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SEAL CHARTERED

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Emerging Market Insights

Selective growth in a world of war, technology and capital scarcity

MACRO OUTLOOK • CAPITAL FLOWS • TECHNOLOGY • ENERGY

OPPORTUNITIES, RISKS AND PORTFOLIO IMPLICATIONS

Executive view

Emerging markets still offer superior growth potential, but the 2026 opportunity set is unusually uneven. Country selection, currency resilience and balance-sheet quality matter more than broad regional exposure.

Seal Chartered base case

Our interpretation of current official data is that emerging-market returns will be driven by three divides: technology exporters versus laggards, energy producers versus importers, and reforming balance sheets versus highly indebted borrowers. The result is a market for selective allocation rather than indiscriminate risk-taking.

GROWTH

The IMF projects emerging market and developing economy growth of 3.8% in 2026 and 4.5% in 2027.[1]

TRADE

World trade growth is projected to slow from 5.0% in 2025 to 3.5% in 2026 before recovering in 2027.[1]

CAPITAL FLOWS

Global FDI rose 6% to $1.6tn in 2025, but UNCTAD describes the recovery as fragile and uneven.[4]

LIQUIDITY

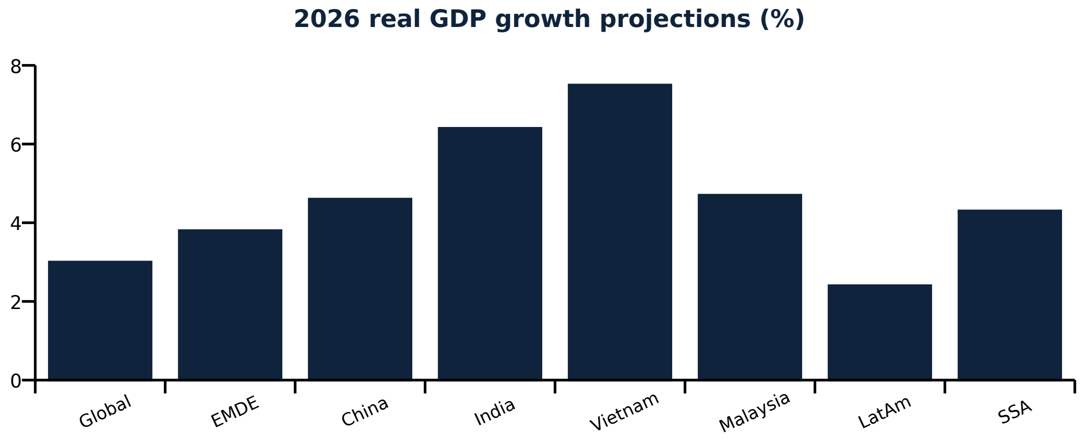
US-dollar foreign-currency debt reached $14.7tn at end-March 2026; about 30% was owed by EMDE borrowers.[3]

What we favour

- Technology-linked Asian supply chains, particularly markets benefiting from semiconductor, data-centre and electronics demand.
- Domestic-demand compounders in economies with credible reforms, improving inflation dynamics and resilient consumption.
- Energy-security and electrification assets, including grids, storage, renewable generation and enabling infrastructure.
- Higher-quality local-currency debt where real yields, reserves and policy credibility provide buffers.

The 2026 growth map

The headline is resilience; the investable reality is dispersion.



Sources: IMF July 2026 WEO Update and IMF July 2026 briefing. Figures are forecasts and may be revised.[1][2]

Asia: technology and domestic demand lead

India is projected to grow 6.4% in 2026, supported by private consumption and services. Vietnam's 7.5% projection and Malaysia's 4.7% projection reflect stronger technology exports, data-centre activity and domestic demand. China is projected at 4.6%, with structural headwinds and higher energy costs tempering activity.[1]

Latin America: stable, but stock selection remains central

Regional growth is projected at 2.4% in 2026 and 2.7% in 2027. Brazil remains comparatively resilient, while Mexico may benefit from less restrictive domestic policy, though trade uncertainty continues to restrain investment.[1]

Sub-Saharan Africa: reform progress meets energy pressure

The IMF projects regional growth of 4.3% in 2026. Oil-importing and non-resource economies face pressure from energy and fertilizer costs, while larger reforming economies retain support from earlier stabilization measures. Africa attracted approximately $70 billion of FDI in 2025, according to UNCTAD.[2][5]

Middle East and Central Asia: exceptional volatility

The IMF projects only 0.7% growth in 2026 followed by 6.5% in 2027, reflecting severe energy-output and transport disruption and an assumed rebound. This is a scenario-sensitive forecast, not a smooth cycle.[1]

Four structural investment themes

The most durable opportunities sit where long-run demand meets an identifiable financing gap.

