



- Euro area sovereign yield ease on reports that 50 bp Dec ECB hike is favored ([link](#))
- Pound depreciates following Autumn Budget Statement ([link](#))
- LME enhances monitoring of nickel trading amid increased volatility ([link](#))
- Japanese trade deficit continues to widen ([link](#))
- Bangko Sentral ng Pilipinas hikes rates in lockstep with the Fed as expected ([link](#))
- Bank Indonesia hikes rates 50 bp as expected ([link](#))

[Mature Markets](#)



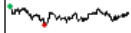



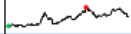


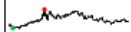

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Markets set for another down day

Global equity markets are mostly in the red this morning as a gloomy economic outlook continues to weigh on sentiment. European equities are down about 0.5% while US equity futures are pointing to a loss of nearly 1%. US data and comments from Fed speakers have kept expectations that the Fed is not likely to pause in the near future, with the implied terminal rate remaining near 5%. Inversion in US yields has also continued to increase, with the 2-yr treasury yield reaching 68 bps higher than that of the 10-yr, the largest gap since 1982. Markets are keenly watching the UK's Autumn fiscal statement. The pound is about 1% lower versus the dollar on the day, and 0.3% lower versus the euro. Emerging market currencies are lower, driven by the negative global sentiment, with the Hungarian forint (-2%) the main underperformer.

Key Global Financial Indicators

Last updated: 11/17/22 8:12 AM	Level		Change from Market Close				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
Equities			%				%	
S&P 500		3959	-0.8	6	8	-16	-17	-6
Eurostoxx 50		3856	-0.7	0	12	-12	-10	-3
Nikkei 225		27931	-0.3	2	3	-6	-3	6
MSCI EM		38	-1.6	6	9	-26	-22	-20
Yields and Spreads			bps					
US 10y Yield		3.76	7.0	-5	-25	217	225	177
Germany 10y Yield		2.03	3.1	2	-24	227	220	180
EMBIG Sovereign Spread		484	2	-31	-85	134	118	72
FX / Commodities / Volatility			%					
EM FX vs. USD, (+) = appreciation		49.4	-0.7	0	2	-8	-6	-7
Dollar index, (+) = \$ appreciation		107.1	0.7	-1	-4	12	12	11
Brent Crude Oil (\$/barrel)		91.4	-1.6	-2	0	14	17	-6
VIX Index (% change in pp)		24.7	0.6	1	-7	8	8	-6

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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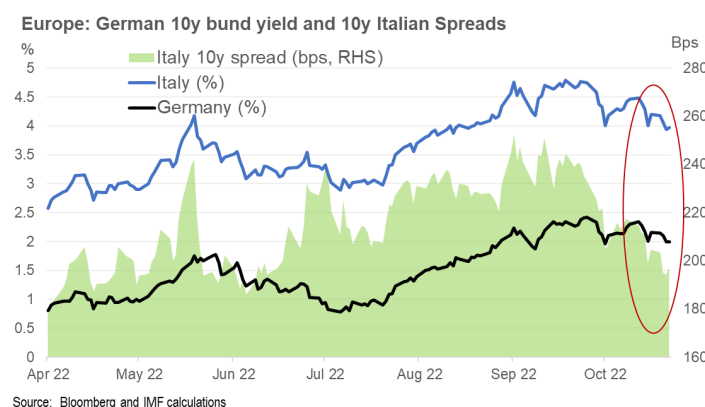
United States

Markets had a fairly quiet day Wednesday after a week of turbulence. US stocks were moderately lower after a stronger than expected retail sales number raised fears that a stronger economy might induce the Fed to keep going beyond what the market currently expects. The benchmark 10-year yield fell below 3.70% for the first time in six weeks, while the 10yr/2yr Treasury yield spread fell to -68 bps, the largest inversion since 1982. Some view these Treasury moves as a sign that the market thinks Fed rate hikes will cause a recession. Hawkish comments from a number of Fed officials also weighed on sentiment.

