Global Markets Monitor

Monetary and Capital Markets Department
Global Markets Analysis Division

Thursday, February 28, 2019

- **Fed Chair Powell tells Congress that the Fed's balance sheet will remain large ([link](#))**
- **US investment grade bond issuance experiences robust start to 2019 ([link](#))**
- **Merkel and Macron open to a Brexit delay as UK faces key votes next week ([link](#))**
- **Concerns deepen regarding the increased indebtedness of Mexico's Pemex ([link](#))**
- **Chinese assets decline mildly as manufacturing contracts further ([link](#))**

US | Europe | Other Mature | Emerging Markets | Market Tables

Global markets decline modestly amid political uncertainty

Trading was cautious overnight, with investors largely focused on a series of geopolitical headlines. With no significant data releases to guide trading, aside from the slightly worse-than-expected Chinese manufacturing PMI, many global assets traded within tight ranges. Market participants remain cautious as news of the abrupt end to the Trump-Kim summit sapped optimism in Asia and Europe. The lack of progress in US-China trade talks and the simmering tension between India and Pakistan were also cited as factors weighing on risk sentiment. Looking ahead, market participants await the upcoming vote on the Withdrawal Agreement in the UK Parliament, but there is little certainty about the outcome of this vote or the course of Brexit should the Agreement be voted down.

Key Global Financial Indicators

Last updated: 2/28/19 8:04 AM	Level Last 12m	Latest	Change from Market Close 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		2792	-0.1	0	3	3	11
Eurostoxx 50		3287	0.1	1	4	-4	10
Nikkei 225		21385	-0.8	0	3	-3	7
MSCI EM		43	-0.4	1	0	-10	10
Yields and Spreads					bps		
US 10y Yield		2.67	4.7	-3	-8	-19	-2
Germany 10y Yield		0.16	1.3	3	-4	-50	-8
EMBIG Sovereign Spread		343	-3	-9	-16	58	-71
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		63.8	0.0	0	0	-10	2
Dollar index, (+) = $ appreciation		95.9	-0.3	-1	0	6	0
Brent Crude Oil ($/barrel)		66.1	-0.5	-2	7	0	23
VIX Index (%, change in pp)		14.9	0.2	0	-2	-5	-11

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

United States

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Markets drifted lower again in slow trading conditions. Going into the month-end close, ahead of the Korea summit and with trouble brewing in South Asia, many market participants chose to stay on the sidelines. The S&P 500 remained below the psychologically important 2800 level as the trend of low daily volatility continued. The index has seen just one day with a move over 0.5% since February 15. Comments from US Trade Representative Lighthizer reminded markets that a deal with China remains a work in progress. Meanwhile, hopes of a Brexit delay led to higher gilt rates, which in turn pushed Bund and Treasury yields higher. However, Treasuries also remain stuck in a narrow range, with the 10-year yield at 2.68%, just half a basis point away from where it started the year. In other news, pending home sales were stronger than expected.

The latest estimate of US Q4 GDP came stronger than expected at 2.6% versus the consensus forecast of 2.2%. The market response was muted.

The terminal size of the Fed's balance sheet is likely to be larger than earlier expected. Fed Chair Powell told Congress that the balance sheet used to be roughly 6% of GDP, but that the current high demand for bank reserves and cash called for reserves at 16 to 17% of GDP. The balance sheet is now a little over $4 tn. When asked about the final size, Powell said "There is a lot of uncertainty about the actual level." He noted that "We are close to agreeing on a plan that would sort of light the way to the end of the process," and that it would be announced "fairly soon." Recent surveys of bank analysts suggested a consensus estimate of $1 tn or slightly lower for excess reserves, but comments from FOMC members also pointed to a higher excess reserve balance and balance sheet. In speeches, FOMC member Harker mentioned $1-$1.3 tn with a $100 bn buffer, while FOMC member Williams talked about $1 tn or more and Vice Chair Clarida discussed $1-1.2 tn with an additional buffer. The higher reserve balance implies that the Fed's balance sheet rundown is likely to end earlier than earlier expected and could be completed as early as September. The Fed is expected to announce its plans at the March 20 FOMC meeting. There is a growing consensus that the Fed will reinvest cash from its mortgage-backed securities holdings into Treasuries, and that it will favor shorter maturities and shrink the overall weighted average maturity (WAM) of the SOMA (System Open Market Account) portfolio.

