



- This morning's US CPI report was in line with consensus, but yields fell on the release([link](#))
- Loosening labor market may ease wage inflation pressures ([link](#))
- BoE expected to keep Bank Rate unchanged next week ([link](#))
- Most analysts expect a 25bps rate cut at next week's Riksbank meeting ([link](#))
- Investors pare expectations for a BOJ rate hike in December ([link](#))
- Elevated expectations for policy easing in China ([link](#))

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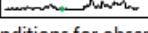
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## While US inflation release offers no surprise, yields drop.

Treasury yields fell on the release of November US inflation data, even though both the core and headline numbers were reported in line with expectations. Traders had evidently been bracing for an upside surprise in the data as the 2-year treasury yield fell 5 bp immediately after the release, after having risen by 2 bp earlier in the morning. Elsewhere, expectations for a Bank of Japan interest rate hike later this month continue to diminish. While a 60% chance of a hike was priced in early last week, only a 19% chance is currently priced. Later today, the Bank of Canada is expected to cut rates by 50bp. Moving in the the other direction, Brazil's central bank is expected to hike rates by either 75 or 100 bp at its meeting this afternoon. Late in China's trading session, Reuters reported that officials are considering allowing the renminbi to depreciate versus the dollar in the event of a trade war with the US. The report led the offshore yuan to fall sharply. While it trimmed most of the losses almost immediately, the offshore level closed 0.2% weaker on the day.

Key Global Financial Indicators

Last updated: 12/11/24 8:15 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6035	-0.3	0	1	31	27
Eurostoxx 50		4956	0.1	1	2	9	10
Nikkei 225		39372	0.0	0	0	20	18
MSCI EM		44	-1.6	1	-1	12	10
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.24	1.8	6	-6	1	36
Germany 10y Yield		2.13	0.8	7	-20	-14	11
EMBIG Sovereign Spread		325	-1	-7	0	-71	-58
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		43.6	-0.5	0	-2	-8	-9
Dollar index, (+) = \$ appreciation		106.6	0.2	0	1	2	5
Brent Crude Oil (\$/barrel)		72.9	1.0	1	1	-4	-5
VIX Index (% change in pp)		14.4	0.2	1	-1	2	2

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

## Mature Markets

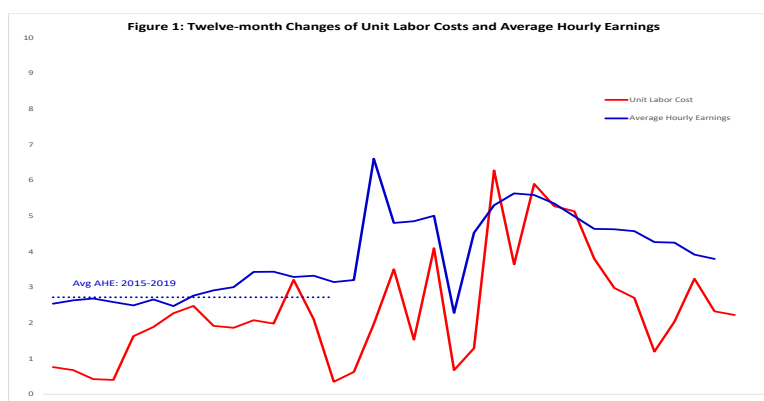
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### United States

**As anticipated, November CPI inflation remained largely unchanged from last month.** Headline CPI inflation slightly accelerated to 0.3% m/m (0.2% prior, 0.3% expected) in November, while core CPI inflation held steady at 0.3% m/m (0.3% prior, 0.3% expected). The year-over-year change in headline CPI was 2.7% (2.6% prior, 2.7% expected), and core CPI inflation was 3.3% YoY (3.3% prior, 3.3% expected). Fed funds futures market raised the implied probability of a December rate cut, from 85.8% to an almost certainty of 96.7%. Stock futures were up by 0.3%, and Treasury yields edged down across the curve.

