



- Strong payrolls report prompted investors to pare back rate cut pricing ([link](#))
- US bankruptcy filings fell in November from elevated levels ([link](#))
- BoJ is said to see little need to end minus rate next week ([link](#))
- Swiss national bank expected to keep rates on hold ([link](#))
- Outflows from EM funds accelerated to -\$1.2 bn last week ([link](#))
- China's November CPI marked its biggest drop in three years ([link](#))

[Mature Markets](#)


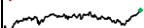


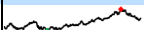
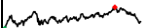




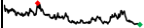
| [Emerging Markets](#)

| [Market Tables](#)

The BoJ pours cold water on a December policy shift

US Equities posted another strong week on hopes that a soft landing for the economy is still in the cards. US labor market data last week have interrupted the rates rally for the time being and lent weight to the central banks' (Fed, ECB, BoE) upcoming statements. At their meetings, respective rates are expected to remain unchanged, but contacts expect warnings against excessive rate cut 'fantasies,' even though such warnings would not be new and are expected (by some other market contacts) to be in vain. Data currently has a much greater potential for market momentum than central bank meetings with market contacts being particularly attentive to US CPI data tomorrow. Meanwhile, BoJ poured cold water on a December policy shift, also setting the stage for further pushback from other central banks. For the ECB meeting, the issue of reinvestments in its Pandemic Emergency Purchase Programme are expected to take center stage. In the UK, speculators are turning bullish on the pound as the BoE is expected to ease less than the ECB and the Fed next year. Also, this week central banks in Switzerland, Norway and Philippines with anticipation that policy rates remain unchanged.

Key Global Financial Indicators

Last updated: 12/11/23 7:42 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4604	0.4	0	4	17	20
Eurostoxx 50		4535	0.3	3	8	15	20
Nikkei 225		32792	1.5	-1	1	18	26
MSCI EM		39	-0.4	-2	2	0	3
Yields and Spreads			bps				
US 10y Yield		4.27	4.8	2	-38	70	40
Germany 10y Yield		2.26	-1.4	-9	-46	33	-31
EMBIG Sovereign Spread		396	-3	-16	-36	-67	-56
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.5	-0.1	0	1	-5	-5
Dollar index, (+) = \$ appreciation		104.1	0.1	0	-2	-1	1
Brent Crude Oil (\$/barrel)		75.4	-0.6	-3	-7	-1	-12
VIX Index (% change in pp)		13.1	0.7	0	-1	-10	-9

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

The coming week will be the 2023 monetary policy finale. Policy meetings will take place in US, UK and euro area, along with Brazil, Philippines, Switzerland, Norway, Mexico, Peru and Russia. The economic calendar will also be busy. US will report CPI, retail sales amid a compressed scheduled of Treasury auctions. CPI and PMI are due from European countries, including ZEW survey from Germany. China will report new loans, industrial production, retail sales, and the 1-year MLF rate.

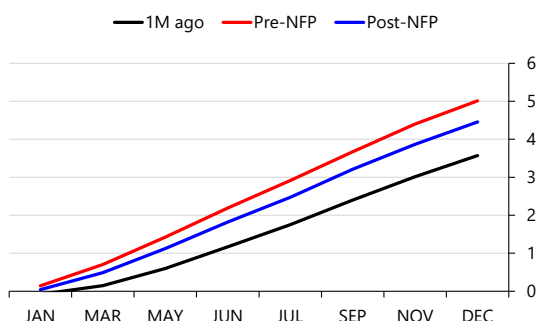
Mature Markets

[back to top](#)

United States

Investors scaled back rate cut pricing following a stronger than expected payrolls report. The number of rate cuts in 2024 priced in the Fed Funds futures market dropped to 4 on Friday from 5 on Thursday, and the timing of the initial rate cut became pushed back to May from March previously. With that, market pricing became more aligned with the latest readings of Bloomberg-based survey expectations among economists, which see 4 rate cuts starting in June. The Fed will publish its latest summary of economic projections on Wednesday, which will likely push back the expectations of earlier and more aggressive easing. Markets will also focus on commentary about whether any rate cut is driven by expectations of cooling inflation or deteriorating economic growth, which will determine the pace and depth of rate cuts.