Table 3: Fed balance sheet projections by month ($bn)

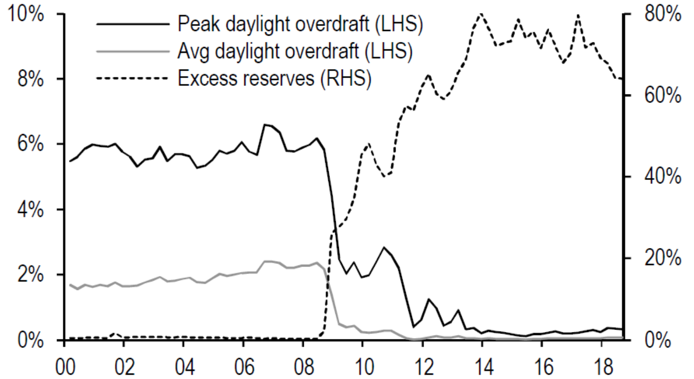
	Assets				Liabilities					
	Treasuries	Agency MBS	Other	Total	Currency	Deposits	Fed Repo	Other	Reserves	Total
Feb-19	2176	1603	243	4021	1716	200	250	44	1811	4021
Mar-19	2153	1586	242	3981	1726	300	252	45	1658	3981
Apr-19	2123	1569	241	3933	1736	400	254	46	1497	3933
May-19	2093	1550	240	3883	1746	300	256	46	1535	3883
Jun-19	2072	1532	239	3842	1757	300	258	47	1481	3842
Jul-19	2050	1514	237	3801	1767	300	260	47	1427	3801
Aug-19	2020	1496	236	3752	1778	365	262	48	1300	3752
Sep-19	2007	1479	235	3722	1788	430	264	48	1191	3722
Oct-19	1992	1463	234	3689	1799	430	266	49	1145	3689
Nov-19	1962	1448	233	3642	1809	430	268	49	1085	3642
Dec-19	1951	1433	232	3616	1820	450	270	50	1026	3616

Note: reserves are expected to rise into end Feb due to a drop in Treasury's cash balance due to debt limit dynamics; source: BofA Merrill Lynch Global Research, NY Fed

A higher level of reserves for the Fed's balance sheet could have benefits for financial stability. Due to interest on excess reserves (IOER), banks are more likely to keep sizeable balances at the Fed to maintain a liquidity buffer against unexpected intra-day cash demands. This makes the banking system stronger with regard to payment shocks or funding stress. Prior to the global financial crisis (GFC), the Fed's daylight overdrafts were the main source of help for banks facing liquidity problems. Today, banks are much more comfortable with maintaining large reserve balances since the Fed now pays interest. As a result, there is very little usage of the overdraft facility (0.3% of daily activity versus over 6% in 2008). This trend has reduced settlement risk and cut down on payment delays. The New York Fed found that 50% of all activity on the Fedwire settlement system is completed by 2.30 pm, compared to 4.30 pm pre-crisis.

Exhibit 3: An abundance of reserves significantly reduces reliance on daylight overdraft for settlement liquidity ...

Peak and average daylight overdraft and average excess reserves, both normalized to gross Fedwire transaction volume, all based on quarterly data; both axes in %



Source: J.P. Morgan, FRB

New issuance of investment grade US corporate bonds has been very strong so far in 2019. After a dearth of issuance late last year in the midst of unstable market conditions, companies have returned to the market in force and have had no trouble selling large volumes at reasonable spread levels. With one more day to go, February issuance is expected to reach $90 bn, a 5% increase over last year. Although conditions fluctuate from day to day, issuers have generally enjoyed much more favorable conditions this year compared to 2018. The new issue concession typically offered to attract investors to new deals has been lower than last year's average. The oversubscription levels for deals is higher this year and deals have priced at a greater discount to their initial price talk, 19.2 bps tighter on average compared to the 15 bps average in 2018. Yesterday, nine companies came to market with $5.7 bn of new bonds.

US Investment Grade Corporate Bond Market Conditions

Source: Bloomberg

	Yesterday	2019	2018
New Issue Concession	3.4 bps	4.4 bps	5.1 bps
Oversubscription	2.8	3.4	2.9
Initial Price Talk Discount	17.8	19.2	15