Euro Area

European equities were mostly in the red with the Stoxx 600 index 0.5% lower while the euro weakened (-0.6%) with focus on the UK fiscal budget announcement. Analysts argue that EUR/USD would be impacted by GBP/USD movements today, similar to what was observed at the end of September. On the data front, this morning the final euro area October CPI print (+10.6%/y) was marginally lower than earlier estimates (+10.7%/y).

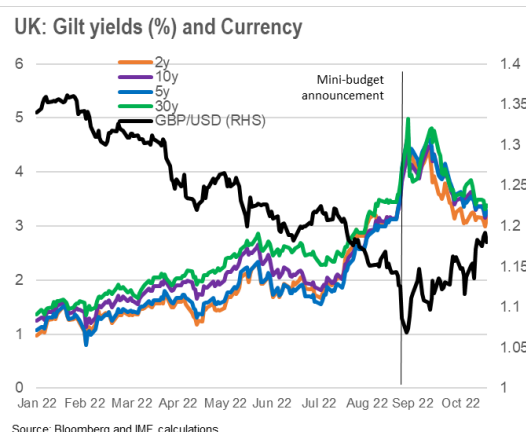
European sovereign yields trend lower following reports that the ECB is favouring a 50 bps hike in December. According to a Bloomberg report citing sources with knowledge of the matter, initial Governing Council (GC) member discussions hinted that scales have been tipped in favor of a 50 bps hike, instead of 75 bps. Sources pointed to recession risks; the possibility of easing inflationary pressures; predictions that a 50 bps hike would take the deposit rate close to the neutral level; as well as a possible start to balance sheet reduction. This follows on recent ECB GC member commentary hinting that further tightening should be prudent. ECB Vice President de Guindos yesterday noted the importance of the next inflation report, due on November 30, for the ECB's December decision, and ECB General Council member de Cos emphasized that QT should be 'very gradual and predictable'. Markets are now pricing in roughly 57 bps of ECB tightening in December, compared to 61 bps at the start of the week, with 10y Italian yields now trading below 4% (22 bps lower than at the start of the week) while 10y bund yields are below 2% (16 bps lower than at the start of the week).



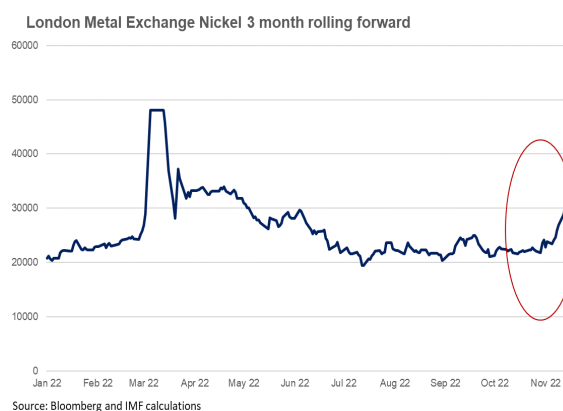
United Kingdom

The British pound depreciated while gilt yields increased after the Autumn budget statement and borrowing plans were announced, with the UK seen to have entered a recession in Q3. Chancellor Hunt said his focus would be on stability, growth and public services and announced a £55 bn of fiscal consolidation comprising spending cuts and tax increases. It includes a lowering of the top-tier tax threshold, and an expansion of the windfall tax on energy firms to help finance an extension of the household energy bill freeze. Plans to improve energy efficiency were also discussed. The OBR forecast that the UK's economy entered a recession in Q3 that would last just over a year. GDP is forecast to contract

by 1.4% in 2023. The UK debt management office also announced borrowing plans, and is set to issue roughly £170 bn bonds in the current fiscal year, a smaller amount than anticipated by markets. Gilt yields were higher across the curve with the largest moves seen in 2y gilt yields (+12 bps), while the pound was trading weaker against the dollar (-1%) and euro (-0.3%).