Market-implied Number of Rate Hikes in 2024



Source: Bloomberg, WIPR futures model.

First Fed Rate Cut Expected by Economists in June
Four quarter-point reductions are seen next year by median economist

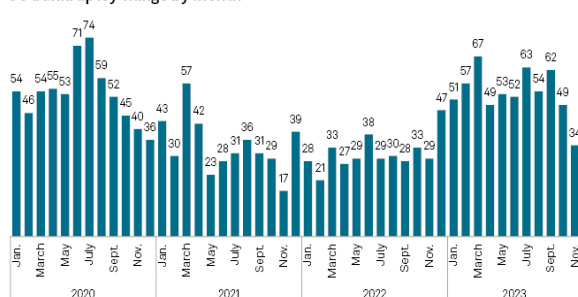


Source: Bloomberg News survey of economists December 1-6

Bloomberg

Corporate bankruptcy filings fell in November following months of elevated activity. Thirty-four companies filed for bankruptcy in November, bringing the YTD total to 591, which exceeds all yearly total over the past decade except 2020. WeWork, which provides coworking space worldwide with over \$1bn in liabilities, was the largest bankruptcy filing in November. Among sectors, consumer discretionary, industrials and healthcare accounted for most bankruptcy filings this year.

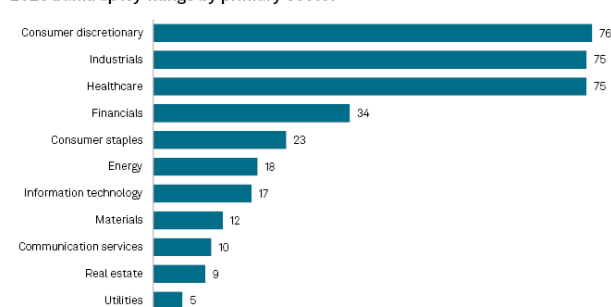
US bankruptcy filings by month



Data compiled Dec. 4, 2023.

Includes S&P Global Market Intelligence-covered US companies that announced a bankruptcy between Jan. 1, 2020, and Nov. 30, 2023.

2023 bankruptcy filings by primary sector



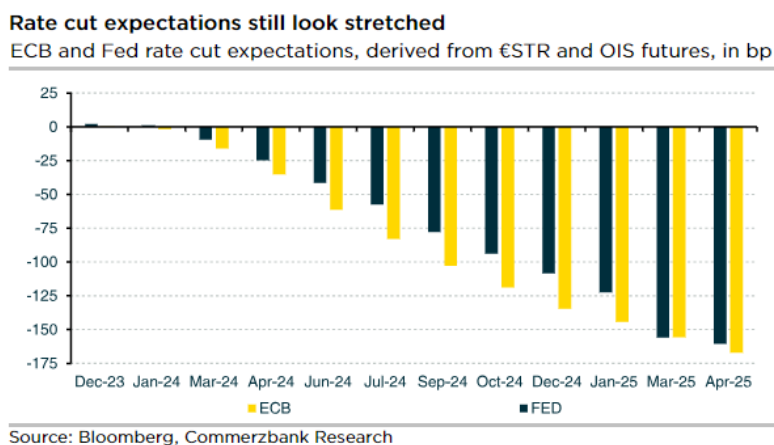
Data compiled Dec. 4, 2023.

Includes S&P Global Market Intelligence-covered US companies that announced a bankruptcy between Jan. 1, 2023, and Nov. 30, 2023.

Euro Area

European equities were mostly trading lower (Stoxx 600 equity index -0.2%) ahead of major central bank policy meetings this week. The euro fractionally changed against the dollar this morning (trading at around €1.077/\$). Rabobank analysts highlight that euro net long positions have increased for the eighth consecutive week as short positions decreased. Euro area sovereign yields were marginally lower (10y bund yield -2bps to 2.25%), retracing the upward moves at the end of last week.

