



- US markets kick off the week on a risk-off mood as investors reassess Fed outlook ([link](#))
  - US debt ceiling related volatility could be amplified amid poor market liquidity ([link](#))
  - Reserve Bank of Australia raises its policy rate by 25 bps to 3.1%, as expected ([link](#))
  - China's onshore corporate bond yields continue their ascent ([link](#))
  - South African rand continues to recover after upside GDP surprise ([link](#))
  - Colombia's inflation rose above market expectations in November ([link](#))
- Special Feature: EM and Frontier Markets Issuance November 2022 (attached)**

[Mature Markets](#)



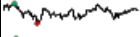

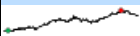
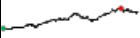


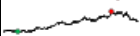


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## Markets tread water amid monetary policy uncertainty

Markets struggled to gain traction this morning as investors weighed prospects for a slowdown in the pace of US rate hikes against data that shows tighter policy could be needed for longer. Yesterday, US equity markets slumped and US Treasuries rose as investors reassessed their monetary policy outlook on unexpectedly robust US services data. This morning, advanced economy bond yields were lower, particularly in the euro-area where the yield curve continued to invert. The spread between 2–30 year bund yields hit a negative -44 bps, with market contacts expecting the yield curve inversion to stay amid hawkish ECB commentary. In emerging markets, China's onshore corporate bond yields continued to increase, with redemptions of mutual funds and wealth management products by retail investors reportedly contributing to the sell off. Elsewhere, the South African rand continued to recover following a much stronger than expected GDP release.

**Key Global Financial Indicators**

Last updated: 12/6/22 8:13 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
S&P 500		3999	-1.8	1	6	-13	-16
Eurostoxx 50		3954	-0.1	0	7	-4	-8
Nikkei 225		27886	0.2	-1	1	-2	-3
MSCI EM		39	-1.1	4	8	-21	-20
<b>Yields and Spreads</b>			bps				
US 10y Yield		3.56	-1.1	-18	-60	213	205
Germany 10y Yield		1.84	-4.3	-9	-46	223	201
EMBIG Sovereign Spread		454	-8	-22	-71	68	87
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		49.9	0.2	0	1	-4	-5
Dollar index, (+) = \$ appreciation		105.0	-0.3	-2	-5	9	10
Brent Crude Oil (\$/barrel)		81.7	-1.2	-2	-17	12	5
VIX Index (% change in pp)		20.7	0.0	-1	-4	-6	4

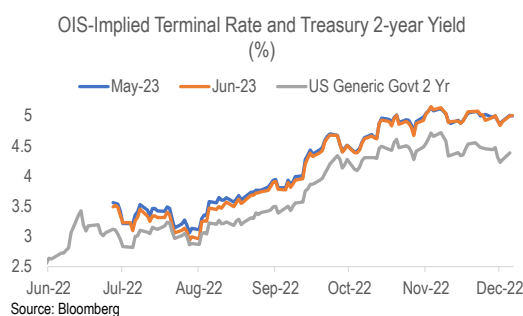
Colors denote **tightening**/**easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Mature Markets

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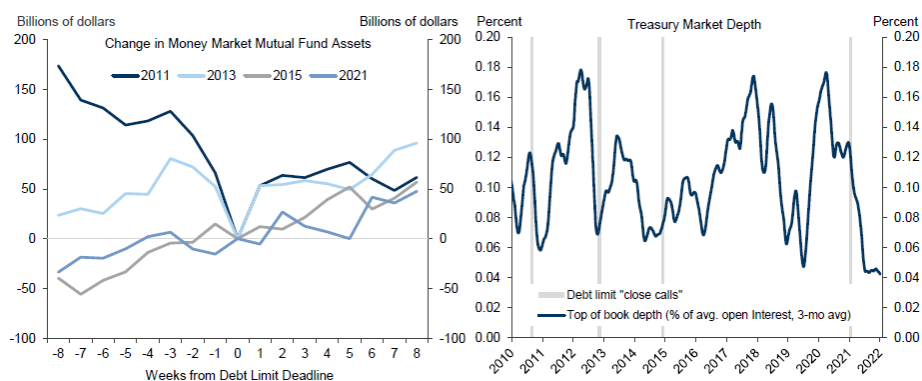
### United States

**Yesterday, markets kicked off the week on a weaker footing:** equities were lower, rates were higher, credit spreads were wider, and the dollar was stronger. Investors appeared to recalibrate their monetary policy outlook on a stronger-than-expected ISM services index released Monday morning. In November, the business activity and employment components increased, but the new orders component edged down. 10-year Treasury yields rose by 9 bps for the day, with the yield curve flattening. Market-implied terminal Fed funds rates rose to 5.0% (around May and June 2023). In the stock market, the sell-off was broad-based, led by the energy sector, as oil prices declined by 3% for the day. The VIX finished the day above 20, and the dollar index against major currencies strengthened by 0.8%.



