	Valuation	-3.3	4.3	7.7
China - Fx Fixed Income Valuation	Valuation	-3.3	2.0	5.3

Overall Performance and Risk Metrics

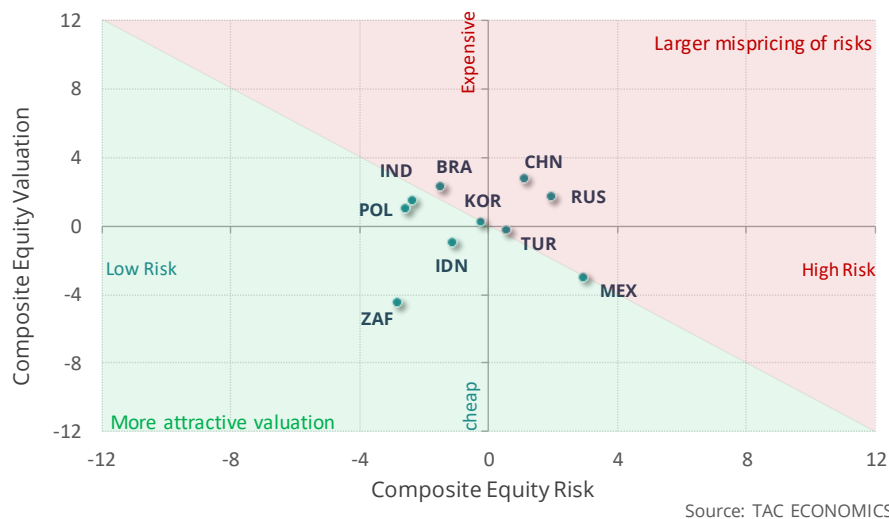
Equities - Valuation & Risk Metrics for 10 key EM

Quantitative table -12 cheap to +12 expensive -12 low risk to +12 high risk

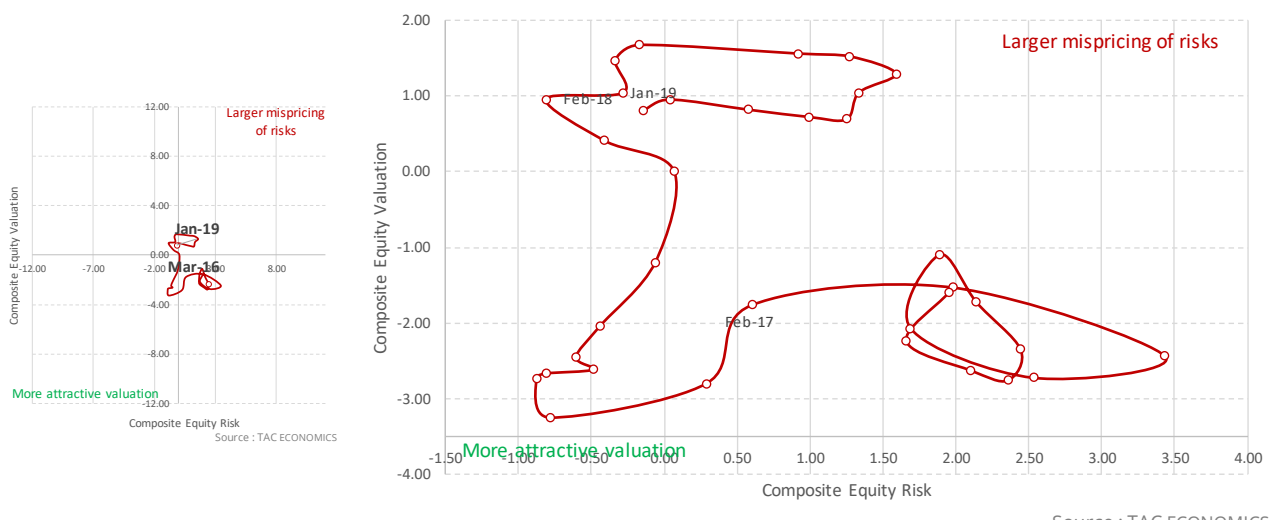
	Composite Equity Valuation	Composite Equity Risk	Composite Risk Components		
			Cyclical Risk	Currency Risk	Liquidity Risk
Brazil	2.3	-1.5	-2.2	-6.2	-5.7
China	2.8	1.1	3.5	-1.5	-0.5
India	1.5	-2.4	-4.8	-0.5	0.8
Indonesia	-1.0	-1.1	1.0	-3.2	-0.9
Mexico	-3.0	3.0	7.2	1.3	1.9
Poland	1.0	-2.5	6.2	-2.1	-5.5
Russia	1.8	2.0	1.7	-1.6	0.0
South Africa	-4.5	-2.8	-2.0	-5.6	2.9
South Korea	0.3	-0.2	3.7	-1.2	1.8
Turkey	-0.3	0.6	4.5	-6.2	2.5

Source: TAC ECONOMICS

Equity Composite Valuation and Risk - latest

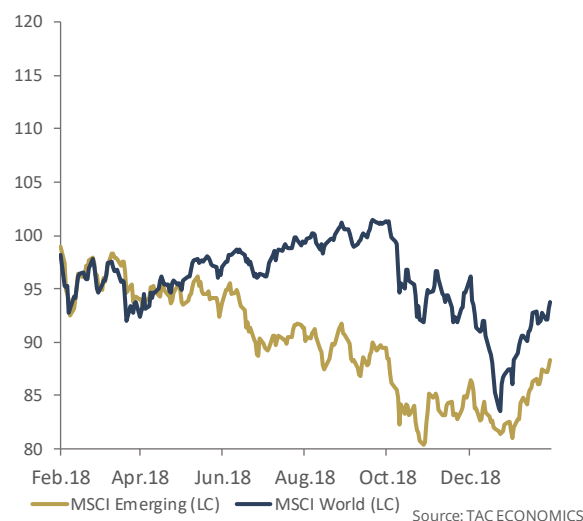
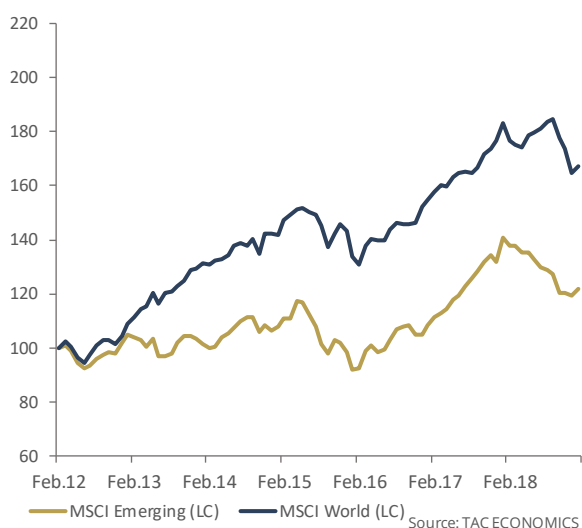


Equity Composite Valuation and Risk - overall dynamics 10 key EM

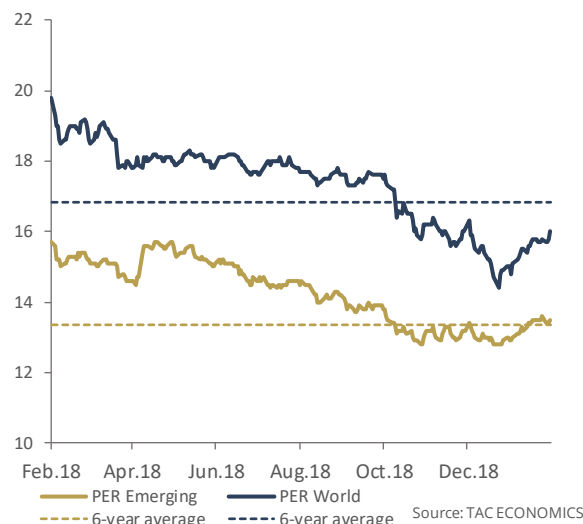
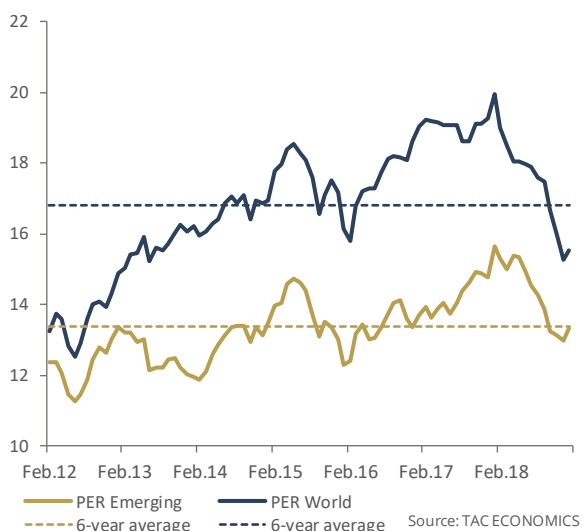