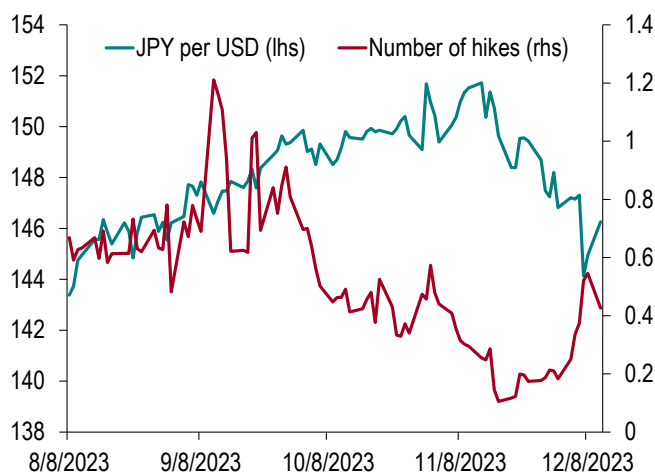
For the ECB meeting this week, contacts remain focused on **a signal of an earlier end to PEPP reinvestments and whether the ECB will push back against market expectations for ECB rate cuts in early 2024.** Markets have scaled back expectations for ECB rate cuts slightly over the past week and are now pricing in 16bps of easing by March 2024 and 120bps of easing by October 2024 (compared to roughly 18bps and 124bps at the start of last week).



Japan

The yen is retracing from Friday's gains on declining bets that negative interest rates will end soon. The yen weakened this morning with Bloomberg reporting that officials do not see the need for policy alteration this month as they would require more evidence that wage growth is supporting sustainable inflation.

BoJ Deputy Governor Himino's Wednesday address, along with Governor Ueda's remarks on Thursday, have fueled expectations for an early policy normalization by the BoJ, leading to a surge in January rate hike expectations and a stronger yen. In his inaugural speech since joining the BoJ, Deputy Governor Himino emphasized the benefits of rate hikes for households and corporations, a stance interpreted as hawkish. This led Deutsche Bank analysts to suggest that the conclusion of negative interest rates is drawing nearer, with a prediction that the BoJ is likely to end negative interest rates in January. Conversely, Goldman Sachs analysts maintained their projection that the BoJ will only issue tighter forward guidance in April 2024, followed by a termination of negative interest rates in October 2024. They interpret Himino's statement as contingent on *"what would happen if the BOJ exits from the ongoing monetary easing"*, viewing the remarks by Ueda and Himino as lacking decisiveness. Moreover, the lackluster 30-year Japanese Government Bond (JGB) auction last Wednesday, marked by the largest tail on record, extending 6 basis points from the



average price, prompted a surge of investors to reignite speculation on a quicker BoJ's hastened policy normalization. Investors discern a limited window of opportunity for the BoJ to end its unconventional monetary policy before its advanced economy peers start cutting interest rates.

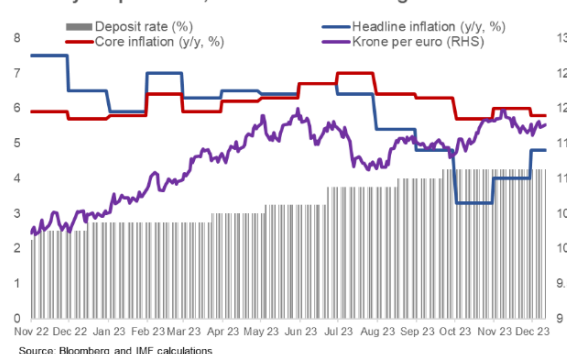
Switzerland

Market contacts expect the Swiss National Bank to keep interest rates unchanged at 1.75% at the upcoming meeting on Thursday. The most recent inflation data from Monday last week showed inflation easing to 1.4%/y/y in November (exp. 1.7% from 1.7%) and Deutsche Bank analysts expect that this week's policy meeting would see the SNB shifting to a dovish policy bias. Contacts note that exchange rate between the Swiss franc and the euro could be a potential topic at the upcoming meeting. Goldman Sachs analysts argue that as a new regime of lower inflation and rate cuts could be approaching, it is less clear that the Swiss franc would outperform as inflation differentials narrow. Nevertheless, Goldman Sachs do not expect significant near-term CHF depreciation.