**Debt ceiling-related volatility could be amplified amid poorer market liquidity.** Biden's administration has tried to raise the debt limit this year in a lame-duck session of Congress before the election results take effect on January 3. But comments from senator Manchin and others suggest a passage through reconciliation is unlikely. Federal debt will likely reach its statutory limit in the next few weeks, and the cash balance is likely to start shrinking March 2023 to make room for deficit-related issuance. According to Goldman Sachs, running down the \$500 bn cash balance could finance the deficit until August, but funds could dry up as soon as July and as late as October next year. Analysts do not expect Congress to address the debt limit until the Treasury has exhausted all other financing options. They do not see that next year's debt limit deadline will create quite as much uncertainty as the 2011 experience, but there is a good chance it will come closer than at any point since then. Elevated inflation and the extremely slim margins of control in both chambers will add to the uncertainty. Prior debt limit uncertainty has been characterized by an increase in volatility and a sell-off in Treasuries maturing around, particularly just after the deadline. The current poorer market liquidity environment could amplify those dynamics.

Exhibit 10: Liquidity Is Lower Than During Prior Debt Limit Close Calls

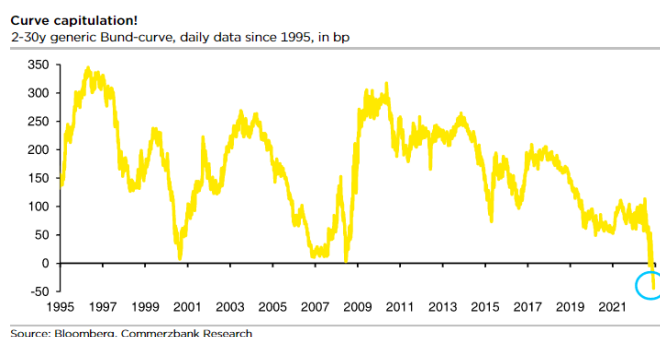


Source: Investment Company Institute, CME, Bloomberg, Goldman Sachs Global Investment Research

## Euro-area

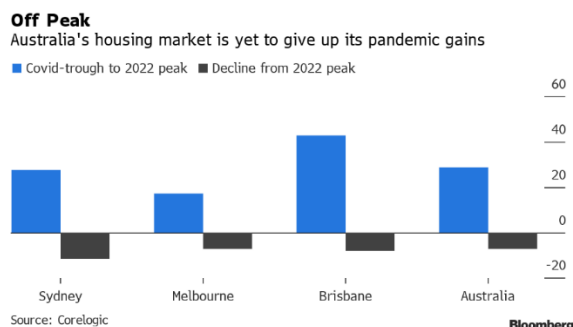
European equities traded lower (Stoxx 600 -0.3%) while the euro gained against the dollar (+0.2%) this morning. On the data front, German industrial orders showed a slight rebound in October, after a sharp fall in September (+0.8% m/m vs expected +0.1% from -2.9%). ING analysts pointed out that supply chain issues are still disrupting industrial production, as the reported backlog remains high. Separately Germany's November S&P Global Construction PMI fell to 41.5 from 43.8.

Sovereign bond yields continued to edge lower (10-year bunds -4 bps to 1.84%) with the spread between short- and long-term bunds continuing to widen. The spread between 2-year and 30-year bund yields has now increased to roughly -44 bps and Commerzbank analysts expect the yield curve to remain inverted in the near-term amid hawkish ECB commentary. Analysts argue that a 50 bps ECB hike next week would appease ECB hawks if it were accompanied by quantitative tightening prospects, but do not expect softer rate guidance nor an ambitious reduction in the ECB's bond holdings. **ECB Chief Economist Lane spoke in favor of more ECB tightening but said he is reasonably confident that euro area inflation is close to peaking, noting that the peak could also arrive early next year.** Lane expects inflation to fall to around 6–7% in 2023, adding that a second round of inflation on the back of higher wage increases over the next three years implies it would take time for inflation to return to the 2% target. Markets are pricing in 53 bps of ECB tightening for the meeting next week.