Equities - Overall EM performance

MSCI Emerging Market and World in LC (Index Rebased)



Price Earning Ratio for MSCI Emerging and World



Quantitative table

	Last month (avg Jan. 2019)	Average 3 months	Average 12 months	Average 3 years
MSCI EM Index	55,107	54,469	58,697	53,326
PER EM	13.3	13.1	14.4	14.0
Differential PER EM-WLD	-2.2	-2.5	-3.2	-4.0
MSCI EM Volatility	0.7%	0.9%	0.8%	0.6%
Differential Volatility EM-WLD	-0.2%	-0.2%	0.1%	0.1%
10 EM exch. Rate var (YoY, "-" = depreciation)	-11.6%	-10.7%	-5.5%	-3.8%
	Change Over	3 months	1 year	3 years
MSCI EM Index	2.3%	1.2%	-13.4%	32.7%
10 EM exch. Rate ("-" = depreciation)	1.7%	2.5%	-11.6%	-3.5%

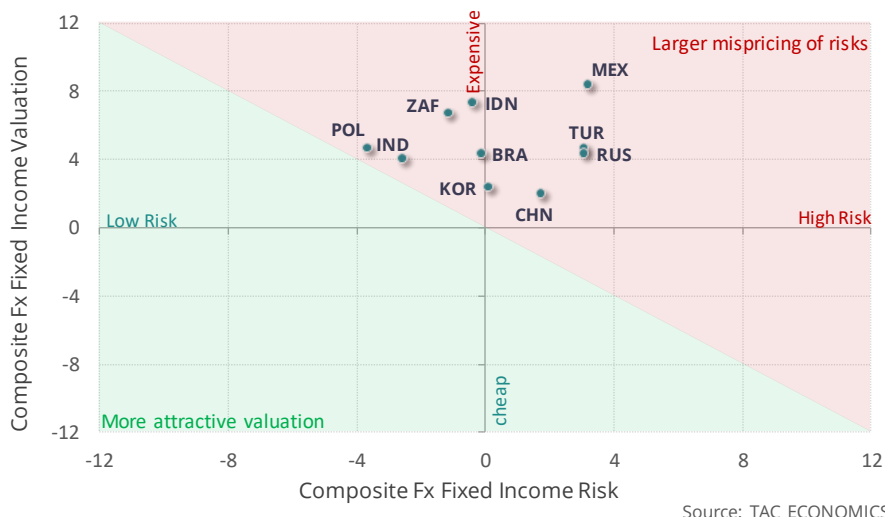
Source: TAC ECONOMICS

Fixed Income Fx - Valuation & Risk Metrics for 10 key EM

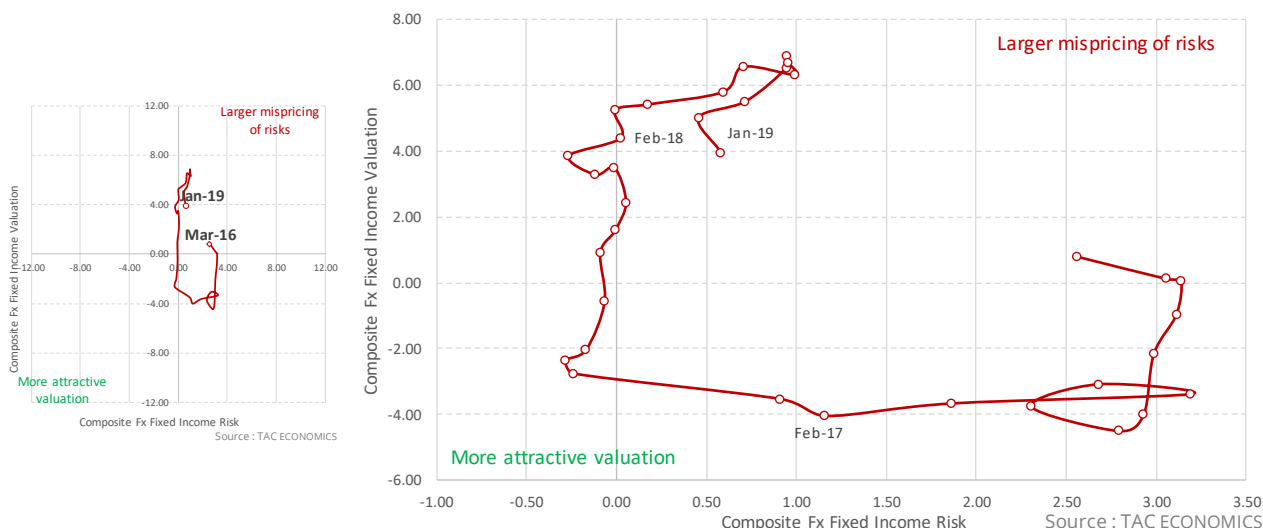
Quantitative table	-12 cheap to +12 expensive		-12 low risk to +12 high risk		
	Composite Fx Fixed Income Valuation	Composite Fx Fixed Income Risk	Cyclical Risk	Currency Risk	Liquidity Risk
Brazil	4.3	-0.1	-2.2	-6.2	-5.7
China	2.0	1.7	3.5	-1.5	-0.5
India	4.0	-2.6	-4.8	-0.5	0.8
Indonesia	7.3	-0.4	1.0	-3.2	-0.9
Mexico	8.3	3.2	7.2	1.3	1.9
Poland	4.7	-3.7	6.2	-2.1	-5.5
Russia	4.7	3.1	1.7	-1.6	0.0
South Africa	6.7	-1.1	-2.0	-5.6	2.9
South Korea	2.3	0.1	3.7	-1.2	1.8
Turkey	4.3	3.1	4.5	-6.2	2.5

