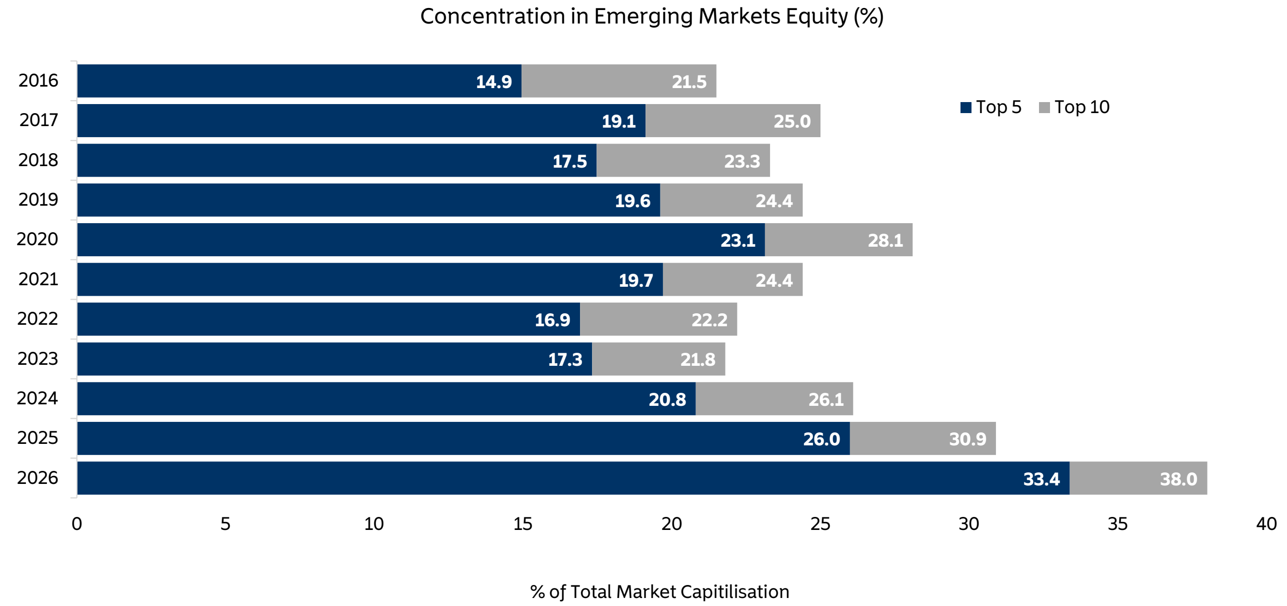
Chart of the Week

17 August 2026

momentum
global investment management



Source: Momentum Global Investment Management, Bloomberg Finance L.P. and iShares. Data to 12 August 2026.

Emerging Markets: Look Beyond the Index

Stephen Nguyen, FCA
Portfolio Strategist

What does the chart show?

Emerging market (EM) equities have performed strongly year-to-date, returning approximately 20% in US dollar terms through the end of July 2026. However, this performance has been highly concentrated, with South Korea and Taiwan accounting for a significant share of the gains. Large-cap AI and semiconductor companies have been the primary drivers, increasing concentration within the EM index.

The top 10 constituents of the EM index now represent close to 40% of the index, compared with around 21% a decade ago. This concentration is even more pronounced at the very top of the market, with the five largest stocks now accounting for approximately 33% of total EM market capitalisation.

Why is it important?

The strong performance of companies such as Samsung Electronics, SK Hynix and TSMC has increased the concentration risk within passive EM exposure. Many of these companies share common exposure to the AI and semiconductor themes, meaning investors may have less diversification than the headline index suggests.

Alongside this increase in single stock risk and sector concentration, geographic exposure within the EM index is shifting, with a higher weight to South Korea and Taiwan and a lower weight to China. Investors should therefore consider the implications of greater exposure to the economic, regulatory and geopolitical risks associated with these markets.

Despite posting stellar profits, the technology cohort within EM has nonetheless got more expensive, with share price growth outstripping profit growth. Higher valuations raise questions about the sustainability of future returns and the potential impact on the broader EM index if these companies enter a period of weaker performance.

Against this backdrop, we believe an active approach may be better suited to navigating emerging markets. The asset class remains highly diverse, with significant differences in economic and political environments, corporate governance and sector composition. Active managers can look beyond the largest index constituents and seek exposure to companies and markets where valuations may be more attractive and where returns are less dependent on the continued strength of the AI and semiconductor cycle. An active approach may also provide a more balanced EM allocation, reducing reliance on a narrow group of countries, sectors and companies that increasingly dominate passive index exposure.

Weekly market update

Week ending 14 August 2026

Cooling US inflation supported global equities and reduced rate-rise expectations, but Middle East disruption kept energy prices and global inflation risks elevated.

US

- **Inflation pressure eased:** July CPI rose just 0.1% month-on-month, while core inflation increased 0.2% and 2.5% year-on-year, reducing immediate pressure on the Federal Reserve to raise rates.
- **Iran tensions intensified:** President Trump warned Americans to tolerate higher fuel prices as stalled negotiations and disruption around the Strait of Hormuz continued.
- **Rate-hike expectations fell:** Softer inflation and consumption data cut market expectations for a September Fed increase to roughly one-in-three, although policymakers remain divided over persistent inflation risks.
- **Long-term borrowing costs stayed elevated:** Stronger equity markets contrasted with a 30-year Treasury auction at its highest yield in 25 years, reflecting concerns over inflation and large federal deficits.