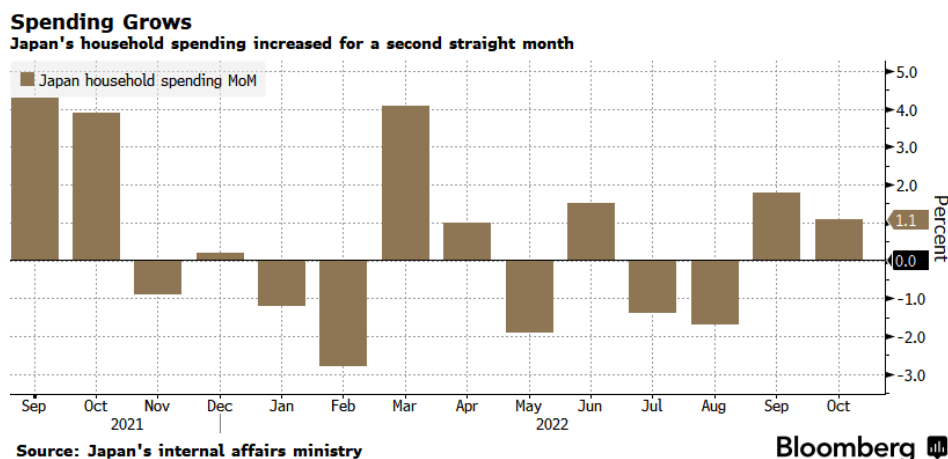
## Australia

The Reserve Bank of Australia (RBA) raised its policy rate by 25 bps to 3.1% as expected. The RBA also expects to increase interest rates further, but the size of timing of future interest rate hikes will be data-dependent. Governor Lowe said that inflation is still too high (6.9% y/y in October) and that inflation is expected to increase further over the months ahead before falling next year. The economy also continues to grow solidly, along with a very tight labor market. Australian dollar appreciated (+0.4%), while long-end government bond yields rose (10-year: +3.0 bps; 30-year: +2.5 bps). Equities declined (-0.5%). Some analysts noted that the high interest rate environment will test the housing market in 2023. So far, the pace of house price declines has been orderly.



## Japan

**Governor Kuroda signaled a continuation of monetary policy easing.** He said that the Bank of Japan (BOJ)'s easing will continue even if wages rise by 3% as long as there is no sustainable inflation. He also indicated that the BOJ's valuation losses will not affect its credibility and the monetary policy effectiveness. The Japanese yen was little changed, reversing earlier intra-day appreciation following Governor Kuroda's dovish remarks. **Household spending increased 1.2% y/y in October** as their real earnings declined by 2.6%. Analysts noted that the solid spending pointed to the release of pent-up demand even though inflation lowered households' purchasing power. Equities gained (NIKKEI: +0.2%). The 10-year JGB yield edged up to 0.251% (+0.1 bp), while longer-end JGB yields dropped (30-year: -0.4 bp). The BOJ conducted fixed-rate bond purchases for an amount of ¥99 bn (\$0.7 bn).



