



- US jobs report shows signs of weakness although headline number beats forecasts ([link](#))
- China loosens restrictions on property market for the first time since 2015 ([link](#))
- ECB minutes indicate dovish bias ([link](#))
- Financial conditions ease in US ([link](#))
- Favorable debt repayment schedule keeps US corporate spreads tight ([link](#))

[Mature Markets](#)

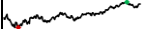

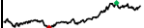








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Markets trade sideways ahead of US jobs data

US equity index futures were higher in early morning trading, while European stocks also posted modest gains. Government bond yields in advanced economies were lower across the board ahead of the all-important US jobs report. The main question facing markets is how the Federal Reserve will react to the latest run of economic data. Markets could probably live with another 25 bps hike in 2023, but beyond that the outlook is murkier. Today, sentiment was boosted by the news that China introduced measures to support its real estate market, as well as by ECB minutes that hinted at a more dovish bias than recent rhetoric had indicated. The dollar held steady against most major currencies. Meanwhile, energy stocks were up as oil prices made their largest weekly gain since April. In contrast, European automobile stocks lost ground after UBS downgraded its expectations for Volkswagen and Renault due to strong competition from automakers in China.

Key Global Financial Indicators

Last updated: 9/1/23 8:14 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4508	-0.2	3	-2	14	17
Eurostoxx 50		4305	0.2	2	-2	25	13
Nikkei 225		32711	0.3	3	2	18	25
MSCI EM		39	-1.2	1	-5	0	3
Yields and Spreads			bps				
US 10y Yield		4.09	-2.1	-15	6	83	21
Germany 10y Yield		2.47	0.8	-9	-8	91	-10
EMBIG Sovereign Spread		421	4	6	24	-80	-31
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		48.0	0.0	-1	-1	-4	-4
Dollar index, (+) = \$ appreciation		103.6	0.0	0	1	-6	0
Brent Crude Oil (\$/barrel)		87.9	1.2	4	3	-5	2
VIX Index (% change in pp)		13.5	-0.1	-2	0	-12	-8

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

The latest US jobs report showed some signs of weakness as the unemployment rate rose from 3.5% to 3.8% and average hourly earnings came in slightly lower than expected. However, the headline payrolls number came in ahead of forecasts. US Treasuries rallied on the news and the dollar was weaker.

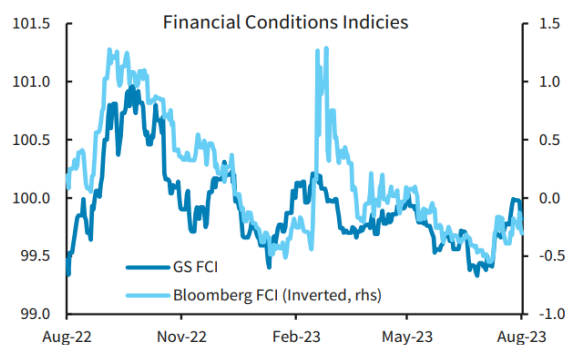
Key US Inflation Data 8.30 am

Source: Bloomberg

Indicator	Consensus Forecast	Actual Data Print
Change in Non-Farm Payrolls	170K	187K
Unemployment Rate	3.5%	3.8%
Average Hourly Earnings	0.3% month-on-month	0.2%
Average Hourly Earnings	4.3% year-on-year	4.3%

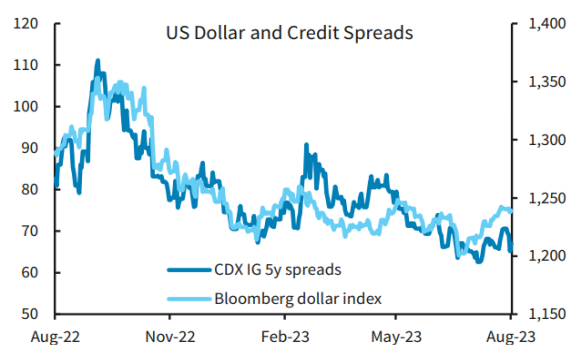
US financial conditions have eased notably, especially compared to last year. This has occurred despite the recent spike in Treasury yields, when the benchmark 10-year Treasury yield hit 4.34% on August 21, the highest level since 2007. Strong equity prices, a weaker dollar and tight credit spreads have kept financial conditions relatively easy, and the recent dip in Treasury yields from the peak has further eased conditions. US term premia have also fallen. Contacts report that investors are growing more comfortable with the higher level of interest rates in the US compared to earlier in the year, because they are upgrading their estimates of US economic growth. The “soft landing” narrative is giving way to talk of “no landing,” with the US economy now expected by some to avoid a recession altogether and continuing its growth. However, economists continue to forecast a recession within the next 12 months, with the consensus assigning a 60% probability of a recession over the coming year.