UK

- **Growth surprised positively:** UK GDP expanded 0.4% in Q2 and 0.3% in June, helped by stronger services activity, World Cup-related spending and favourable weather.
- **Sterling remained firm:** Better-than-expected growth helped the pound remain near recent highs, although markets continued to price another Bank of England rate increase during 2026.
- **Fiscal pressures remain:** Prime Minister Andy Burnham acknowledged a "difficult financial outlook" while promising measures to reduce business costs ahead of the 28 October Budget.
- **UK credit rating held:** Fitch maintained Britain's AA- sovereign rating with a stable outlook, citing economic flexibility alongside continuing fiscal and geopolitical risks.

Europe

- **ECB tightening remains possible:** A Reuters poll showed economists expecting one further ECB rate rise in September as elevated energy prices keep inflation above its 2% target.
- **Extreme heat hit the economy:** Heatwaves disrupted transport, agriculture and power generation, with France particularly affected as high river temperatures constrained nuclear production and pushed European power prices sharply higher.
- **French debt worries intensified:** France's 10-year borrowing costs approached 4%, while first-half interest payments rose 19% year-on-year, increasing concerns about fiscal sustainability ahead of the 2027 election.
- **Ukraine adjusted its energy strategy:** Kyiv paused attacks on tankers using Russia's Novorossiysk port following a US request amid concerns about disruption to international oil supplies.

Rest of the World/Asia

- **Further policy support signalled:** The People's Bank of China pledged to maintain a "moderately loose" monetary stance and introduce additional measures when necessary to support domestic demand.
- **More BOJ tightening priced in:** Markets substantially increased expectations for a September Bank of Japan rate rise as policymakers contend with inflation and persistent yen weakness.
- **Relations with Russia deteriorated:** Tokyo condemned President Putin's visit to the disputed Kuril Islands, adding to already strained diplomatic relations.
- **Hormuz tensions intensified:** The UAE accused Iran of attacks on ADNOC vessels transiting the Strait, increasing concerns around the security of global energy supplies.

Weekly market data

Week ending 14 August 2026

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Asset Class / Region	Currency	Week ending 14 August 2026	Month to date	YTD 2026	12 months
		Cumulative returns			
Developed Markets Equities					
United States	USD	0.4%	4.0%	14.3%	21.4%
United Kingdom	GBP	-1.1%	-0.7%	11.1%	21.8%
Continental Europe	EUR	0.0%	2.2%	13.6%	22.7%
Japan	JPY	3.0%	4.8%	24.6%	38.9%
Asia Pacific (ex Japan)	USD	2.7%	2.2%	23.7%	34.0%
Australia	AUD	-1.5%	1.6%	6.4%	6.7%
Global	USD	0.5%	3.8%	14.4%	21.9%
Emerging Markets Equities					
Emerging Europe	USD	1.4%	4.1%	26.3%	31.7%
Emerging Asia	USD	3.6%	2.5%	25.9%	39.0%
Emerging Latin America	USD	-3.0%	-4.5%	10.7%	31.1%
BRICs	USD	-2.4%	-1.8%	-7.2%	-3.7%
China	USD	-3.1%	-2.0%	-9.2%	-6.9%
MENA countries	USD	-0.1%	2.4%	1.4%	-1.0%
South Africa	USD	-2.9%	7.5%	1.5%	26.9%
India	USD	-1.3%	-0.2%	-11.5%	-8.3%
Global emerging markets	USD	2.7%	2.2%	22.7%	35.6%
Bonds					
US Treasuries	USD	-0.1%	0.4%	-0.4%	1.4%
US Treasuries (inflation protected)	USD	-0.1%	0.2%	0.5%	1.7%
US Corporate (investment grade)	USD	-0.3%	0.4%	-0.2%	2.0%
US High Yield	USD	0.1%	0.9%	2.5%	5.4%
UK Gilts	GBP	-0.6%	0.3%	-1.2%	1.6%
UK Corporate (investment grade)	GBP	-0.4%	0.5%	0.1%	3.1%
Euro Government Bonds	EUR	-0.5%	0.1%	-0.4%	-0.4%
Euro Corporate (investment grade)	EUR	-0.1%	0.3%	0.7%	1.1%
Euro High Yield	EUR	0.1%	0.5%	2.1%	2.9%
Global Government Bonds	USD	-0.2%	0.5%	-0.5%	-0.6%
Global Bonds	USD	-0.1%	0.6%	-0.4%	0.7%
Global Convertible Bonds	USD	2.1%	4.6%	17.8%	25.9%
Emerging Market Bonds	USD	0.0%	1.0%	1.3%	5.9%
Property					
US Property Securities	USD	0.1%	-0.5%	18.9%	21.6%
Australian Property Securities	AUD	-2.3%	-1.2%	-7.9%	-11.2%
Global Property Securities	USD	-0.3%	-0.7%	10.0%	12.8%
Currencies					
Euro	USD	0.1%	0.5%	-1.4%	-1.2%
UK Pound Sterling	USD	0.3%	0.5%	0.6%	-0.3%
Japanese Yen	USD	-1.2%	0.0%	-1.6%	-7.5%
Australian Dollar	USD	0.3%	0.8%	6.2%	8.3%
South African Rand	USD	-0.3%	2.1%	2.2%	8.1%
Swiss Franc	USD	-0.6%	-0.5%	-2.4%	-0.9%
Chinese Yuan	USD	0.1%	0.2%	3.7%	6.4%
Commodities & Alternatives					
Commodities	USD	2.8%	2.5%	35.3%	42.9%
Agricultural Commodities	USD	1.3%	2.3%	14.2%	11.0%
Oil	USD	5.9%	-1.8%	45.5%	34.9%
Gold	USD	1.3%	8.5%	1.5%	30.6%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

For more information, please contact:
Distribution Services

E: distributionservices@momentum.co.uk
T: +44 (0)207 618 1829

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