

Finding relative value in emerging markets debt

Bottom line up top

Resilient equities defy doom and gloom scenarios. A defining feature of recent trading in U.S. equity markets has been resilience, supported by a combination of tempered geopolitical fears, a strong start to corporate earnings season and positive momentum for the AI narrative. After a bruising first quarter, U.S. stocks spent the first half of April not only absorbing the shock of the Iran conflict, but also reversing their declines. The S&P 500 Index, down -4.3% in Q1, roared back to new all-time highs last week. Potential de-escalation in the Middle East and renewed diplomatic engagement buoyed market sentiment after the prior weekend's disappointing ceasefire talks. Initial inflation and growth scares from the oil supply disruption have been reframed as temporary turmoil rather than as structural impairments.

The Producer Price Index (PPI), a measure of inflation at the wholesale level, came in at 0.5% for March (Figure 1) and 4.0% year-over-year — both below expectations given the spike in energy prices, offering cautious optimism for March's yet-to-be-released consumer inflation data. That said, higher energy costs are not to be overlooked. The energy component of PPI surged close to 9% in March, and overall PPI was at its highest year-over-year level in more than three years.

Meanwhile, perceived geopolitical relief and tempered inflation scenarios have been amplified by healthy corporate earnings. Analysts expect year-over-year earnings per share (EPS) growth of roughly +13% for the first quarter, which would mark the sixth consecutive quarter of double-digit increases. For 2026 as a whole, consensus earnings growth estimates are +18%, according to FactSet.

AI remains a foundation of market resilience as it evolves from a theoretical to a measurable earnings driver. The information technology sector alone is expected to contribute more than 80% of the S&P 500's first quarter EPS expansion. And more company earnings calls are citing tangible AI-related impacts on revenue, margins and capital deployment — providing a structural tailwind that helps markets look through episodic volatility.

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CIO WEEKLY
COMMENTARY

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*On behalf of
Nuveen's Global
Investment Committee*

As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

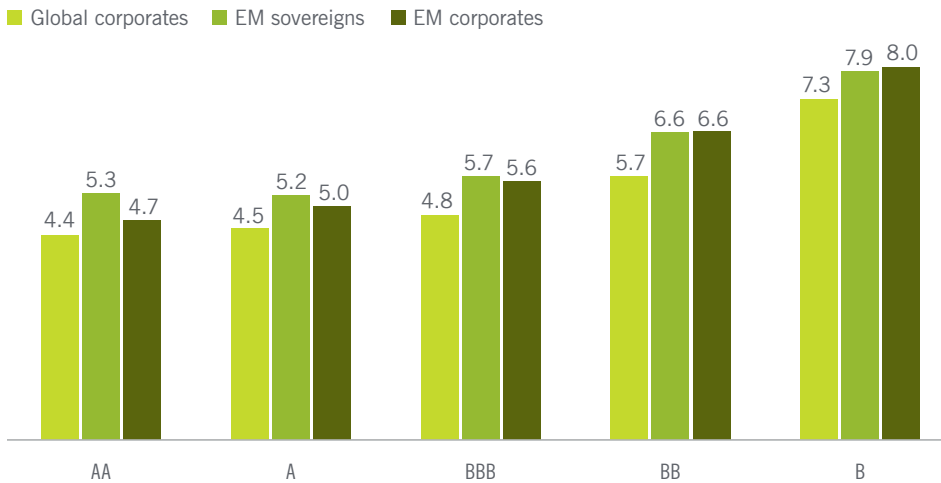
EM sovereign debt as a whole offers a risk premium and relative value versus historically tight developed markets credit spreads. We see opportunities in countries such as Kazakhstan, Guatemala and Poland. Given tight valuations, we remain underweight the Middle East and Gulf Cooperation Council countries. Among EM corporates, we prefer steady issuers (Mexico, Chile, Brazil, Colombia and South Africa), where corporate and quasi-sovereign opportunities provide a premium to similarly rated developed markets peers (Figure 2). A benign inflation outlook and global diversification trends support EM local debt. And while we believe the dollar's recent firming is a short-term headwind for local markets, we expect beneficial downward pressure on the U.S. currency in the medium-to-long term.

Still, we're mindful of inflation pass-through effects and the downside risks that an escalating Middle East conflict poses to global growth, risk sentiment and currency dynamics. Allocations to countries such as South Africa and Brazil may be especially attractive, as these countries have kept real rates high to counter increased inflation expectations.

Figure 2

EM debt offers a compelling yield advantage over similarly rated global credit

Fixed income yields by rating (%)



Data source: Bloomberg, L.P., 13 Apr 2026. Performance data shown represents past performance and does not predict or guarantee future results.

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Fundamentals for emerging markets debt remain healthy overall, while EM yields offer attractive relative value.

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- macro and asset class views that gain consensus among our investors
- insights from thematic “deep dive” discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

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Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

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