Europe

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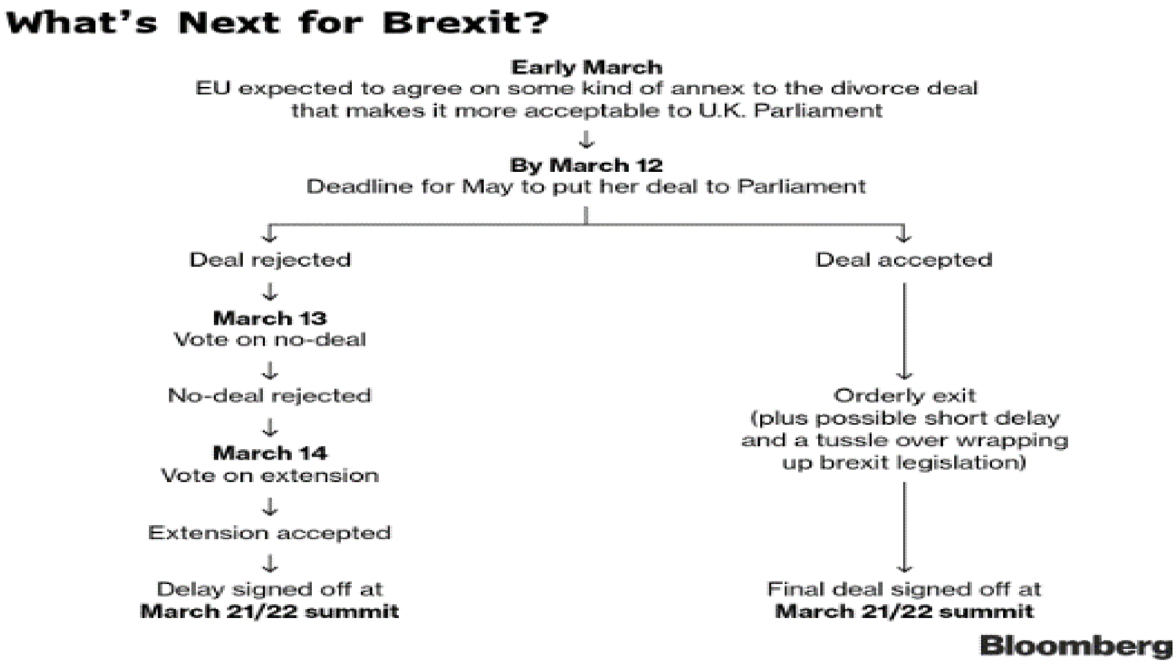
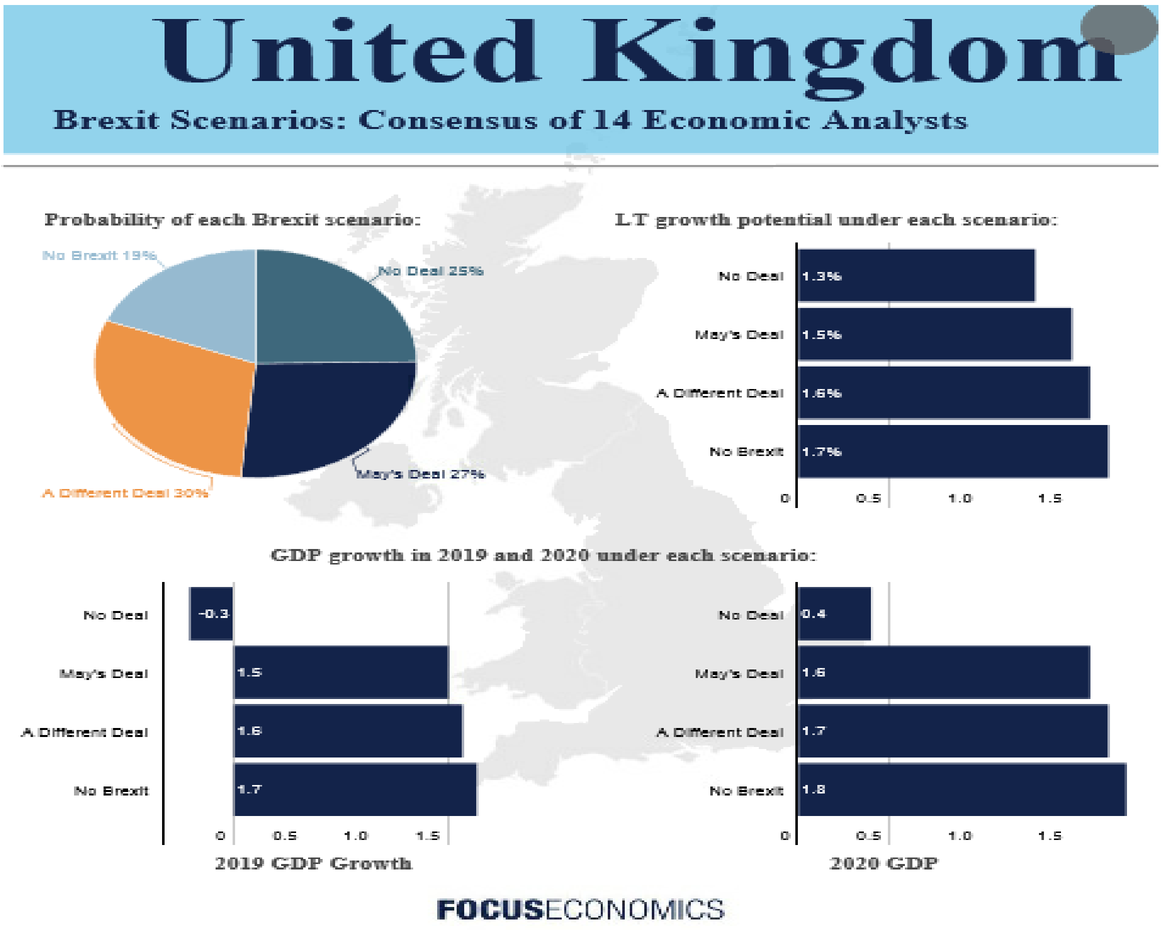
The price action in European markets has been rather muted this morning. Equity indices have shed about 0.2% in value, while sovereign yields are little changed. Bank stocks (+0.6%) are outperforming.