Variable	Actual Release	Consensus Forecast	Prior
<b>Headline CPI MoM</b>	0.3%	0.3%	0.2%
<b>Headline CPI YoY</b>	2.7%	2.7%	2.6%
<b>Core CPI MoM</b>	0.3%	0.3%	0.3%
<b>Core CPI YoY</b>	3.3%	3.3%	3.3%

**A loosening labor market and slower labor cost increases may gradually ease wage inflation pressures.** Unit labor costs in the non-farm business sector rose 0.8% in the third quarter and 2.2% over the last four quarters, continuing their downward trajectory since the beginning of this year. This trend aligns with other wage measures, such as the Atlanta Fed's hourly wage growth tracker, which has also been decelerating since early summer. The only outlier in recent months is November's average hourly earnings, which rose by a stronger-than-expected 0.4%. However, Citi economists argue that this increase was due to a few idiosyncratic factors, including stronger wage and employment growth amid higher-paid managerial workers for the month. As the labor market gradually softens, they expect wage inflation, currently at 4.0%, to return over time to the pandemic norm of around 3%. This may strengthen the case for the Fed to consider further rate cuts over the next few months.



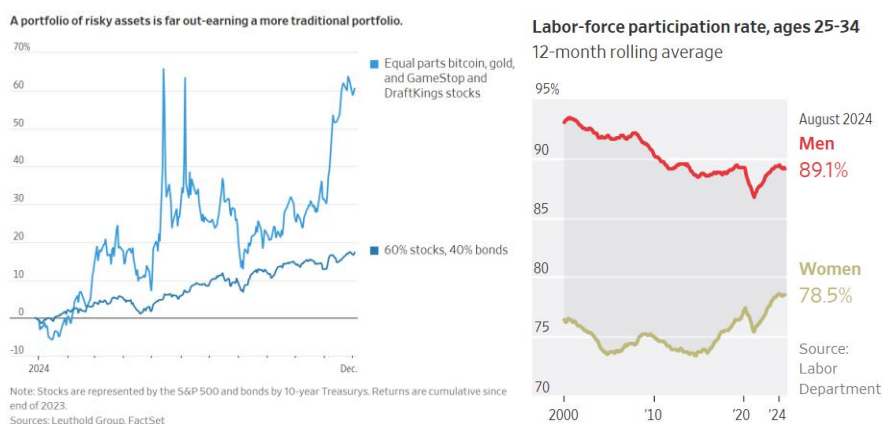
Source: Staff calculation.

**Unauthorized immigrants make up a significant portion of the U.S. labor force.** As of mid-2022, it was estimated that they accounted for 4.8%, consistent with a long-term range of between 4.4% to 5.4% since 2003. JP Morgan estimates that the current share might have increased to between 5.1% and 5.7%, depending on the methodologies and assumptions used. In particular, the industries with the highest shares of unauthorized immigrants are construction (12.7%), agriculture (12.4%), leisure and hospitality (6.8%), and professional and business services (6.1%, including services like landscaping and janitorial work). Geographically, large border states, as well as major economic centers like the New York metro area, have the highest shares of unauthorized immigrant workers. Overall, these top regions account for half of all

unauthorized immigrants. Consequently, more restrictive immigration policies might significantly impact the labor market, particularly in these industries and regions, although the impact will also depend on the degree of cooperation between state and local authorities.

### Young American men are disproportionately making risky bets on crypto, meme stocks, and other volatile assets, driven by a desire for financial success and possibly a sense of economic alienation.

A recent Pew Research Center survey found that 42% of men aged 18 to 29 have invested in crypto assets, compared to 17% of women in the same age group. While these investments have yielded significantly higher returns than traditional portfolios in recent months (left figure), experts warn of the potential for significant losses and lasting financial damage. This pursuit of quick financial gains may also be linked to a growing reluctance to engage in formal employment. The labor participation rate for young men has been declining from about 93% in the early 2000s to 89% in 2024 (right figure). Additionally, young men are increasingly foregoing college, with women now making up around 60% of college students.



