GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, JULY 13, 2020

- **US equities extend gains on positive vaccine data** (link)
- **Focus shifts to Q2 earnings results with major US banks reporting this week** (link)
- **ECB meeting and EU Summit headline key events in Europe this week** (link)
- **Emerging market bond and equity funds post strong inflows to start Q3** (link)
- **Chinese equities extend rally while corporate bond yields rise to multi-month highs** (link)
- **South Africa imposes curfew as COVID infections continue to rise** (link)

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

Risk appetite holds up despite renewed virus outbreaks

The rally in risk assets remains afloat as vaccine optimism and the upcoming Q2 corporate earnings season has overshadowed the resurgence in virus case growth. The S&P 500 ended last week on an upbeat note (+1%), extending gains as investors seem to have looked through increasingly worrying COVID-19 statistics and have focused on reports of positive incremental data for a COVID-19 vaccine treatment. The lack of concern for renewed virus cases has endured to start the week as US equity futures are pointing to further gains, while stocks in Asia were led by close to 2% gains in Japan and China, and European bourses are over 1% higher this morning. Q2 corporate earnings season kicks off this week with investors hoping the already deeply downbeat EPS expectations mark the bottoming out in earnings amid signs of a gradual rebound in economic activity. Advanced economy sovereign bond yields are slightly higher this morning and have remained range bound over the last week as investors look toward some key central bank meetings and the EU leaders' summit later this week for further confirmation of the ongoing accommodative monetary and fiscal policies. OPEC also meets on Wednesday with expectations for a partial easing of production cuts weighing on oil prices this morning.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
7/13/20 8:54 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		3185	1.0	2	5	6	-1
Eurostoxx 50		3339	1.3	0	6	-5	-11
Nikkei 225		22785	2.2	0	2	5	-4
MSCI EM		43	1.4	5	8	2	-4
Yields and Spreads					bps		
US 10y Yield		0.66	1.3	-2	-5	-146	-126
Germany 10y Yield		-0.42	4.5	1	2	-21	-24
EMBIG Sovereign Spread		464	-3	8	-17	129	171
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		55.0	-0.1	0	-1	-13	-10
Dollar index, (+) = $ appreciation		96.5	-0.1	0	-1	0	0
Brent Crude Oil ($/barrel)		42.7	-1.2	-1	10	-36	-35
VIX Index (%, change in pp)		27.7	0.4	0	-8	15	14

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

In a mostly data-light week, investor attention will be on a few key central bank meetings and the EU leaders' summit later this week. For the US, headline CPI for June is expected (Tuesday) at 0.6% y/y, while core CPI is expected at 1.1% y/y. Industrial Production is expected (Wednesday) at 4.8% m/m. Initial claims (Thursday) are expected to continue to moderate and is forecasted at 1.25 mn, while retail sales for June are expected to grow at 5.6% y/y. China will report Q2 GDP on Thursday, and South Africa will report inflation data for May on Wednesday. In the euro area, at the July ECB meeting, analysts expect the Governing Council (Thursday) to keep its monetary policy stance unaltered, albeit reiterating its readiness to adjust instruments if need be. In Japan, the consensus looks for the BoJ to keep the policy rate unchanged at -0.10% (Wednesday), sticking to its current framework out to FY21, albeit with a bias toward further easing. Amongst other central bank decisions, Poland (Tuesday), Canada (Wednesday) and Korea (Thursday) are expected to keep key rates on hold at 0.1%, 0.25% and 0.5% respectively, while Indonesia (Thursday) is expected to cut rates.

United States back to top

Risk sentiment was boosted on Friday after Gilead Sciences announced additional data on its vaccine to treat Covid-19 showing that the treatment cuts mortality rate by 62%. Amidst strong trading volumes, S&P 500 correspondingly closed up 1%, extending the weekly performance to 2%, and Treasury yields also rose by 1-3 bps across the curve. S&P 500 sectors leading the day's advance included banks, media and diversified financials driven in part by the steepening of the yield curve. The broader index outperformed the tech-heavy Nasdaq 100 on Friday for the first time in almost two weeks. Market contacts highlighted that fiscal and monetary stimulus has helped markets thus far, but investors are looking for signals on what additional support may be in the works. Dallas Federal President Kaplan said he sees the need for more fiscal outlays. In other news, President Trump said a phase-2 trade deal with China is not under consideration, saying the relationship between Washington and Beijing has deteriorated too much.

Global equity funds experienced modest net inflows last week, led by global benchmark products and sector-focused funds (especially technology and non-energy commodity funds). Investor demand for EM equity funds remained tepid, although there was a substantial rebound in flows into China-dedicated funds after 11 consecutive weeks of outflows. **Global fixed income funds continued to see steady net inflows,** though the demand was skewed in the favor of risk-on products: for instance, government bond funds experienced net outflows while high yield bond funds saw a return to net inflows. Investor demand for inflation-protected bond funds was relatively high for a third week. Money market fund assets picked up again after five weeks of net outflows.

	Global Fund Flows Summary			
	Millions USD		% AUM	
	4wk sum	8-Jul	4wk avg	8-Jul
Equity	-8,809	6,042	-0.02	0.04
Fixed Income	67,757	17,839	0.28	0.29
of which: EM	-544	1,556	-0.03	0.31
Money Markets	-23,424	29,392	-0.10	0.49
FX Flows*	14,321	7,919	0.05	0.11

*Cross-border fund flows, excluding hard currency and FX-hedged funds

Source: EPFR, Haver Analytics, Goldman Sachs Global Investment Research

Q2 earnings season kicks off in earnest next week, with the large US Banks reporting results. Consensus forecasts S&P 500 EPS will decline by 44% y/y in Q2. Within the sectors, energy and consumer discretionary sectors are expected to report the steepest decline, while real estate and infotech sectors are likely to be relatively more resilient. Analysts highlighted that given the heightened investor focus on the earnings outlook in 2021 and 2022, management commentary will likely be more focused upon than the backward-looking results. For 2020E, consensus expects an earnings decline of 24%, with most of the loss expected to be recouped in 2021 with a 30% earnings growth.