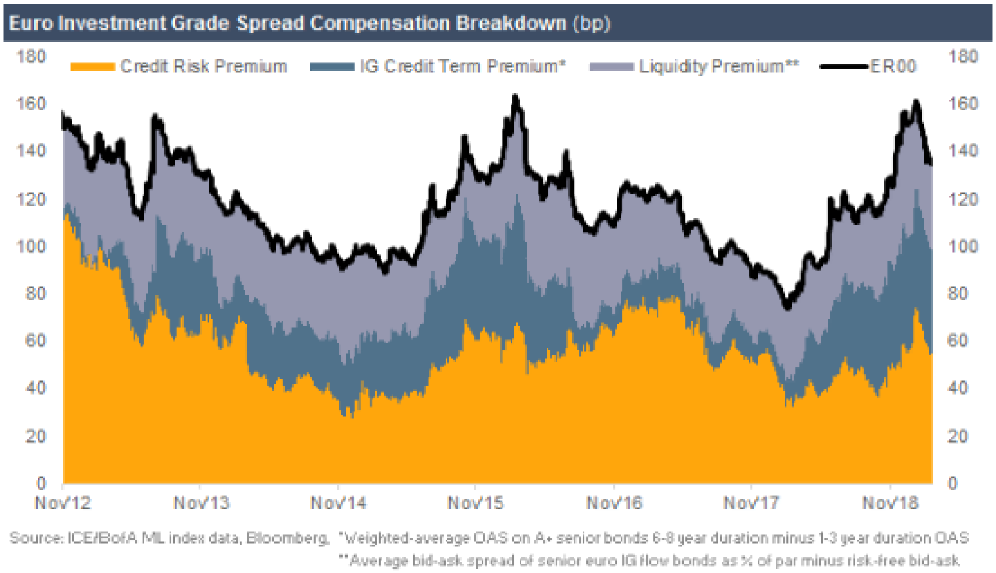
Yesterday, the UK parliament approved Theresa May's plan for a 'meaningful vote' on the Brexit Withdrawal Agreement on March 12. If the Withdrawal Agreement is rejected, Parliament would then vote on a 'no deal' exit on March 13, and an extension of Article 50 on March 14 (if 'no deal' fails). Labour leader Corbyn said his party fully endorses a second referendum now, after his proposed amendments to the Withdrawal Agreement were all defeated by 323 to 240 votes. A poll conducted by FocusEconomics assigned a probability of 25% to a no-deal scenario.


What's Next for Brexit?
Early March
EU expected to agree on some kind of annex to the divorce deal that makes it more acceptable to U.K. Parliament
By March 12
Deadline for May to put her deal to Parliament
Deal rejected
March 13
Vote on no-deal
No-deal rejected
March 14
Vote on extension
Extension accepted
Delay signed off at March 21/22 summit
Deal accepted
Orderly exit (plus possible short delay and a tussle over wrapping up brexit legislation)
Final deal signed off at March 21/22 summit
Bloomberg