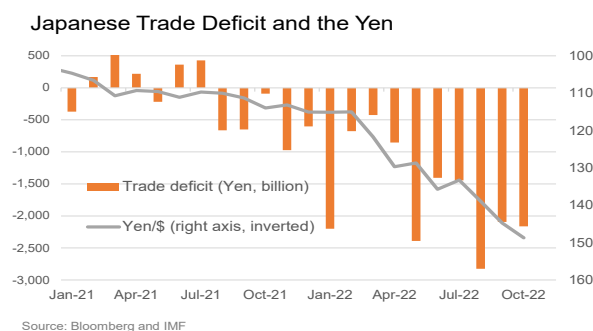


The London Metal Exchange (LME) enhanced monitoring of nickel trading following large price swings. LME nickel prices fell as much as 12% yesterday with traders pointing to volatile and illiquid conditions. This is after nickel prices gained roughly 40% in the first two weeks of November, with prices boosted by optimism over China's reopening and also reportedly seeing support after news that nickel producer Prony Resources would reduce output after a leak from its tailings dam. According to media reports the benchmark nickel contract for delivery in three months briefly hit the LME's 15% daily trading limit earlier this week.



Japan

Japanese markets were fairly muted. The Nikkei was down 0.35%, the Japanese yen was gaining 0.3% (to 139.8/\$) and 10y yields were little changed. The Japanese trade deficit widened for the fifteenth consecutive month to ¥2.16trn (\$15.5bn), the longest streak since 2015. While exports gained 25.3% y/y, largely driven by cars and semi-conductor parts, imports rose 53.5% mostly due to energy and the impact of the weaker yen.



Emerging Markets

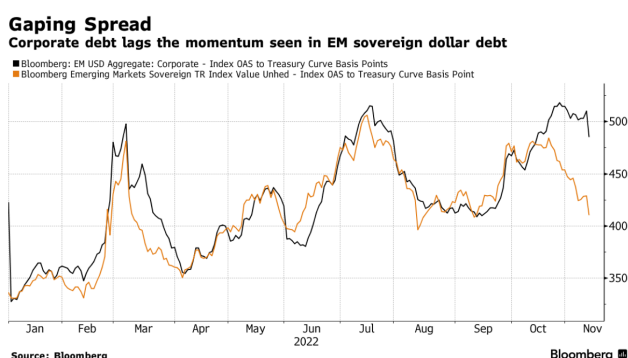
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Asian equities mostly fell, with South Korean stocks losing the most (-1.6%). Equity markets in Singapore (+0.6%), Indonesia (+0.4%) and Vietnam (+2.8%) were the exception. Asian currencies mostly weakened. The South Korean won depreciated -1% (to 1339/\$) and the Thai Baht lost 0.5% (to 35.9/\$), while the Filipino peso was broadly stable after the central bank hiked rates 75 bp as anticipated. In contrast, despite a hike and a fairly hawkish statement, the Indonesian rupiah lost 0.4%. 10-year yields were broadly

unchanged. **EMEA equities were mixed** with equities in Turkey (-2%) underperforming after recent strong gains. Equities in Poland (-1.2%) continued to decline while Romania (+0.7%) outperformed. CEE currencies weakened against the euro with the largest moves seen in Hungary (-2%). Ukraine said the Black Sea grain export deal will be extended for 120 days. **In LatAm, the Mexican peso outperformed yesterday** (+0.3%) as the Brazilian real, Colombian peso and the Chilean peso weakened against the US Dollar (-1.2%, -1.9%, -2.6% respectively). Equity markets were red across the region for the day.