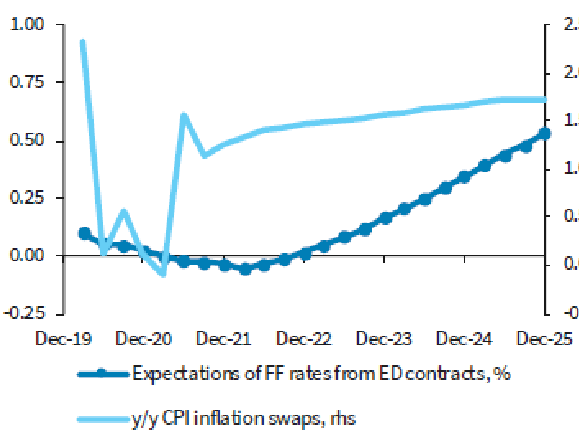
Exhibit 1: S&P 500 EPS expected to fall by 44% in 2Q
as of July 9, 2020

	2QE 2020 Consensus Bottom-up				
	EPS		Sales	Margin	
Sector	$/Share	Growth	Growth	Level	Change
Utilities	$1.1	2 %	NM	NM	NM
Real Estate	1.0	(3)	NM	NM	NM
Info Tech	6.7	(9)	1	18.9	(208)
Consumer Staples	2.3	(16)	1	6.4	(130)
Health Care	5.7	(18)	(2)	9.0	(176)
Communication Services	2.9	(33)	(2)	11.1	(530)
Materials	0.7	(39)	(17)	7.5	(273)
Financials	3.8	(52)	NM	NM	NM
Industrials	0.5	(87)	(27)	1.6	(741)
Consumer Discretionary	(0.4)	(114)	(19)	-1.2	(856)
Energy	(1.0)	(152)	(41)	-5.5	(1166)
S&P 500	$23.1	(44)%			
ex. Financials and Utilities	17.2	(45)	(12)%	6.8%	(404)bp
ex. Energy	24.1	(39)	(9)	7.7	(364)

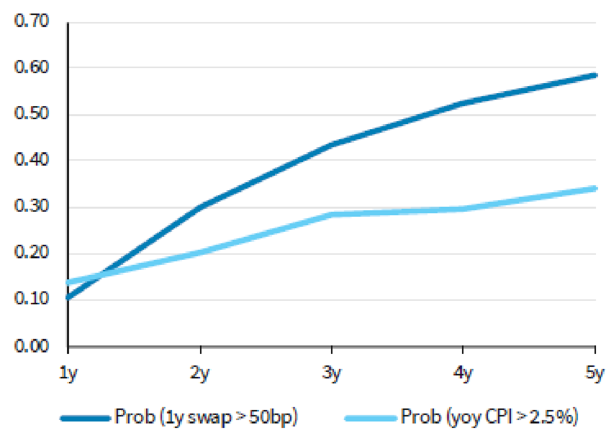
Source: FactSet and Goldman Sachs Global Investment Research

			Adjusted EPS Consensus Bottom-Up			
			Contribution		EPS growth	
	2019A	2019A	2020E	2021E	2020E	2021E
Consumer Discretionary	$13	$13	$5	$12	(61)%	131 %
Industrials	15	15	7	13	(52)	86
Materials	4	4	3	4	(20)	31
Financials	30	30	19	26	(38)	37
Information Technology	32	32	31	37	(2)	17
Communication Services	17	17	14	17	(20)	26
Real Estate	4	4	4	5	(2)	8
Health Care	27	27	26	30	(4)	16
Consumer Staples	11	11	10	11	(4)	10
Utilities	5	5	5	6	4	5
S&P 500 ex-Energy	**158**	**158**	**125**	**160**	**(21)**	**28**
Energy	6	6	0	2	(105)	NM
S&P 500 EPS	**$165**	**$165**	**$125**	**$162**	**(24)%**	**30 %**

While the market is expecting the Fed to be on hold for many years, Barclays analysts highlight that there is room for markets to push out expected policy rate hikes even further. The below left figure shows the market is beginning to price in hikes in 2023, with the fed funds rate expected to rise above 25 bps in mid-2024. However, inflation swap markets are suggesting that y/y CPI inflation will be below 2% around that time. The right figure shows that even by focusing on upside inflation scenarios, there is a still a disconnect between rate hikes and an inflation overshoot. The market-implied probability of CPI inflation rising above 2.5% (consistent with a modest overshoot in PCE inflation) is well below that of the market-implied probability of a rate hike.