01 AI supply chains and digital infrastructure

AI investment is creating a differentiated export cycle. Semiconductor, electronics, cloud infrastructure, data centres, power systems and cooling equipment can benefit, but valuations and grid constraints require discipline.

02 Energy security and electrification

The IEA expects global energy investment of $3.4tn in 2026, including $2.2tn in clean energy. Investment outside advanced economies and China is rising more slowly, leaving a persistent infrastructure gap.[6]

03 Financial deepening and digital payments

Growing formalisation, mobile connectivity and underbanked populations support digital payments, identity systems, credit analytics and market infrastructure. Governance, customer acquisition costs and regulation remain critical filters.

04 Supply-chain diversification

Trade rerouting and geopolitical fragmentation are moving production capacity. Beneficiaries may include export platforms with reliable infrastructure, skilled labour, trade access and predictable policy, rather than every low-cost jurisdiction.

Seal Chartered interpretation

The highest-quality emerging-market opportunities are not simply located in the fastest-growing countries. They combine growth with credible institutions, investable market access, reasonable valuation and resilience to currency and funding shocks.

Capital flows, debt and currencies

Funding conditions can overwhelm strong domestic fundamentals. The dollar and sovereign balance sheets therefore remain central to risk selection.

Foreign direct investment: recovery without breadth

UNCTAD reports that global FDI rose 6% to $1.6tn in 2025, ending two years of decline. Developing economies received more than half of global FDI, but the improvement was modest and uneven. The implication is that capital remains available for credible projects, but investors are demanding clearer execution and stronger risk protection.[4]

Dollar sensitivity

BIS data show $14.7tn of US-dollar foreign-currency debt outstanding at end-March 2026, with roughly 30% attributable to EMDE borrowers. That implies approximately $4.4tn of EMDE dollar debt, an inference from the published shares rather than a separately reported BIS total.[3] A stronger dollar can raise servicing costs, pressure currencies and tighten domestic financial conditions.

Sovereign risk

The IMF expects EMDE public debt to rise from 74% of GDP in 2025 to 86% in 2031 under current policies.[8] Aggregate figures conceal large differences, but the direction reinforces the need to distinguish markets with credible fiscal frameworks, deep local investor bases and manageable external refinancing schedules.

A practical resilience checklist

- External financing requirement relative to reserves
- Share of public and corporate debt denominated in foreign currency
- Real interest rates and inflation credibility
- Fiscal interest burden and maturity profile
- Current-account sensitivity to energy and food prices
- Local market depth and policy response capacity

Portfolio implications

A framework for translating macro dispersion into investable decisions.

Technology exporters	Constructive	AI hardware, electronics and data-centre demand support activity; valuation discipline is essential.
Domestic reform stories	Selective positive	Disinflation, policy credibility and improving private investment can widen the opportunity set.
Commodity exporters	Tactical	Terms-of-trade support may be strong, but fiscal discipline and price-cycle exposure vary widely.
Energy importers	Cautious	Higher energy and fertilizer costs can pressure inflation, current accounts and household demand.
Local-currency debt	Selective	Favour credible central banks, adequate real yields, stronger reserves and improving inflation.
Frontier sovereign credit	Defensive	High refinancing needs and limited policy space increase sensitivity to global risk repricing.

Three portfolio rules

- Separate country exposure from currency exposure. A sound company can still deliver weak foreign-currency returns if the macro hedge is wrong.
- Prefer cash-flow visibility over distant narratives. Higher funding costs punish long-duration assumptions and weak balance sheets.
- Use scenario ranges. The IMF and World Bank publish materially different 2026 global growth forecasts, illustrating how conflict assumptions and timing can change the baseline.[1][7]

BOTTOM LINE

Emerging markets are not one trade. The 2026 opportunity is concentrated in resilient domestic demand, technology-linked production, credible policy frameworks and infrastructure with durable financing needs.

Risks, methodology and sources

This publication is dated 2 August 2026. Forecasts and market conditions may change materially after publication.

Principal risks

- Geopolitical escalation: prolonged energy or shipping disruption could deepen the 2026 slowdown.
- Inflation persistence: renewed energy and food inflation could delay rate cuts and weaken consumption.
- Dollar appreciation: foreign-currency borrowers may face higher debt-service and refinancing costs.
- Fiscal stress: higher interest burdens can crowd out public investment and raise sovereign risk premia.
- Technology-cycle reversal: weaker AI-related capital spending would affect exporters and high-valuation assets.
- Trade fragmentation: tariffs, export restrictions and rerouting costs may reduce productivity and investment.

Methodology

Seal Chartered reviewed the latest available publications from the IMF, World Bank, Bank for International Settlements, UN Trade and Development and International Energy Agency. Factual statements are cited to these sources. Portfolio conclusions are Seal Chartered's analytical interpretation and are not official forecasts of the cited institutions.

Primary sources

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Important information