



- November saw the largest easing in US financial conditions in 40 years ([link](#))
- Greek spreads decline after Fitch upgrades Greece to IG ([link](#))
- Copper prices jump following announcement to shutdown Panama mine ([link](#))
- EM bond fund flows fell into negative territory for the latest week ([link](#))
- Türkiye's inflation eases slightly more than expected ([link](#))
- **Special Feature: Emerging Markets Local Currency Bond Monitor (Attached)**

[Mature Markets](#)




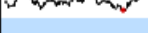
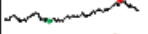
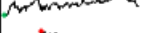
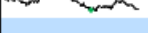



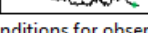
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## Yields stabilize after swift decline

Yields are rebounding this morning following the significant easing experienced over the past month. The 10-year US treasury yield is 6 bp higher this morning, after declining 70 bp since the start of November (and over 80 bp from its mid-October high), as several analysts argue that the significant repricing has been too much, too fast. Job data to be released later this week will help drive expectations in the near term. As of this morning, the first full Fed cut is priced by May. Euro area sovereign yields meanwhile are little changed ahead of next week's ECB meeting, though market pricing for 2024 cuts by the central bank has risen by about 20 bp over the past week. Greek bonds are modestly outperforming following Fitch's upgrade of the sovereign back to investment grade territory. Equity markets are weak this morning, with European stocks slightly lower and US futures about 0.5% down. Emerging market currencies are broadly mixed.

Key Global Financial Indicators

Last updated: 12/4/23 8:18 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4595	0.6	1	5	13	20
Eurostoxx 50		4411	-0.2	1	6	11	16
Nikkei 225		33231	-0.6	-1	4	19	27
MSCI EM		40	0.4	0	3	0	5
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.24	4.6	-15	-33	76	37
Germany 10y Yield		2.35	-1.4	-20	-30	49	-22
EMBIG Sovereign Spread		412	7	1	-30	-52	-40
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		48.0	-0.3	0	1	-4	-4
Dollar index, (+) = \$ appreciation		103.4	0.1	0	-2	-1	0
Brent Crude Oil (\$/barrel)		78.0	-1.2	-3	-8	-9	-9
VIX Index (% change in pp)		13.3	0.6	1	-2	-6	-8

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

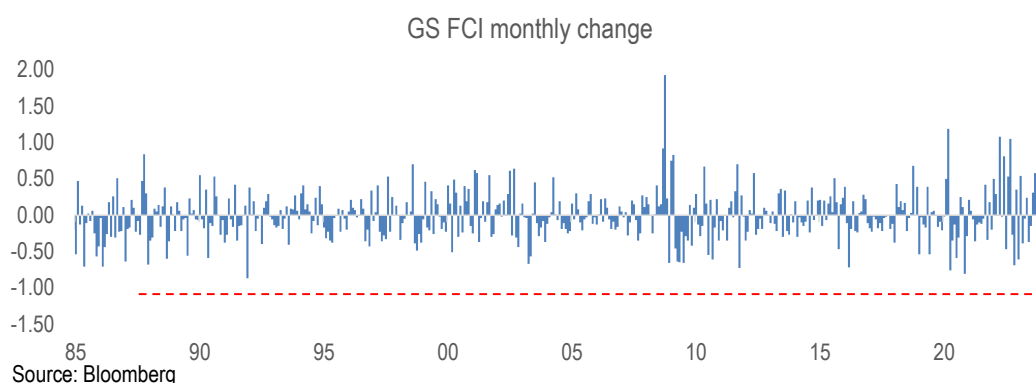
In the week ahead, central bankers will meet in Australia (Tue), Canada (Wed), Poland (Wed), and India (Thu), and all of them are expected to remain on hold. The US Fed enters its blackout period ahead of the December 13 meeting. On the data front, the US December job report is expected to show a modest rebound in payroll growth (180k consensus). In the Euro area, a slew of October hard data will be released, including region-wide retail sales, and industrial production for France, Spain, Italy, Germany, and Ireland. In Asia, China's trade data and CPI/PPI may attract investors' attention.

