Global Macro Insights

Summary

November overview: Even as more tariff packages are finalized, the situation remains fluid. The US government shutdown ended on November 12, but the effects will likely be felt for some time yet. Some US data has been delayed or will not be released at all due to the shutdown, adding uncertainty to assessing economic conditions. Global growth-related releases mostly remained relatively resilient even as risks remain elevated, but Japanese growth fell amid payback from previous front-loading. Inflation data in developed economies generally confirmed some pricing pressures creeping back into the data, though inflation is mostly more contained among a variety of emerging markets (EM). It was a quiet month for developed market monetary policy activity, while some EMs eased rates further. The US dollar (USD) was modestly weaker in November, appreciating against most Asian currencies but generally weaker against others. Bond yields were mixed during the month.

Outlook: Uncertainty remains elevated in the shorter term, as final tariff levels are still not decided for a number of countries and the Supreme Court is due to rule on the legality of tariffs imposed by the president rather than Congress; the ruling may take some months yet. Over the medium term, our focus for investment revolves around our assessment of “global rewiring”—evolving patterns and relationships that we anticipate affecting certain economies and markets for some time to come. Such rewiring could cover relationships between countries or developments within particular regions or economies. Our core themes of improving EM fundamentals, USD weakening and geopolitically induced shifts in global supply chains remain intact. Risks from US tariff and trade policy encompass growth, inflation and/or geopolitical implications and vary by country. Domestic political developments in some countries raise fiscal and other policy concerns.

General market and economic overview

The US government shutdown ended on November 12, but its effects will be felt for a while to come. The 43-day shutdown—the longest in US history—ended with agreement on a continuing resolution to fund most agencies through end-January (risking another shutdown at that stage), though some programs are funded through end-September 2026. The effects of the shutdown on data are still being felt; some jobs data will not be released at all while some will be released with a delay, October consumer price inflation (CPI) was not and will not be released, and the scheduled US advance gross domestic product (GDP) estimate for the third quarter (2025Q3) was canceled. The lack of data adds to uncertainty about the current state of the US economy.

Globally, growth-related data releases were mixed during November. Though some official **US** jobs data were not released because of the shutdown, private sector indications (such as ADP) indicated further signs of weakening in the jobs market and the unemployment rate rose to the highest in almost four years. Despite that, consumer spending has been quite resilient, although there are pockets of weakness implying that lower-income households are facing some pressure; for example, auto loan and credit card delinquencies have been rising. **Euro-area** (EA) preliminary 2025Q3 GDP grew by 1.3% year-over-year (y/y), slightly slower than 1.5% y/y in the second quarter (2025Q2). In **Japan**, 2025Q3 GDP fell by 0.4% quarter-over-quarter (q/q); this was a smaller contraction than market expectations. The weakness had been anticipated as some payback from frontloading of exports in 2025Q2, though a pullback in housing construction also contributed to the weaker outcome. The government affirmed economic growth as a top priority, and Prime Minister Sanae Takaichi’s cabinet approved a ¥21.3 trillion stimulus package. The largest portion—¥11.7 trillion—will go toward price relief measures. **Chinese** GDP grew 4.8% y/y in 2025Q3, bringing year-to-date growth to 5.2% y/y.

Global inflation outcomes continue to diverge, with developed markets generally showing upticks in inflation while EM rates have largely moved sideways. October US CPI was not released due to the government shutdown. CPI had increased to 3.0% y/y in September, its highest rate since January 2025. During November, US President Donald Trump announced the rollback of some tariffs on foodstuffs, primarily in response to concerns about their effects on grocery prices. In the EA, preliminary inflation rose 2.2% y/y in November from 2.1% y/y in October. Japan’s inflation rates continued to tick higher, with all the main inflation rates rising by 0.1% from their previous outcomes: headline and core inflation each rose to 3.0% y/y in October, and “core-core” (excluding fresh food and energy) rose to 3.1% y/y. Other developed economies have mostly seen rising inflation rates in the past few months, with notably higher moves in some countries (for example, Australia). Among EMs, many inflation rates are generally moving sideways to slightly lower, with the occasional exception—but among major EMs, even rates that have ticked up recently remain relatively low. Notably, India recorded a record low inflation rate of 0.25% y/y in October. South Africa’s National Treasury officially reduced the inflation target to 3% with a 1% tolerance band; this compares to a previous 3-6% target range. South African inflation rose to 3.6% y/y in October.