FIGURE 7. Financial conditions are much easier than where they were late last year...



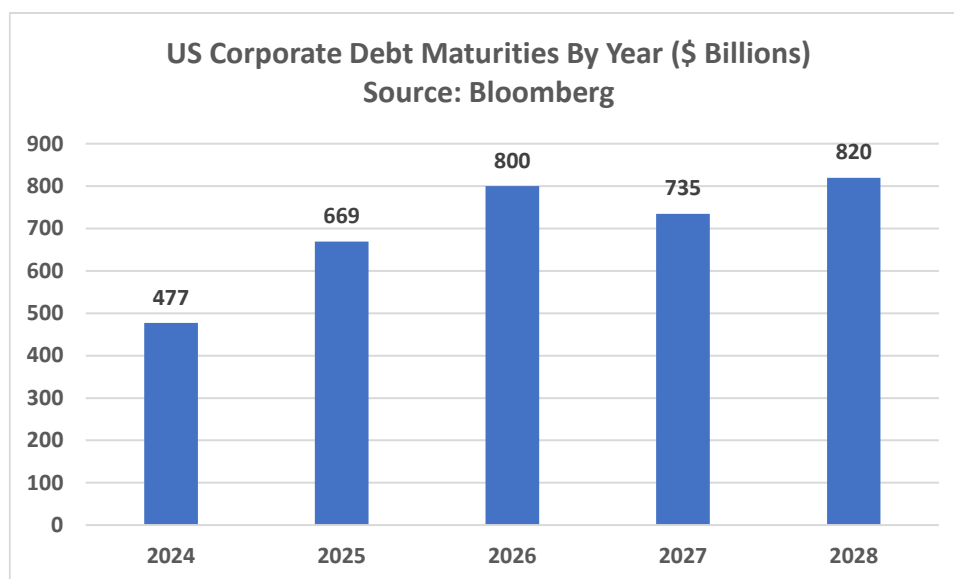
Source: Bloomberg, Barclays Research

FIGURE 8. ...thanks to higher equity prices, tighter spreads and a weaker USD



Source: Bloomberg, Barclays Research

US corporations face a favorable debt maturity schedule, with 2024 and 2025 having relatively fewer debt repayments. In previous years, corporate treasurers locked in cheap funding costs and extended the maturities of their borrowings and companies are now benefiting from this foresight as interest rates rise. Although new debt will have to be financed at substantially higher costs than before, the hope is that interest rates will come down to more favorable levels in 2025 or 2026. With high debt coverage ratios and strong balance sheets, investment grade (IG) corporations are expected to ride out any potential recession without too much difficulty. As a result, US IG spreads remained very tight despite the recent selloff in the equity market and rise in Treasury yields.



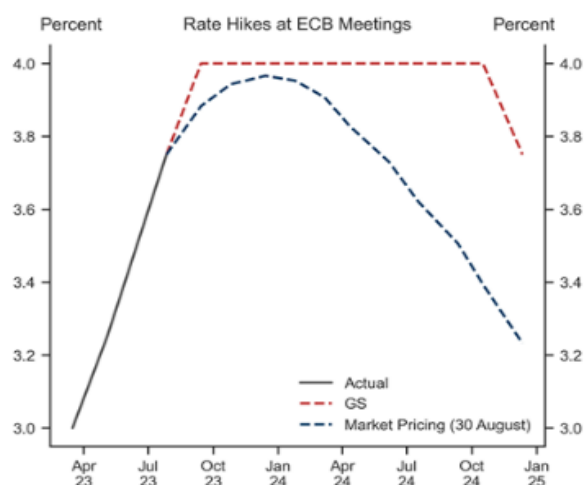
Euro Area

European equities were mostly edging higher (Stoxx 600 Europe index +0.3%) ahead of the US jobs report, with the energy sector (+2.2%) outperforming. Sovereign yields were also slightly higher (10-year bund +2bps to 2.48%). On the data front final August manufacturing PMI numbers for the eurozone were marginally lower than previous estimates (43.5 versus 43.7).

