



GLOBAL X 2026 OUTLOOK

10 in EM: Back to BASICS

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GLOBAL X

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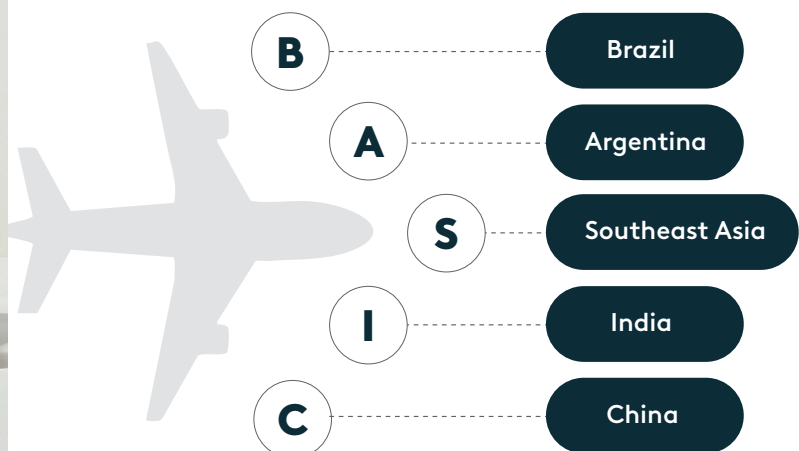


International Allocations

EMERGING MARKETS (EM) appear poised to enter 2026 with the right mix of ingredients for a potentially positive cycle.

These include a weaker or steady U.S. dollar, increased liquidity in the financial system, strength in China, and low investor positioning in EM securities. These factors drove the last EM upswing, when the MSCI Emerging Markets Index outperformed the S&P 500 Index 344.4% to 15.07% (cumulative) between January 1, 2001 and December 31, 2010.¹ We believe those conditions could again be supportive for EM now. Against this backdrop, we aim to balance cyclical and structural growth stories into the new year with a focus on valuations and profitability versus cost of capital. Our highest-conviction ideas take investors back to **BASICS**, as we see potential opportunities in **B**razil, **A**rgentina, **S**outheast Asia, **I**ndia, and **C**hina (specifically within consumer), among other themes and regions.

KEY EM OPPORTUNITIES

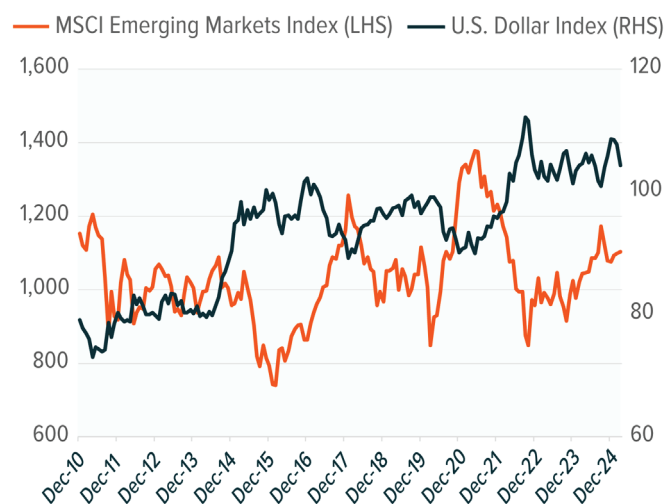


What's Moving the Needle?

U.S. DOLLAR

The dollar fell roughly 8% in the first 10 months of 2025, as measured by the U.S. Dollar Index (DXY).² A dovish Federal Reserve, widening growth differentials favoring international markets, and public acknowledgment from Washington that a weaker dollar supports trade all added downward pressure.

A REVERSAL OF THE U.S. DOLLAR HISTORICALLY SUPPORTS EMERGING MARKETS

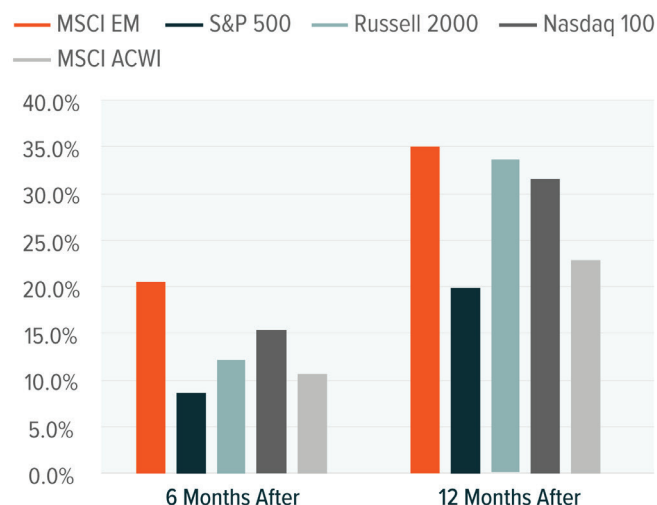


Source: Global X analysis of Bloomberg Data as of April 21, 2025.