Norway

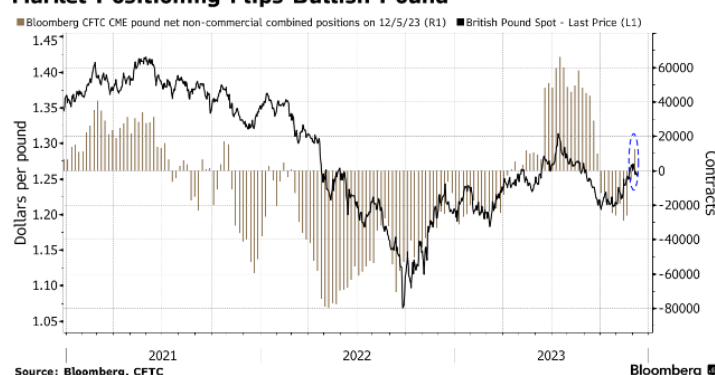
Ahead of the central bank policy meeting on Thursday, core inflation eased more than expected, reinforcing expectations that rates would remain on hold. Data released this morning showed underlying inflation easing to 5.8%/y/y (exp. 5.9% from 6.0%), while headline inflation accelerated to 4.8%/y/y (exp. 4.9% from 4.0%). JPMorgan analysts see today's data as encouraging for the disinflation progress with core and headline inflation below Norges Banks' forecasts. Bloomberg consensus expects the central bank to leave deposit rates unchanged at 4.25% at its policy meeting on Thursday, and some analysts see currency weakness as the only factor that could prompt a rate hike. The Norwegian krone has underperformed G10 peers so far this year and is now roughly 10% weaker against both the dollar and the euro YTD.

Norway: Deposit rate, inflation and exchange rate



Investor positioning has shifted to net long for the British pound last week, with markets pricing in less aggressive BoE interest rate cuts in 2024 than for major peers. CFTC data showed GBP speculators now hold net long positions as short positions decreased, after being net short for nine consecutive weeks. Goldman Sachs analysts see recent market trends as supportive for the pound, arguing that the market has moved towards pricing a soft landing that also

Market Positioning Flips Bullish Pound



includes some interest rate relief, and also that more aggressive market pricing for rate cuts make the BoE less of a dovish outlier. For example, markets are pricing in 66bps of easing by the BoE by November 2024, compared to 90bps of easing for the Fed by November and 120bps of ECB easing by October. Against this backdrop Goldman Sachs have revised their GBP/USD forecasts to 1.25, 1.30 and 1.30 in 3, 6 and 12 months (from 1.18, 1.20 and 1.25 previously). Markets are expecting the BoE to leave interest rates unchanged at the upcoming policy meeting this Thursday. Ahead of the BoE meeting contacts are attentive to labor market data (due tomorrow) and the monthly UK GDP report (due on Wednesday).

Emerging Markets

[back to top](#)

EMEA markets posted mixed results. Equity markets in Serbia (+1.1%) outperformed while those in Namibia (-1.2%) were lower. The South African rand underperformed (-0.9% to 19.14/\$) while CEE currencies were mixed against the euro with the Czech koruna outperforming. S&P on Friday confirmed Hungary's rating at BBB-/A-3 with a stable outlook. The rating agency's baseline assumption is that EU funds would not be significantly cut, but that their disbursement will remain protracted. On Friday, the Nigerian naira plunged to record low (-23% to 1099 naira per dollar) in official trading amid dollar shortage, according to Bloomberg citing data from FMDQ. Separately, Ethiopia indicated at the end of last week that it is unable to pay the USD33mn coupon falling due today, on its \$1bn Eurobond.

Asia currencies traded weaker while stock markets lacked clear direction. The Indonesian Rupiah (-0.7%) and the Philippines Peso (-0.6%) declined most as Indonesia's stock market declined most (-1.0%). Conversely, equity markets gained ground in China (+0.6%) and Malaysia (+0.3%). Ahead of its policy meeting on Thursday, market contacts expect the Philippines central bank to uphold forward guidance that vows for monetary policy to remain sufficiently restrictive until a sustained downtrend in inflation becomes fully evident.

