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EM Data Releases and Policy Announcements

18	19	20	21	22
Argentina			Industrial Production (Y/Y) Jan 10.3% **Mar (f) 10.0%** Feb 9.0% **Mar (c) 9.4%**	
Brazil		Central Bank Meeting & Rate Decision **(+50 bps)**		
Hong Kong			Consumer Prices (Y/Y) Jan 3.6% **Mar (f) 4.1%** Feb 3.7% **Mar (c) 4.2%**	
Malaysia		Consumer Prices (Y/Y) Jan 2.4% **Mar (f) 3.2%** Feb 2.9% **Mar (c) 3.0%**		
Thailand		Central Bank Meeting & Rate Decision **(+25 bps)**		
Russia	Unemployment Rate Jan 7.8% **Mar (f) 7.3%** Feb 7.6% **Mar (c) 7.4%**			
Turkey			Central Bank Meeting & Rate Decision **(unch)**	
Poland	Industrial Production (Y/Y) Jan 10.3% **Mar (f) 7.7%** Feb 10.7% **Mar (c) 9.6%**			
Hungary Central Bank Meeting & Rate Decision **(unch)**				

Emerging Markets Data, Policy and Market Outlook

Growth is still proceeding at a strong pace across EMs, and the balance of risk has shifted quite clearly in the direction of inflation. The recovery has been nearly total for a majority of economies in the emerging world, and in a number of instances, such as Brazil, activity has pushed resource utilization to very high historical levels. EM inflation rates are, generally speaking but with some notable exceptions (such as China and India) not yet high relative to history and to the central banks' targets. Nonetheless, prices are clearly moving up, in a process not only driven by domestic demand forces but by commodity markets and monetary policy in the US and Europe.

Indeed, the unfolding of quantitative easing policies in the US pushes additional flows of funds into a global financial system in which financial return differentials favor emerging markets. As a result, the risk is not just one of overheating, as borrowing costs remain low/fall for economies approaching/at full employment, but of potential asset price bubbles, given that many of the economies receiving the additional funds have an insufficient ability to absorb those into productive uses.

To complicate matters, emerging market central banks face difficult dilemmas that limit their policy options to deal with inflation pressures and bubble risks. The reason: emerging markets are trapped between the US Fed's easing policies and China's refusal to let the renminbi appreciate and/or adjust through higher domestic prices. The practical implication: emerging market central banks—especially in Asia—have only limited room to let their own currencies gain versus the dollar *without endangering export competitiveness*, and thus their ability to raise interest rates is constrained as well. The bottom line: from a near-term (6-12 month perspective) a combination of strong growth and continuing inflationary pressures is likely across EMs.