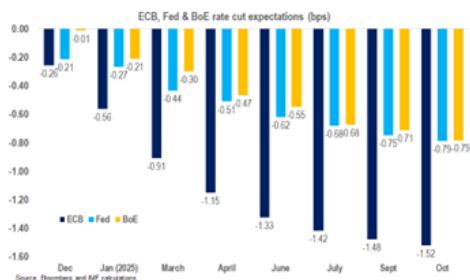
## Europe

**European equities were broadly unchanged ahead of today's US CPI data.** The Stoxx 600 index was flat with gains in the communication services sector (+0.6%), offset by declines in the information technology and consumer discretionary sectors. The euro was trading weaker against a broadly stronger dollar. Money market pricing ahead of tomorrow's ECB meeting was broadly unchanged with a 25bp cut fully priced in for tomorrow and around 150bp of easing expected through October next year, taking the policy rate to around 1.7%. Elsewhere, according to Bloomberg, German Chancellor Scholz is expected to file a petition with the lower house of parliament today requesting a confidence vote take place next Monday, December 16<sup>th</sup>, which will trigger the snap election currently scheduled for 23<sup>rd</sup> February 2025. Meanwhile, in France, President Macron is expected to make an announcement "within the next 48 hours" on the replacement Prime Minister. This morning, the French caretaker government is expected to present an emergency finance bill to parliament to avoid a shutdown. **European government bond yields were mixed with the 10Y French OAT yield fractionally higher at 2.89%, and the 10Y French-German yield spread trading at 77bp.** Separately, the Banque de France expects Q4 growth in France to slow to 0%.

## United Kingdom

**The BoE is expected to keep the Bank Rate unchanged next week.** According to analysts at HSBC, policymakers are expected to vote 8:1 in favor of maintaining the Bank Rate at 4.75%, with external MPC member Dhingra expected to dissent and vote for a 25bp rate cut. The analysts note that data since its November meeting has broadly evolved in line with the BoE's projections and as a result expect policymakers to continue with their message of "gradual easing." The analysts interpret this as meaning a 25bp rate cut each quarter. Meanwhile, analysts at Morgan Stanley believe the Q4 Agents Summary survey will set "the tone of the MPC meeting" noting that last year's survey was "enviously accurate in describing the year ahead." Like HSBC, Morgan Stanley analysts expect no change in rates or messaging next week with the next 25bp rate cut expected in February. Current market pricing suggests around 80bp of easing

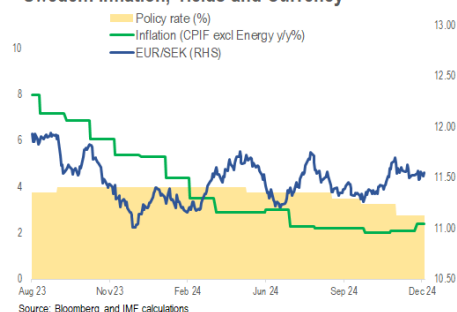
from the BoE in 2025, broadly similar to the FOMC, while the ECB is expected to cut by almost twice as much. This morning, sterling was around 0.3% weaker against the dollar while 10Y gilt yields were steady at 4.33%, although are around 80bp higher YTD, underperforming major European peers.