Source: Bloomberg, Barclays Research



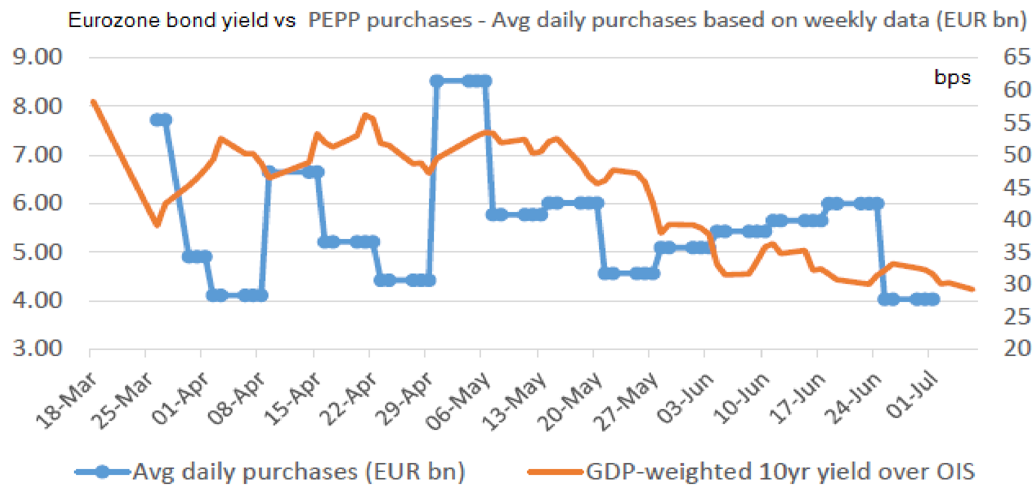
Source: Barclays Research

Europe

back to top

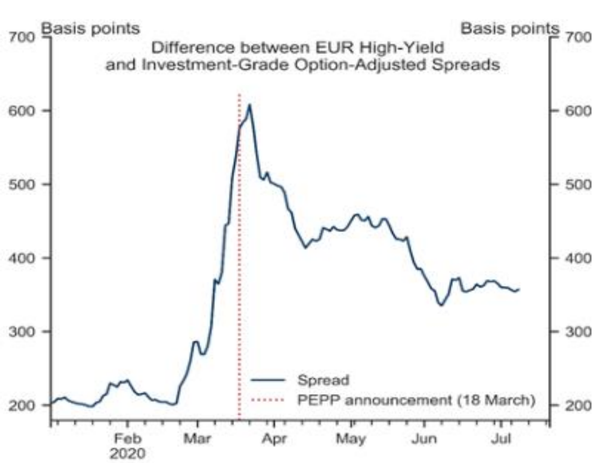
Equities are trading stronger with Germany (+0.9%), Spain (+0.9%) and the UK (+0.9%) leading the rally. Major European companies are due to report their Q2 earnings this week.

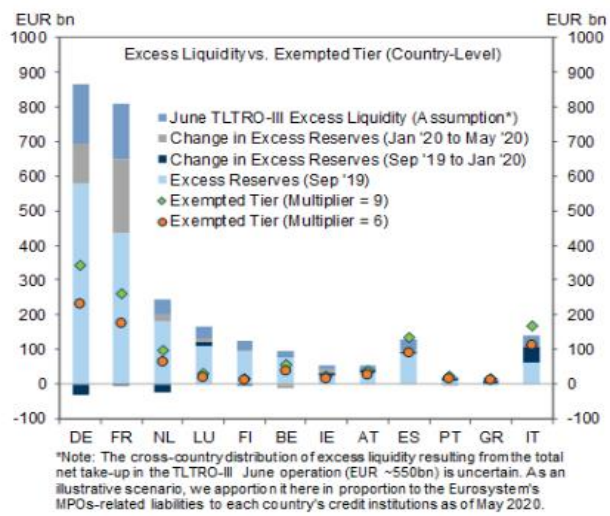
Sovereign yields rose 2-3 bps with Southern European bonds slightly outperforming on better risk sentiment. European sovereign bond yields have been generally stable despite the reduction of PEPP purchases by the ECB last week. The euro is 0.3% stronger against the dollar while sterling is unchanged from Friday.



Source : Deutsche Bank, ECB

The ECB will hold its policy meeting on Thursday. Contacts do not expect any changes to the ECB's stance as the central bank balances the optimism on the economic recovery with potential risks arising from a second infection wave. That said, the market will look for any signals with regards to potential for high-yield debt purchases and a tiering multiplier for bank reserves given the rise in excess liquidity. Key data this week include euro area's industrial production and the UK May GDP (Tuesday) as well as UK's June inflation print (Wednesday).





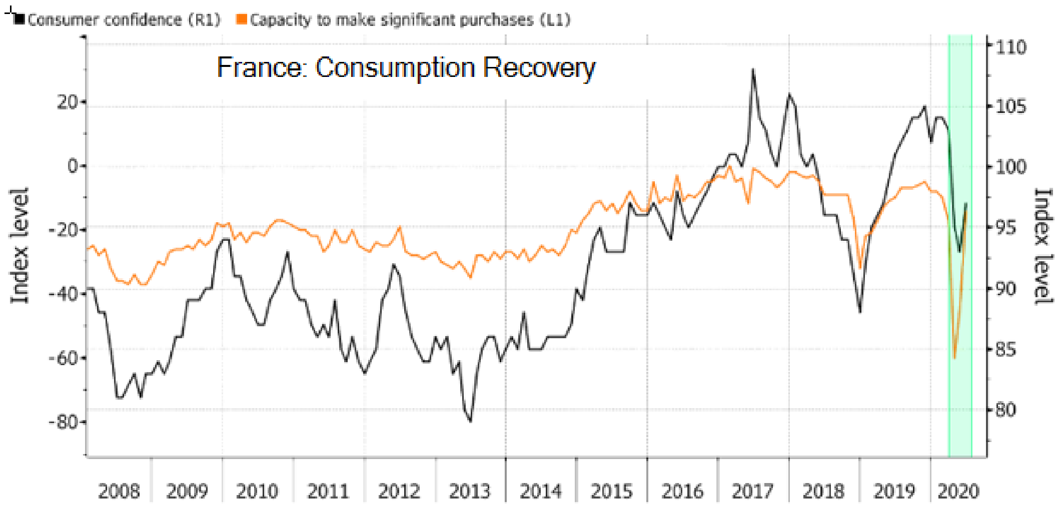
Source: Goldman Sachs Global Investment Research, Bloomberg, ECB

The main event of the week is the EU Summit starting on Friday as member states will try to reach agreement towards a deal on the EU recovery fund and the 2021-27 EU budget. Last week the main opponents for the €750 bn Recovery Fund, including the Netherlands and Austria, took a somewhat more constructive position with market contacts suggesting that the deal might be back on the table.