Source: TAC ECONOMICS

Fixed Income FX Composite Valuation and Risk - latest

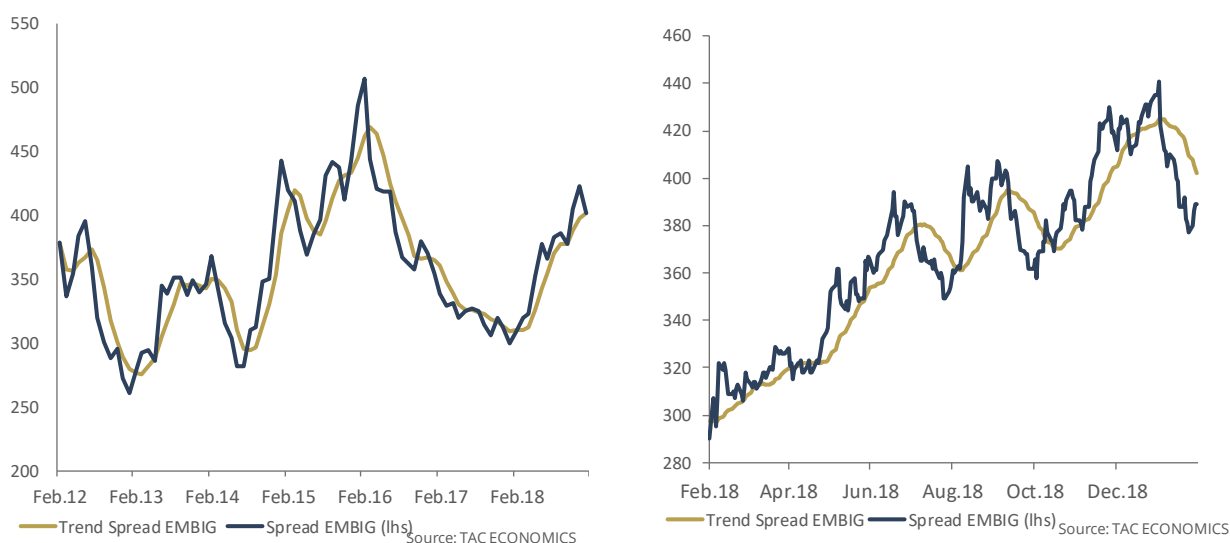


Fixed Income FX Composite Valuation and Risk – overall dynamics 10 key EM

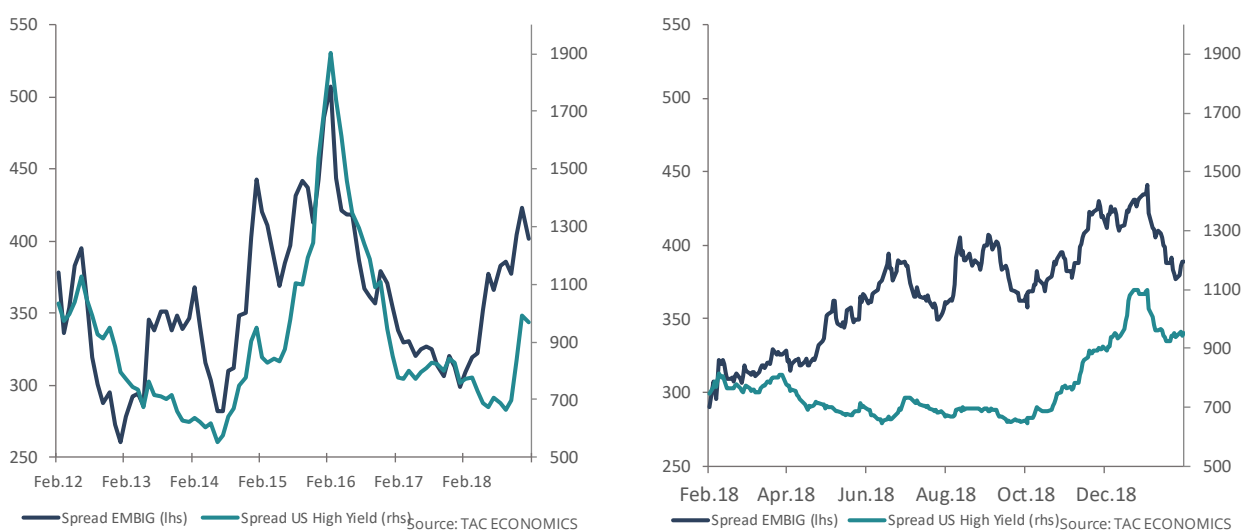


Fixed Income Fx - Overall EM performance

EMBI Global Spread (in Basis Points)



EMBI Global Spread and US High Yield Spread (in Basis Points)



Quantitative table

	Last month (avg Jan. 2019)	Average 3 months	Average 12 months	Average 3 years	
EMBI Global Spread (bp)	402	410	363	366	
Spread EMBI Global - US IG (bp)	288	301	278	285	
Spread EMBI Global - GBI-EM Broad (bp)	109	120	57	12	
Differential EMBI-US High Yield (bp)	-568	-524	-402	-615	
EMBI Global spread volatility	3.1	11	10	8	
Differential vol EMBI Global-US 10y Treas.	0.09	0.03	0.03	0.02	
Differential vol EMBI Global-US High Yield	-0.30	-0.40	-0.15	-0.17	
	Change Over	1 month	3 months	1 year	3 years
EMBI Global Spread (bp)		-21	25	103	-83

Source: TAC ECONOMICS

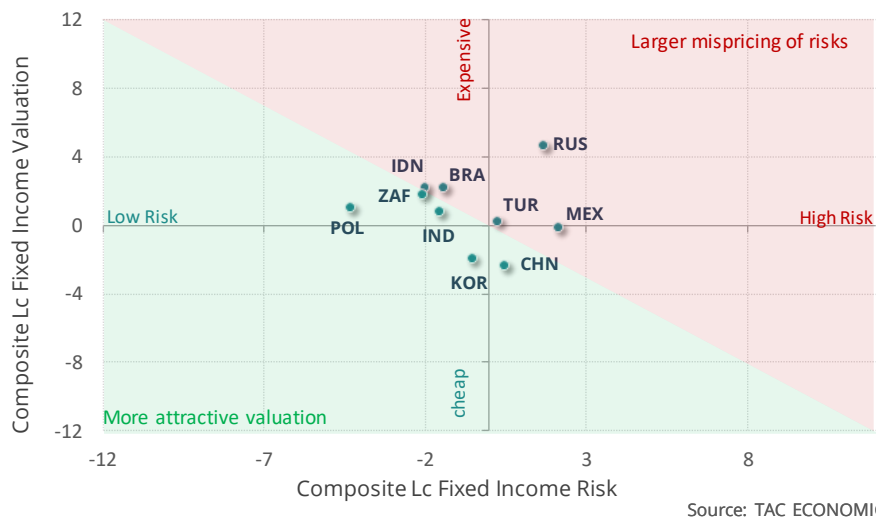
Fixed Income LC - Valuation & Risk Metrics for 10 key EM

Quantitative table -12 cheap to +12 expensive -12 low risk to +12 high risk

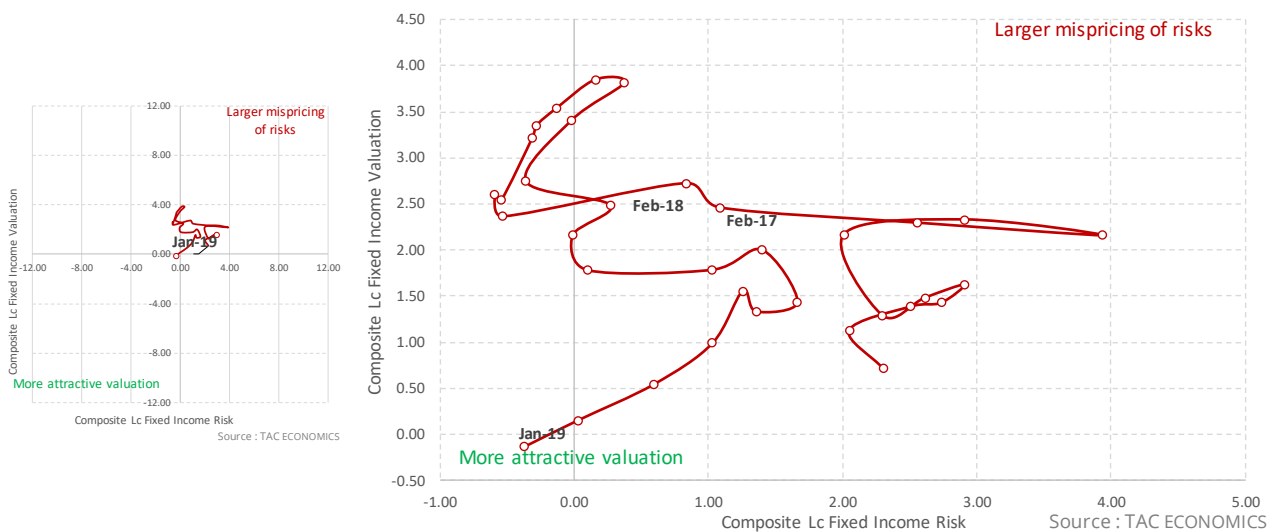
	Composite Lc Fixed	Composite Lc Fixed	Composite Risk Components		
	Income Valuation	Income Risk	Cyclical Risk	Currency Risk	Liquidity Risk
Brazil	2.2	-2.0	-2.2	-6.2	-5.7
China	-2.4	0.5	3.5	-1.5	3 years
India	0.8	-1.5	-4.8	-0.5	0.8
Indonesia	2.2	-1.4	1.0	-3.2	-0.9
Mexico	-0.2	2.2	7.2	1.3	1.9
Poland	1.0	-4.3	6.2	-2.1	-5.5
Russia	4.6	1.7	1.7	-1.6	0.0
South Africa	1.8	-2.1	-2.0	-5.6	2.9
South Korea	-2.0	-0.5	3.7	-1.2	1.8
Turkey	0.2	0.3	4.5	-6.2	2.5

Source: TAC ECONOMICS

Fixed Income LC Composite Valuation and Risk - latest

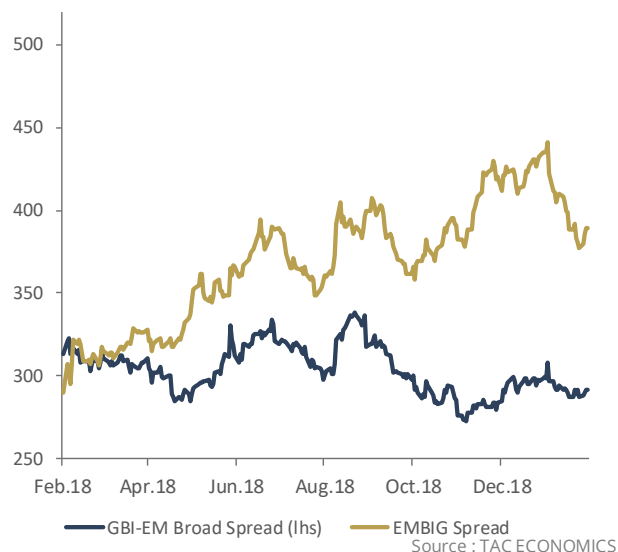
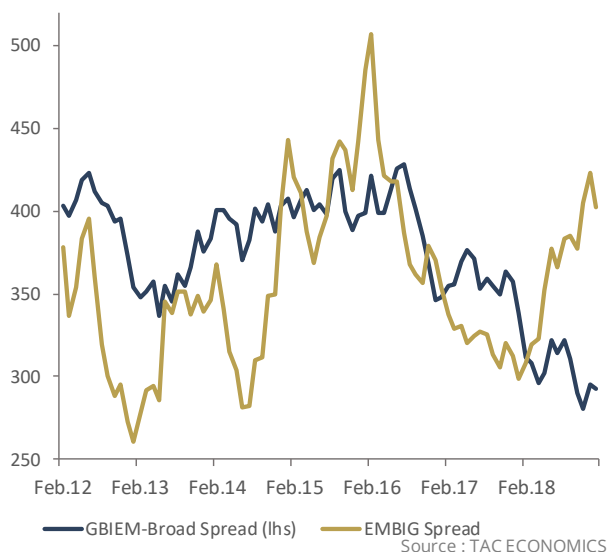