## Sweden

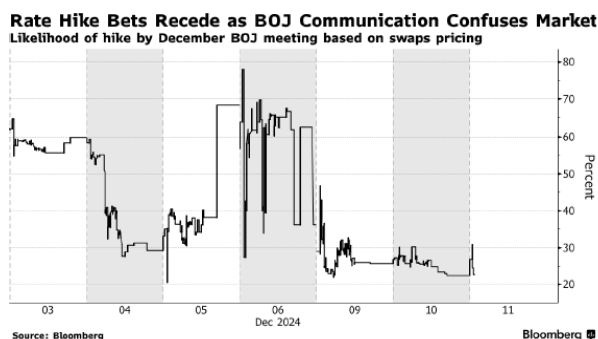
**Most analysts expect a 25bp rate cut at next week's Riksbank meeting.** While policymakers lowered the policy rate by 50bp at the November meeting, analysts at UBS, alongside Bloomberg consensus estimates, expect the Riksbank to revert to smaller cuts next week, lowering the policy rate by 25bp to 2.5%. UBS analysts note that data outturns since the November meeting support further easing, however, increased geopolitical uncertainty post the US election, alongside depreciation of the Swedish krona suggest that the Riksbank will remain cautious. For 2025, the analysts expect two further 25bp reductions, at the January and March meetings, taking the policy rate to 2%, slightly below their estimate of neutral (2.25%). Monthly GDP data released yesterday showed that output fell by 0.4% m/m in October (+0.2% exp, -1.5% prior) with weak consumption data, as well as a decline in manufacturing and services production, which Bloomberg analysts describe as a “disappointing” start to Q4. This morning the Swedish krona was broadly unchanged against the euro at 11.55/€ with the currency around 3.6% weaker YTD.

Sweden: Inflation, Yields and Currency



## Japan

**Investors pare expectations for a BOJ rate hike in December.** UBS, for example, has revised its forecast for a 25-bp rate hike to 0.50% at the December 18<sup>th</sup>–19<sup>th</sup> meeting to unchanged. Reflecting such changes, the overnight index swaps market has reduced the probability of a December rate hike from 60% at the beginning of last week to 19% currently. Traders attributed the swing in expectations to recent comments from officials. A few days following BOJ Governor Ueda's remarks in a Nikkei interview last month that hikes are “nearing,” a Jiji Press story as well as a Nikkei news article from last weekend cast doubt on an imminent hike, noting growing concern inside the BOJ about a premature rate hike. Last week, BOJ board member Nakamura noted that his decision for policy would be guided by data, including the Tankan report due on Friday. Meanwhile, Bloomberg reported that BOJ deputy governor Himino will give a speech on January 14<sup>th</sup>, ahead of the January 24<sup>th</sup> meeting. Such a speech ahead of a policy meeting is rare and prompted speculation that a rate hike could be pushed back to January. The yen has weakened from 150 last Friday to 152.36 today.



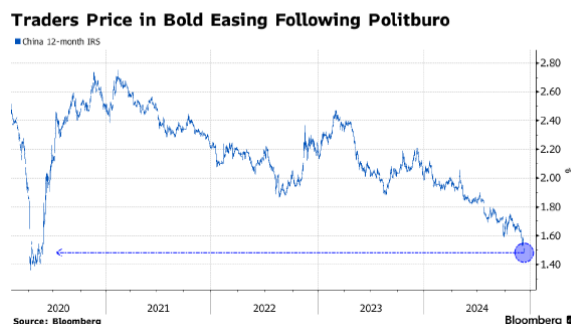
## Emerging Markets

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**Asian equities were mixed** with markets in Hong Kong and mainland China little changed as investors await the outcome of the annual Central Economic Work Conference. By contrast, South Korean equities rose for a second session (+1.0%), continuing their recovery following last week's short-lived martial law event. **EMEA equities and currencies traded mostly lower this morning ahead of US inflation data.** In CEE, equities edged lower with Poland underperforming (-0.6%), while currencies were little changed against the euro. Equities lost (-0.3%) in Türkiye while the lira was little changed against the dollar. In South Africa, the rand was little changed (-0.1%) against the dollar after today's November inflation data surprised to the downside. Elsewhere, the Ruble continued to edge lower (-0.8%) in Russia against the dollar. **Latin American assets were mixed on Tuesday.** The Brazilian real (+0.5%) and Mexican peso (+0.4%) outperformed other major emerging market currencies while the Chilean peso (-0.6%) underperformed. Equities rallied in Brazil (+0.8%) but declined in Mexico (-1.5%) and Argentina (-1.2%).