## Mature Markets

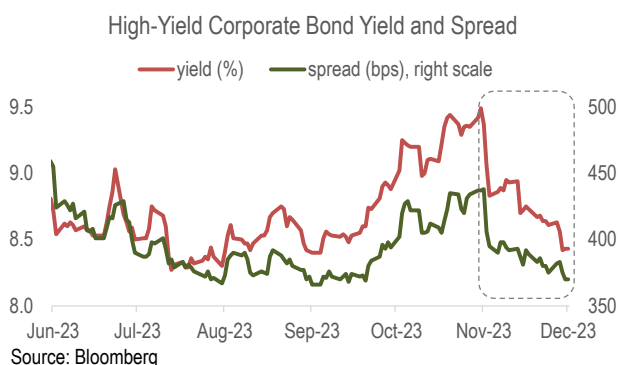
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### United States

**As rates fell and risk markets rallied, Goldman Sachs' Financial Conditions Index marked the largest monthly easing in the past four decades.** Markets shrugged off Fed Powell's attempt to dampen the optimism and reduce rate-cut wagers Friday. Equities rallied with VIX down to 12.6, and Treasury yields fell sharply, although Powell argued that hikes were not necessarily done yet and that they were not even thinking about cutting. Some analysts focused on changes in his wording: A few weeks ago, Powell said, "We probably have a significantly restrictive policy," but on Friday, he believed the Fed policy rate is "well into restrictive territory." Another catalyst of the market rally was weaker than expected ISM manufacturing for November (46.7 versus 47.8 consensus). The latest update to the Atlanta Fed's GDP Now estimate for Q4 decelerated to 1.2%saar from 1.8%. Traders have increasingly priced in rate cuts next year: The market implied Dec 2024 forward FF rate declined by 50bp for the week and now trades below 4%.



**Investment-grade corporate bonds posted the best month in 38 years.** According to BofA analysts, the IG corporate bond index returned 5.6% in November, with the BBB bucket outperforming with a 5.8% return. High-yield corporates also performed well, with a 70bp compression in spreads. Loans underperformed bonds given the absence of duration and a lower quality bias. By sector, media and real estate performed well, while telecom, transport, and energy underperformed.



## Europe

**European equities were mostly in the red with the Stoxx 600 equity index marginally lower (-0.2%).** The euro was marginally weaker against the dollar this morning (-0.1%), while euro area sovereign yields were mixed: The 10y bund yield was marginally higher (+1bp), after closing 9bp lower on Friday.

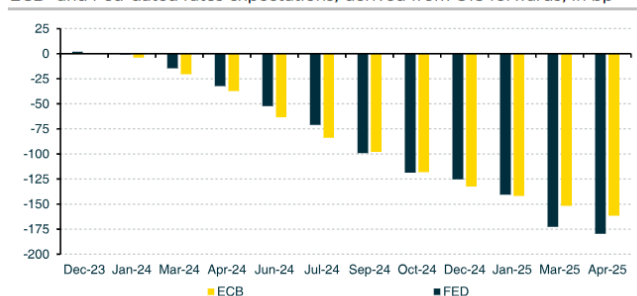
### Markets have scaled up ECB rate-cut expectations for 2024 ahead of the policy meeting next week.

Markets are pricing in roughly 120bp of easing by October 2024, compared to 100bp priced last Thursday. Analysts note that the main driver of the repricing was November's preliminary inflation data that eased more than expected. Last Friday ECB Governing Council (GC) member Villeroy said that in the absence of shocks ECB rate hikes are over, and also noted that "the question of a cut may rise when the time comes during 2024, but not now".

In the meantime, ECB GC member Nagel was quoted as cautioning that geopolitical tensions could imply higher inflation, arguing that it is way too early to declare a victory over inflation. ECB Vice President de Guindos described the inflation data as a positive surprise but also cautioned that "we can't declare victory".

Market sees full-grown rate cut cycle

ECB- and Fed-dated rates expectations, derived from OIS forwards, in bp



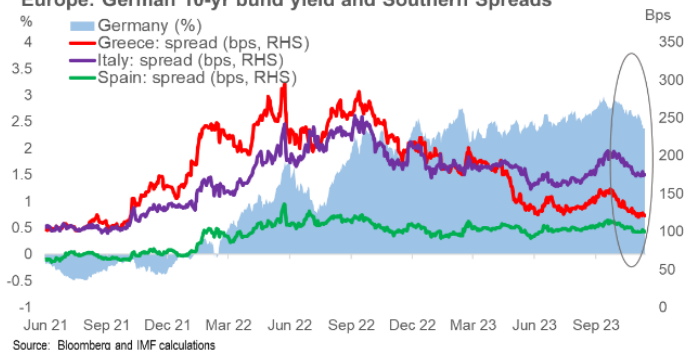
Source: Bloomberg, Commerzbank Research

### The spread between Greek and German 10y sovereign bond yields narrowed after Fitch raised Greece's credit rating to BBB- from BB+ with a stable outlook.