The UK is preparing additional stimulus measures to support the economy in the post-Brexit transition. These include tax cuts and regulatory easing for up to 10 'freeports', thereby effectively establishing special economic zones outside the UK customs territory. These measures are likely to be introduced in the autumn budget alongside the medium-terms fiscal stimulus plan. The move comes as the

UK launches its 'Get Ready for Brexit' campaign to prepare businesses for leaving the EU without a trade deal.

France Finance Minister signaled further sizable stimulus measures to support youth employment as well as tax cuts for businesses. The measures targeting employment are set to be revealed this week while the broader corporate support package will be ready by the end of August. France's current fiscal response to the corona virus stands at around €100 bn or 5% of GDP with major focus on corporate wage support for retained workers as well as reimbursement of State tax credits.



Source: Insee

The US-France digital tax related tensions escalated as the US announced 25% tariff on $1.3 bn worth of French goods. The implementation will be delayed for 180 days to allow for further negotiation around the 3% digital tax France plans to collect from major the US tech-firms starting from 2021.

Other Mature Markets

back to top

Japan

Equities (+2.2%) rose, the largest increase since June 16, with electronics and autos outperforming. On COVID-19, Tokyo reported 119 new cases on Monday, its first print below 200 in five days. The Osaka government has lifted its alert level to advise residents to be more cautious after recording an increase in the number of untraceable cases and 32 new infections, the largest increase since the state of emergency ended in late-May. **The yen was little changed and 10-year JGB yield rose 1.4 bps.**

		10-Jan	17-Jan	24-Jan	31-Jan	7-Feb	14-Feb	21-Feb	28-Feb	6-Mar	13-Mar	20-Mar	27-Mar	3-Apr
Virus	New Covid-19 Cases(1)			2	13	10	4	76	123	192	281	262	505	1149
	Lockdown Index(2)	2.8	2.8	2.8	2.8	19.4	19.4	25.0	34.3	43.5	40.7	40.7	40.7	43.5
Real Economy	Daily Sales for Necessities(3)													
	Daily Prices for Necessities(4)													
	Jobless Concerns(5)	45	49	46	52	51	42	47	48	42	49	42	59	75
	Cash Concerns(6)	30	33	32	36	36	33	35	37	46	66	66	74	93
	Transit (Tokyo)(7)			1.5	-0.4	3.8	11.6	4.6	-3.5	-12.5	-10.6	-0.9	-5.6	-29.9
	Walking (Tokyo)(8)			3.6	2.7	9.0	17.1	11.1	3.4	-5.4	-1.8	14.0	9.7	-28.7
	Online Shopping(9)													
	Electricity Demand(10)	-3.2	-6.2	-5.3	-6.9	-4.4	-3.7	-4.8	-4.5	-2.9	-4.7	-1.3	-4.9	-0.9
Financial Markets	Nikkei 225(11)	1.4	2.2	1.3	-1.3	1.3	0.7	-0.5	-10.1	-11.8	-25.9	-29.6	-17.5	-24.2
	Corporate Debt Premium(12)	0.00	-0.02	-0.02	-0.01	-0.02	-0.03	-0.03	0.00	0.00	-0.05	0.04	0.06	0.10
	USD/JPY Basis Swap 3-Mth(13)	-14.3	-10.6	-11.5	-14.1	-15.1	-20.0	-23.0	-26.1	-38.9	-78.8	-92.0	-43.0	34.0

		10-Apr	17-Apr	24-Apr	1-May	8-May	15-May	22-May	29-May	5-Jun	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul
Virus	New Covid-19 Cases(1)	2913	4257	3042	1476	1270	628	310	160	285	292	408	504	1023	1859
	Lockdown Index(2)	45.4	47.2	47.2	47.2	47.2	40.7	40.7	31.5	27.8	27.8	27.8	27.8	27.8	27.8
Real Economy	Daily Sales for Necessities(3)									6.1	4.4	3.0	4.0	4.5	3.9
	Daily Prices for Necessities(4)									1.3	1.0	0.9	0.7	0.6	0.6
	Jobless Concerns(5)	100	81	73	70	62	78	74	76	74	70	67	66	66	65
	Cash Concerns(6)	100	91	82	79	60	71	61	60	51	52	50	45	43	41
	Transit (Tokyo)(7)	-41.3	-51.2	-50.0	-49.6	-49.6	-45.0	-41.7	-30.1	-21.7	-17.8	-13.5	-7.8	-8.7	-8.6
	Walking (Tokyo)(8)	-37.4	-50.5	-43.6	-40.3	-39.3	-39.0	-47.8	-35.6	-31.4	-32.4	-29.8	-24.9	-28.1	-29.3
	Online Shopping(9)				15.2		24.1		16.1		15.1				
	Electricity Demand(10)	-2.9	-0.8	-3.0	-0.1	-8.8	-7.2	-6.0	-6.5	-4.6	-1.9	-3.1	-5.3	-5.1	-2.8
Financial Markets	Nikkei 225(11)	-17.1	-15.4	-18.1	-16.6	-14.2	-14.8	-13.3	-7.0	-5.1	-1.8	-4.0	-4.1	-5.2	-3.8
	Corporate Debt Premium(12)	0.13	0.12	0.15	0.14	0.14	0.14	0.14	0.13	0.14	0.14	0.12	0.11	0.10	0.09
	USD/JPY Basis Swap 3-Mth(13)	11.9	31.3	21.8	-5.3	-10.9	-15.0	-14.5	-16.0	-17.8	-22.6	-22.1	-18.3	-15.0	-19.5