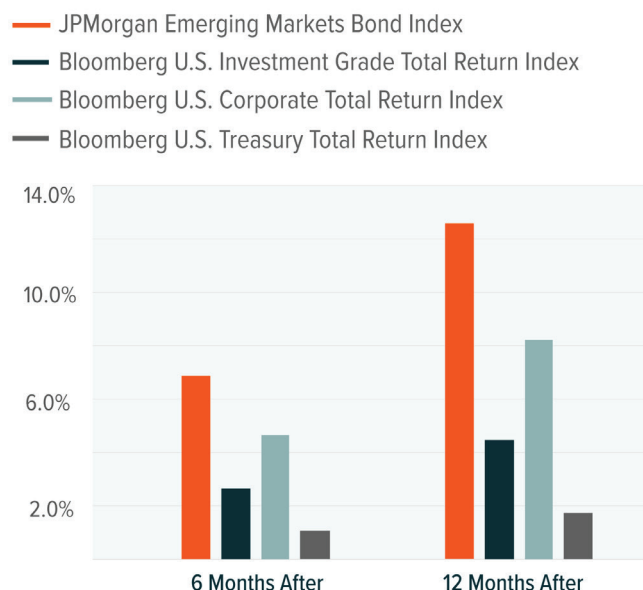
LIQUIDITY

The Fed's renewed easing cycle has injected liquidity back into the system. Over the past 25 years, EM equities have outperformed the S&P 500 Index by an average of 11.9% and 15.4% during the 6- and 12-month periods following the final cut of Fed rate easing cycles.³ EM dollar-denominated bonds have also exceeded U.S. Investment Grade bonds by 4.6% and 8.8% in those same windows.⁴

AVERAGE INDEX PERFORMANCE AFTER END OF FED RATE CUTTING CYCLES SINCE 2000



AVERAGE BOND INDEX PERFORMANCE AFTER END OF FED RATE CUTTING CYCLES SINCE 2000



Source: Global X ETFs with information derived from Bloomberg LP. Average returns based off five cutting cycles: 1/3/2001 to 12/11/2001; 11/6/2002 to 6/25/2003; 9/18/2007 to 12/16/2008; 8/1/2019 to 10/31/2019; and 3/3/2020 to 3/16/2020.

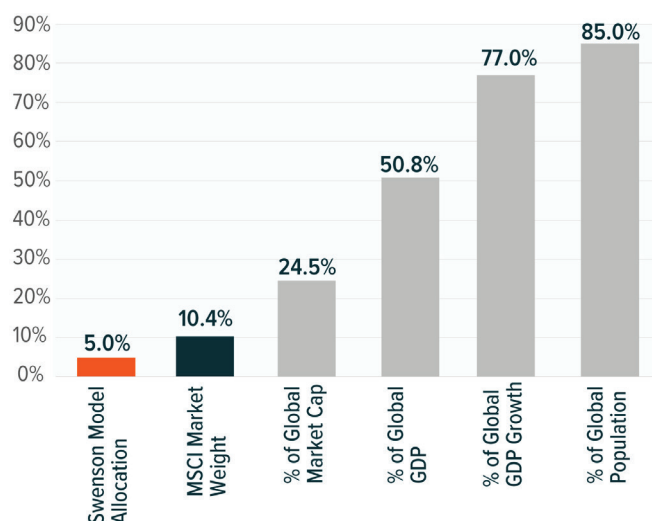
CHINA

The World Bank has upgraded its Chinese GDP growth expectations from 4% to 4.8%.⁵ The October meeting between Presidents Trump and Xi marked an important step towards resolving bilateral tensions and fostering economic progress.

POSITIONING

From a positioning perspective, most advisors we speak to still have, on average, less than 5% exposure to EM equities. However, 2025 was the first time in many years that we heard noticeable concerns about underweights to the asset class and a desire to get closer to the 10.5% benchmark weight in the MSCI All Country World Index.