The ECB's July meeting minutes were seen to show a dovish tilt consistent with the narrative that the ECB is approaching a potential pause in, or even the end of, the tightening cycle. Analysts highlight that the minutes revealed a detailed discussion about weakening activity, even though some ECB officials still saw two-sided risks to the outlook. Moreover, contacts highlight that ECB Governing Council members emphasized the lack of material upside inflation surprises since the June projections. This came after comments from the ECB's Schnabel yesterday which were also seen as more balanced than her recent commentary.

Analysts still see the ECB's September decision as a close call. Some analysts highlight that the more dovish tone of the July meeting together with dovish comments from ECB's Schnabel and the latest inflation data release reinforces views for a pause. However, other analysts still see a 25bps hike as more likely. Goldman Sachs, for example, argues that sticky inflation and risk management considerations would see the ECB hike by 25bps to 4% at the September meeting, and then keep rates on hold, with the first rate cut expected in 2024Q4. Markets have scaled back ECB hiking expectations this week, with roughly 5bps of tightening priced in for the September meeting (from 10bps at the start of the week) and roughly 14bps of tightening priced in by the end of the year (from 19 bps at the start of the week).

Exhibit 8: Patience at the Peak



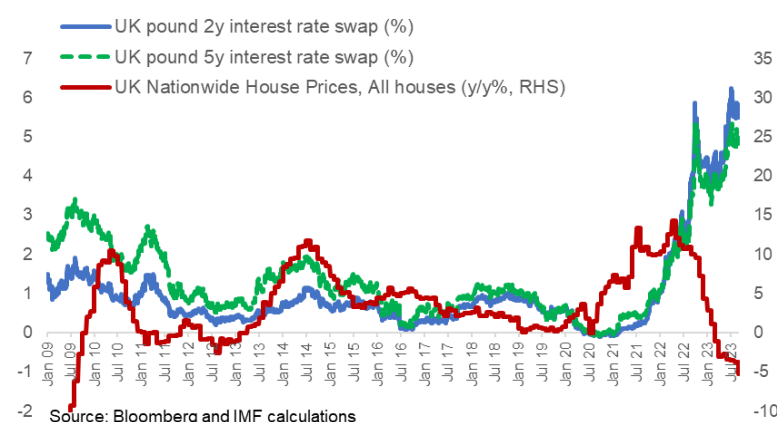
Source: Goldman Sachs Global Investment Research, Haver Analytics

United Kingdom

Gilt yields eased yesterday as markets trimmed expectations for BoE tightening after comments from BoE's Chief economist Huw Pill were seen to be in favor of keeping rates unchanged at the upcoming BoE meeting in September. For rates, Pill noted that the emphasis is still on “sufficiently restrictive for sufficiently long to return to target,” and spoke in favor of a “Table Mountain” profile. Markets are no longer fully pricing a 25bps hike in September with the terminal rate priced at around 5.75%.

Data released this morning showed that UK house prices fell at the fastest pace since 2009 in August, according to Nationwide Building Society. Average house prices declined by 5.3% y/y in August (versus expected -4.9% from -3.8%), with Nationwide's chief economist noting that housing market activity is well below pre-pandemic levels amid higher borrowing costs. Bloomberg economists anticipate that housing prices will decline by roughly 10% from the peak reached in August 2022.

UK Interest rate Swap Rates and House Prices

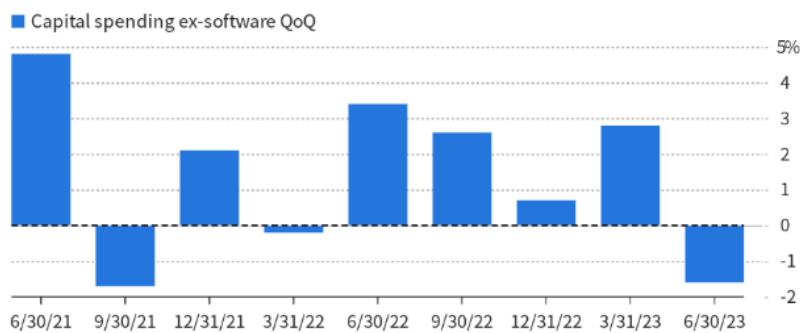


Japan

Japanese firms cut capital spending despite their growing profits. Businesses cut capital spending in 2023Q2, the first time in five quarters, in a sign of concerns over the global economic outlook. Capital spending still grew 4.5% y/y, weaker than expected (consensus: +8.3%). Meanwhile, company profits grew 11.6% y/y in 2023Q2. The final reading of August manufacturing PMI was slightly weaker at 49.6 (previous: 49.7).