Fixed Income LC Composite Valuation and Risk - overall dynamics 10 key EM

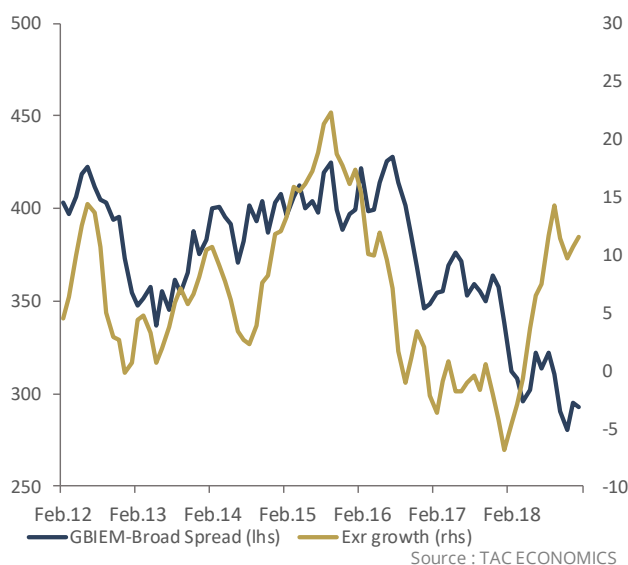


Fixed Income LC - Overall EM performance

GBI-EM Broad Spread vs EMBIG Global Spread in LC (in Basis Points)



Exchange rate growth (YoY) vs differential GBIEM - EMBIG (in Basis Points)



Quantitative table

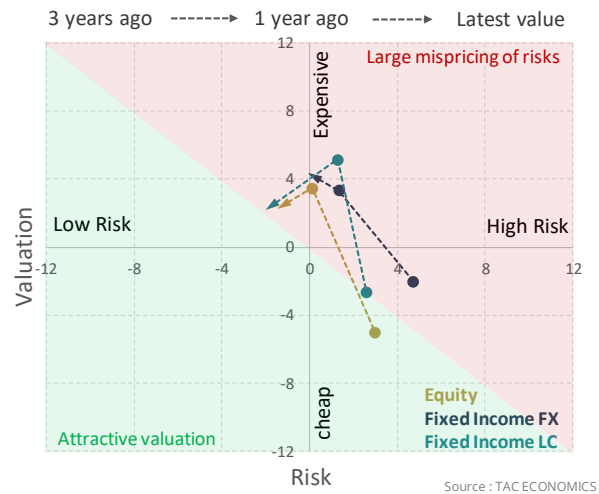
	Last month (avg Jan. 2019)	Average 3 months	Average 12 months	Average 3 years	
GBI-EM Broad spread (bp)	293	289	306	354	
Spread GBI-EM Broad - EMBI Global (bp)	-109	-120	-57	-12	
spread GBI-EM Broad - US High Yield (bp)	-677	-644	-459	-626	
GBI-EM Broad spread volatility	5	5	7	7	
10 EM exch. Rate var (YoY, "-" = depreciation)	-11.6%	-10.7%	-5.5%	-3.8%	
	Change Over	1 month	3 months	1 year	3 years
GBI-EM Broad spread (bp)		-2	3	-45	-106
10 EM exch. Rate ("-" = depreciation)		1.7%	2.5%	-11.6%	-3.5%

Source: TAC ECONOMICS

Individual Country Performance and Risks

Brazil

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	2.3	3.5	0.0
Fixed Income Fx	4.3	3.3	-0.8
Fixed Income LC	2.2	5.2	1.4

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	-1.5	0.1	1.5
Fixed Income Fx	-0.1	1.3	2.8
Fixed Income LC	-2.0	1.3	2.1

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	-2.2	-5.7	-2.8
Currency	-6.2	-1.5	-0.6
Credit Risk	-5.7	2.3	0.6

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	31,003	28,737	28,000	27,225	23,371
Change %		7.9%	10.7%	13.9%	32.7%
PER	13.3	11.9	11.7	19.2	15.5
PB	2.95	2.74	2.70	3.27	3.04
1M Vol.	1.1%	1.2%	1.7%	0.9%	1.3%

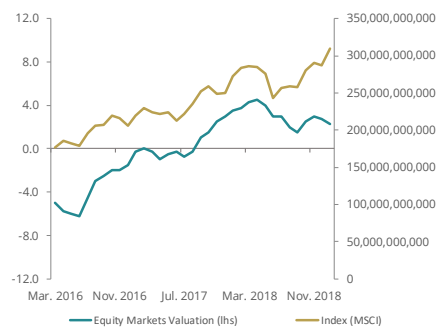
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	250.0	266.4	263.2	218.0	306.5
Change (bp)		266.4	-13	32	-57
1M Vol.	9.47	6.30	17.09	6.11	10.66

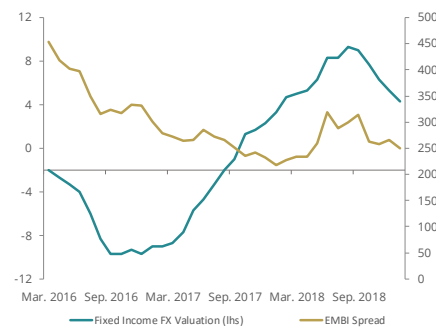
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	530	554	597	623	791
Change (bp)		-24	-67	-93	-261
1M Vol.	9.11	10.76	10.56	8.28	8.67

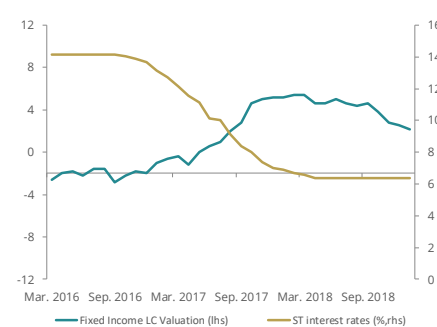
Equity markets valuation and MSCI



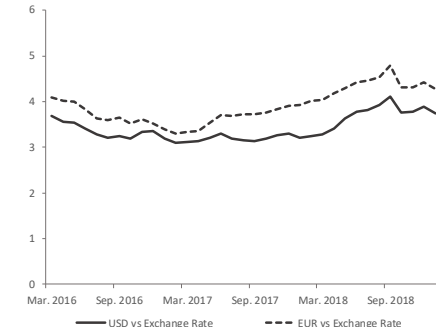
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs BRL

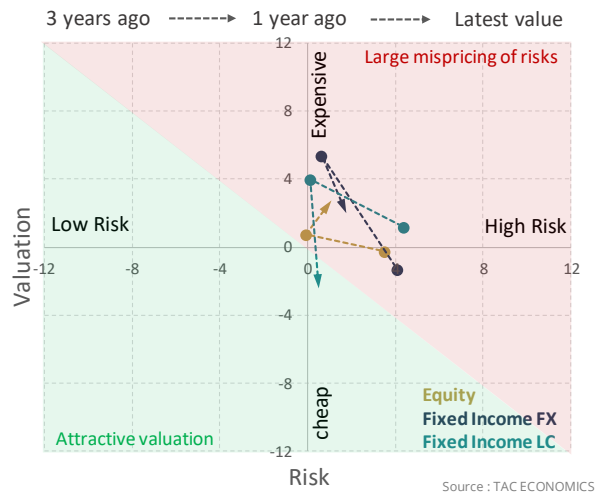


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

China

Valuation and Risk



Source : TAC ECONOMICS

Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	2.8	0.8	-0.2
Fixed Income Fx	2.0	5.3	1.2
Fixed Income LC	-2.4	4.0	2.8

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	1.1	-0.1	2.0
Fixed Income Fx	1.7	0.6	2.7
Fixed Income LC	0.5	0.1	2.8

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	3.5	-1.7	-1.4
Currency	-1.5	-1.8	1.5
Credit Risk	-0.5	-0.3	1.7

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	74	73	73	96	73
Change %		2.2%	2.2%	-23.1%	2.1%
PER	11.3	11.0	11.1	9.1	8.6
PB	1.45	1.42	1.42	1.85	1.47
1M Vol.	1.3%	1.4%	1.6%	1.0%	1.1%