ARE EMERGING MARKETS UNDERREPRESENTED BY INVESTORS?



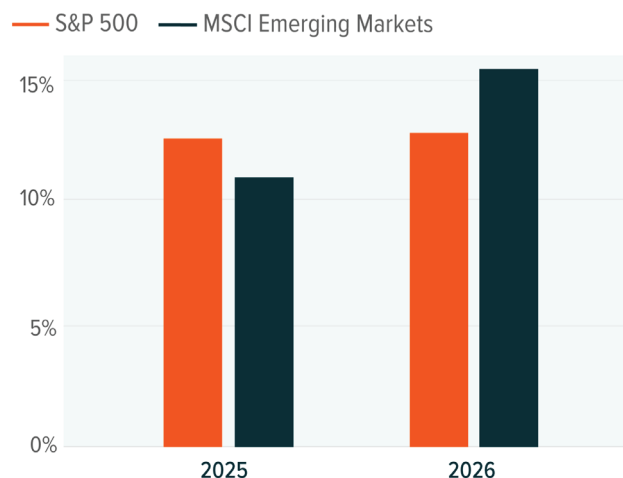
Source: Global X ETFs with information derived from Bloomberg LP Data as of January 22, 2025. World Economics (2025, Feb). 2024 GDP data; International Monetary Fund. Population data; Optimized Portfolio (2024, May 16). David Swenson Portfolio (Yale Model) Review and ETFs to Use.

ICING ON THE CAKE?

In addition to these high-level macroeconomic drivers, we acknowledge that politics can also play a key role in EM investing. In Latin America, the 2025-2026 period brings various elections, and we have already seen the political pendulum begin to swing from the extreme left back to the center-right. India should continue to thrive under Prime Minister Modi and reforms initiated by the Bharatiya Janata Party (BJP). Greece's New Democracy Party continues to focus on both debt reduction and growth. Even the Chinese Communist Party (CCP) has stepped in the direction of neighboring Japan and Korea in terms of market-oriented reforms.

With these factors in place, we believe 2025 could be the first inning of a multi-year uptrend for Emerging Market assets.

EARNINGS GROWTH SET TO CONVERGE GLOBALLY



Source: Bloomberg. Data as of November 5, 2025.

We believe 2025 could be the first inning of a multi-year uptrend for Emerging Market assets.

10 in EM: Back to BASICs

Despite our bullish outlook, we acknowledge that broad EM index exposure isn't for everyone and highlight some regional and country-specific options to gain exposure to the growth opportunities and attractive valuations we see across Emerging Markets.

01 ARGENTINA

High Flying, Adored

MONITORING

- **Foreign Direct Investment (FDI) Acceleration**
Commodity and infrastructure projects should attract new foreign investment.
- **Foreign Exchange (FX) Flexibility**
Authorities are likely to continue easing currency controls, eventually reaching a free float.
- **More Tax & Labor Reforms**
Congress may fast-track a reform package simplifying the tax code and modernizing labor rules to boost formal employment.
- **Pension & Fiscal Consolidation**
Targeted spending cuts should anchor a medium-term fiscal adjustment, reinforcing International Monetary Fund (IMF) support.
- **MSCI Index Inclusion**
As liquidity improves and foreign access expands, Argentina could requalify for MSCI Emerging Markets status, potentially unlocking a new wave of institutional flows.

We believe Argentina's equity market now offers one of the most asymmetric opportunities in Emerging Markets.

Credible policy, cheap valuations, and rising institutional engagement position it for a potential multi-year rerating.

President Javier Milei's October 2025 decisive midterm victory reinforced investor confidence and expanded his ability to deliver market friendly structural reforms. Equities recently traded at roughly 8.5x forward earnings, well below regional peers, potentially leaving room for multiple expansion as fundamentals strengthen.⁶ We see parallels to Brazil in 1995: inflation is cooling, reforms are gaining traction, and markets are awakening after years of dysfunction.

Milei has done much of the "heavy lifting" in his first two years in office, and his efforts have delivered results (higher growth, lower inflation, lower poverty).

However, there are plenty of opportunities for improvement.

Talked the Talk

...and Walked the Walk

Smaller Government	Public sector job cuts, mergers, and budget reductions
Fiscal Surplus	First fiscal surplus in 14 years ⁷
Lower Inflation	Annualized inflation declined from 200% to below 30% ⁸
Deregulation	Reduced capital controls
Steps towards FX Stability	Floating within a band policy plus U.S. financial support
Privatizations	Privatization of state water utility
Building Credibility	All external debt services have been honored
Reforms	Announced labor, pension, tariff, and tax reforms

02 COLOMBIA

The Next Argentina?

