



The AI trade passes its first test | East Capital Q3 2026

Following a strong first half, both emerging and frontier markets were broadly flat in the third quarter of 2026. Despite turbulence around AI investments and rising US Treasury yields, markets showed resilience. Meanwhile, investor interest in frontier markets increased as clients looked to balance their AI exposure, given the growing concentration of this theme in emerging and developed markets.

Q3 2026 Highlights:

- Emerging markets declined by 0.4% and frontier markets by 0.3% during the quarter (in USD).
- A rapid unwinding of leveraged AI-related positions triggered sharp market movements in July, particularly among Asian technology stocks. Markets, nevertheless, held up relatively well.
- Frontier markets were largely unaffected by the AI-driven volatility and offer a differentiated source of growth and diversification. Africa was the strongest contributor to our frontier markets fund's performance, led by Kenya and Nigeria.
- In our Eastern European strategies, Greek banks were among the main positive contributors to performance. We also increased exposure to regional refiners.
- We continue to see attractive opportunities across emerging and frontier markets while maintaining a relatively defensive positioning and carefully managing our exposures, including AI infrastructure investments.

[Read East Capital's Q3 2026 Market Commentary for an in-depth analysis of AI investments, developments across emerging and frontier markets and our outlook.](#)

Watch the latest episode of **Meet East Capital**, where Portfolio Manager David Nicholls discusses the significant market movements during the quarter. He covers AI investments, rising US Treasury yields and how frontier markets can help diversify portfolios. [Watch the episode on YouTube »](#)



About East Capital

East Capital is part of East Capital Group, a global asset manager based in Sweden since 1997. We offer a range of investment solutions within equities, fixed income securities, real estate and alternatives. The essence of our business is not only to find attractive investment opportunities, but also to work to drive positive change, influencing industries around the world to become more sustainable. We have a broad range of international investors including leading institutions, companies and private individuals.

Within East Capital Group you will find East Capital - specialising in emerging and frontier market strategies, East Capital Real Estate - managing commercial real estate investments in Central and Eastern Europe, Espiria - offering bespoke global and Nordic equities and fixed income strategies, and Adrigo - a Nordic long/short fund strategy targeting absolute returns. East Capital Group owns 49% of Cicero Fonder and 51% of Hjerta AB.

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