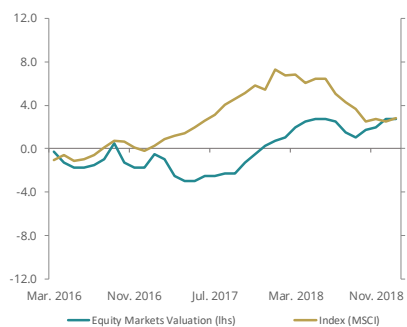
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	183.9	190.5	183.5	149.4	164.2
Change (bp)		-7	0	35	20
1M Vol.	3.32	2.37	2.28	1.85	3.07

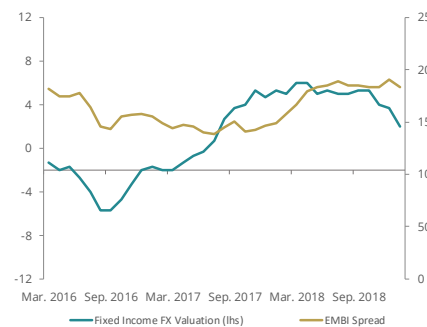
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	39	42	42	141	97
Change (bp)		-3	-3	-103	-59
1M Vol.	2.40	2.15	1.06	3.26	2.26

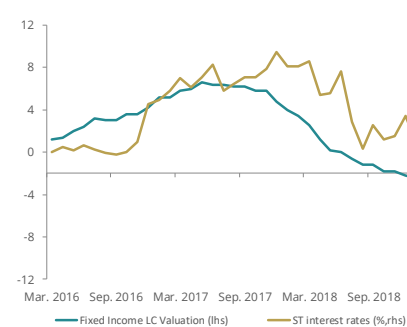
Equity markets valuation and MSCI



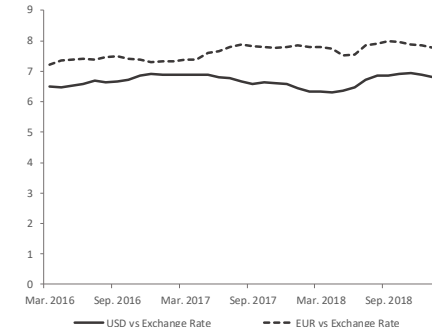
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs CNY

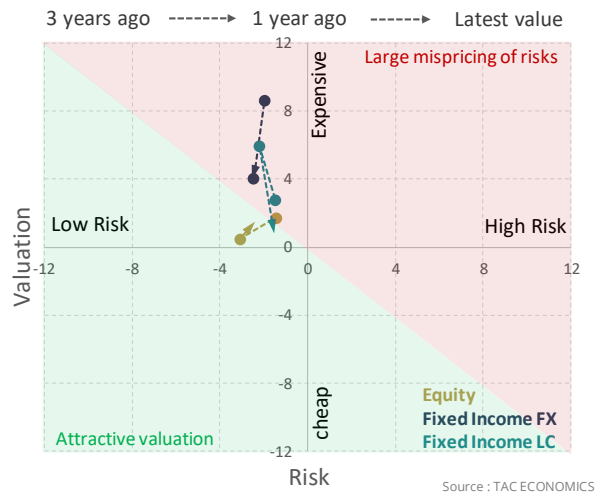


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

India

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	1.5	0.5	-0.7
Fixed Income Fx	4.0	4.0	3.6
Fixed Income LC	0.8	6.0	3.7

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	-2.4	-3.1	-1.4
Fixed Income Fx	-2.6	-2.5	-1.8
Fixed Income LC	-1.5	-2.2	-1.1

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	-4.8	-3.5	-1.7
Currency	-0.5	-2.9	0.3
Credit Risk	0.8	2.3	-0.1

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	1,256	1,252	1,212	1,292	1,135
Change %		0.3%	3.6%	-2.8%	10.7%
PER	21.3	21.4	20.9	24.8	21.9
PB	2.88	2.90	2.81	3.04	2.68
1M Vol.	0.8%	0.9%	1.3%	0.5%	0.8%

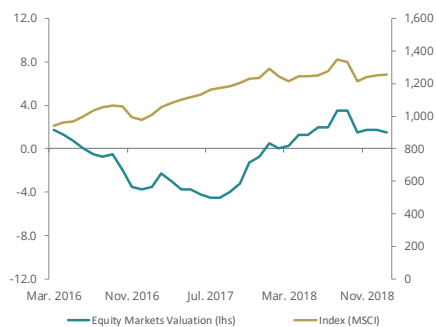
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	181.5	180.9	161.3	99.0	143.0
Change (bp)		1	20	83	39
1M Vol.	4.81	4.98	3.33	2.10	4.30

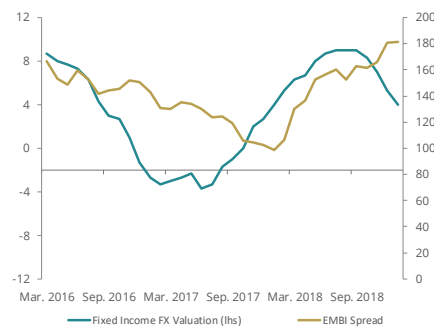
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	481	466	492	497	512
Change (bp)		15	-11	-15	-30
1M Vol.	3.84	2.70	2.22	3.50	2.95

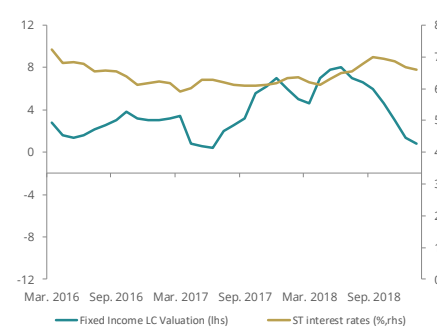
Equity markets valuation and MSCI



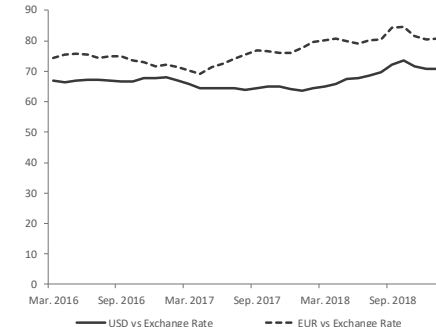
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs INR

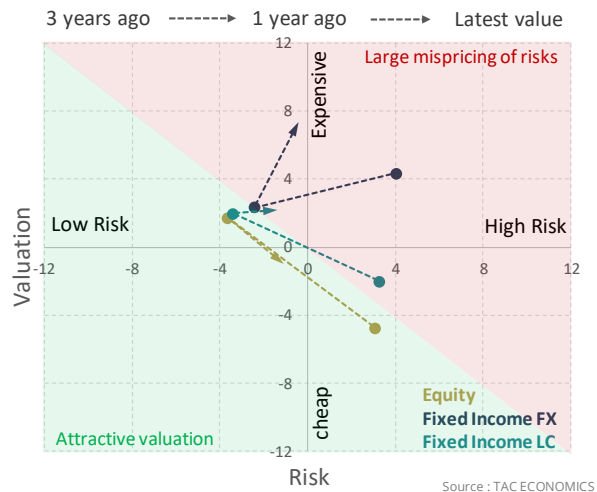


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

Indonesia

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	-1.0	1.8	-1.8
Fixed Income Fx	7.3	2.3	2.2
Fixed Income LC	2.2	2.0	1.3

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	-1.1	-3.6	0.4
Fixed Income Fx	-0.4	-2.4	1.4
Fixed Income LC	-1.4	-3.4	1.1

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	1.0	-3.3	-1.4
Currency	-3.2	-6.3	-0.6
Credit Risk	-0.9	-1.7	0.8

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	7,314	7,065	6,450	7,592	6,548
Change %		3.5%	13.4%	-3.7%	11.7%
PER	19.2	18.8	18.3	22.2	20.4
PB	3.34	3.23	2.99	3.29	2.85
1M Vol.	0.7%	1.1%	1.4%	0.8%	1.0%

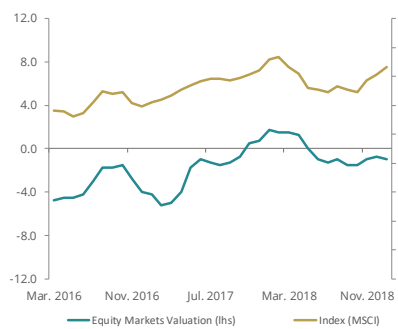
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	211.3	226.6	202.2	155.8	218.1
Change (bp)		-15	9	55	-7
1M Vol.	10.49	5.51	9.23	4.75	7.34