MONITORING

- ▶ **Congressional Elections**
March 8, 2026.
- ▶ **Presidential Elections**
May 31st and June 21st, 2026 for a run-off.
- ▶ **Energy Prices**
Oil and oil derivatives represent Colombia's number one export.⁹
- ▶ **Venezuela**
Potential political change.

Staying in Latin America with a focus on political change, Colombian equities may present one of the most compelling contrarian opportunities in the region. Valuations remain deeply discounted, reflecting years of policy uncertainty and perceived mismanagement, yet the upcoming **May Presidential election** could mark a turning point. A market-friendly political shift could unlock investment, stabilize fiscal policy, and reignite growth. Moreover, Colombia stands to **benefit indirectly from potential regime change in Venezuela**, with improved trade, migration normalization, and regional sentiment offering tailwinds. In our view, Colombia is priced for stagnation but positioned for recovery, creating an attractive setup for investors seeking potential asymmetric upside.



03 BRAZIL

Two Catalysts Align

MONITORING

► The Central Bank

We expect the COPOM to begin cutting rates in Q1 of 2026.

► Tarcisio de Freitas

The Governor of Sao Paulo needs to announce if he is running for president by April of 2026.

► Presidential Elections

First round on October 4, 2026.
Run-off would be on October 25th.

Brazil goes into 2026 with two key performance drivers: interest rates and politics. In terms of monetary policy, Brazil's key rate is poised to end 2025 at 15%. With inflation around 5%, that translates into one of the highest real rates in the world, which should support a powerful carry trade and buoy the Brazilian real (BRL).¹⁰ We expect rate cuts beginning in the first quarter of 2026, which would likely act as a powerful standalone force for Brazilian equities. The prevalence of floating rate debt in Brazil means lower interest rates should reduce net interest expenses for corporations and lift earnings (before we see other positive effects in the form of improved asset quality, more loan growth, more capex, and growth!). **Looking at the past seven completed rate cutting cycles in Brazil, the average MSCI Brazil Index (Net) rally stood at roughly +95% (cumulative), where the average drawdown was around -15% (cumulative).**¹¹ We like this risk reward set-up.

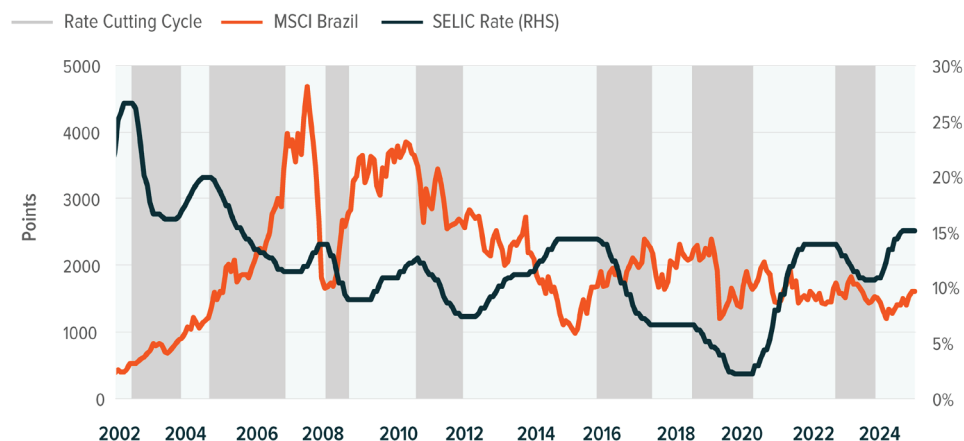
Looking further out, Brazil hosts Presidential elections in October of 2026. The incumbent is expected to run for his fourth term in office and, if elected, would be 81 by the start of his new term. He has recently faced multiple health challenges and a high rejection rate. Noticing a pattern of Senate and Congressional elections moving towards the center-right, **we believe that there is a legitimate opportunity for a market-friendly, fiscally responsible center-right candidate to step into the presidency.**

Avg MSCI Brazil Performance During Completed Cutting Cycles

Rallies	96.7%
Drawdowns	-14.5%

Source: Bloomberg and Global X data
September 30, 2025

MSCI BRAZIL PERFORMANCE DURING PREVIOUS CUTTING CYCLES



Source: Bloomberg and Global X data as of September 30, 2025.