The rating agency announced the decision on Friday, pointing to favorable debt dynamics, Greece's commitment to fiscal consolidation as well as resilient economic growth, policy continuity and an improving banking sector. This follows S&P, who upgraded Greece to investment grade in October. Contacts note that Fitch's rating paves the way for Greece to rejoin major sovereign bond indices in January but highlight that most of the support is likely already reflected in the price.

The Greek 10-year benchmark bond yield now at around 120 bp above that of the German bund, with the spread roughly 3bp narrower this morning. The Greek 10-year benchmark bond yield has been below that of its Italian counterpart since May. In other rating news, Fitch affirmed Ireland at AA- with a positive outlook, S&P affirmed France at AA with a negative outlook and DBRS Ratings confirmed Germany at AAA and Spain at A, both with a stable outlook.

Europe: German 10-yr bund yield and Southern Spreads



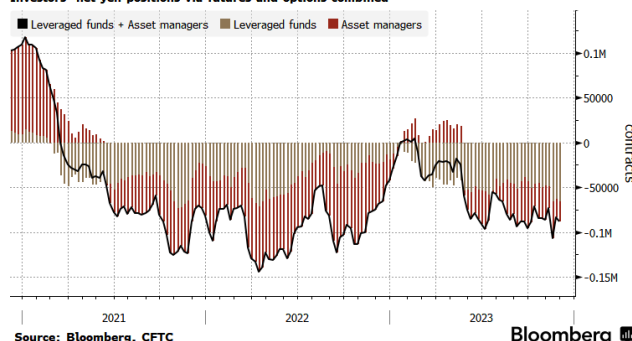
Source: Bloomberg and IMF calculations

## Japan

**Hedge funds increased their yen short positions to the highest level since April 2022,** according to data from the Commodity Futures Trading Commission (as of November 28). Analysts noted that views of persistent yen weakness are widely shared among overseas investors. The currency weakness is largely underpinned by the interest rate differential between Japan and other major economies. Last week, it was reported that Japanese life insurers cut FX hedging that protected their overseas investment against a stronger yen, showing that domestic investors also became less concerned about yen appreciation that could wipe out returns from overseas assets. The yen was little changed at 146.8 yen per dollar. Japanese equities declined (NIKKEI: -0.6%). Long-end JGB yields were mixed (10-year: -0.1 bp; 30-year: +0.5 bp).

### Hedge Funds and Asset Managers Remain Yen Short

Investors' net yen positions via futures and options combined



## Emerging Markets

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**Asian equities were mixed today, falling 0.6% on net.** Hong Kong (-1.1%) and Chinese (CSI 300: -0.7%) stocks declined, while share prices rose in India (+1.8%). Indian equities outperformed after the ruling party won state elections in three crucial states, strengthening its position ahead of national elections next year. Most Asian currencies appreciated, led by the Thai baht (+0.3%) and Malaysian ringgit (+0.3%). Long-end government bond yields generally declined, with the 10-year yields falling in Singapore (-4 bp) and Indonesia (-3 bps), following the decline in US treasury yields. **EMEA equity markets are mixed while currencies are mostly weakening.** Equities in Serbia (-1.4%) underperformed, while equities in Egypt (+2.7%) saw the largest gains. On the currency front, the South African rand was underperforming against the dollar (-0.5%). CEE currencies were mostly weaker against the euro. **Equities across most of LatAm rose on Friday** (Brazil: +0.7%, Colombia: +0.4%, Chile: +1.2%, Peru: +1.8%), although fell in Mexico (-0.3%). Currencies in the region also appreciated, with big gains in Chile (+1%), Colombia (+1.9%), and Mexico (+1%). Mexican president ALMO announced on Friday that the minimum wage will rise by 20% next year from 207 pesos to 249 pesos per day, which will sustain local demand, but could be a challenge to lower inflation.

## EM Weekly Flows

**EM bond funds return to outflows last week (-\$317mn) as equity funds also continued to see outflows (-\$898mn).** YTD bond flows are down \$31.2bn while equities are up +\$4.6bn. For bonds, outflows were led by local currency funds (-\$295mn from -\$152mn), while hard currency outflows were slightly negative (-\$22mn from +\$345mn). Within local currency bond funds, ex-China outflows increased -\$151mn (from -\$54mn). Among equities, ETFs saw inflows of \$389 as non-ETFs saw large outflows of \$1.3bn.