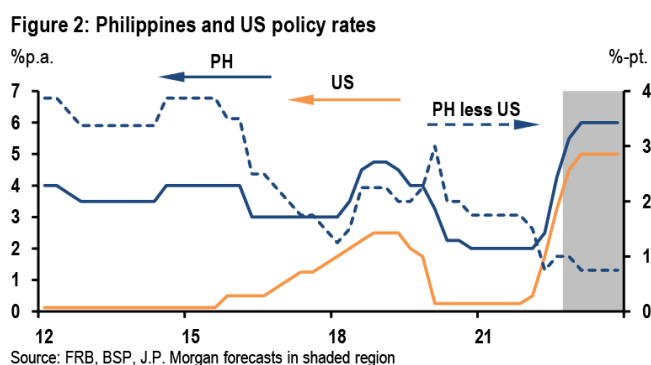
EM Corporates

The spread between corporate borrowers in emerging markets and their sovereign peers has increased to 75 bps, according to Bloomberg indices. Spreads have increased since late October, as EM sovereign debt rallied while fears intensified over the ability of companies to refinance at higher rates. Analysts note that higher funding costs are effectively still prohibiting corporates from raising funding, and that corporates would only consider raising funding in international capital markets at such high rates as a last resort.



Philippines

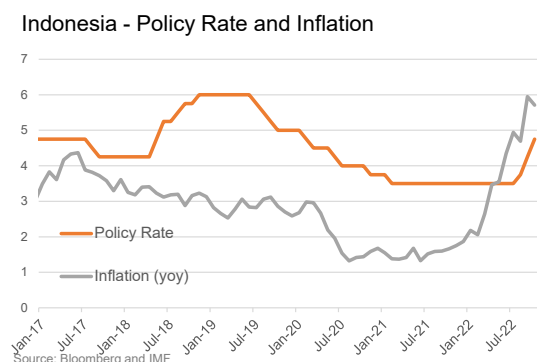
The Philippine peso was broadly unchanged as Bangko Sentral ng Pilipinas (BSP) followed through with its previously announced rate hike decision. BSP Governor Medalla had pre-announced his intention to hike the policy rate by 75 bps two weeks ago (to 5%) to match the Fed's move. The central bank revised its inflation expectations forecasts for 2022 and 2023 up to 5.8% y/y and 5.6% y/y from 4.3% and 4.1% respectively, reiterating that risks are skewed strongly to the upside. Goldman Sachs and ING analysts expect BSP to continue to hike rates in lockstep with the Fed.



Indonesia

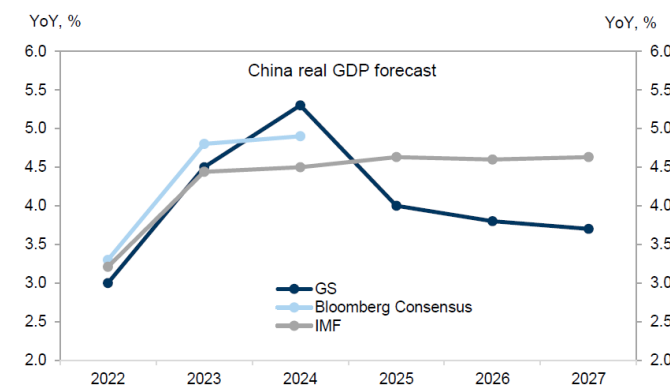
The Indonesian rupiah weakened 0.4% even though Bank Indonesia hiked the policy rate by 50 bps, to 5.25%, as expected. The statement reiterated that the move was front-loaded, forward-looking and preemptive, to guard medium-term price stability, lower inflation expectations and maintain IDR stability.

BI expects growth to remain robust, retaining its 4.5–5.3% year-on-year growth forecast for the year. BI also noted that headline inflation is likely to be lower than previously forecasted, although still above its inflation target range of 2–4%. It now expects core inflation to return to BI's target range in the first half of 2023 (vs. Q3 2023 previously). Analysts at JP Morgan expect BI to continue to hike rates to 5.25% by Q1 2023, whereas Goldman Sachs analysts expect 6.25% by that time.