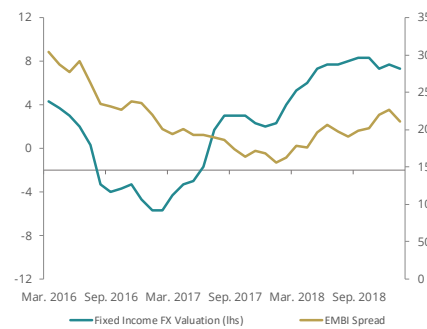
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	552	537	548	390	519
Change (bp)		15	4	162	33
1M Vol.	4.86	5.39	6.13	2.95	4.40

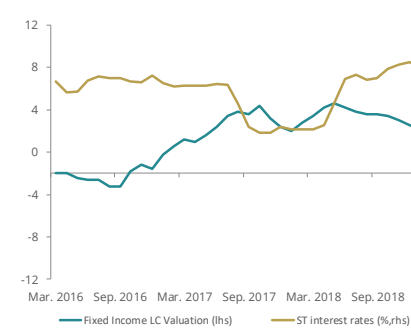
Equity markets valuation and MSCI



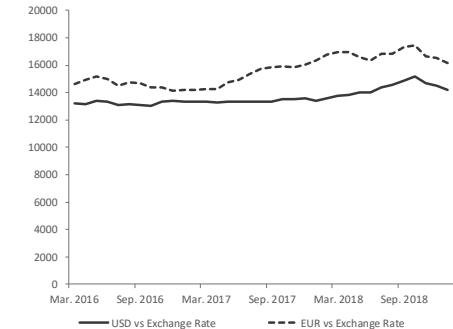
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs IDR

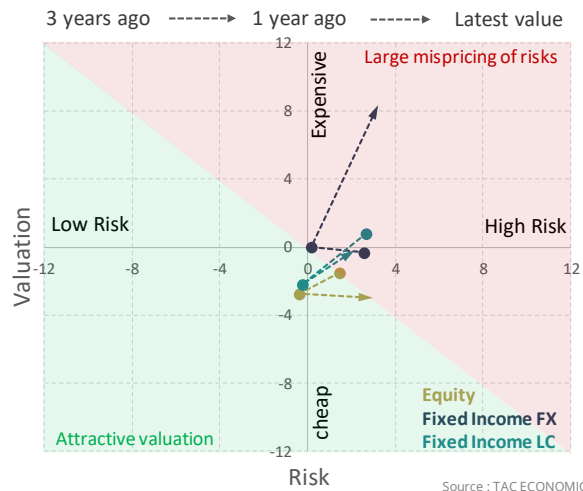


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

Mexico

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	-3.0	-2.8	-2.5
Fixed Income Fx	8.3	0.0	0.9
Fixed Income LC	-0.2	-2.2	0.4

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	3.0	-0.4	1.4
Fixed Income Fx	3.2	0.2	2.1
Fixed Income LC	2.2	-0.2	1.4

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	7.2	1.2	3.1
Currency	1.3	-1.3	-0.1
Credit Risk	1.9	2.2	2.4

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	40,375	38,626	43,593	47,106	44,342
Change %		4.5%	-7.4%	-14.3%	-8.9%
PER	17.6	17.0	18.1	17.1	19.8
PB	2.06	1.98	2.19	2.32	2.22
1M Vol.	0.8%	1.6%	0.8%	0.7%	0.8%

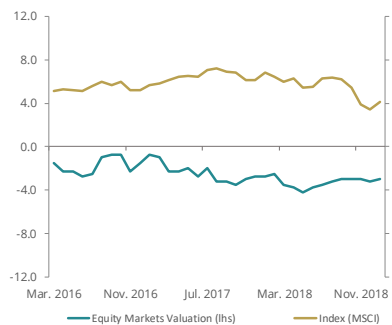
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	328.9	341.4	268.1	235.4	278.8
Change (bp)		-13	61	93	50
1M Vol.	14.22	12.49	7.97	3.78	9.67

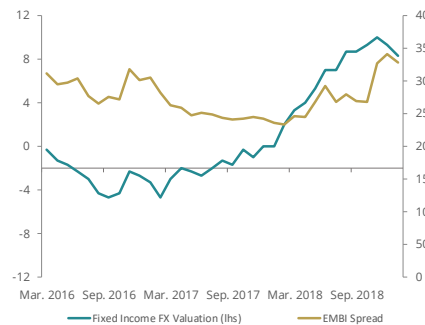
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	591	613	508	503	484
Change (bp)		-23	82	88	107
1M Vol.	3.61	4.31	1.39	3.74	2.71

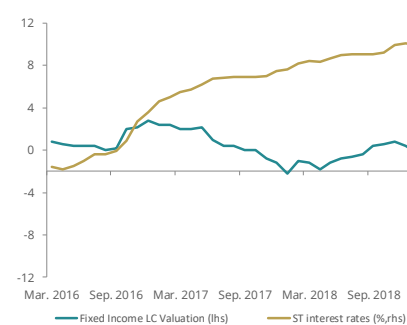
Equity markets valuation and MSCI



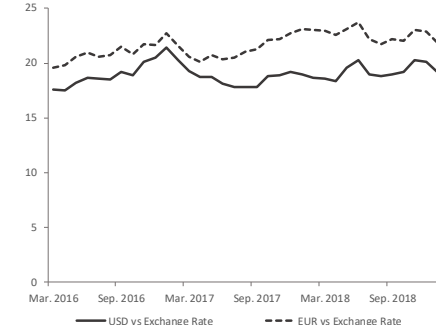
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs MXN

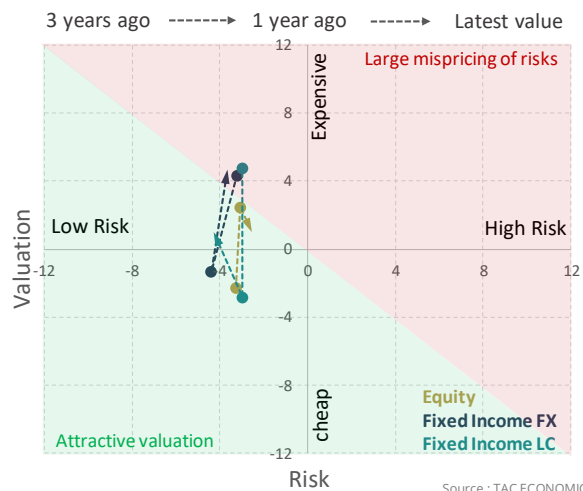


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

Poland

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	1.0	2.5	-0.8
Fixed Income Fx	4.7	-1.3	1.3
Fixed Income LC	1.0	-2.8	1.1

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	-2.5	-3.1	-3.0
Fixed Income Fx	-3.7	-4.4	-4.0
Fixed Income LC	-4.3	-3.0	-3.2

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	6.2	-2.7	-0.4
Currency	-2.1	0.6	-0.7
Credit Risk	-5.5	-1.8	-1.5

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	1,680	1,640	1,576	1,838	1,545
Change %		2.4%	6.6%	-8.6%	8.7%
PER	12.4	12.1	11.2	13.7	13.9
PB	1.30	1.27	1.22	1.46	1.24
1M Vol.	1.1%	1.4%	1.1%	0.9%	1.1%

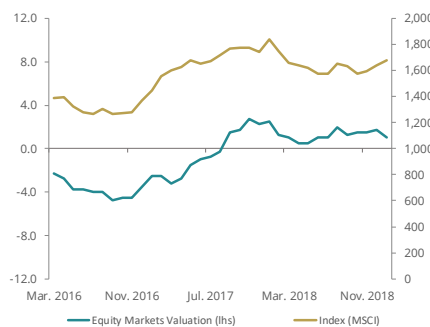
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	66.2	74.8	58.7	47.7	79.3
Change (bp)		-9	8	18	-13
1M Vol.	6.74	4.16	6.70	5.55	6.01

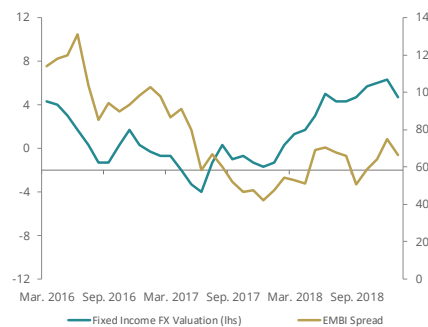
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	-45	-48	-56	11	24
Change (bp)		3	11	-55	-69
1M Vol.	2.56	2.16	1.25	2.22	2.67