Capex Caution

Japan's firms cut back on investment in second quarter



Source: Ministry of Finance

Bloomberg

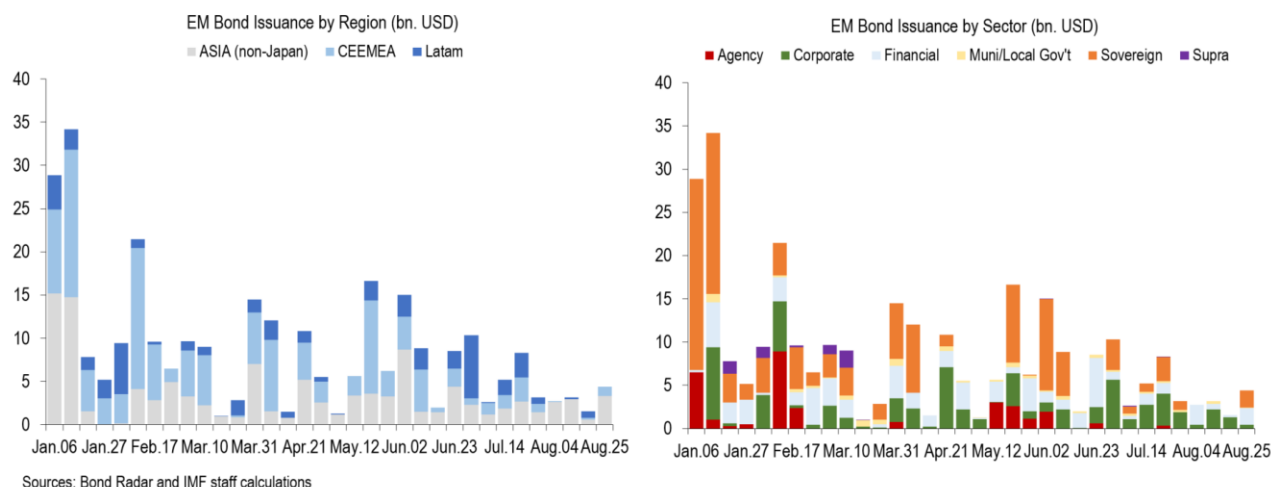
Emerging Markets

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EMEA markets were mixed with currencies mostly trading weaker. On the data front, August PMI manufacturing data released this morning showed indices for Hungary, Poland and the Czech Republic remaining in contractionary territory. **Asian equities gained today**, up by 0.5%, led by Indian (+0.9%), Malaysian (+0.8%) and Chinese (CSI 300: +0.7%) equities. The Hong Kong SAR market was closed due to inclement weather. Asian currencies were mixed. **Stocks fell across Latin America on Thursday** with Colombia (-3.5%), Mexico (-2.5%), and Brazil (-1.5%) leading the trend. The Mexican peso tumbled following news that Banxico will soon start tapering its program aimed to increase liquidity in currency markets, citing conditions "have returned to adequate levels."

Emerging Market Bond Issuance

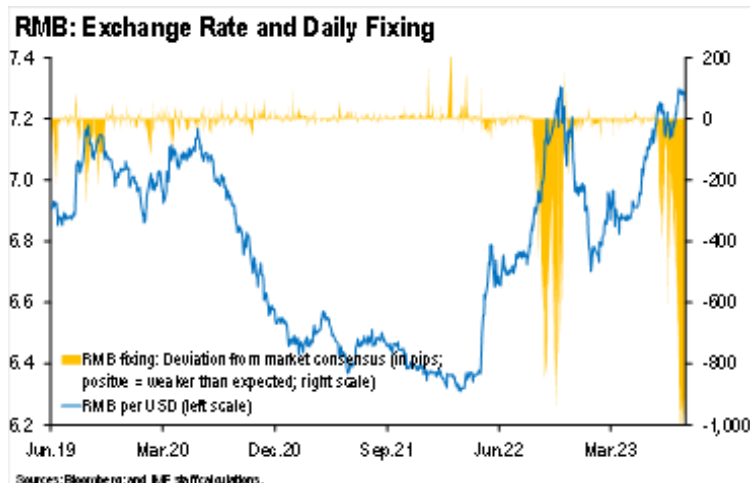
Emerging market bond issuance increased \$2.9bn during the week of August 31st. Most bonds are fixed rate, while 41% of are issued municipals, followed by financials (35%), and corporate (24%). By region, ASIA (ex-Japan) issued 81% of the total while CEEMEA issued 19%. Latin America did not issue bonds this week. The top five issuers accounted for 45% of issuance this week and in order are China, Korea, Saudi Arabia, Hong Kong, and Poland. Total issuance YTD was \$299bn.



