

Emerging Markets Equities: EME Shines in 2025



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Emerging markets (EM) equities rose during the third quarter and outperformed those in developed markets by a wide margin. This marked the third consecutive quarter of EM outperformance, a trend not seen since 2017.¹ (**See Figure 1.**) Key positive themes for the emerging markets include:

- Commodities strength: EM commodity producers continue to benefit from high demand for precious and industrial metals. Gold prices reached a record level earlier this year, amid macroeconomic uncertainty. Meanwhile, supply discipline among copper and aluminum producers has supported a constructive pricing environment.
- A weaker U.S. dollar: The dollar weakened by nearly 10% over the first three quarters of 2025, driving renewed investor interest in EM equities and benefiting EM issuers with outstanding USD-denominated corporate bonds.²
- Financial resilience: We've noted the improving balance sheets and disciplined capital allocation of EM companies. Management teams have remained prudent regarding capital expenditure while simultaneously enhancing shareholder returns through dividends and buybacks.

China was the best-performing large market in the third quarter, buoyed by renewed optimism around U.S.-China trade relations, supportive policy measures and continued AI enthusiasm. China has remained committed to transitioning its economy away from property dependence and toward more sustainable growth drivers such as innovation, consumption, and capital-market reform. This includes a focus on share buybacks, improved dividend policies, and better corporate governance. However, Chinese equities remain discounted, trading at roughly 12.7x forward earnings and 1.7x book value.³ At the end of September, the EM equities index was trading at 1.9x book value and 14.0x consensus forward estimated earnings, both of which are lower than those in the U.S. and all developed market equities.⁴ Fundamental bottom-up selection will remain critical, and they'll likely be volatility along the way, but we believe we're still in the early stages of a long-term emerging markets rally.

Figure 1: Emerging Markets Equities Have Performed Well in 2025



Endnotes

1. JP Morgan.
2. DXY Index.
3. MSCI China Index, as of November 30, 2025.
4. Bloomberg.

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