Note: (1) Weekly new Covid-19 cases based on data from Bloomberg News and Johns Hpokins; (2) Oxford COVID-19 Government Respose Tracker based on a zero to 100 scale; (3) Nikkei CPINow T-Index Daily Sales YoY% 10-day MA; (4) Nikkei CPINow T-Index Daily Total YoY% 7-day MA; (5) Google Trends Web Search Frequency of 'Unemploymet' in Japanese based on a zero to 100 scale from 2007 to the latest; (6) Google Trends Web Search Frequency of 'Loan' in Japanese based on a zero to 100 scale from 2007 to the latest; (7), (8) Percent change from the average usage from Jan. 13 to Jan. 19 from Apple; (9) JCB Consumption Now E-Commerce Index YoY%; (10) Actual electricity demand deviation from the BNEF Model estimates with weather, holiday adjustment; (11) Percent change of the January first 5-weekday average; (12) Bloomberg Barclays Asian-Pacific Japan Corporate Average OAS.

Emerging Markets

back to top

In Asia, equities rose +0.8% on net with sentiment supported by positive COVID-19 treatment news. China (Shanghai +1.8%; Shenzhen +3.5%) and Korea (+1.7%) outperformed. Regional currencies were broadly unchanged except for Korean won (+0.3%) and Thai baht (-0.3%). On COVID-19, Hong Kong SAR is considering tightening social distancing measures further amid an increase in untraceable infections, having already decided to close schools, cinemas, gyms and other social spots last week. **EMEA equities traded mostly higher** with indices outperforming in Turkey (+2.5%) and South Africa (+1.2%). In contrast, Russian equities (-0.8%) traded lower as President Putin pushed back the completion of national projects with PM Mishustin pointing to stricter budget restrictions. The sheckel gained +0.5% against the U.S. dollar but currencies such as the South African rand and Turkish lira were little changed. **Latin American equity markets** were mixed on Friday but mainly traded in narrow ranges. Brazil outperformed as the equity index rose 0.9%, followed by Colombia (+0.4%), while Mexico saw losses (-0.9%). Local currencies were mixed as well. The Mexican peso was the best performer, appreciating 0.8% against the dollar, while the Chilean peso weakened 1.1%. 10-year government bond yields were generally higher.

Key Emerging Market Financial Indicators

Last updated:	Level		Change				
7/13/20 8:26 AM	Last 12m	index	1 Day	7 Days	30 Days	12 M	YTD
Major EM Benchmarks					%		%
MSCI EM Equities		43.24	1.3	5	8	2	-4
MSCI Frontier Equities		24.18	0.3	0	2	-20	-20
EMBIG Sovereign Spread (in bps)		465	-2	9	-16	130	172
EM FX vs. USD		55.08	0.0	0	-1	-13	-10
Major EM FX vs. USD					%, (+) = EM currency appreciation		
China Renminbi		7.00	0.0	0	1	-2	-1
Indonesian Rupiah		14425	0.1	0	-2	-4	-4
Indian Rupee		75.19	0.0	-1	1	-9	-5
Argentine Peso		70.94	-0.1	-1	-3	-41	-16
Brazil Real		5.35	-0.5	0	-4	-30	-25
Mexican Peso		22.52	-0.3	-1	-1	-16	-16
Russian Ruble		70.77	-0.1	1	-2	-11	-12
South African Rand		16.75	0.2	1	2	-17	-16
Turkish Lira		6.87	0.0	0	-1	-17	-13
EM FX volatility		9.87	0.3	0.0	-0.2	2.7	3.3

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

Emerging Market Fund Flows

Both emerging market bond funds and equity funds reverted to inflows last week, with flows printing at +$1.3 bn and +$586 mn, respectively. Of the EM bond funds, hard currency funds saw inflows last week (+$1.6 bn), offset by the outflows from local currency funds for the 4th week in a row (-$242 mn). Of EM equity funds, inflows to both ETFs and non-ETFs were +$234 mn and +$352 mn, respectively. From a regional perspective, Asia ex-Japan equity funds saw the greatest inflows in three months (+$1.4 bn), while EMEA and Latin America saw redemptions. Year-to-date flows to EM bonds and equities were -$25.1 bn and -$45.9 bn, respectively.

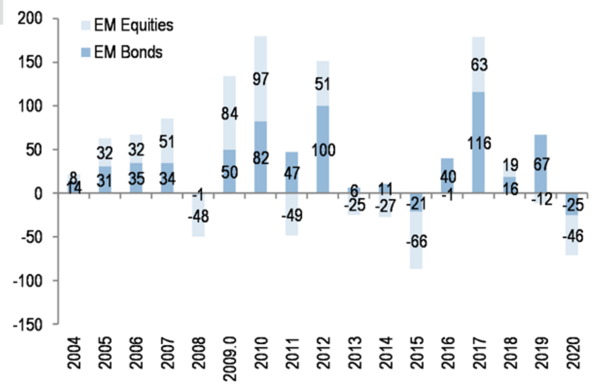
Exhibit 1: Weekly Cross-Asset Flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	**EM Bonds and Equities**		1.9	-71.0
	EM Bonds		1.3	-25.1
	Hard Ccy		1.6	-6.8
	Local Ccy		-0.2	-18.3
	EM Equities		0.6	-45.9
	US HG		6.4	22.2
	US HY		1.8	32.3
	Global Equities		-4.5	-142.7
	EM Bond and Equity ETFs		0.7	-28.6
	EM Bond ETFs		0.5	-4.1
	EM Equity ETFs		0.2	-24.5
	Non-resident EM flows*		-1.0	-124.1
	EM Local Bonds		-0.2	-45.6
	EM Equities		-0.8	-78.5