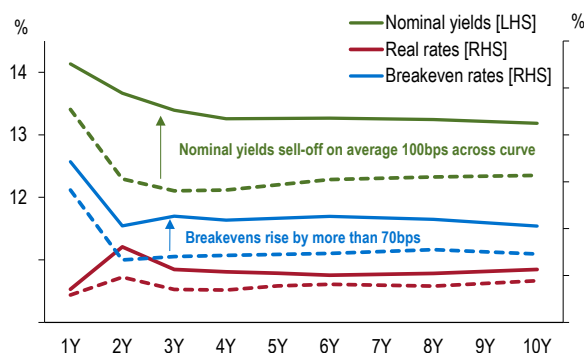
China

Equities declined (CSI 300: -0.4%). Bloomberg reports that Chinese regulators asked banks to report on their ability to meet short-term obligations in an unscheduled query after a rapid selloff in bonds triggered large withdrawals from fixed-income products. Analysts are marking up growth forecasts after China's announcement on Covid restrictions last week and support to the property sector. Goldman Sachs analysts now see GDP growth picking up in the second half of 2023 to 4.5% and into 2024 (to 5.3%) assuming that China starts to reopen in April and after the economy weathers the initial negative impact of exiting its Covid Zero strategy.



Brazil

The sell-off in Brazil's yield curve has been driven by an increase in breakevens. Brazil's yield curve continued to rise yesterday. Yields rose the most near the front-end of the curve, at the 2 and 3-year tenors (+50 bps). The broad sell-off in Brazilian assets started on November 10 amid concerns about President-elect Lula's spending plans for when he takes office. Since then, Brazilian yields have been trading 100 bps higher than they were on November 9 close (dashed yield curve). The move across the curve seems to have been driven primarily by an increase in implied inflation and is responsible for roughly 70% of the increase in nominal yields. The increase in market's implied inflation stands in juxtaposition with Brazil's tight monetary policy stance and having one of the highest real rates across Emerging Markets.

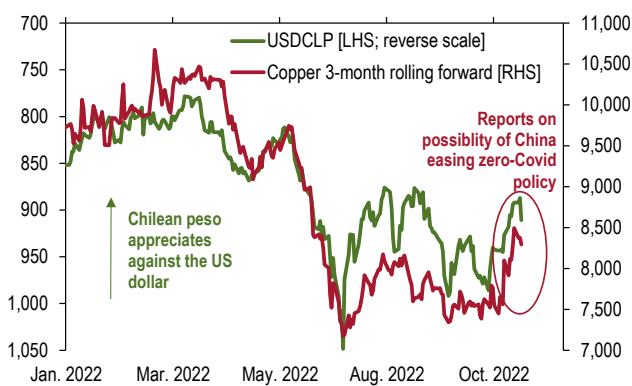


Note: Dashed lines are Nov. 9 close. Solid lines are Nov. 16 close.

Source: Bloomberg, IMF Staff Calculations.

Chile

The Chilean peso's underperformance yesterday was likely fueled by a drop in copper prices. The currency was the worst performer across emerging markets (-2.6%). The depreciation is likely to have been driven by two main factors. First, it was a global risk-off day for markets, as equities and bond yields fell across most major markets. Second, copper prices closed the day lower. While copper has been one of the commodities to rally the most from the news on China's possibility of easing its zero-Covid policy, it closed the day 1.4% lower.




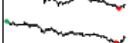

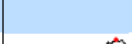
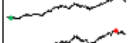
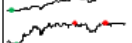

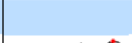
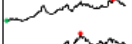
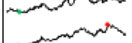

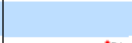
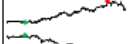


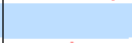

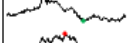
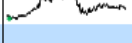

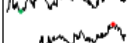
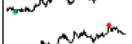
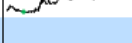