## China

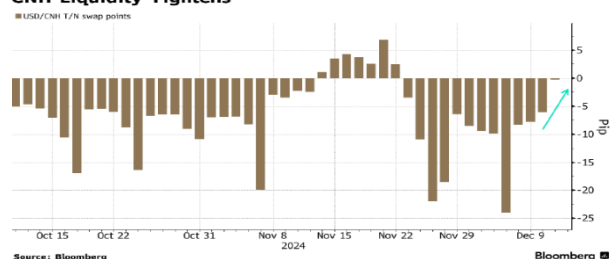
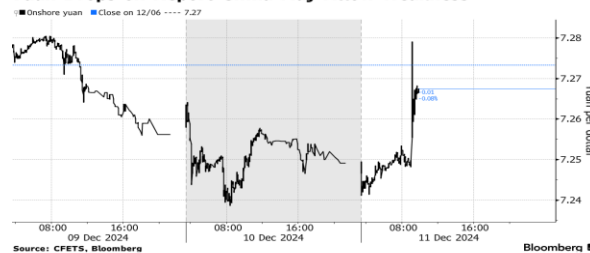
**Expectations for policy easing have risen as the Central Economic Work Conference begins its two-day meeting.** China's one-year interest-rate swap fell to its lowest level since May 2020. Meanwhile, benchmark bond yields also fell to record lows following the Politburo's pivot to a "moderately loose" monetary policy in 2025. Market participants expect the PBOC to reduce banks' reserve requirement ratio (RRR) by year-end to revive the economy. Some also anticipate further cuts to the ratios next year, alongside an increase in government bond purchases by the central bank. The Central Economic Work Conference, which ends tomorrow, is expected to offer policy guidance, including a growth target for 2025. That said, many analysts also note that specific details will only be announced in March during the annual meeting of the legislature.



**Meanwhile, the RMB traded in a volatile session, buffeted by tightened funding for the offshore CNH and reports of greater official tolerance for depreciation.** A Bloomberg report indicated that Chinese state-owned banks bought CNY against the dollar in the spot market, and that their offshore branches borrowed RMB in the USD/CNH T/N (tomorrow/next day) swap market in large quantities. These T/N positions allow investors to keep the swap positions open and "rolled" on an ongoing basis. Traders noted that these purchases likely have supported the RMB, both onshore and offshore, and helped contain depreciation pressure on the currency. At the same time, a Reuters report noted that policymakers are mulling the possibility of allowing the yuan to depreciate, leading some market participants to speculate that

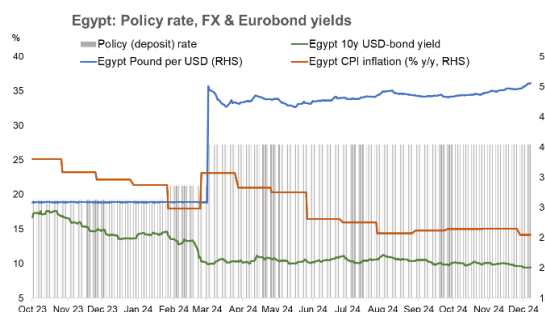


the authorities could tolerate a weaker RMB to compensate for any potential impact from higher tariffs. The offshore CNH fell as much as 0.5% on the day before trimming its losses (-0.3%) against the dollar. At CNH 7.28 per dollar, it is hovering near its weakest level since late July.

**CNH Liquidity Tightens**

**Yuan Drops on Report China May Allow Weakness**


## Egypt

**The Egyptian pound continued to weaken (-0.2%) against the dollar this morning**, after yesterday's headline inflation data for November surprised slightly to the downside, as CPI inflation (in urban areas) printed at 25.5%/y/y (vs. est. 26.4%) compared to 26.5%/y/y in October, slowing on a sequential basis to 0.5%/m/m from previous 1.1%/m/m; core inflation also slowed down to 23.7%/y/y in November from 24.4%/y/y in October. Lower food prices (-1.9%/m/m) drove the decline. Analysts at Goldman Sachs believe that yesterday's data reflect the ongoing disinflationary dynamics in Egypt although they warn on upside risks to the inflation outlook due to the recent currency weakness, which has depreciated by 4.7% against the dollar QTD. Goldman Sachs expects the policy rate, currently at 27.25%, to begin to decline in Q1 2025, and JP Morgan analysts expects up to 10% of easing through 2025, as inflation is seen declining materially next year despite an expected depreciation of the pound to around the level of 54/\$ by the end of 2025.