Exhibit 2: Annual EM bond and equity fund flows

USD billion

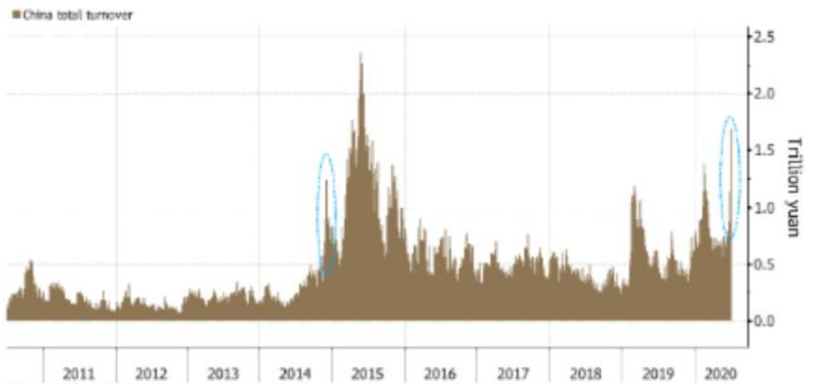


*Using high frequency non-resident EM portfolio flow data where available. Source – All charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg

China

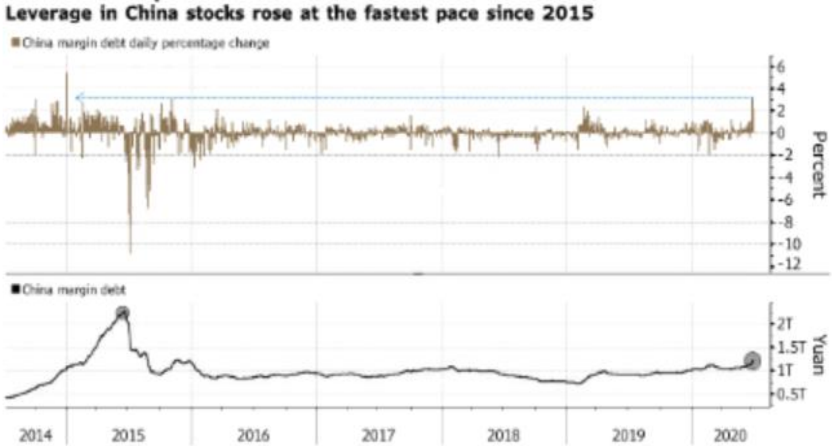
Equities rose with the tech-dominated Shenzhen index (+3.5%) outperforming the Shanghai index (+1.8%). Margin debt and equity turnover grew at the fastest pace since 2015. Margin debt exceeded RMB1.3 tn ($186 bn) as of July 10 but is barely half of 2015's peak. Turnover exceeded RMB1.5 tn on July 6, the highest since 2015. A similar spike was observed in late-2014 when the market rallied by 44% in the last two months of the year. **Separately, Chinese corporate bond yields soared to their highest levels since November alongside a sell-off in government bonds. The RMB was little changed.**

Value of shares traded is once again surging

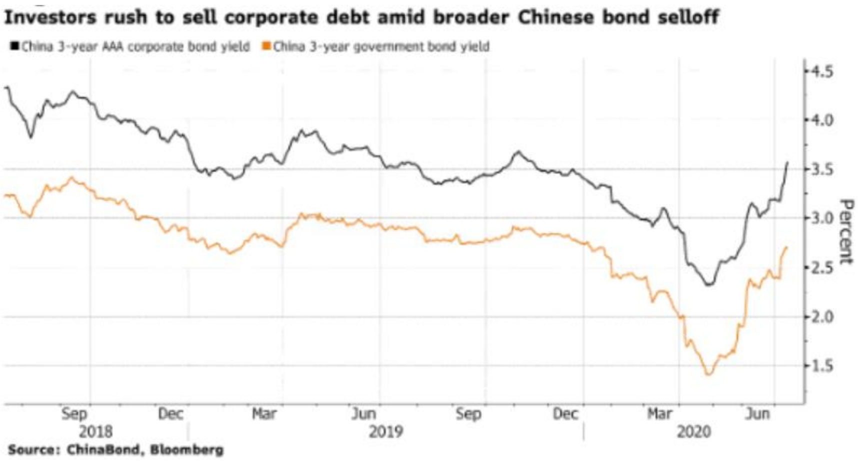


Source: Bloomberg

Leverage in China stocks rose at the fastest pace since 2015



Source: Bloomberg



China announced sanctions against US officials in retaliation for US legislation to sanction Chinese officials in relation to the treatment of ethnic minorities in Xinjiang. According to Bloomberg, China listed Marco Rubio, Ted Cruz, Sam Brownback and Chris Smith, without elaborating on the measures. This followed US sanctions on four Chinese officials, including Chen Quanguo, who is Xinjiang's party secretary and sits on the 25-member politburo.

South Africa

Contacts argue that a tightening of lockdown measures and slowing inflation (expected at 2.2% y/y in May from 3% in April) **will set the stage for another cut by the South Africa Reserve Bank next week** (Table). The South African government expects different provinces to reach infections peaks at different times between the end of July and late September. Yesterday, **President Ramaphosa introduced a curfew to be put in place between 9 pm and 4 am** to reduce pressures on hospitals. President Ramaphosa added that while infections have been rising exponentially, South Africa's case fatality rate of 1.5% is among the lowest in the world (compared to a global average case fatality rate of 4.4%). **Equities (+1.1%) traded higher in line with a recovery in global risk sentiment**. The rand (+0.3%) strengthened.