Equity markets valuation and MSCI



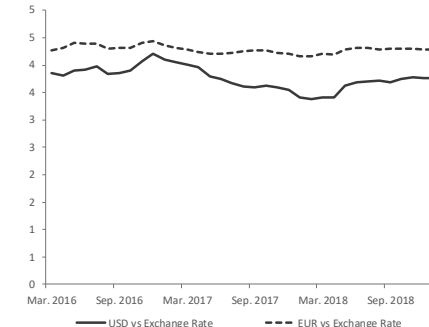
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs PLN

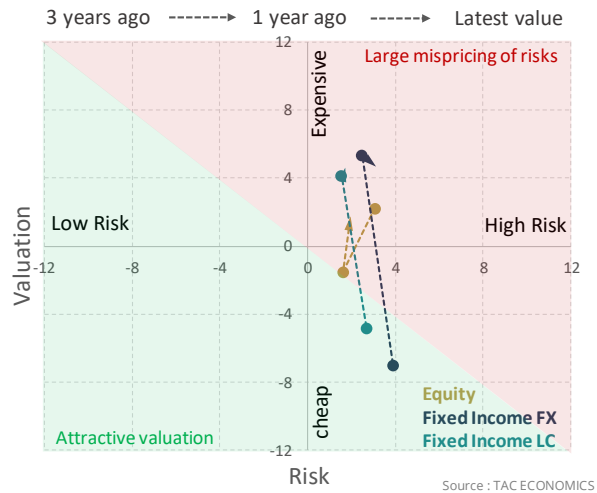


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

Russia

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	1.8	-1.5	1.9
Fixed Income Fx	4.7	5.3	1.5
Fixed Income LC	4.6	4.2	1.5

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	2.0	1.6	1.1
Fixed Income Fx	3.1	2.5	2.1
Fixed Income LC	1.7	1.5	1.2

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	1.7	0.3	-0.4
Currency	-1.6	-1.0	-1.1
Credit Risk	0.0	-0.5	-2.2

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	1,104	1,067	1,075	1,026	940
Change %		3.5%	2.7%	7.6%	17.5%
PER	5.8	5.7	6.4	8.0	7.4
PB	0.97	0.95	0.96	0.88	0.84
1M Vol.	0.7%	1.2%	1.1%	0.8%	1.0%

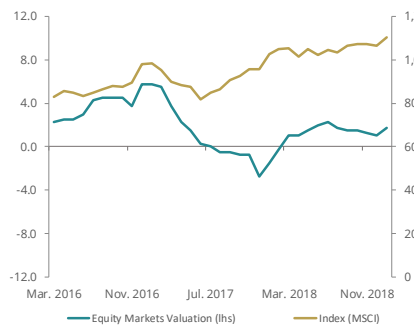
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	224.0	242.9	217.6	164.6	210.8
Change (bp)		-19	6	59	13
1M Vol.	11.15	5.49	9.11	5.85	8.01

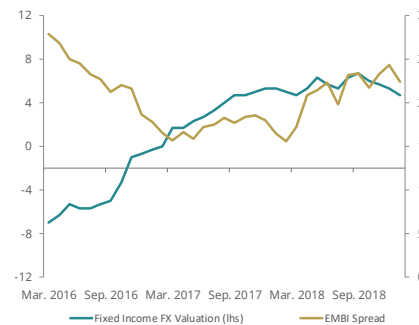
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	546	561	522	461	571
Change (bp)		561	25	85	-25
1M Vol.	3.28	2.42	3.85	2.12	3.15

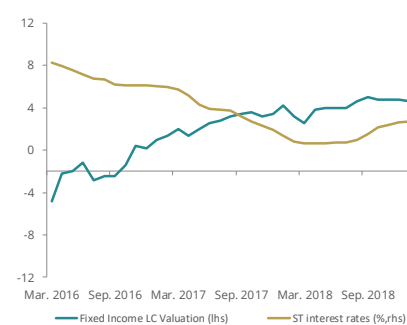
Equity markets valuation and MSCI



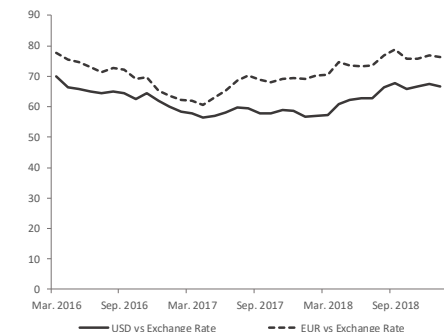
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs RUB

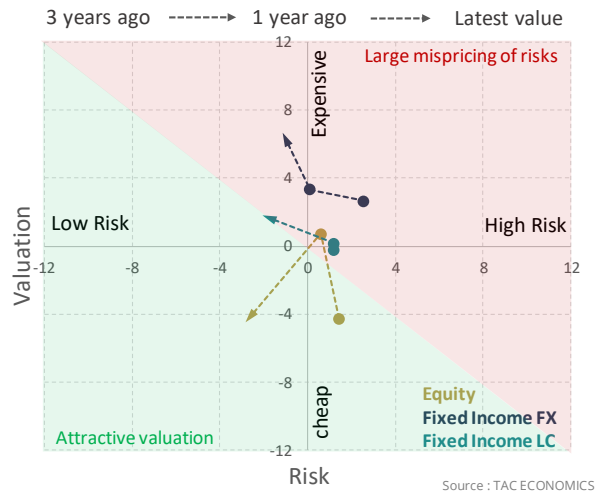


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

South Africa

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	-4.5	0.8	-4.0
Fixed Income Fx	6.7	3.3	0.6
Fixed Income LC	1.8	0.2	0.2

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	-2.8	0.6	0.2
Fixed Income Fx	-1.1	0.1	0.9
Fixed Income LC	-2.1	1.2	0.7

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	-2.0	0.3	1.6
Currency	-5.6	3.0	0.0
Credit Risk	2.9	4.0	2.8

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	1,335	1,288	1,268	1,548	1,364
Change %		3.6%	5.3%	-13.7%	-2.1%
PER	17.6	17.6	17.4	21.4	19.1
PB	2.29	2.21	2.15	2.47	2.24
1M Vol.	1.1%	1.5%	1.3%	0.8%	1.1%

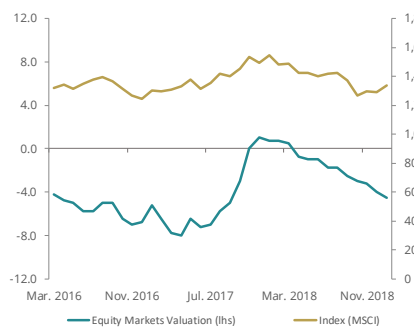
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	325.1	354.3	320.2	229.7	300.4
Change (bp)		-29	5	95	25
1M Vol.	13.60	8.52	14.77	11.98	12.67

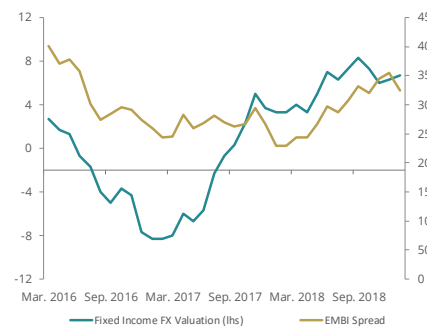
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	679	689	666	665	698
Change (bp)		-10	13	14	-19
1M Vol.	2.28	3.39	2.10	4.85	2.46

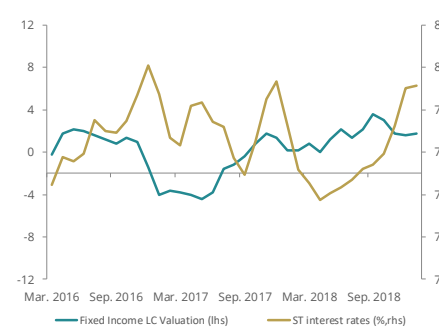
Equity markets valuation and MSCI



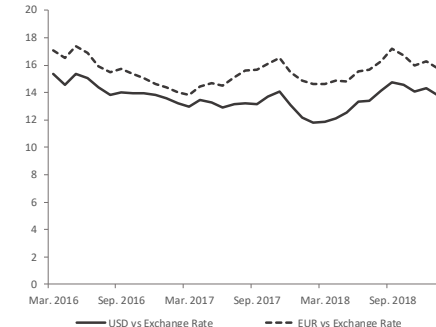
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs ZAR

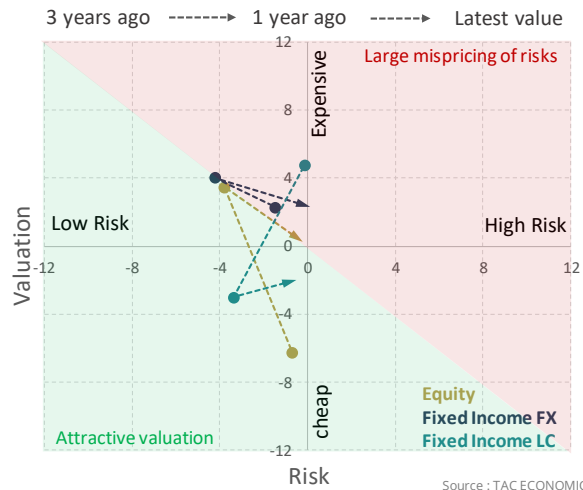


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

South Korea

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	0.3	3.5	-1.5
Fixed Income Fx	2.3	4.0	1.4
Fixed Income LC	-2.0	-3.0	1.5