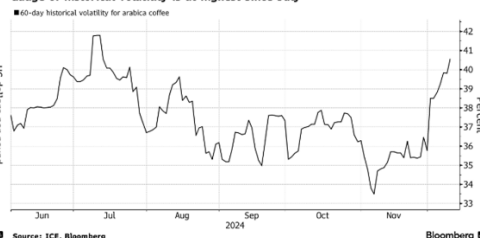


Source: Bloomberg and IMF calculations

## Brazil

**Coffee futures hit all-time highs.** Coffee trader Volcafe Ltd. cut its production outlook for Brazil after assessing the severe impacts from an extended drought and estimates global production for the 2025-2026 season will fall short of demand by 8.5mn bags. Bloomberg analysts highlight the combination of key growers experiencing adverse weather, declining global stockpiles, and increasing demand in China, have sent arabica futures up over 80% this year. Arabica futures increased (+1.2%) after reaching all-time highs intraday Tuesday.

**Arabica Coffee Prices Surge to a Record**  
 Futures for the premium coffee bean gained more than 80% this year

**Coffee Grows More Volatile as Prices Scale Fresh Heights**  
 Gauge of historical volatility is at highest since July


*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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## Global Financial Indicators

12/11/24 8:15 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		6,044	-0.3	-0.7	0.7	30.7	27
Europe		4,956	0.1	0.8	2.1	9.2	10
Japan		39,372	0.0	0.2	0.0	19.9	18
China		3,989	-0.2	1.5	-2.4	16.4	16
Asia Ex Japan		75	-2.0	0.9	-0.8	16.3	13
Emerging Markets		44	-1.6	1.2	-0.6	12.2	10
<b>Interest Rates</b>			basis points				
US 10y Yield		4.2	2	6	-6	1	36
Germany 10y Yield		2.1	1	7	-20	-14	11
Japan 10y Yield		1.1	1	1	7	31	46
UK 10y Yield		4.3	1	9	-9	26	80
<b>Credit Spreads</b>			basis points				
US Investment Grade		117	0	1	4	-23	-17
US High Yield		307	-2	-2	4	-107	-78
<b>Exchange Rates</b>			%				
USD/Majors		106.6	0.2	0.3	1.0	2.4	5
EUR/USD		1.1	-0.2	0.0	-1.4	-2.4	-5
USD/JPY		152.6	0.4	1.3	-0.7	4.4	8
EM/USD		43.6	-0.5	0.0	-1.5	-8.2	-9
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		72.9	1.0	0.8	1.7	-2.7	-2
Industrials Metals (index)		146.2	-0.2	-0.5	0.4	8.9	2
Agriculture (index)		57.3	-0.9	2.3	1.1	-10.7	-8
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		14.4	0.2	0.9	-0.6	1.7	1.9
Global FX Volatility		8.6	0.0	-0.3	0.1	0.7	0.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		78	-1	-6	-10	-41	-25
Italy		108	-1	-8	-19	-71	-60
France		76	0	-8	1	21	23
Spain		64	-1	-6	-10	-39	-33