EMEA: Projections of hikes/cuts in next 18 months

		Current Policy Rates (%)				
		CZK	HUF	PLN	ILS	ZAR
		0.25	0.75	0.10	0.10	3.75
Projected hikes/cuts in bps	Months fwd					
	1	-1	-7	-3	0	-19
	2	-1	-1	-2	-1	-3
	3	-1	-1	-3	-1	-11
	6	0	-1	1	0	-3
	9	2	0	1	-1	9
	12	3	0	2	0	12
	15	3	2	3	1	23
	18	3	3	3	2	13
	Total	7	-5	2	1	21
	Next 6 months	-4	-9	-7	-2	-36
	Next 12 months	0	-10	-4	-2	-15

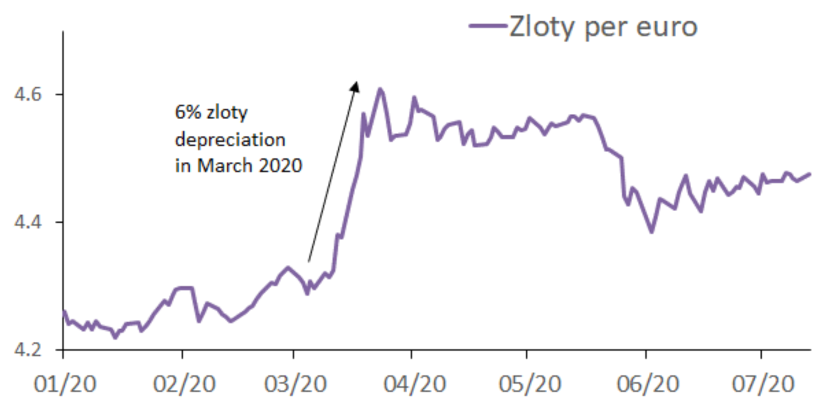
Source: Bloomberg and Citi

Poland

Polish equities (+0.5%) traded higher and the zloty (-0.2%) edged lower against the euro after incumbent president Duda won the elections with 51.2% of votes (based on data from 99% of polling stations with turnout reportedly reaching 68%). Opposition candidate Trzaskowski received 48.8% of votes.

President Duda is supported by the ruling party and government and will now serve a second 5-year term. The central bank is expected to keep rates unchanged on Thursday as the zloty has not appreciated in recent weeks.

Poland: Zloty per euro



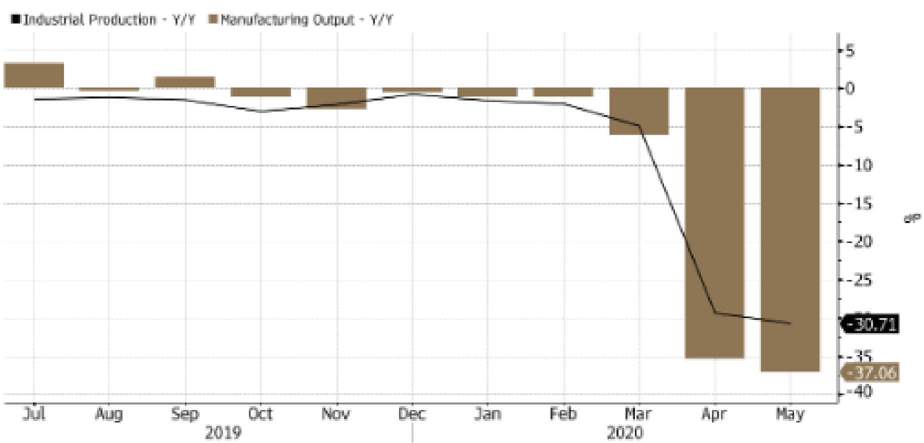
Source: Bloomberg and IMF staff

Mexico

Mexico's industrial production plunged the most on record in May, as lockdown measures have hampered domestic economic activity. On a seasonally and calendar-adjusted basis, industrial activity contracted 29.7% y/y in May (non-seasonally adjusted: -30.7% y/y. The main drivers of the disappointing data were a slowdown in construction (-35.9% y/y) and manufacturing (-35.6%). Mexican local markets were mixed on Friday, with the equity index finishing 0.9% lower and the peso 0.8% stronger.

Sliding Down

Mexico's industrial output posts record drop for second month



Source: Bloomberg

List of GMM Contributors

Global Markets Analysis Division, MCM Department

Anna Ilyina
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

Yingyuan Chen
Financial Sector Expert

Han Teng Chua
Economic Analyst

Fabio Cortés
Senior Economist

Reinout De Bock
Economist

Dimitris Drakopoulos
Financial Sector Expert

Mohamed Jaber
Senior Financial Sector Expert

Phakawa Jeasakul
Senior Economist

Sanjay Hazarika
Senior Financial Sector Expert

Frank Hespeler
Senior Financial Sector Expert

Rohit Goel
Financial Sector Expert

Henry Hoyle
Financial Sector Expert

Dmitri Petrov
Financial Sector Expert

Thomas Piontek
Financial Sector Expert

Patrick Schneider
Research Officer

Jochen Schmittmann
Senior Economist

Can Sever
Economist (Economist Program)