04 INDIA

A Standalone Growth Opportunity

MONITORING

► Trade

We expect continued progress on trade talks with the U.S. along with implementation of the new free trade agreement with the EU.

► Consumption

We expect an uptick in consumer data as the government's recent stimulus filters through the economy.

► Foreign Direct Investment

We expect the "Make in India" program to continue driving multinational investment into India.

India lagged the rest of EM through the first 10 months of 2025 due to trade uncertainty, but we believe that various near-term factors could support equity market performance. On the policy front, a dovish Reserve Bank of India (RBI) and recent consumer friendly fiscal reforms could lend support. Commodities are another potential tailwind in the form of low energy prices (India imports ~90% of its energy needs) and high gold prices (~20% of household savings lie in gold).^{12,13} Any profit taking from China's recent rally could also be a catalyst, as could steps towards a U.S./India trade deal. Longer term, **we see India offering compelling long-term growth potential and serving as an enticing standalone investment.**



INDIA'S NIFTY 50 HAS DELIVERED SUPERIOR RISK RATIOS THAN U.S.-BASED PEERS

Return/Volatility Ratios	Year to Date	3 Year	5 Year
Nifty 50 Index	0.90	1.35	1.37
Dow Jones Industrial Average	0.53	1.00	0.85
Nasdaq-100 Index	0.69	1.14	0.74
S&P 500 Index	0.64	1.15	0.92

Source: Global X ETFs with information derived from: Bloomberg LP. Data as of July 17, 2025.

05 SOUTHEAST ASIA

Diversified Value and Growth

ASEAN (Association of Southeast Asian Nation) equities offer a compelling **blend of diversification and structural growth potential**, supported by favorable demographics and policy stability. The region stands out as a **key beneficiary of global supply chain diversification away from China**, with Indonesia and Malaysia expanding semiconductor capacity and Vietnam, Malaysia, and Thailand emerging as alternative sources for rare earth elements. This shift is attracting record FDI inflows and deepening ASEAN's role in global manufacturing. Combined with diverse economic drivers, from energy in Malaysia to tourism in the Philippines and Thailand, the bloc provides investors with multi-sector exposure to one of the world's most compelling long-term growth stories.

MONITORING

► “Friendshoring”

We expect more Western companies to diversify supply chains out of China and across SE Asia.

► Rare Earths

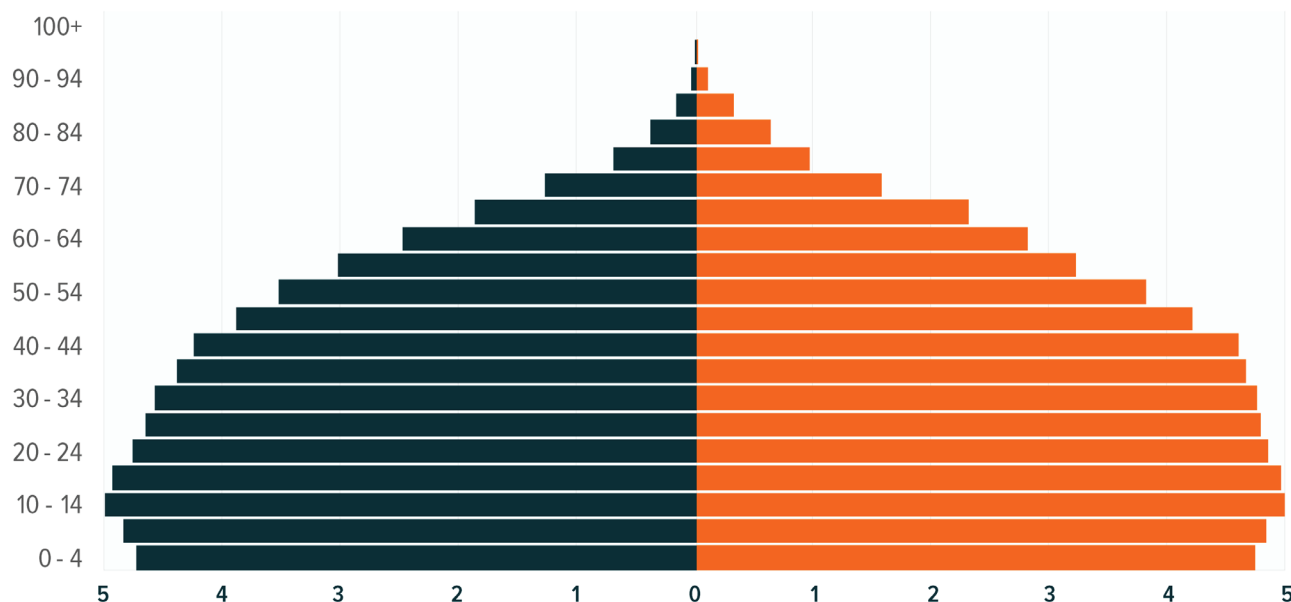
We are keeping an eye on potential policy shifts and trade agreements in the critical mineral space.