China

Chinese equities gained (CSI 300: +0.7%), supported by the easing of property sector measures and stronger-than-expected Caixin manufacturing PMI data. **Caixin manufacturing PMI improved to 51.0 in August**, the highest reading since February, up from 49.2 in July (consensus: 49.0). **China eased property sector measures, the first nationwide relaxation since 2015.** One measure was to loosen the minimum down-payment requirements to 20% (previously, 30%) and 30% (40%) for first-time and other homebuyers, respectively. The relaxation did not apply to cities that currently do not have home-buying restrictions as their down-payment requirements are already at the newly loosened levels. However, local authorities can still set more restrictive down-payment requirements. The second measure was to lower the mortgage rate floor for second-time homebuyers by 40 bps to the 5-year loan prime rate (LPR) plus 20 bps. The third measure was to allow banks to lower existing mortgage rates for first-time homebuyers. The new mortgage rates should not be lower than the city-specific minimum mortgage rates at the time that mortgage loans were granted. In a separate news reported by Reuters, home-buying restrictions could be lifted in non-core districts of major cities. Share prices of real estate firms gained (+1.5%).

The People's Bank of China (PBC) cut the reserve requirement ratio (RRR) for foreign-currency deposits to 4% from 6%, effective September 15, to support the currency. Today, RMB appreciated to 7.26 yuan per dollar from the closing of Asian market (at around 7.29). This was the third cut of the foreign-currency RRR since its peak at 9%, with two previous cuts taking places in April 2022 and September 2022.



Gabon

Gabon's Eurobond prices fall sharply amidst increasing political risks, with analysts expecting price action to remain volatile in line with the situation on the ground. Earlier this week military officers declared a coup, reportedly seizing power just after it was announced that President Ali Bongo had won reelection for a third term. The presidential elections took place on August 26. The country's Eurobond prices fell by between 6 and 9 points on Wednesday and JPMorgan analysts argue that possible financial restrictions could make it difficult for Gabon to service its debt. However, analysts think that markets would react positively if the military officers were to announce an interim government with the aim of holding a new election.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Deputy Division Chief), Nassira Abbas (Deputy Division Chief), and Caio Ferreira (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (New York Representative), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Benjamin Mosk (Senior Financial Sector Expert), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Research Officer), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Mustafa Oguz Caylan (Research Officer), 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 Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

9/1/23 8:17 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		4511	-0.2	2	-1	14	17
Europe		4305	0.2	2	-2	25	13
Japan		32711	0.3	3	2	18	25
China		3791	0.7	2	-6	-6	-2
Asia Ex Japan		66	-0.9	1	-6	-1	2
Emerging Markets		39	-1.2	1	-5	0	3
Interest Rates			basis points				
US 10y Yield		4.09	-2.1	-15	6	83	21
Germany 10y Yield		2.47	0.8	-9	-8	91	-10
Japan 10y Yield		0.63	-1.8	-3	3	39	21
UK 10y Yield		4.36	-0.1	-8	-4	148	69
Credit Spreads			basis points				
US Investment Grade		145	-0.1	0	5	-20	-14
US High Yield		414	-0.7	-3	3	-105	-66
Exchange Rates			%				
USD/Majors		103.65	0.0	0	1	-6	0
EUR/USD		1.08	0.0	0	-1	9	1
USD/JPY		145.2	-0.2	-1	1	4	11
EM/USD		48.0	0.0	-1	-1	-4	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		87.9	1.2	5	4	6	7
Industrials Metals (index)		145	1.9	3	-2	-1	-12
Agriculture (index)		67	1.1	0	-1	0	-2
Implied Volatility			%				
VIX Index (%, change in pp)		13.5	-0.1	-2.2	-0.5	-12.1	-8.2
US 10y Swaption Volatility		103.1	-3.3	-7.1	-8.1	-25.1	-22.6
Global FX Volatility		8.2	0.0	-0.2	-0.2	-3.1	-2.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		124	-7.2	-9	-7	-141	-81
Italy		166	0.8	-2	3	-71	-48
Portugal		72	-1.3	0	-2	-38	-30
Spain		102	0.4	-1	-1	-18	-7