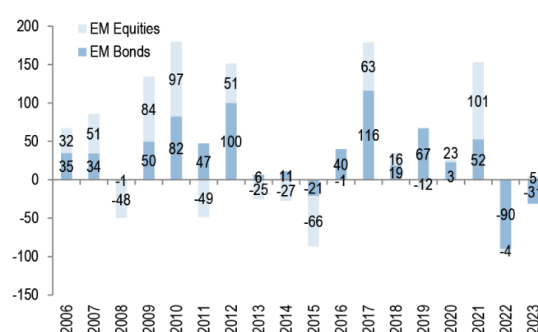
Figure 1: Weekly cross-asset flows

USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		-1.2	-26.6
EM Bonds		-0.3	-31.2
Hard Ccy		0.0	-23.4
Local Ccy*		-0.3	-7.9
o.w. EM ex-China		-0.2	-2.6
o.w. China		-0.1	-6.3
EM Equities		-0.9	4.6
US HG		0.7	248.9
US HY		0.9	0.0
Global Equities		8.1	-38.4
EM Bond and Equity ETFs		0.9	32.4
EM Bond ETFs		0.5	-2.6
EM Equity ETFs		0.4	35.0
Non-resident EM flows*		2.9	27.8

Figure 2: EM bond and equity fund flows

USD billion



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

## China

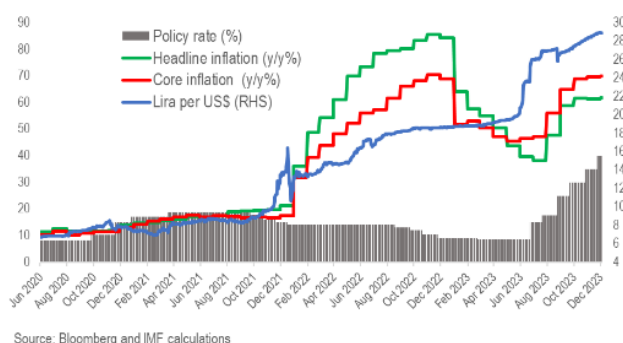
**Chinese equities declined** (CSI 300: -0.7%; Hong Kong SAR-listed: -1.0%), led by the decline in healthcare and property stocks. Healthcare stocks came under pressure after the share price of Wuxi Biologics dropped as much as 25% after the company's warning of challenging conditions ahead. Analysts noted that the healthcare industry is facing near-term challenges due to the drop of Covid-related sales and a slowdown in biotech funding. **Governor Pan pledged to keep money supply growth in check and to offer better support to key sectors** (e.g., technology). His statement quelled speculation that the People's Bank of China (PBC) may provide cheap funding to property and infrastructure projects. RMB depreciated to 7.14 yuan per dollar (-0.1%). The PBC continued withdrawing liquidity, which amounted to 434 bn yuan (\$61.3 bn) today. The key interbank repo rate (DR007) stayed around 1.79%, near the policy rate at 1.80%. CGB yields increased (1-year: +2 bp; 10-year: +1 bp).

**The Hong Kong SAR court adjourned the hearing on Evergrande's liquidation to January 29.** Initially, the court said that a winding-up order would be issued unless Evergrande strengthened its restructuring proposal with adequate details. However, the court decision was further postponed as the original petitioner did not push for an immediate liquidation, a turnaround that caught other creditors off guard. The share price of Evergrande rose (+9.2%).

## Türkiye

**The lira was little changed after Turkish inflation accelerated slightly less than expected in November.** Data released this morning showed headline inflation increasing to 62% (versus expected 62.6% from 61.4%), while core inflation accelerated to 69.9% (versus expected 71.4% from 69.8%). Central bank forecasts see inflation reaching 65% by the end of this year, peak in May 2024, and then ease to 36% by end-2024. The Turkish lira was trading marginally stronger after the data release (+0.1%) but retraced moves later in the session to trade around 28.92/\$, roughly 35% weaker YTD. Goldman Sachs analysts expect the depreciation of the Turkish lira to slow going forward, with some drivers including expectations for further current account improvement as well as easing inflationary pressures.