In Latin America, the few regional markets that were open on Friday saw a mixed day. While equities in Brazil gained +0.9%, they were little changed in Mexico. In the currency market, the Brazilian real slid another -0.5%, while the Mexican peso bucked the broader EM currency trend and appreciated +0.7%. Among key regional events, Javier Milei was sworn in as the president of Argentina yesterday. As per media reports, investors are optimistic about Milei's economic plan. The local markets have rallied since his victory, with equities gaining 46%, and the country's dollar bonds raising 9 cents to 40 cents on a dollar.

EM fund flows

Weekly fund outflows from EMs intensified to -\$1.2 bn from -\$0.3 bn in the week before. the YTD total EM fund outflows have risen to -\$27.8 bn. The decline was primarily driven by an acceleration in bond fund withdrawals which outpaced the deceleration in equity funds outflows. EM bond fund outflows accelerated to -\$0.8bn from -\$0.3bn the week before, for which local currency denominated funds accounted for -\$0.6bn and hard currency funds -0.2bn. EM equity funds saw a deceleration in net outflows as equity ETF inflows more than doubled on a sequential basis to +\$0.9bn. The non-ETF equity fund flows remained negative and unchanged at -\$1.3 bn (outflow).

Figure 1: Weekly cross-asset flows

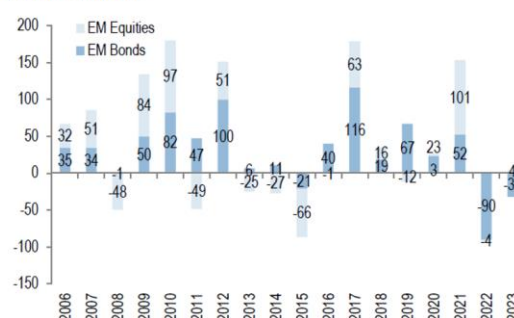
USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		-1.2	-27.8
EM Bonds		-0.8	-32.1
Hard Coy		-0.2	-23.6
Local Coy ^A		-0.6	-8.5
o.w. EM ex-China		-0.5	-3.1
o.w. China		-0.1	-6.5
EM Equities		-0.4	4.2
US HG		2.2	251.1
US HY		1.9	1.9
Global Equities		1.9	-36.4
EM Bond and Equity ETFs		1.7	34.2
EM Bond ETFs		0.8	-1.7
EM Equity ETFs		0.9	35.9
Non-resident EM flows[*]		4.2	31.9

^{*}High frequency non-resident EM portfolio flow data where available. ^ALocal ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

Figure 2: EM bond and equity fund flows

USD billion



China

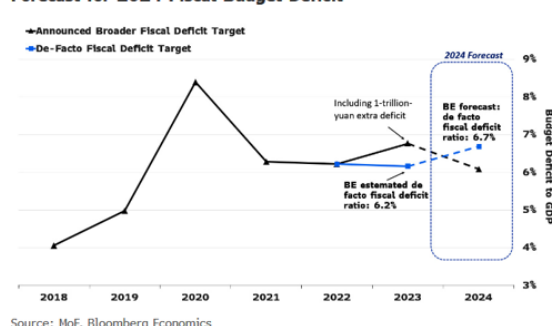
China's November CPI marked its biggest drop in three years. Based on a statement by the national statistics bureau on Saturday, China's inflation contracted by -0.5% y/y (exp. -0.2% from -0.2%). This marks the third CPI deflation print this year and the deflation was mainly driven by the decline of food and energy prices, while core CPI stayed flat compared with the previous month. Producer prices also declined, contracting by -3.0% y/y (exp. -2.8% from -2.6%) and remaining in deflation territory for 14 consecutive months. Market contacts expect deflation risks to persist into 2024 and see rising chances for imminent RRR and/or rate cuts. The Politburo's meeting statement released last Friday leads Bloomberg analysts to expect a more proactive fiscal stance and an expanding fiscal deficit in 2024 to bolster growth.