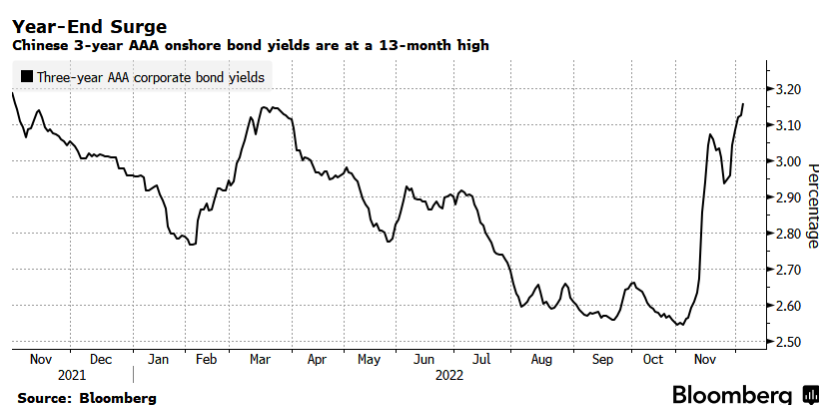
## Emerging Markets

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**Asian markets generally retreated today** after unexpectedly robust US services data prompted market expectations for higher U.S. interest rates. **Asian equities declined** led by Taiwan POC (-1.7%), Indonesian (-1.4%), and Korean (-1.1%) equities. Meanwhile, share prices rose in the Philippines (+3.6%). Asian currencies depreciated, led by Korean won (-2.1%), Indonesian rupiah (-1.0%), Indian rupee (-0.9%), and Thai baht (-0.9%). Long-end government bond yields increased, with 10-year yields rising in the Philippines (+6 bps) and India (+3 bps). In the **Philippines**, CPI increased more than expected to 8.0% y/y in November (consensus: +7.8%). FM Diokno said that reducing inflation is a major priority of the government. **Equity markets and currencies in EMEA were mixed while local currency yields were mostly higher.** CEE currencies were mixed against the euro, with the Polish zloty outperforming (+0.3%) ahead of the monetary policy decision tomorrow, where the central bank is expected to leave its key rate unchanged at 6.75%. **The Hungarian forint underperformed** (-0.4% against the euro) as a vote on the European Commission's recommendation to freeze funds was delayed by EU finance ministers. Equities in Czech Republic were lower (-0.5%) while the Czech koruna and local currency bond yields were little changed after October retail sales disappointed (-9.4%/y/y vs expected -6.4% from -5.3%). **Latam currencies continued to weaken and equity markets fell on Monday.** The Mexican peso (-1.8%) underperformed, followed by the Chilean peso (-1.4%) and Colombian peso (-1.3%). Equity markets in Argentina fell the most by 3.1%. Uruguay's CPI fell with a large downside surprise to 8.5% y/y in November from 9.1% in October, driven by downward pressure from food and transportation. Paraguay's CPI rebounded to 8.3% y/y in November from 8.1% in October, slightly above market expectations. In Mexico, the Inegi consumer confidence index increased 0.6pt to 41.7 in November, still below the 43.9 pre-pandemic level and far below the 50 optimism/pessimism threshold. Also, Mexican business confidence in the manufacturing sector declined to 49.3 in November and the decline was broad-based.

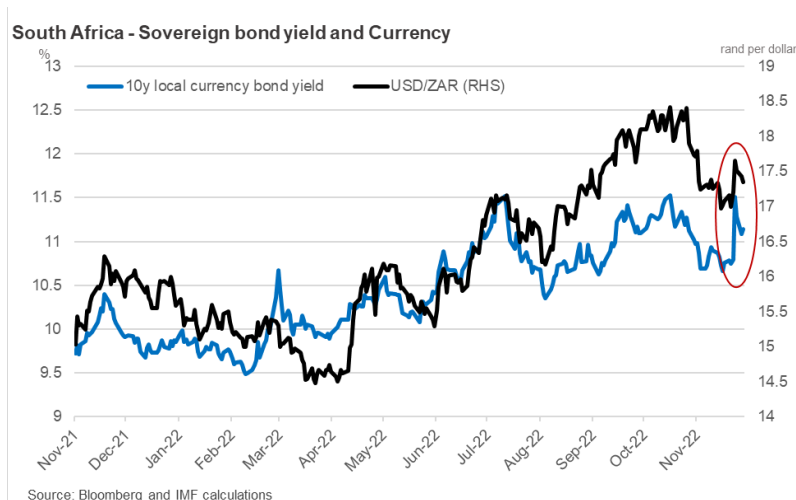
## China

**Onshore corporate bond yields continued rising, with the AAA-rated bond yield reaching 3.16%, the highest level since November 2021.** The credit market has been hit by shifting investor sentiment, with redemptions of mutual funds and wealth management products by retail investors contributing to the sell off. Some analysts noted that fund managers are looking to shift to assets with better liquidity. **China reportedly begun cooperating with U.S. efforts to ensure that U.S. technology is not directed to support China's military.** The Ministry of Commerce is helping Chinese firms through end-used checks so that they can be removed from the US Unverified List. Chinese firms on the Unverified List have 60 days to show that their products do not go to a military end-use or risk being added onto the US Entity List, which would prohibit trade with US businesses. Chinese equities gained (CSI 300: +0.5%), while the RMB depreciated (-0.4%). **The People's Bank of China withdrew liquidity in an amount of 78 bn yuan (\$11.2 bn).** The key interbank repo rate was little changed at 1.60%, while CGB yields rose (10-year: +1.8 bps).