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



## Emerging Market Financial Indicators

Last updated: 12/11/2024 8:17 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.					
China		7.26	-0.2	0.0	-0.7	-1.2	-2.3		1.8	-6	-10	-20	-90	-77
Indonesia		15919	-0.3	0.1	-1.4	-1.9	-3.3		7.0	1	4	21	27	41
India		85	0.0	-0.1	-0.5	-1.7	-1.9		7.0	3	1	-16	-33	-17
Philippines		58	-0.5	-0.1	0.5	-4.5	-5.0		0.0	-700	-708	-694	-687	-694
Thailand		34	-0.3	1.1	1.9	5.4	1.1		2.3	0	-2	-17	-58	-45
Malaysia		4.43	-0.1	0.5	-0.5	5.6	3.6		3.8	0	0	-6	4	6
Argentina		1017	-0.1	-0.4	-1.8	-64.0	-20.5		30.5	64	100	-66	-7015	-5592
Brazil		6.04	0.1	0.0	-4.7	-18.3	-19.7		14.5	-33	19	146	396	443
Chile		976	-0.1	-0.1	0.4	-9.6	-9.8		5.3	2	3	-9	-21	-2
Colombia		4372	0.0	1.0	-0.2	-8.9	-11.4		11.0	8	17	40	45	110
Mexico		20.24	-0.4	0.3	0.5	-14.1	-16.2		10.0	-3	1	-6	59	86
Uruguay		44	-1.4	-2.6	-4.8	-11.2	-12.4		9.6	2	-2	12	-11	3
Hungary		390	-0.1	0.9	-1.2	-8.7	-11.0		6.1	-8	-11	-40	-27	26
Poland		4.06	-0.4	0.3	0.8	-0.8	-3.1		5.4	0	13	4	29	37
Romania		4.7	-0.2	0.1	-1.2	-2.3	-4.7		6.9	0	-26	19	38	73
Russia		108.0	-4.5	-2.8	-11.0	-15.7	-17.2							
South Africa		17.8	0.2	2.2	0.9	7.3	3.3		10.4	6	5	-15	-111	-91
Türkiye		34.87	0.0	-0.4	-1.5	-16.9	-15.3		30.8	46	95	22	401	459
US (DXY; 5y UST)		107	0.2	0.3	1.0	2.4	5.2		4.12	2	5	-7	-12	27

	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	
									basis points					
China		3,989	-0.2	1.5	-2.4	16.4	16.3		99	1	-2	-52	-59	
Indonesia		7,465	0.2	1.9	1.9	4.8	2.6		95	-3	8	-9	-1	
India		81,526	0.0	0.7	3.6	17.2	12.9		85	1	4	-26	-31	
Philippines		6,643	-1.2	-1.3	-2.5	5.6	3.0		84	0	10	-2	4	
Thailand		1,443	-0.3	0.4	-0.1	5.0	1.9		0	0	0	0	0	
Malaysia		1,603	-0.4	-0.7	-0.3	10.8	10.2		72	5	13	-13	-13	
Argentina		2,201,246	-1.2	-4.5	10.7	125.3	136.8		740	-14	-111	-1187	-1173	
Brazil		128,229	0.8	1.7	0.3	1.0	-4.4		221	-6	17	7	6	
Chile		6,715	0.1	1.3	2.7	14.1	8.3		115	-2	2	-10	-10	
Colombia		1,384	0.3	0.0	3.6	21.3	15.8		320	-3	3	21	49	
Mexico		51,377	-1.6	1.1	-0.1	-5.6	-10.5		304	-3	14	-55	-30	
Peru		29,803	1.1	0.4	-1.3	34.9	14.8		135	-5	-2	-13	-9	
Hungary		80,183	-0.2	1.4	4.3	37.5	32.3		148	-13	0	-7	-1	
Poland		82,460	-0.6	1.0	0.3	6.6	5.1		108	-5	-3	9	11	
Romania		17,321	0.8	6.3	-1.1	14.9	12.7		212	-12	14	15	12	
South Africa		86,990	-0.3	0.8	2.6	17.7	13.1		279	-8	12	-59	-29	
Türkiye		10,037	-0.6	1.5	8.2	29.9	34.4		257	-2	7	-87	-57	
EM total		44	-0.1	1.2	-0.6	12.2	9.5		359	-7	-6	4	14	

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

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