► Semiconductors

We are monitoring government incentives and foreign direct investment into semiconductor manufacturing.

SOUTHEAST ASIA POPULATION PYRAMID: A YOUNG, DYNAMIC LABOR FORCE

— Male Population (%) — Female Population (%)



Constituents are subject to change and do not represent fund holdings.

Source: Global X ETFs with information derived from: United States Census Bureau. International Database. Data accessed on July 15, 2025

06 VIETNAM

Good Morning, Vietnam!

MONITORING

► Index Inclusion

Following the announcement from FTSE, we are monitoring language for potential inclusion of Vietnam into the MSCI Emerging Markets Index.

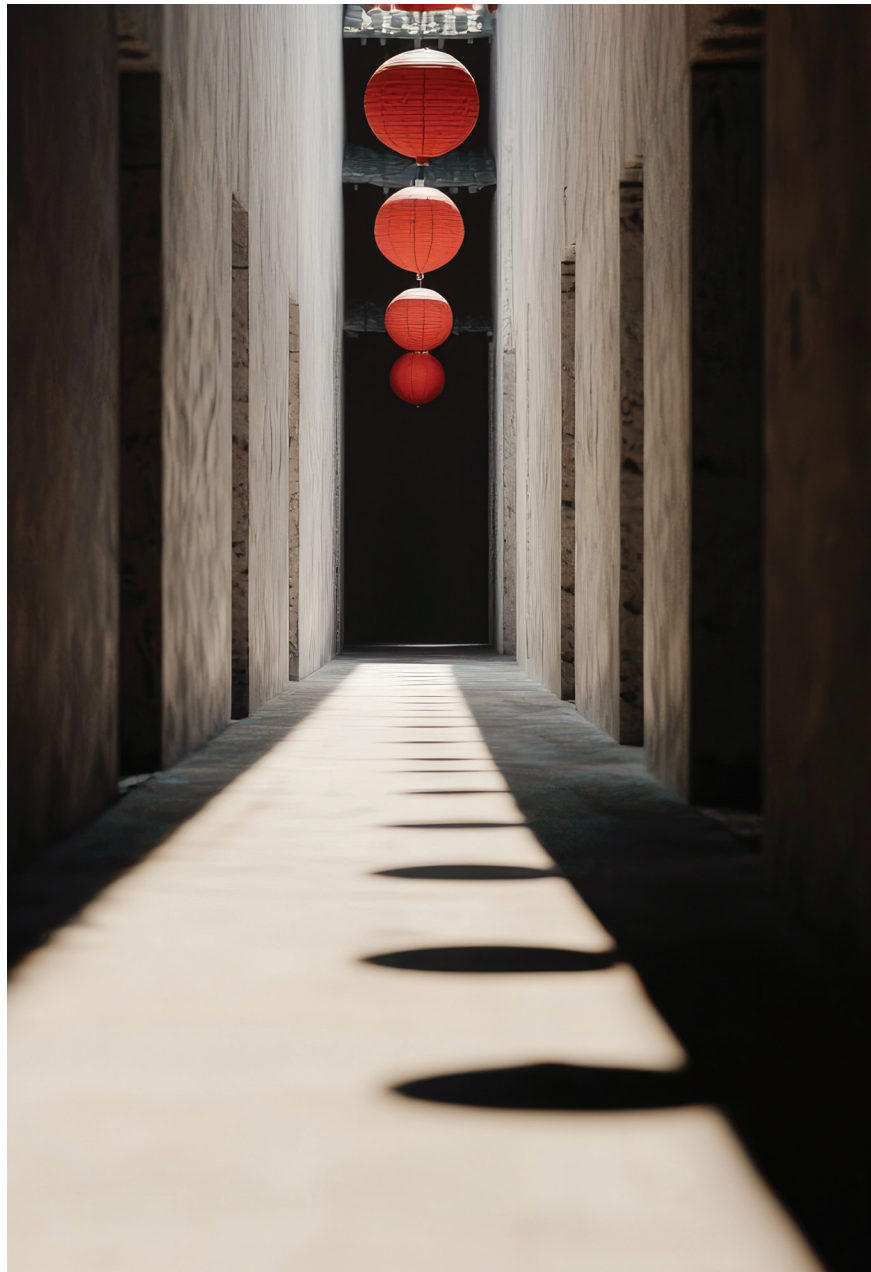
► “China +1”

We expect capacity expansion in electronics, semiconductors, and other high value manufacturing segments as both Chinese and Western companies diversify production into the country.