## South Africa

**The South African rand continued to strengthen to the dollar (+0.7%) while local currency yields increased (10-year +6bps) following a significant upside surprise in Q3 GDP (+1.6%q/q vs expected +0.4% from -0.7% in Q2).** The rand continues to recover after political uncertainty saw the currency depreciate by roughly 3.7% over two days last week amid speculation that the President could resign after a report found grounds for his impeachment. Since then the President has asked the constitutional court to dismiss the report and the ruling ANC party said that MPs would be instructed to vote against a parliamentary impeachment investigation. The ANC holds leadership elections next week.

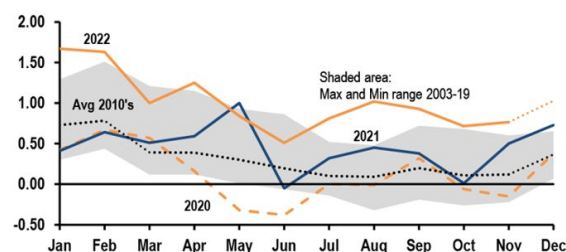




## Colombia

**Colombia's inflation rose more than market expected to 12.5% y/y, reaching near a 24-year high.** Consumer prices increased 0.8% m/m in November, with food prices leading the acceleration with a 1.5% m/m increase. Transportation (+1.4% m/m) and restaurants (+1.2% m/m) were also key drivers of the price increase. The release showed widespread inflationary pressures, with eleven CPI groups registering positive monthly changes in November. **The Colombian peso (-1.3%) depreciated and the local stock market was down 1.9% on Monday after the release. Colombian 5-year government bond yields rose 18 bps.**

Colombia headline CPI remains at or above the historical highs of the range



Source: DANE and J.P. Morgan

The Colombian peso depreciated and the equity market went down



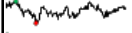

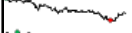





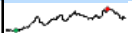





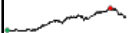




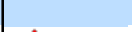


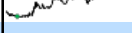





Source: Bloomberg

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## Global Financial Indicators


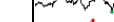

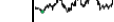


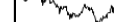









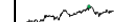







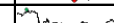
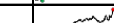














12/6/22 8:12 AM	Level		Change				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
<b>Equities</b>			%				%	%
United States		4000	-1.8	1	6	-13	-16	-5
Europe		3954	-0.1	0	7	-4	-8	0
Japan		27886	0.2	-1	1	-2	-3	5
China		3968	0.5	3	5	-19	-20	-14
Asia Ex Japan		66	-0.7	6	12	-21	-20	-16
Emerging Markets		39	-1.1	4	8	-21	-20	-18
<b>Interest Rates</b>			basis points					
US 10y Yield		3.56	-1.1	-18	-60	213	205	157
Germany 10y Yield		1.84	-4.3	-9	-46	223	201	161
Japan 10y Yield		0.26	0.1	0	0	21	19	6
UK 10y Yield		3.07	-3.3	-3	-47	233	210	159
<b>Credit Spreads</b>			basis points					
US Investment Grade		157	-0.4	-5	-20	38	46	15
US High Yield		463	2.1	-10	-15	90	125	56
Europe IG		90	-0.1	-1	-17	33	42	19
Europe HY		458	1.0	-1	-61	178	216	106
<b>Exchange Rates</b>			%					
USD/Majors		105.00	-0.3	-2	-5	9	10	9
EUR/USD		1.05	0.2	2	5	-7	-8	-7
USD/JPY		136.2	-0.4	-2	-7	20	18	18
EM/USD		49.9	0.2	0	1	-4	-5	-6
<b>Commodities</b>			%					
Brent Crude Oil (\$/barrel)		82	-1.2	-3	-16	18	13	-4
Industrials Metals (index)		167	-0.3	5	9	3	-4	-11
Agriculture (index)		66	0.7	-3	-5	8	8	-6
<b>Implied Volatility</b>			%					
VIX Index (% change in pp)		20.7	0.0	-1.2	-3.8	-6.5	3.5	-10.3
US 10y Swaption Volatility		128.7	0.4	-4.2	-5.1	39.4	49.7	34.4
Global FX Volatility		11.0	0.0	-0.4	-0.7	2.8	3.6	3.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)					
Greece		200	-0.4	-24	-43	34	48	-40
Italy		187	-0.3	-3	-30	60	52	16
Portugal		91	-0.2	-1	-7	26	27	-1
Spain		100	0.3	1	-6	27	25	-4

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

Data source: Bloomberg.