Türkiye: Policy rate, Inflation and Currency



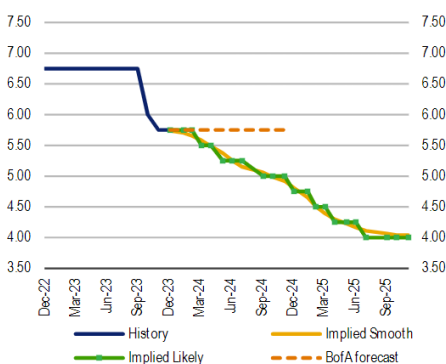
## Poland

**The central bank is expected to remain on hold at this week's policy meeting.** Bloomberg consensus and market expectations both reflect expectations that the central bank will leave the base rate at 5.75% at the upcoming meeting on Wednesday. The central bank left rates unchanged at their most recent meeting, with Goldman Sachs analysts pointing to a more hawkish stance following elections. With expectations that inflation pressures will ease markedly in the months ahead, Goldman Sachs analysts think that the central bank could start cutting rates again in Q1 2024. BofA analysts, however, expect the rate to remain unchanged through 2024, and note that markets are pricing in roughly 40bp of easing in the next six months.



**Poland**

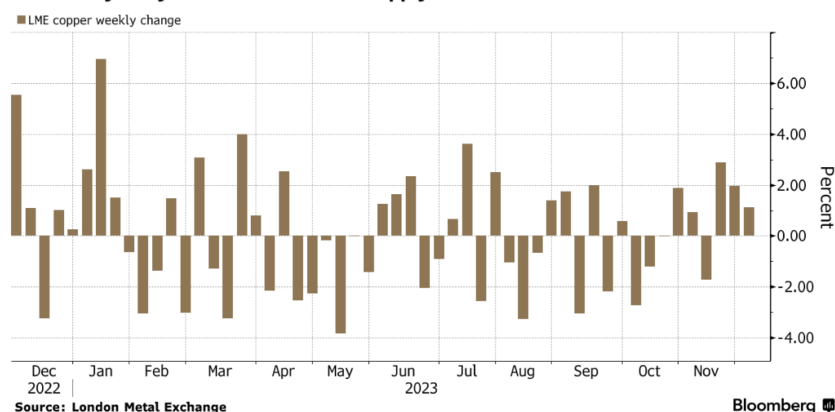
Market prices 38bp of cumulative cuts over the next six months



Source: BofA Global Research

**Chile**

**Copper rose 1.7% on Friday following an unexpected uptick of manufacturing in Europe and China.** In addition, the news of Panama's scheduled shutdown of its large mineral mine, First Quantum Minerals Ltd, is expected to drastically reduce copper supply as the mine produced 1.5% of supply globally. Although Chile is expected to benefit, being the world's largest copper exporter, a supply chain constraint at the drought-stricken Panama Canal has shifted recent copper purchasing to a stockpile in New Orleans.

**Copper Set For Third Weekly Gain**  
**Metal buoyed by China stimulus and supply threat**






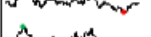
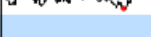
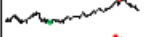
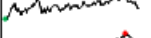
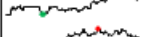





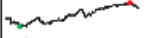




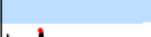
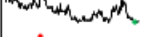


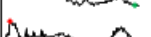

Source: London Metal Exchange

Bloomberg

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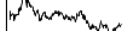





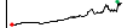



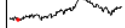


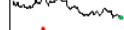


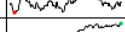





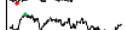




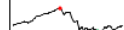
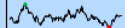


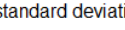
## Global Financial Indicators

12/4/23 8:19 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		4584	0.6	1	5	13	19
Europe		4411	-0.2	1	6	11	16
Japan		33231	-0.6	-1	4	19	27
China		3460	-0.7	-1	-3	-12	-11
Asia Ex Japan		66	0.3	0	2	-2	2
Emerging Markets		40	0.4	0	3	0	5
<b>Interest Rates</b>			basis points				
US 10y Yield		4.24	4.6	-15	-33	76	37
Germany 10y Yield		2.35	-1.4	-20	-30	49	-22
Japan 10y Yield		0.70	0.0	-8	-23	44	28
UK 10y Yield		4.18	4.0	-3	-11	103	51
<b>Credit Spreads</b>			basis points				
US Investment Grade		139	-1.7	-3	-19	-21	-20
US High Yield		420	-5.2	-3	-15	-42	-60
<b>Exchange Rates</b>			%				
USD/Majors		103.36	0.1	0	-2	-1	0
EUR/USD		1.09	-0.1	-1	1	4	2
USD/JPY		146.6	-0.2	-1	-2	7	12
EM/USD		48.0	-0.3	0	1	-4	-4
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		78.0	-1.2	-2	-8	-5	-3
Industrials Metals (index)		138	-1.5	0	-1	-18	-17
Agriculture (index)		65	-0.1	0	-1	-2	-6
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		13.3	0.6	0.6	-1.7	-5.8	-8.4
Global FX Volatility		7.6	0.0	0.2	-0.1	-3.8	-3.1
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		120	-2.6	-3	-11	-85	-86
Italy		175	0.8	1	-12	-16	-40
Portugal		67	2.2	-1	-1	-26	-35
Spain		100	0.6	1	-3	-1	-9