Cautious easing remained the bias in a quiet month for developed market central banks. Neither the US Federal Reserve (Fed), European Central Bank (ECB) nor Bank of Japan (BoJ) held policy meetings in November. The Fed released minutes of its October meeting, which noted “strongly differing views” about the outlook for December’s policy decision. “Several” participants viewed a cut as appropriate while “many” instead thought keeping the fed funds rate unchanged would be appropriate. Participants also expressed concern that further rate cuts (which “most” thought appropriate “over time”) could either add to upside inflation risks or be misinterpreted as lack of commitment to the 2% inflation target. The Fed will not see October or November employment data before the December 9 policy meeting. At the time of writing, the market is largely pricing in a 25-basis-point (bp) cut at this meeting. Norway’s Norges Bank and the Reserve Bank of Australia (RBA) kept policy rates unchanged in November. RBA Governor Bullock characterized rates as “close to neutral.” **EMs mostly remain in easing cycles,** with many in the late stages of these cycles. During November, central banks in Mexico, Uruguay, Poland and South Africa each lowered rates by 25 bps while Brazil, Malaysia, South Korea and China left rates unchanged.

The USD appreciated against a number of Asian currencies during November but was somewhat weaker against most other currencies. The US Dollar Index (DXY) index edged down by 0.4% over the month. Within developed markets, the Japanese yen depreciated against the USD, while the euro, Norwegian krone and Australian dollar showed modest gains. Most emerging Asian currencies were somewhat weaker against the greenback while Eastern European and Latin American currencies generally rose against the dollar, as did the South African rand.

US bond yields fell modestly over November while yields on most other developed market sovereign bonds rose to varying extents during the month. The yield on the 10-year US Treasury note fell six bps to 4.02% over November, seemingly helped by expectations of a Fed rate cut in December. Bond yields across the EA mostly edged marginally higher. Fitch upgraded Greece’s credit rating to BBB during November, after Moody’s and S&P had upgraded the country earlier in 2025. Australian bond yields jumped by 22 bps over the course of the month on higher inflation data. Bond yields in Japan continued rising, as the market anticipated and then digested the fiscal stimulus package referred to earlier. Japanese 10-year bond yields rose 14 bps to 1.81% in November and are at their highest level since mid-2008 as concerns about the fiscal outlook and potential future funding pressures take center stage. **Local-currency bond yields were mixed in emerging markets,** seemingly more influenced by idiosyncratic fundamentals rather than exhibiting global or regional trends. **EM sovereign credit overall was modestly higher during the month,** with the JP Morgan EMBI Global Index rising 0.3%.

Outlook and positioning

Policy uncertainty remains relatively high; while some tariff policies are finalized, others still await clarification, and the situation remains fluid. We expect **global growth** to be weaker than we had expected prior to tariff imposition, but we anticipate a recession is likely to be avoided and think that recent data support this conclusion. We are cognizant that some of the higher growth recorded in some countries during the past few months was likely frontloading ahead of tariffs, and we are watchful for further signs of possible payback through lower growth in coming quarters (as was seen in Japan’s 2025Q3 data). The US Supreme Court ruling on tariffs will be an important factor to watch, although it may take some months for the court to reach a decision.

Latest inflation developments in developed markets seem to underpin our view that risks are somewhat skewed to the higher side. We are monitoring outcomes to watch for whether, and where, tariff increases might become more permanently embedded in inflation. Surveys across a range of countries show higher inflation expectations compared to before tariff announcements, and central banks continue to highlight the potential risks to inflation. In the United States, we expect near-term pressures from tariffs but anticipate inflation will be trending back toward target by mid-end 2026. In addition, we think the US fiscal situation may complicate the medium-term inflation outlook in the United States.

While global monetary policy remains in a broad easing trend, many countries seem to be at a late stage in their cycles. Many EMs are now nearing the end of their rate reductions, while inflation outcomes complicate the outlook for significant further easing in developed markets. We highlight Australia—the RBA has said that it can respond “in either direction” on monetary policy if needed. For now, the main outlier in the global monetary policy landscape is the BoJ, which remains committed to gradually normalizing policy in response to structural reflationary conditions. The next policy meeting is December 19. The BoJ has further indicated that spring 2026 wage negotiations will be an important signal for future tightening moves as well.