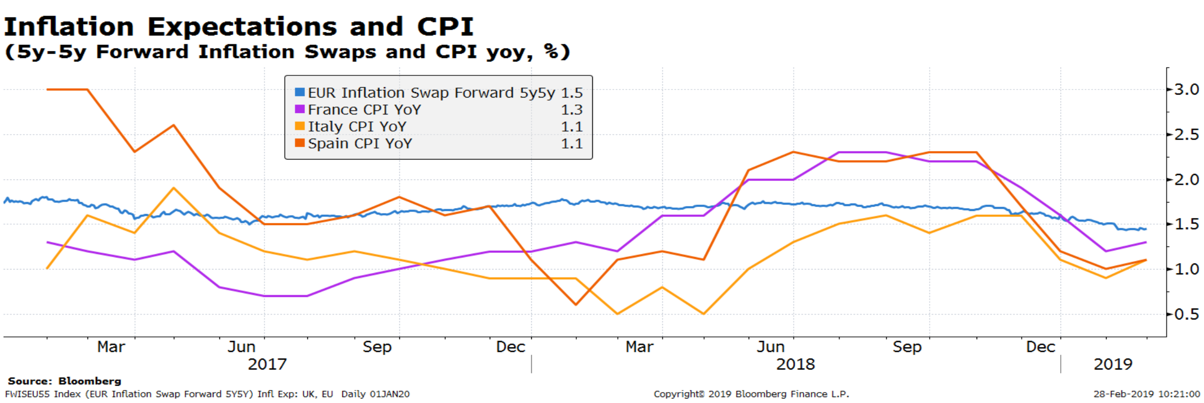

United Kingdom
Brexit Scenarios: Consensus of 14 Economic Analysts
Probability of each Brexit scenario:
No Brexit 19%
No Deal 25%
May's Deal 27%
A Different Deal 30%
LT growth potential under each scenario:
No Deal 1.3%
May's Deal 1.5%
A Different Deal 1.6%
No Brexit 1.7%
0 0.5 1.0 1.5
GDP growth in 2019 and 2020 under each scenario:
No Deal -0.3
May's Deal 1.5
A Different Deal 1.6
No Brexit 1.7
0 0.5 1.0 1.5
2019 GDP Growth
No Deal 0.4
May's Deal 1.6
A Different Deal 1.7
No Brexit 1.8
0 0.5 1.0 1.5
2020 GDP
FOCUSECONOMICS

Separately, **Chancellor Merkel and President Macron said they are open to delaying the Brexit date** provided the UK has a clear plan. "As our negotiator Michel Barnier says, we don't need time, what we really need are decisions. It is time for the UK to make choices," President Macron said on Wednesday at a press conference.

Credit and term premia for euro investment grade corporates have increased notably since end-2017, according to CreditSight data. Analysts found that credit risks accounts for almost 60 bps of the 140 bps spread in the IG corporate space, while term premium is about 40 bps (compared to about 35 bps and 5 bps at end-2017). Liquidity compensation has remained roughly constant on the back of expectations of continued ECB support.



On the data front, **2018Q4 inflation figures** for Italy and Spain largely matched expectations, while France's came in slightly weaker. Italy's EU harmonized CPI was 1.2% y/y (as expected); Spain's was 1.1% y/y (vs. 1.0% expected); and France's was 1.5% y/y (vs. 1.7% expected). **French Q4 GDP growth** matched expectations at 0.9% y/y.



The German cabinet has approved a second 8-year term of Bundesbank president Jens Weidmann.

Other Mature Markets [back to top]

Japan

The yen appreciated while equities fell alongside other Asian bourses after an abrupt end to the Trump-Kim summit. According to Bloomberg, President Trump said he walked out of the summit after the two leaders failed to agree on a deal to relieve North Korea of U.S. sanctions. The yen appreciated (+0.24%) but remains in the narrow range seen in recent days, settling at 110.68/dollar. The Topix shed 0.8%, with Toyota Motor falling 1.2%, contributing the most to the index's decline. **JGB yields rose with the yield curve flattening further**. The yield on the 2-year note rose 0.7 bps to -0.16% while the 10-year note yield rose 0.3 bps to -0.03%. The yield spread between the 10- and the 2-year note narrowed from 28 bps last October to 13 bps currently. Analysts noted that this narrowing is all the more striking given recent comments from Governor Kuroda that reaffirmed the BoJ's commitment to policy support for the economy. According to Bloomberg, Governor Kuroda outlined four options for more easing: lowering either the -0.1% deposit facility rate or the 0% 10-year yield, buy more assets, or increase the pace of expansion of the monetary base.

Emerging Markets [back to top]

Asian equities suffered sizable and broad-based losses while currencies were mixed following an abrupt end to the US-North Korea summit. Further contraction in China's headline manufacturing PMI added to investors' worries. Korean assets dropped with the Kospi losing 1.8% - the sharpest single day decline since late October - and the tech-heavy Kosdaq falling 2.8%. The Korean won depreciated by 0.5%, pacing losses seen in the region. Meanwhile, in line with expectations, the Bank of Korea kept its policy rate unchanged, leaving the 7-day repo rate at 1.75%. At the press conference, Governor Lee dialed down expectations for a rate cut, noting that the current rate level is "already accommodative". **EMEA** bourses were mixed, as Turkey (+0.5%), Poland (+0.2%), and Saudi Arabia (+0.2%) gained while Kuwait (-1%) and Russia (-0.7%) led the losses. Most currencies appreciated to the dollar b about 0.3%, except the Turkish lira which weakened 0.2%. Major **Latin American** equity indices finished lower Wednesday, with Brazil down 0.3% and Mexico down 0.7%. Mixed signals from top US negotiators on a trade deal with China, growing concerns about the regional growth outlook, and—to some extent—geopolitical worries set a negative tone for EMs yesterday.