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

Emerging Market Financial Indicators

Last updated: 9/1/2023 8:18 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)						Level		Change (in basis points)					
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD		Last 12m	Latest	1 Day	7 Days	30 Days	12 M		YTD
	vs. USD		(+) = EM appreciation						% p.a.							
		7.26	0.0	0.4	-1	-5	-5		2.7	5.0	7	-9	-3	-39		
China		15242	-0.1	0.3	-1	-2	2		6.4	0.9	-13	14	-75	-55		
Indonesia		83	0.1	-0.1	-1	-4	0		7.5	0.9	-10	5	(2.2)	9		
India		57	0.1	0.1	-3	0	-1		5.9	-0.1	0	-15	46	-7		
Philippines		35	0.1	0.4	-2	5	-1		2.9	2.8	-7	14	8	27		
Thailand		4.65	-0.2	-0.1	-3	-4	-5		3.8	0.1	-1	1	-16	-20		
Malaysia		350	0.0	0.0	-21	-60	-49		119.8	519.7	1613	2940	4257	3162		
Argentina		4.93	0.5	-1.2	-3	6	7		11.4	9.5	14	40	-51	-118		
Brazil		854	-0.2	-1.1	-2	5	0		5.3	-0.7	-3	19	-123	-4		
Chile		4092	0.1	0.0	-4	8	19		8.1	0.0	-10	21	-148	-168		
Colombia		17.10	-0.4	-2.1	-1	18	14		8.8	-1.8	-3	47	3	3		
Mexico		3.7	-0.1	0.0	-2	4	3		6.8	-0.7	-22	0	-135	-121		
Peru		38	0.2	0.2	0	9	6		9.2	-0.5	7	13	-198	-146		
Uruguay		354	-0.6	0.0	0	14	6		6.8	-4.0	-19	-32	-270	-283		
Hungary		4.12	0.2	0.4	-2	15	6		4.7	0.5	-22	1	-155	-144		
Poland		4.6	-0.1	0.3	-2	7	1		6.6	-2.1	-10	13	-114	-114		
Romania		96.2	-0.5	-1.3	-4	-38	-23									
Russia		18.7	0.9	-0.4	-2	-8	-9		9.3	-1.4	-14	-13	17	12		
South Africa		26.72	-0.1	-0.7	1	-32	-30		21.6	0.0	18	174	864	1180		
Turkey		104	0.0	-0.4	1	-6	0		4.22	-3.2	-22	1	82	22		
US (DXY; 5y UST)																
	Equity Markets							Bond Spreads on USD Debt (EMBIG)								
	Level		Change (in %)						Level		Change (in basis points)					
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD		Last 12m	Latest	7 Days	30 Days	12 M	YTD		
									basis points							
		3791	0.7	2	-6	-6	-2		185	5	4	-18	8			
China		6978	0.4	1	2	-3	2		130	7	10	-46	-10			
Indonesia		65387	0.9	1	-1	11	7		140	4	10	-13	-2			
India		6181	0.1	-1	-4	-8	-6		104	7	9	-18	7			
Philippines		1562	-0.3	0	2	-4	-6		0	0	0	0	0			
Thailand		1463	0.8	1	1	-2	-2		97	2	8	6	-3			
Malaysia		653603	-3.3	7	44	380	223		2109	26	112	-285	-96			
Argentina		115742	-1.5	-1	-5	5	5		231	0	14	-80	-43			
Brazil		6009	-0.3	-1	-7	11	14		124	-4	11	-61	-8			
Chile		1076	-3.5	-2	-9	-12	-16		325	-14	8	-100	-47			
Colombia		53021	-2.5	0	-2	17	9		361	-8	9	-59	-20			
Mexico		23134	-0.9	1	-2	25	8		148	-10	-1	-46	-32			
Peru		55867	0.2	-2	4	35	28		199	2	9	-62	-23			
Hungary		68692	0.4	1	-5	42	20		123	6	10	103	50			
Poland		13308	0.4	2	0	12	14		211	2	16	-78	-44			
Romania		74994	0.1	2	-5	14	3		385	7	34	-56	18			
South Africa		7971	0.7	6	11	154	45		395	15	11	-262	-45			
Turkey		507	0.0	0	0	-2	-2		3424	-144	72	-390	-655			
Ukraine		39	0.8	1	-5	0	3		377	1	17	-56	1			
EM total																

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

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