► Reforms

We look for the continuation of deregulation and the government’s shrinking role in the economy.

We think Vietnam is entering 2026 positioned to accelerate. The nation is benefitting from global supply-chain diversification and the “China+1” narrative, contributing to the government’s target of **10% (!) annual GDP growth in 2026.**¹⁴ Finally, the recent FTSE Russell upgrade from Frontier to Emerging Market status unlocks billions in passive flows, and we believe an MSCI upgrade should follow.



07



CHINA

Assessing the Positives and Negatives

China is a large, complex, and dynamic economy. We unpack our key areas of focus for 2026 and their potential implications on markets:



POSITIVE

Trade

Recent progress on trade negotiations should boost equity market sentiment. However, exports now contribute only ~2% to GDP growth.¹⁵ China has also diversified its demand base. Less than 15% of exports went to the U.S. in 2024, down from 21% in 2002.¹⁶ The real priority for Beijing is easing U.S. tech export controls, not boosting goods trade.

Technology

President Xi's agenda centers on technological self-reliance. R&D spending has surged 251% since 2012, with breakthroughs in robotics, EVs, and green tech.¹⁷ Beijing aims to reduce dependence on Western inputs while leveraging its near-monopoly in rare earth processing as strategic leverage in future negotiations.¹⁸

Rare Earths

"The Middle East has oil. China has rare earths." Deng Xiaoping, 1992. China dominates global refining of critical minerals and produces 92% of global rare earth magnets, which are essential components in many U.S. weapons, among other key goods.¹⁹

Capital Markets

China is showing early signs of pursuing governance reforms and shareholder-friendly initiatives similar to the "value-up" programs seen in Korea and Japan. Regulators are encouraging higher dividend payouts, buybacks, and improved transparency, potentially unlocking value in a deeply discounted equity market trading well below historical averages.

Consumer!

The consumer discretionary sector aligns with Beijing's long-term policy objectives around "common prosperity" and doubling the middle class by 2035. Meanwhile, China's pivot toward value-added technology supports innovation-driven growth. The sector spans tech, internet, autos, travel, hospitality, and education, offering investors diversified exposure to the rising purchasing power and policy-backed transformation of the Chinese economy.



NEGATIVE

Taiwan

Tensions persist, but Beijing's strategic calculus remains pragmatic: it seeks stability ahead of any U.S. policy shifts under Trump, avoiding conflict that could disrupt vital imports like semiconductors, LNG, and iron ore.

Demographics

With a shrinking labor force, China is countering demographic decline through automation and education investment. Over half of global industrial robots are now installed in China, and domestic firms lead production, elevating productivity even as the population ages. China's robot density ranked third globally in 2023, at 470 units per 10,000 manufacturing employees, well ahead of the U.S. (295).²⁰

MONITORING

► Technology

China's focus on self-sufficiency in semiconductors, AI, and green tech will likely intensify in 2026 as it seeks to offset export controls and sustain innovation-led growth.

► Consumption Stimulus

The CCP continues to emphasize growing domestic consumption, but we are yet to see the necessary stimulus or social safety nets to move the needle.

► Geopolitics

Potential reemergence of U.S.–China tensions and supply-chain realignments will keep external risks elevated.

08 GREECE

Greece is Good

MONITORING

► Index Inclusion

Following the announcement from FTSE, we are watching language for potential inclusion of Greece into the MSCI Developed Markets Index.

► M&A

We are monitoring headlines around potential targets in the Greek financial space from Western European peers.