Key Emerging Market Financial Indicators

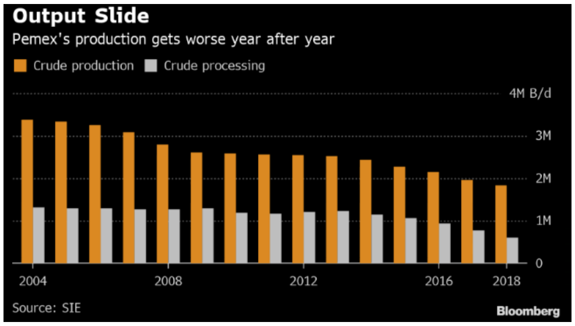
Last updated:	Level		Change				
2/28/19 8:06 AM	Last 12m	index	1 Day	7 Days	30 Days	12 M	YTD
Major EM Benchmarks					%		%
MSCI EM Equities		43.00	-0.4	1	0	-10	10
MSCI Frontier Equities		28.93	-0.4	1	2	-16	11
EMBIG Sovereign Spread (in bps)		343	-3	-9	-16	58	-71
EM FX vs. USD		63.80	0.0	0	0	-10	2
Major EM FX vs. USD				%, (+) = EM currency appreciation			
China Renminbi		6.68	0.0	1	0	-5	3
Indonesian Rupiah		14069	-0.3	0	-1	-2	2
Indian Rupee		70.75	0.7	1	0	-8	-1
Argentine Peso		38.78	0.0	2	-4	-48	-3
Brazil Real		3.75	-0.5	0	-3	-13	4
Mexican Peso		19.20	-0.2	0	0	-2	2
Russian Ruble		65.76	0.0	0	-1	-14	5
South African Rand		13.97	-0.3	0	-5	-16	3
Turkish Lira		5.32	-0.1	0	-3	-29	-1
EM FX volatility		8.38	0.0	-0.5	-0.7	0.3	-1.4

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

Mexico

The central bank slashed its growth outlook and forecasted inflation around target. In its fourth-quarter report, Banxico cut its 2019 growth forecast to 1.1 to 2.1 percent from a prior estimate of 1.7 to 2.7 percent. It also reduced its estimate for next year to 1.7 to 2.7 percent from 2.0 to 3.0 percent. The FT noted that the central bank joined several banks, market commentators, and the Fund who have already cut the country's growth outlook. The central bank also expected inflation to reach levels around the target in 2020H1. Banxico emphasized that the anti-corruption campaign advocated by President Lopez Obrador is necessary but definitive measures should be implemented to "make Mexico a more attractive investment destination".

Pemex's debt continued to rise, posing a policy and fiscal dilemma to the government. Market commentators continued to sound the alarm about Mexico's state-own company Pemex—now the most indebted oil firm globally. Its Q4 report released yesterday showed that the company has managed to reduce its annual losses on higher oil prices, but production has continued its multi-year decline (figure). Furthermore, Pemex's debt rose to 2.08 tn pesos ($108 bn) in 2018 Q4 from 1.99 tn the prior quarter. Analysts noted that the firm's debt has risen despite President Obrador's pledge to support the company and the new management team. Analysts said in the past that the pledged financial support has so far been insufficient, and some criticized the suspension of joint ventures. The government—which derives a fifth of its revenues from Pemex—faces a policy and fiscal dilemma. On one hand, it needs to boost financial support to the company by cutting taxes to allow it to invest in new projects and expand production. On the other hand, a significant tax cut would create a budget hole of up to an estimated 2 percent of GDP, based on Moody's and FT's reporting. The latter scenario could weaken Mexico's sovereign debt rating outlook, Moody's said.



China

Both equities and bond yields fell as the manufacturing sector contracted further. February manufacturing PMI fell further below the 50 level that signals contraction, dropping to 49.2 from 49.5 previously (consensus: 49.5). While export orders declined further, new orders improved, leading some analysts to expect a better outlook ahead. The Shanghai Composite fell 0.4% while CGB yields fell as much as 5 bps across the curve. PBC published its priorities on Tuesday; among them is improving guidance on credit policies while promoting innovation and reform in financial markets, including pushing forward a market-oriented mechanism for bond defaults. It will also strengthen the bond market's role in supporting the economy, including in replenishing banks' capital. The RMB was little changed on the day; the onshore CNY held steady at 6.686/dollar while the offshore CNH weakened by 0.08%, settling at the same level.