China's Deflation Pressures Worsened

Consumer and producer prices both fell more than expected



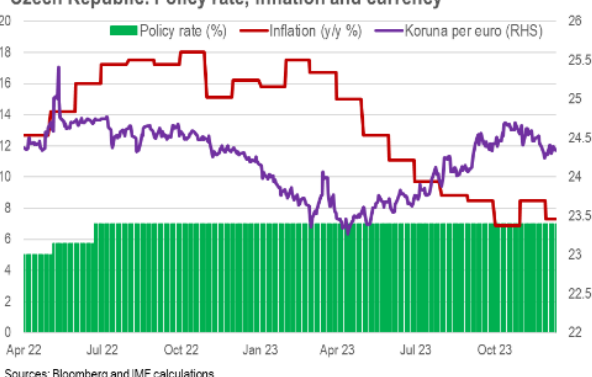
Forecast for 2024 Fiscal Budget Deficit



Czech Republic

The Czech koruna appreciated against the euro after inflation eased less than expected in November. Headline inflation eased to 7.3%/y/y in November (exp. 7.2% from 8.5%). The Czech koruna was +0.2% stronger against the euro (at around 24.33/€). JPMorgan analysts highlight that recent data prints (including October CPI, Q3 GDP and Q3 wages) have been supportive of a shift towards a more dovish stance by the Czech National Bank (CNB) but think that today's data 'shake the argument' slightly. JPMorgan analysts see equal probabilities for the CNB leaving rates on hold or cutting rates by 25bps at the upcoming policy meeting next week.





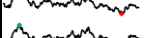
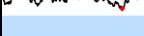


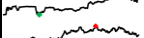










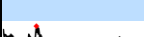
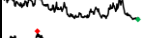
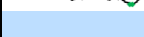


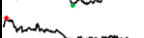
Czech Republic: Policy rate, inflation and currency



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), 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 (Senior Financial Sector Expert-New York Representative), Benjamin Mosk (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are 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), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Mustafa Oguz Caylan (Research Officer), Silvia Ramirez (Senior 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.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.





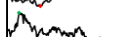





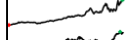



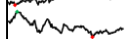



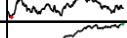

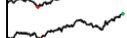








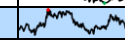

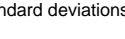






Global Financial Indicators

12/11/23 7:43 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4604	0.4	0	4	17	20
Europe		4535	0.2	3	8	15	20
Japan		32792	1.5	-1	1	18	26
China		3419	0.6	-1	-5	-14	-12
Asia Ex Japan		64	-0.4	-2	1	-3	0
Emerging Markets		39	-0.4	-2	2	0	3
Interest Rates			basis points				
US 10y Yield		4.27	4.8	2	-38	70	40
Germany 10y Yield		2.26	-1.3	-9	-45	33	-31
Japan 10y Yield		0.77	-0.1	7	-9	51	34
UK 10y Yield		4.06	2.1	-13	-27	88	39
Credit Spreads			basis points				
US Investment Grade		139	-1.8	-2	-19	-17	-20
US High Yield		411	-5.5	-15	-28	-61	-70
Exchange Rates			%				
USD/Majors		104.09	0.1	0	-2	-1	1
EUR/USD		1.08	0.0	-1	1	2	1
USD/JPY		146.4	1.0	-1	-3	6	12
EM/USD		47.5	-0.1	0	1	-5	-5
Commodities			%				
Brent Crude Oil (\$/barrel)		75.4	-0.6	-3	-7	0	-7
Industrials Metals (index)		134	-0.8	-2	-2	-21	-19
Agriculture (index)		64	-0.1	-1	-2	-3	-7
Implied Volatility			%				
VIX Index (% change in pp)		13.1	0.7	0.0	-1.1	-9.7	-8.6
Global FX Volatility		8.0	0.0	0.3	0.4	-2.7	-2.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		120	1.3	0	-7	-87	-86
Italy		180	0.2	3	-6	-11	-34
Portugal		68	1.0	0	-5	-24	-33
Spain		103	0.5	2	-3	1	-6