The fiscal outlook in a number of countries is worrying. Already-high debt levels in major economies, including the United States, the EA and Japan, are set to rise further. Political developments in these regions also complicate efforts to consolidate fiscal expenditures. The International Monetary Fund (IMF) estimates G7 gross government debt at 126% of GDP in 2025 and projects an increase to 137% by 2030. In our view, such fiscal burdens raise risks for longer-dated maturities in the bond market. EM fiscal positions also raise some concerns, where in general positions have worsened significantly since the COVID-19 pandemic. The IMF estimates average EM gross government debt to GDP at just under 74% this year and projects it to rise further over the next five years, compared to 55% in 2019.

We remain constructive on select EMs, despite rising risks of tariffs. Sounder policies and reforms across a range of countries have strengthened their fundamentals. We expect differentiated impacts among countries from tariff changes and other shifts in US foreign policy. In general, we think the imposition of tariffs is likely to underpin the current global trend of regionalization and reshoring, a trend which we expect to benefit select countries. In terms of the countries in our portfolio, we believe the trade deals struck or proposed with the United States are manageable, and we are comfortable with our positions, though we continue to monitor risks on this front.

We maintain the view that the USD is broadly overvalued and we expect further depreciation over the medium term. This view factors in both cyclical and structural factors and could be underpinned by potential financial asset flows away from the United States. Consequently, we see opportunities in non-dollar assets in select countries within both developed markets and EMs.

Regionally, our two main focus areas are the Asia-Pacific region and Latin America. In Asia, we generally focus on countries with positive fundamentals and undervalued currencies, as well as those we expect to be more insulated from tariff effects. In Japan, we continue to see evidence of a structural reflationary shift. In Latin America, we favor countries with prudent macroeconomic policies (including those where central banks have proved to be independent and proactive), relatively high yields and undervalued currencies.

- In Brazil, the Senate approved a bill including some fiscal consolidation measures, which now awaits signature by President Lula. These should help Brazil meet its 2026 primary budget balance target.
- 2025Q3 GDP growth in Colombia was 3.6% y/y, which exceeded market expectations.

Beyond these two broad regions, we also see opportunities in certain emerging and frontier markets in both local-currency and hard-currency assets. In particular, we have increased exposure in some portfolios in select African countries where we believe reform efforts have resulted in notable improvements in fundamentals and the economic outlook. We also have some holdings in select frontier Asian markets. These all also offer attractive opportunities for potential yield pickup.

- South Africa released its Medium-Term Budget Policy statement in November, where positive news included the reduction in the inflation target mentioned earlier, a peak in debt levels (as a ratio to GDP) in the current year and a narrowing deficit target. In addition, bond issuance has been reduced. S&P subsequently upgraded South Africa's foreign-currency credit rating by one notch to BB. Moody's, which currently assigns the country Ba2 with stable outlook, will next review South Africa on December 5, 2025. 2025Q3 GDP growth was 2.1% y/y, up from 0.9% in 2025Q2.
- Elsewhere in Africa, reforms are reaping rewards with improving economic conditions and growth prospects in a number of countries. The ratings agencies have recognized this progress, and Egypt, Nigeria, Ghana and Zambia are among the countries who have received credit ratings upgrades in the past few months. Robust investor demand for hard-currency bond issuance by these countries during 2025 also signals positive perceptions by the markets of their reform efforts.
- Growth in Kazakhstan remains robust: 2025Q3 GDP grew by 6.3% y/y, the same rate as in 2025Q2.

Our EA exposure is mainly through Spain and Greece.

- In Greece, factors Moody's cited behind the November upgrade to BBB include favorable debt dynamics, primary surpluses expected to exceed 3% of GDP in the next few years, nominal GDP growth expected around 4%, and the government's cash buffers allowing for early debt repayment.

In local-currency positions, we hold select countries in both developed markets and EMs. Our currency positions focus on potential upside based on our assessment of undervaluation against the USD. These countries tend to have robust balances of payments and growth fundamentals. In bonds, we hold positions in countries where we identify supportive fundamentals. These might cover a range of factors, such as inflation and interest-rate outlooks, fiscal progress and other economic reforms, and/or anticipated economic benefits from reshoring. We aim for a relatively high overall portfolio yield by holding higher-yielding local-currency positions in specific emerging and (where relevant) frontier markets that we view as having attractive risk-adjusted yields. **In hard-currency-denominated sovereign credit positions,** we favor emerging (and, where relevant) frontier markets with improving fundamentals and policy responses.

In all positions, we closely monitor idiosyncratic factors in different countries to identify relative valuation opportunities. We remain highly selective at the sovereign level, given significant variations in economic fundamentals and policy responses.

For a more detailed outlook, please refer to our Quarterly Economic Outlook, Fourth Quarter 2025.

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