Thailand

The Thai baht underperformed, depreciating for a third day (-0.5%) as global investors continued to sell Thai equities amid lingering political uncertainties. According to data from the Stock Exchange, international investors sold local equities for three consecutive days, bring the net sales to a total of $40.5 mn for the week. Meanwhile, political uncertainties ahead of the March 24th general election has clouded investors' outlook. The Constitutional Court said that it will rule on disbanding Thai Raksa Chart, the party linked to exiled former premier Thaksin on March 7th.

Croatia

The Central Bank of Croatia has asked banks to tighten lending conditions on non-collateral cash loans. According to the Central Bank, such loans account to about 40% of all loans, from about 33% at end-2016. The Bank has requested lenders to take borrower's living expenses into consideration when deciding on loans.

Bahrain

Fitch Ratings has affirmed Bahrain's 'BB-' rating with 'stable outlook'. The rating agency cited the country's strong financial backing from richer neighbors and high GDP per capital as supportive elements, while weak public finances, political constraints on economic reforms, and high fiscal dependence on natural resources as factors weighing on the sovereign rating.

List of GMM Contributors (Global Markets Analysis Division, MCM Department)

Anna Ilyina
Division Chief
Peter Breuer
Deputy Division Chief
Will Kerry
Deputy Division Chief
Evan Papageorgiou
Deputy Division Chief
Sergei Antoshin
Senior Economist
John Caparusso
Senior Financial Sector Expert
Sally Chen
Senior Economist
Fabio Cortés
Senior Economist
Mohamed Jaber
Senior Financial Sector Expert
David Jones
Senior Financial Sector Expert
Sanjay Hazarika
Senior Financial Sector Expert
Rebecca McCaughrin
Senior Financial Sector Expert
Juan Solé
Senior Economist
Jeffrey Williams
Senior Financial Sector Expert
Akihiko Yokoyama
Senior Financial Sector Expert
Dimitris Drakopoulos
Financial Sector Expert
Tryggvi Gudmundsson
Economist
Henry Hoyle
Financial Sector Expert
Robin Koepke
Economist
Thomas Piontek
Financial Sector Expert
Rohit Goel
Financial Sector Expert
Jochen Schmittmann
Economist
Ilan Solot
Financial Sector Expert
Nour Tawk
Economist
Martin Edmonds
Senior Data Mgt Officer
Yingyuan Chen
Senior Research Officer
Piyusha Khot
Research Assistant
Xingmi Zheng
Research Assistant

Global Financial Indicators

Last updated: 2/28/19 8:05 AM	Level Last 12m	Latest	Change 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		2792	-0.1	0	3	3	11
Europe		3287	0.1	1	4	-4	10
Japan		21385	-0.8	0	3	-3	7
China		2941	-0.4	7	14	-10	18
Asia Ex Japan		70	-0.8	1	1	-9	10
Emerging Markets		43	-0.4	1	0	-10	10
Interest Rates					basis points		
US 10y Yield		2.67	4.7	-3	-8	-19	-2
Germany 10y Yield		0.16	1.3	3	-4	-50	-8
Japan 10y Yield		-0.02	0.3	2	-2	-8	-3
UK 10y Yield		1.28	0.1	7	1	-23	0
Credit Spreads					basis points		
US Investment Grade		121	-0.8	-1	-5	33	-26
US High Yield		409	-5.5	-11	-27	68	-112
Europe IG		61	-0.6	-5	-9	8	-26
Europe HY		274	-0.7	-19	-35	9	-79
EMBIG Sovereign Spread		343	-3.0	-9	-16	58	-71
Exchange Rates					%		
Dollar Index (DXY)		95.89	-0.3	-1	0	6	0
USDEUR		1.14	0.4	1	0	-6	0
USDJPY		110.8	0.2	0	-2	-4	-1
EM FX vs. USD		63.8	0.0	0	0	-10	2
Commodities					%		
Brent Crude Oil ($/barrel)		66	-0.5	-2	7	0	23
Industrials Metals (index)		122	0.1	2	4	-10	12
Agriculture (index)		41	-0.2	-2	-4	-18	-1
Implied Volatility					%		
VIX Index (%, change in pp)		14.9	0.2	0.5	-1.7	-4.9	-10.5
10y Treasury Volatility Index		3.9	0.2	0.4	0.1	-0.9	-0.7
Global FX Volatility		7.2	0.0	-0.5	-0.7	-0.7	-1.8
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		351	-4.8	-16	-22	-25	-65
Italy		261	-3.0	-10	17	129	11
Portugal		131	0.3	-8	-17	-3	-17
Spain		100	-1.5	-8	-5	11	-18

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

Data source: Bloomberg.