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

## Emerging Market Financial Indicators

Last updated: 12/4/2023 8:19 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		7.14	-0.1	0.2	2	-2	-3		2.7	2.5	-3	4	-41	-35
Indonesia		15463	0.1	0.2	0	0	1		6.6	-3.3	-15	-27	-27	-35
India		83	-0.1	0.0	0	-2	-1		7.4	-4.1	-16	-13	16.5	-3
Philippines		55	0.1	0.2	1	1	1		5.9	-0.1	-1	0	-14	-9
Thailand		35	-0.3	0.3	2	0	-1		2.9	-2.5	-14	-25	43	29
Malaysia		4.66	0.3	0.5	0	-6	-5		3.8	-2.7	-7	-19	-23	-25
Argentina		363	-0.4	-1.0	-3	-53	-51		100.9	95.3	32	-731	381	1267
Brazil		4.89	-0.2	0.1	0	8	8		11.0	11.7	-3	-65	-169	-160
Chile		859	-0.1	1.5	3	4	-1		5.1	1.5	-11	-58	-10	-28
Colombia		3977	-0.3	-0.1	0	22	22		8.1	0.0	-6	-38	-137	-169
Mexico		17.26	-0.4	-0.5	2	14	13		8.8	-8.5	-36	-76	31	2
Peru		3.7	0.1	0.0	3	3	2		7.1	1.1	-12	-22	-52	-88
Uruguay		39	0.1	0.6	2	1	2		9.6	5.2	8	-19	-117	-103
Hungary		349	-0.1	-0.6	2	13	7		6.5	-16.0	-38	-71	-164	-309
Poland		3.99	-0.3	-0.5	4	13	10		4.7	-1.4	-26	-11	-103	-144
Romania		4.6	-0.2	-0.6	1	3	1		6.7	0.0	-17	-8	-98	-98
Russia		90.9	0.2	-2.0	2	-31	-18							
South Africa		18.7	-0.4	-0.4	-2	-7	-9		9.2	-1.8	-15	-40	-3	1
Turkey		28.90	0.1	0.1	-2	-36	-35		27.2	-31.0	-229	-302	1641	1740
US (DXY, 5y UST)		103	0.1	0.2	-2	-1	0		4.18	5.7	-23	-32	53	18

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		3460	-0.7	-1	-3	-12	-11		157	-6	-10	-37	-20	
Indonesia		7094	0.5	1	4	2	4		124	8	-17	-35	-16	
India		68865	2.1	4	7	10	13		126	2	-9	-17	-16	
Philippines		6284	0.6	0	5	-2	-4		104	8	-15	-16	7	
Thailand		1384	0.2	-1	-3	-16	-17		0	0	0	0	0	
Malaysia		1451	-0.4	0	0	-1	-3		90	3	-6	-10	-10	
Argentina		870169	7.0	-5	37	413	331		1987	24	-617	-238	-218	
Brazil		127560	0.7	1	8	14	16		217	-1	-5	-52	-57	
Chile		5875	1.2	2	5	11	12		129	0	-17	-21	-3	
Colombia		1152	0.4	2	5	-7	-10		298	-12	-22	-99	-74	
Mexico		53901	-0.3	2	5	5	11		350	-4	-25	-25	-31	
Peru		22324	1.8	1	4	0	5		143	-5	-20	-37	-37	
Hungary		58491	0.8	5	2	28	34		175	-5	-24	-60	-47	
Poland		76353	0.0	3	5	36	33		114	8	-1	19	41	
Romania		14794	0.6	1	4	26	27		212	5	-4	-49	-43	
South Africa		75973	0.4	1	4	2	4		351	-4	-24	-53	-16	
Turkey		8069	0.5	0	5	63	46		367	16	-10	-100	-73	
Ukraine		507	0.0	0	0	-2	-2		3831	173	317	28	-248	
EM total		40	-0.6	0	3	0	5		371	1	-36	-13	-4	

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

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