Source: Bloomberg, IMF Staff Calculations

This monitor is prepared under the guidance of Charles Cohen (Acting Division Chief), Nassira Abbas (Deputy Division Chief), and Antonio Garcia-Pascual (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Senior Economist-London Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Tom Piontek (Senior Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Mustafa Oguz Caylan, Yingyuan Chen (Financial Sector Expert), Deepali Gautam (Research Officer), Frank Hespeler (Senior Financial Sector Expert), Shoko Ikarashi (Externally Financed Appointee), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Johannes S Kramer (New York Representative), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Aurelie Martin (Senior Economist-London Representative), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Silvia Ramirez (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), Ying Xu (Economist), Dmitry Yakovlev (Senior Research Officer), and Akihiko Yokoyama (Senior Financial Sector Expert). Javier Chang (Senior Administrative Assistant) Olga Lefebvre (Staff Assistant), and Srujana Sammeta (Staff Assistant) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

11/17/22 8:12 AM	Level		Change				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
Equities			%				%	%
United States		3944	-0.8	0	7	-16	-17	-7
Europe		3856	-0.7	0	12	-12	-10	-3
Japan		27931	-0.3	2	3	-6	-3	6
China		3819	-0.4	4	-1	-21	-23	-17
Asia Ex Japan		64	-1.7	9	10	-27	-22	-19
Emerging Markets		38	-1.6	6	9	-26	-22	-20
Interest Rates			basis points					
US 10y Yield		3.76	7.0	-5	-25	217	225	177
Germany 10y Yield		2.03	3.1	2	-24	227	220	180
Japan 10y Yield		0.25	-0.2	-1	-1	17	18	5
UK 10y Yield		3.24	8.7	-6	-74	227	227	176
Credit Spreads			basis points					
US Investment Grade		167	-1.5	-7	-26	59	55	24
US High Yield		477	-3.7	-16	-37	137	139	70
Europe IG		100	4.3	1	-26	51	53	29
Europe HY		496	19.4	10	-108	247	255	145
Exchange Rates			%					
USD/Majors		107.06	0.7	-1	-4	12	12	11
EUR/USD		1.03	-0.7	1	5	-9	-9	-9
USD/JPY		140.4	0.7	0	-6	23	22	22
EM/USD		49.4	-0.7	0	2	-8	-6	-7
Commodities			%					
Brent Crude Oil (\$/barrel)		91	-1.6	-2	1	25	25	6
Industrials Metals (index)		158	-2.7	1	10	-2	-8	-16
Agriculture (index)		67	-1.5	-1	-1	9	10	-5
Implied Volatility			%					
VIX Index (% change in pp)		24.7	0.6	1.2	-6.7	7.6	7.5	-6.3
US 10y Swaption Volatility		130.1	-4.0	13.3	-25.1	46.2	51.1	35.8
Global FX Volatility		11.5	0.0	0.1	-1.0	4.0	4.1	4.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)					
Greece		227	1.1	-17	-40	79	75	-13
Italy		198	4.1	-1	-41	76	63	27
Portugal		95	-1.2	1	-12	32	31	3
Spain		102	0.5	1	-14	29	28	-1

Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations.