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Emerging Market Financial Indicators

Last updated:	Exchange Rates							Local Currency Bond Yields (GBI EM)						
2/28/2019	Level		Change (in %)					Level		Change (in basis points)				
8:06 AM	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		6.68	0.0	0.6	0	-5	3		3.1	1.7	7	4	-75	-6
Indonesia		14069	-0.3	0.0	-1	-2	2		7.9	2.5	-9	-37	108	-25
India		71	0.7	0.7	0	-8	-1		7.6	4.5	9	4	-26	13
Philippines		52	0.3	0.9	1	1	2		5.6	4.4	-5	-21	78	-71
Thailand		32	-0.2	-0.9	-1	0	3		2.6	0.4	1	2	26	-1
Malaysia		4.07	0.0	0.3	1	-4	2		4.0	0.1	1	-7	-6	-11
Argentina		39	0.0	1.9	-4	-48	-3		21.2	17.4	59	-13	486	-183
Brazil		3.75	-0.5	0.4	-3	-13	4		7.8	-4.0	3	-12	-71	-32
Chile		650	0.1	0.6	1	-9	7		4.4	0.9	1	-12	-49	-12
Colombia		3071	0.0	1.7	1	-7	6		6.4	-0.1	-3	-19	0	-13
Mexico		19.20	-0.2	0.5	0	-2	2		8.3	2.3	-11	-13	59	-42
Peru		3.3	0.2	0.7	2	-1	2		5.6	0.4	-1	-12	65	-13
Uruguay		33	0.0	0.0	-1	-13	-1		10.2	2.5	0	-6		-47
Hungary		277	0.5	1.3	0	-7	1		2.0	2.0	5	-9	41	-17
Poland		3.77	0.6	1.3	-1	-9	-1		2.3	3.1	15	6	-33	5
Romania		4.2	0.3	1.1	0	-8	-2		4.1	-9.0	-9	-55	13	-17
Russia		65.8	0.0	-0.2	-1	-14	5		8.1	3.6	-1	4	131	-29
South Africa		14.0	-0.3	0.4	-5	-16	3		9.4	0.1	-11	-2	71	-18
Turkey		5.32	-0.1	0.1	-3	-29	-1		15.5	-11.7	-21	-54	359	-142
US (DXY; 5y UST)		95.9	-0.3	-0.7	0	6	0		2.46	-1.8	-5	-12	-18	-5

	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	1 Day	7 Days	30 Days	12 M	YTD
								basis points						
China		2941	-0.4	7	14	-10	18		182	1	1	4	17	-12
Indonesia		6443	-1.3	-1	-1	-2	4		197	2	0	2	28	-39
India		35867	-0.1	0	-1	5	-1		167	-2	3	-10	57	-29
Philippines		7705	-2.3	-3	-4	-9	3		90	1	1	-5	-12	-31
Malaysia		1708	-0.3	-1	1	-8	1		129	2	4	-7	21	-33
Argentina		35345	-1.9	-3	-3	7	17		691	1	-17	4	286	-124
Brazil		97307	-0.3	0	0	14	11		235	1	-4	-1	8	-38
Chile		5360	-1.9	-1	-1	-4	5		129	-7	-7	-10	11	-37
Colombia		1517	-0.2	3	5	3	14		190	1	-3	-6	12	-38
Mexico		43311	-0.7	0	-2	-9	4		319	-2	-9	8	81	-35
Peru		20569	0.0	0	2	-1	6		137	1	-5	-8	-2	-31
Hungary		40330	-0.5	-1	-1	6	3		114	0	2	-12	16	-34
Poland		60015	0.1	0	-1	-3	4		53	1	2	-3	0	-32
Romania		7635	-0.4	-3	10	-10	3		197	-4	-2	-19	75	-24
Russia		2484	-0.3	1	-1	8	5		216	0	-3	5	64	-36
South Africa		56045	-0.4	1	3	-4	6		286	0	-10	-20	59	-79
Turkey		105045	0.9	2	1	-12	15		405	-5	-7	11	108	-24
Ukraine		562	0.4	1	2	62	1		644	3	-39	0	218	-143
EM total		43	-0.4	1	0	-10	10		343	-3	-9	-16	58	-71

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