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	-0.2	-3.8	-1.8
Fixed Income Fx	0.1	-4.2	-2.0
Fixed Income LC	-0.5	-3.4	-1.3

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	3.7	-2.3	-0.4
Currency	-1.2	-1.6	0.1
Credit Risk	1.8	0.4	1.3

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	625	614	650	764	642
Change %		1.7%	-3.9%	-18.2%	-2.7%
PER	9.3	9.2	9.8	11.8	11.2
PB	1.04	1.03	1.08	1.10	0.99
1M Vol.	1.0%	1.0%	1.1%	0.8%	0.8%

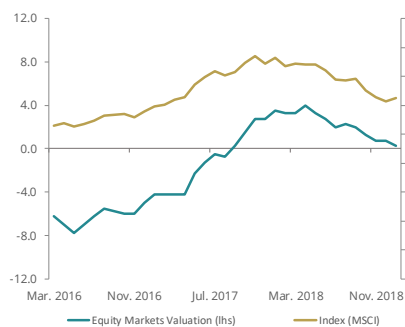
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	199.0	210.6	190.4	146.2	189.5
Change (bp)		-12	9	53	9
1M Vol.	7.66	4.05	6.43	3.47	5.40

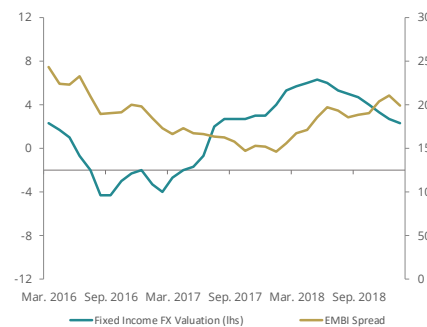
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	440	457	434	437	482
Change (bp)		-17	6	3	-42
1M Vol.	9.41	8.45	7.53	8.04	7.44

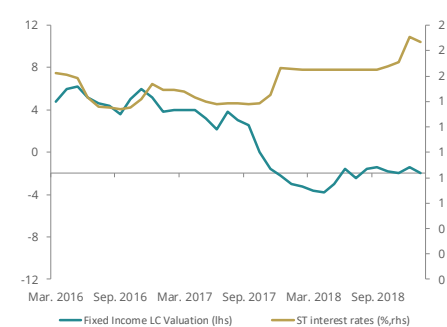
Equity markets valuation and MSCI



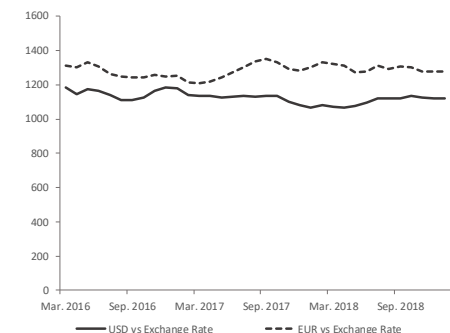
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs KRW

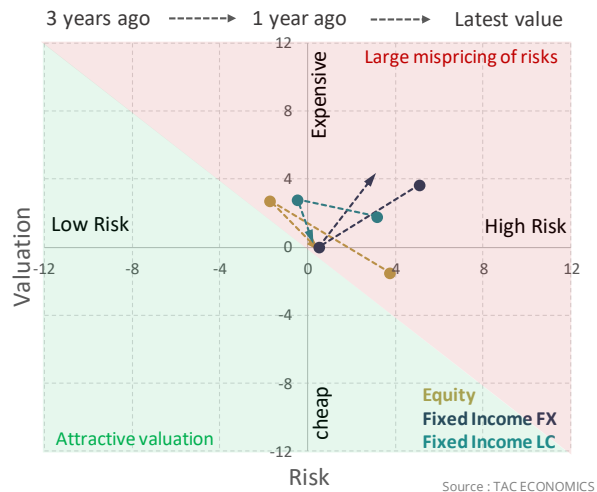


*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

Turkey

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	-0.3	2.8	-0.1
Fixed Income Fx	4.3	0.0	1.1
Fixed Income LC	0.2	2.8	0.8

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	0.6	-1.7	1.3
Fixed Income Fx	3.1	0.5	2.9
Fixed Income LC	0.3	-0.5	1.7

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical	4.5	-6.7	-0.8
Currency	-6.2	-5.7	-2.0
Credit Risk	2.5	1.6	1.0

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	13,215	12,544	12,899	15,990	12,865
Change %		5.3%	2.4%	-17.4%	2.7%
PER	7.6	7.1	7.3	10.4	9.7
PB	1.36	1.29	1.25	1.47	1.23
1M Vol.	1.2%	1.2%	1.4%	1.1%	1.2%

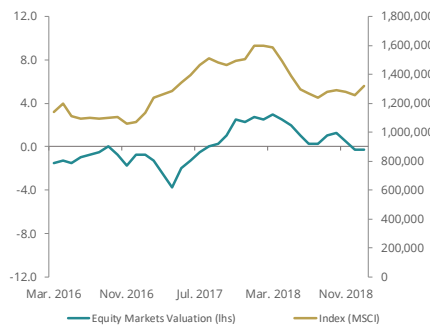
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
EMBIG Spd	427.7	442.7	449.7	280.5	342.7
Change (bp)		-15	-22	147	85
1M Vol.	15.94	17.56	23.28	6.05	13.38

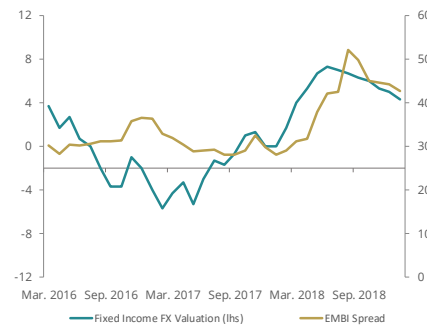
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
GBIEM Spd	1385	1476	1726	941	1023
Change (bp)		-90	-340	444	363
1M Vol.	17.80	23.59	32.84	6.28	10.35

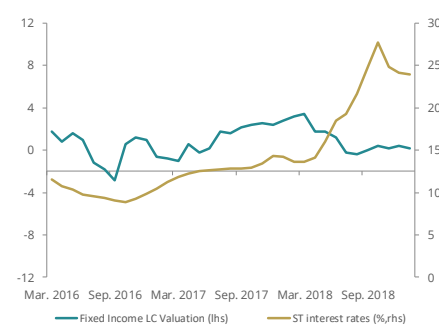
Equity markets valuation and MSCI



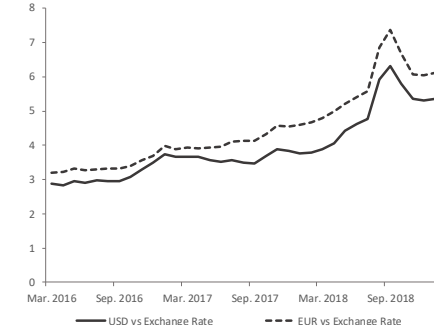
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs TRY



*MSCI in Local currency, Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan. 2019

Methodology

This document and the research tools behind it aim at improving the confrontation between macro-based risk factors and markets' valuations in Emerging or Frontier Markets. The results presented here include:

- Composite indexes of market valuations for equity and fixed income markets, combining traditional valuation metrics (PER, PBV, EPS growth, interest rates, spreads, yield curves), which are statically normalized around their long-term average and scaled from -12 (very cheap or attractive valuation of assets) to +12 (very expensive asset);
- Composite indexes for macro risks for Emerging or Frontier Markets. The macro-risks used here are broken down into three “specific” types of risks (currency, cyclical, liquidity) as well as a global country risk measure incorporating political and governance risks. The macro risk indexes are also normalized around long-term trends and scaled from -12 (very low risk, favorable macro situation) to +12 (very high risk, unfavourable macro situation).

The analysis of such valuation and risk indexes for each market and a comparative confrontation of the two sets of measures enable to spot markets where the “mismatch” is maximum, suggesting a stronger potential for significant market movements, upside if the risk is dearly remunerated by low valuation and downside if valuation are too high for the underlying risk performance.

The outputs and composite indexes are not designed or statistically calibrated to provide forecasts of financial markets' performances, as they do not incorporate bottom-up and market-specific information and analysis.

Disclaimer

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