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 11/17/2022 8:14 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)				YTD	Since 23-Feb-22	Level		Change (in basis points)				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M			Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
	vs. USD		(+) = EM appreciation						% p.a.							
China		7.16	-0.9	0.4	1	-11	-11	-12		3.1	-6.1	20	26	5	22	21
Indonesia		15663	-0.4	0.2	-1	-9	-9	-8		7.0	0.9	-29	-41	101	66	54
India		82	-0.4	0.2	1	-9	-9	-9		7.4	-6.1	-26	-25	87.1	105	
Philippines		57	0.0	1.4	3	-12	-11	-11		6.1	0.0	0	31	143	165	115
Thailand		36	-0.6	0.6	6	-9	-8	-10		2.7	1.0	-29	-51	83	86	48
Malaysia		4.55	-0.2	3.2	4	-8	-8	-8		4.3	-2.1	-20	-18	71	69	62
Argentina		163	-0.2	-1.5	-6	-38	-37	-34		94.7	-83.1	-170	811	4437	4416	4676
Brazil		5.48	-1.6	-1.8	-4	1	2	-9		13.3	22.4	25	155	157	261	177
Chile		920	-1.0	-2.8	6	-10	-7	-14		5.6	19.5	4	-75	12	19	-31
Colombia		5002	-1.2	-4.0	-5	-22	-19	-22		10.1	0.0	-32	-119	342	366	219
Mexico		19.44	-0.5	-0.6	3	6	6	4		8.7	0.5	-5	-67	117	113	81
Peru		3.8	-0.2	1.9	4	4	4	-3		7.9	-1.0	37	#####	209	203	194
Uruguay		40	0.1	0.9	4	11	12	7		11.1	0.0	-3	-58	254	239	297
Hungary		403	-2.2	-2.6	4	-20	-19	-21		8.9	20.0	-25	-175	491	439	409
Poland		4.57	-1.1	0.5	7	-10	-12	-11		6.4	30.0	-3	-89	336	284	247
Romania		4.8	-0.8	0.1	5	-8	-9	-8		8.0	4.3	-74	-100	324	321	288
Russia		60.5	0.4	0.4	3	20	24	35		11.2	0.0	50	304	243	247	6
South Africa		17.5	-1.5	-1.0	3	-12	-9	-14		9.2	8.0	4	-22	170	179	163
Turkey		18.62	0.0	-0.7	0	-43	-29	-26		11.8	-5.0	-58	-128	-803	-1248	-1058
US (DXY, 5y UST)		107	0.8	-1.0	-4	12	12	11		3.92	7.1	-2	-31	269	266	202

	Equity Markets								Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)				Since		Level		Change (in basis points)			YTD	Since	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD		23-Feb-22	Last 12m	Latest	7 Days	30 Days			12 M
								basis points								
China		3819	-0.4	4	-1	-21	-23	-17		212	-4	9	14	9	4	
Indonesia		7045	0.4	1	3	6	7	2		183	-9	-27	20	18	-2	
India		61751	-0.4	2	5	4	6	8		150	-37	-51	14	18	-4	
Philippines		6404	0.2	4	4	-12	-10	-13		134	-22	-37	32	33	-3	
Thailand		1615	-0.3	0	2	-2	-3	-5		0	0	0	0	0	0	
Malaysia		1449	0.1	0	3	-5	-8	-9		102	-20	-18	-9	-15	-31	
Argentina		154109	-0.7	8	11	76	85	69		2359	-190	-490	664	679	622	
Brazil		110243	-2.6	-3	-3	7	5	-2		288	-6	-24	-27	-23	-43	
Chile		5261	-0.2	-1	3	23	22	20		154	-10	-45	26	14	-20	
Colombia		1279	-0.5	2	9	-4	-9	-15		398	-44	-90	95	50	6	
Mexico		51545	-0.2	2	12	1	-3	0		382	-22	-74	51	50	12	
Peru		22140	-0.7	2	10	10	5	-5		181	-10	-57	32	31	-9	
Hungary		43883	-0.9	2	10	-15	-13	-8		233	-25	-81	124	109	80	
Poland		54658	-1.7	3	16	-24	-21	-13		56	-24	8	7	24	40	
Romania		11777	1.1	3	9	-8	-10	-11		284	-36	-96	105	91	52	
Russia		2213	-0.7	0	10	-47	-42	-28		3411	-577	938	3228	3234	2897	
South Africa		72291	-0.4	2	9	2	-2	-4		371	-29	-131	27	16	-18	
Turkey		4555	-2.4	2	18	167	145	126		499	-9	-119	24	-79	-64	
Ukraine		519	0.0	0	0	-1	-1	0		3641	-606	-514	3071	2882	2168	
EM total		38	-1.7	6	9	-26	-22	-20		404	-29	-74	33	18	-54	

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

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