## Emerging Market Financial Indicators

Last updated: 12/6/2022 8:06 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		6.99	-0.4	2.4	3	-9	-9	-10		3.2	5.5	6	34	23	33	32
Indonesia		15618	-1.0	0.8	1	-8	-9	-8		7.0	4.8	-1	-51	66	58	46
India		83	-1.0	-1.1	-1	-9	-10	-10		7.2	-4.0	-13	-41	101.7	91	
Philippines		56	0.1	1.1	5	-10	-9	-9		6.0	-5.0	-10	13	138	153	103
Thailand		35	0.1	1.4	7	-3	-5	-8		2.5	4.5	4	-56	70	69	31
Malaysia		4.40	-0.6	2.6	8	-4	-5	-5		4.0	0.0	-7	-33	52	45	37
Argentina		169	0.0	-1.3	-6	-40	-39	-37		90.7	-290.7	-531	-498	4088	4013	4273
Brazil		5.23	1.0	1.0	-1	9	7	-4		12.7	-0.9	-16	79	171	198	114
Chile		889	0.8	1.6	3	-5	-4	-11		5.1	-1.5	-20	-113	-5	-28	-77
Colombia		4819	-0.9	0.3	6	-18	-16	-19		9.5	0.0	-68	-216	281	305	159
Mexico		19.65	0.5	-2.1	-1	8	4	3		8.5	1.0	-26	-86	120	93	61
Peru		3.9	-0.5	-0.2	2	6	4	-3		7.7	1.2	-9	-46	168	175	165
Uruguay		39	-0.1	0.3	2	12	13	8		10.8	0.0	-1	-38	188	209	266
Hungary		395	-0.2	-0.5	1	-18	-18	-19		8.5	36.0	49	-219	438	400	370
Poland		4.47	0.5	1.3	4	-9	-10	-9		5.7	-7.0	-23	-157	268	213	176
Romania		4.7	0.4	1.9	4	-6	-7	-6		7.5	-5.3	-29	-153	239	266	233
Russia		63.1	-0.9	-2.8	-2	18	19	29		10.7	11.0	-14	-4	186	193	-48
South Africa		17.3	0.7	-1.8	2	-8	-8	-13		9.2	0.0	32	-14	179	177	161
Turkey		18.64	0.0	0.0	-1	-26	-29	-26		10.9	0.0	13	-64	-1063	-1339	-1149
US (DXY; 5y UST)		105	-0.3	-1.7	-5	9	10	9		3.76	-1.9	-17	-57	255	250	186

	Equity Markets								Bond Spreads on USD Debt (EMBIG)							
	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	7 Days	30 Days	12 M			
								basis points								
China		3968	0.5	3	5	-19	-20	-14		187	-17	-20	-14	-16	-21	
Indonesia		6893	-1.4	-2	-3	4	5	0		156	-8	-41	-34	-9	-29	
India		62626	-0.3	0	2	9	8	9		139	-5	-72	-3	7	-15	
Philippines		6674	3.6	0	6	-7	-6	-9		124	-3	-30	-3	23	-13	
Thailand		1633	-0.5	1	1	1	-1	-4		0	0	0	0	0	0	
Malaysia		1472	0.0	0	2	-2	-6	-7		95	-4	-24	-30	-22	-38	
Argentina		164467	-3.1	0	9	86	97	80		2310	-89	-268	538	630	573	
Brazil		109401	-2.3	-1	-7	2	4	-2		260	-20	-15	-73	-51	-71	
Chile		5279	-0.3	1	1	21	23	21		145	-9	-21	-8	5	-29	
Colombia		1218	-1.9	-2	-2	-15	-14	-19		388	-20	-65	52	40	-4	
Mexico		50799	-0.8	-1	-1	0	-5	-1		384	-13	-18	20	52	14	
Peru		22139	-1.3	1	1	9	5	-5		178	-4	-15	8	28	-12	
Hungary		45284	1.4	-1	6	-11	-11	-5		225	-1	-43	77	101	72	
Poland		56127	-0.6	0	7	-17	-19	-11		77	42	32	21	45	61	
Romania		12244	1.0	6	12	-2	-6	-7		250	-26	-75	41	58	18	
Russia		2190	-0.8	0	2	-43	-42	-29		3411	-577	938	3228	3234	2897	
South Africa		74783	0.1	2	8	5	1	0		383	20	-20	4	28	-6	
Turkey		4987	0.6	0	18	159	168	147		445	-23	-66	-142	-133	-118	
Ukraine		519	0.0	0	0	-1	-1	0		3788	120	-699	3144	3029	2315	
EM total		39	0.2	4	8	-21	-20	-18		379	-15	-59	-26	-8	-79	

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

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