Juan Solé
Senior Economist

Jeffrey Williams
Senior Financial Sector Expert

Akihiko Yokoyama
Senior Financial Sector Expert

Piyusha Khot
Research Assistant

Xingmi Zheng
Research Assistant

Global Financial Indicators

Last updated: 7/13/20 8:34 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		3185	1.0	2	5	6	-1
Europe		3342	1.4	0	6	-4	-11
Japan		22785	2.2	0	2	5	-4
China		3443	1.8	3	18	17	13
Asia Ex Japan		75	-0.7	5	10	8	2
Emerging Markets		43	1.3	5	8	2	-4
Interest Rates					basis points		
US 10y Yield		0.66	1.2	-2	-5	-147	-126
Germany 10y Yield		-0.42	4.1	1	2	-21	-24
Japan 10y Yield		0.04	1.3	0	3	15	5
UK 10y Yield		0.19	3.5	-1	-2	-65	-63
Credit Spreads					basis points		
US Investment Grade		142	-0.9	1	-17	22	44
US High Yield		611	-1.9	-3	-5	180	217
Europe IG		62	-1.7	0	-9	13	17
Europe HY		370	-7.2	15	-34	127	163
EMBIG Sovereign Spread		465	-2.0	9	-16	130	172
Exchange Rates					%		
USD/Majors		96.53	-0.1	0	-1	0	0
EUR/USD		1.13	0.3	0	0	1	1
USD/JPY		107.2	-0.2	0	0	1	1
EM/USD		55.1	-0.1	0	-1	-13	-10
Commodities					%		
Brent Crude Oil ($/barrel)		43	-1.2	-1	10	-36	-35
Industrials Metals (index)		112	1.1	5	10	-2	-2
Agriculture (index)		35	-1.0	-1	0	-16	-15
Implied Volatility					%		
VIX Index (%, change in pp)		27.7	0.4	-0.2	-8.4	15.3	13.9
US 10y Swaption Volatility		58.4	0.1	-3.6	-11.2	-2.1	-3.6
Global FX Volatility		7.6	0.1	-0.1	-1.1	1.6	1.7
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		164	-3.5	6	-8	-93	-2
Italy		167	-1.9	0	-21	-28	7
Portugal		87	-1.0	3	-14	1	25
Spain		87	-1.3	1	-17	9	21

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

back to top

Emerging Market Financial Indicators

Last updated: 7/13/2020 8:27 AM	Exchange Rates: Level: Last 12m	Level: Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level: Last 12m	Level: Latest	Change (in basis points): 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.00	0.0	0.3	1	-2	-1		3.2	-0.5	20	27	-5	2
Indonesia		14425	0.1	0.5	-2	-4	-4		7.1	-2.1	-12	-22	-23	1
India		75	0.0	-0.7	1	-9	-5		5.9	-3.5	-11	-19	-82	-98
Philippines		49	0.1	-0.1	2	3	2		4.0	0.2	-10	-16	-75	-33
Thailand		31	-0.3	-0.8	-1	-2	-5		1.4	-2.3	-1	3	-68	-16
Malaysia		4.26	0.1	0.3	0	-4	-4		2.6	0.4	-17	-33	-106	-79
Argentina		71	-0.1	-0.6	-3	-41	-16		45.1	0.0	87	-398	1578	-1747
Brazil		5.35	-0.5	0.1	-4	-30	-25		5.2	-6.3	4	1	-139	-102
Chile		797	-1.1	0.7	-3	-14	-6		2.7	1.0	-3	-5	-67	-64
Colombia		3622	0.0	0.8	1	-11	-10		5.2	-2.2	-8	-34	-45	-73
Mexico		22.52	-0.3	-0.7	-1	-16	-16		5.8	-7.3	-6	-45	-183	-110
Peru		3.5	-0.1	1.0	-2	-6	-5		4.3	1.5	-9	0	-40	-21
Uruguay		44	0.0	-2.2	-2	-19	-14		9.8	3.2	-16	-30	-66	-107
Hungary		312	0.0	-0.3	-2	-8	-5		1.6	-0.3	5	-13	11	42
Poland		3.95	0.0	-0.1	-1	-4	-4		0.8	0.8	0	-8	-114	-108
Romania		4.3	0.2	0.1	0	-2	0		3.8	0.0	13	11	-22	-17
Russia		70.8	-0.1	1.5	-2	-11	-12		5.5	2.2	-20	6	-173	-67
South Africa		16.7	0.2	1.4	2	-17	-16		10.3	-17.8	3	27	110	77
Turkey		6.87	0.0	-0.1	-1	-17	-13		11.5	8.5	53	81	-568	-18
US (DXY; 5y UST)		97	-0.1	-0.2	-1	0	0		0.30	-0.5	0	-3	-157	-139

	Equity Markets: Level: Last 12m	Level: Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level: Last 12m	Level: Latest	Change (in basis points): 1 Day	7 Days	30 Days	12 M	YTD
									basis points					
China		3443	1.8	3	18	17	13		222	-5	-4	-7	45	46
Indonesia		5064	0.7	2	4	-21	-20		260	-5	5	-6	91	104
India		36694	0.3	1	9	-5	-11		251	0	7	13	112	126
Philippines		6173	-0.4	-2	-5	-24	-21		161	-4	2	2	94	95
Malaysia		1606	0.9	2	4	-4	1		178	-7	-6	-16	63	66
Argentina		42748	0.0	7	-8	2	3		2314	-4	-85	-259	1536	545
Brazil		100032	0.9	3	8	-4	-14		372	-2	16	-5	162	157
Chile		4029	-0.1	-6	1	-20	-14		206	-1	4	-10	76	73
Colombia		1148	0.4	2	0	-28	-31		289	-4	15	-7	118	126
Mexico		36465	-0.9	-4	-3	-14	-16		517	-4	16	-2	195	225
Peru		16671	0.4	0	-1	-20	-19		175	-2	0	-15	65	68
Hungary		35492	-0.3	-3	-5	-13	-23		164	0	-6	-3	81	78
Poland		51360	0.8	0	2	-15	-11		39	-2	-7	-18	5	21
Romania		8487	0.5	-1	-3	-7	-15		292	1	12	4	107	118
Russia		2776	-0.9	-2	1	0	-9		211	-2	1	-5	20	80
South Africa		56029	1.1	2	4	-2	-2		526	-4	12	5	252	206
Turkey		117749	2.6	-1	7	21	3		612	0	32	29	116	211
Ukraine		499	0.0	0	0	-7	-2		694	-2	64	62	180	274
EM total		43	1.3	5	8	2	-4		465	-2	9	-16	130	172

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

back to top