Greek equities have shown remarkable momentum of late, with the MSCI Greece Index (Net) climbing over 70% year to date through October 31, 2025.²¹ Sovereign upgrades to Investment Grade status by all three major rating agencies came from a result of responsible governance, fiscal discipline, and EU backing. Similarly, FTSE has already announced the upgrade of Greece to Developed Market status. MSCI could be next, which would likely provide a catalyst by unlocking passive inflows. Aided by Recovery and Resilience Facility (RRF) fund inflows and tourism, Greek GDP is projected to expand 2.2% in 2026, ahead of Eurozone peers.²² Despite all of these positives and strong fundamentals, the MSCI Greece Index recently traded at a price-to-earnings ratio of 8.7x and a price-to-book ratio of 1.2x, well below the S&P 500 Index.²³ Overall, we believe that Greek equities offer EM-style growth and valuations with DM-level stability, yet they are still under owned and poised for a potential re-rating.

MSCI GREECE INDEX: STILL A LONG WAY BACK TO PRE-FINANCIAL CRISIS LEVELS

MSCI Greece Index Level



Source: Global X ETFs with information derived from: Bloomberg LP. Data from December 31, 1999 to June 30, 2025.

09



EM BONDS

Potential Yield and Diversification Benefits

Emerging Market fixed income enters 2026 on strong footing. Disinflation, resilient growth, and Fed easing support potential flows and performance. In addition to yield and diversification benefits, we also see opportunities for growth as we note improved fiscal discipline in key countries. Overall, we believe EM debt can provide compelling risk-adjusted income as global rates normalize and risk appetite improves.

MONITORING

► Monetary Policy

EM dollar-denominated bonds have historically rallied and outperformed U.S. Investment Grade bonds in the six and twelve-month periods following the final Fed rate cut.

► The USD

Weakness in the U.S. dollar should support EM dollar-denominated bond performance as it lowers external debt burdens and boosts commodity-linked revenues supporting credit conditions.

► Positioning

EM debt is often underrepresented in both global bond indices and institutional portfolios.

10



COMMODITIES

Building Blocks of EM Performance

Commodities and Emerging Markets have long moved in lockstep, not only because EM countries tend to be both the largest producers and consumers of raw materials, but because they are both subject to fluctuations in the U.S. dollar. Looking into the start of 2026, we expect to see improving global GDP growth, especially in more cyclical sectors, to drive more economically sensitive commodities higher while we believe we remain in a structural bull market in precious metals. We also continue to see medium-term supply deficits building in key areas such as copper, lithium, and energy.

MONITORING

► Precious Metals

Gold stands to benefit from a weaker USD and continued central bank buying, while rising gold prices act as a powerful tailwind for EM consumer balance sheets, especially those in India and China. Higher Gold prices should benefit producers, as well. Silver carries similar traits to gold but should prove more economically sensitive to cyclical recoveries.

► Copper

Copper would likely be a key beneficiary of any cyclical recovery, while robust structural demand (electrification, urbanization, and artificial intelligence) and a challenged supply outlook (declining grades, aging mines, and rising jurisdictional risk) should support prices throughout the cycle.

► Energy

Oil prices remain subject to changes in OPEC+ supply quotas in the short-term, while the nuclear power revival and challenged supply support Uranium market fundamentals.

Back to BASICs

In Conclusion

In finding a broad and balanced allocation, we like the idea of balancing value and growth along with economies that benefit from both cyclical and structural trends.

B

BRAZIL

High real rates create an attractive carry trade and margin expansion setup. The next rate-cutting cycle could ignite a broader equity re-rating as politics trend more market-friendly ahead of the 2026 election.

A

ARGENTINA

Reform momentum, credible policy execution, and attractive valuations point to one of EM's most asymmetric opportunities as FX flexibility, FDI inflows, and potential MSCI re-inclusion drive re-engagement.

S

SOUTHEAST ASIA

The region plays a significant role in global supply chain diversification, with rising FDI in semiconductors, energy, and logistics supporting ongoing growth and policy stability.

I

INDIA

A dovish RBI, consumer-focused fiscal policy, and low energy prices support near-term upside, while structural reforms and digital innovation support long-term compounding.

C

CHINA CONSUMER

Post-Trump/Xi talks, trade friction risk eases as Beijing prioritizes tech self-reliance, automation, and governance reforms, laying the groundwork for potential flows to consumer and innovation leaders.

Appendix

10 IN EM: BACK TO BASICS

- 1 Bloomberg LP. Data from January 1, 2001 through December 31, 2010.
- 2 Bloomberg LP. Data as of October 31, 2025.
- 3 Bloomberg LP. Average returns based off five cutting cycles: 1/3/2001 to 12/11/2001; 11/6/2002 to 6/25/2003; 9/18/2007 to 12/16/2008; 8/1/2019 to 10/31/2019; and 3/3/2020 to 3/16/2020.
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