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

Emerging Market Financial Indicators

Last updated: 12/11/2023 6:54 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		7.18	-0.1	-0.5	2	-3	-4		2.6	-1.8	-8	-2	-52	-43
Indonesia		15615	-0.7	-1.0	1	0	0		6.7	5.1	7	-20	-28	-28
India		83	0.0	0.0	0	-1	-1		7.4	5.0	-5	-18	11.9	-8
Philippines		56	-0.6	-0.6	1	0	0		5.9	4.9	0	0	-9	-9
Thailand		35	-0.4	-0.9	1	-1	-2		2.8	0.0	-14	-30	31	18
Malaysia		4.68	-0.4	-0.6	1	-6	-6		3.7	1.1	-6	-14	-32	-29
Argentina		364	-0.1	-1.0	-4	-53	-51		100.6	0.0	-27	-901	1166	1241
Brazil		4.93	-0.5	-1.0	0	6	7		10.9	2.3	4	-48	-193	-167
Chile		875	0.1	-0.5	6	-1	-3		5.0	0.0	-1	-43	-16	-30
Colombia		3991	0.2	1.1	1	21	22		7.9	0.0	-21	-54	-216	-188
Mexico		17.39	-0.2	0.4	1	14	12		8.8	7.5	2	-38	40	4
Peru		3.8	-0.1	-0.4	1	2	1		6.9	-7.1	-28	-25	-81	-104
Uruguay		39	-0.4	-1.2	1	-1	1		9.7	-1.4	2	-6	-116	-102
Hungary		354	0.0	-0.9	0	11	5		6.3	0.0	-20	-95	-305	-330
Poland		4.02	0.2	-0.6	3	11	9		4.5	2.0	-17	-50	-99	-162
Romania		4.6	0.0	-0.7	1	1	0		6.6	4.7	-16	-9	-87	-114
Russia		90.9	1.1	0.4	1	-31	-18							
South Africa		19.1	-0.7	-1.6	-2	-8	-11		9.3	8.9	14	-22	7	16
Turkey		29.00	-0.1	-0.2	-1	-36	-35		27.0	-12.0	-4	-467	1605	1721
US (DXY; 5y UST)		104	0.1	0.3	-2	-1	1		4.27	3.0	6	-41	50	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		Last 12m	Latest	7 Days	30 Days	12 M		
			1 Day	7 Days	30 Days	12 M	YTD	basis points		7 Days	30 Days	12 M	YTD	
China		3419	0.6	-1	-5	-14	-12		151	-6	-14	-31	-26	
Indonesia		7089	-1.0	0	4	6	3		104	-20	-28	-60	-36	
India		69929	0.1	2	8	12	15		111	-15	-18	-26	-31	
Philippines		6228	-0.1	0	1	-5	-5		86	-18	-23	-37	-11	
Thailand		1381	0.0	0	-1	-15	-17		0	0	0	0	0	
Malaysia		1446	0.3	0	0	-2	-3		85	-5	-8	-13	-15	
Argentina		941830	5.3	16	61	450	366		1927	-60	-539	-414	-278	
Brazil		127094	0.9	-1	5	18	16		214	-3	-15	-53	-60	
Chile		5971	0.9	1	6	15	13		125	-4	-26	-20	-7	
Colombia		1145	1.0	-1	4	-7	-11		299	1	-20	-95	-73	
Mexico		54393	-0.1	1	6	8	12		359	9	-7	-30	-22	
Peru		22023	-0.6	-1	1	-1	3		148	5	-20	-28	-32	
Hungary		58743	0.1	0	2	33	34		155	-20	-43	-78	-67	
Poland		77176	0.1	1	8	38	34		99	-15	-21	18	26	
Romania		15119	0.6	2	4	23	30		197	-15	0	-66	-58	
South Africa		73578	-0.3	-3	3	-1	1		338	-13	-37	-54	-29	
Turkey		7772	-1.8	-4	0	55	41		344	-23	-34	-118	-96	
Ukraine		507	0.0	0	0	-2	-2		3669	-162	182	-281	-410	
EM total		39	-0.1	-2	2	0	3		356	-16	-44	-29	-20	

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

[back to top](#)