



- **CPI surprise triggers historic moves in US Treasury market** ([link](#))
- **China announces new measures to support property market** ([link](#))
- **UK expected to announce significant fiscal tightening** ([link](#))
- **US crypto group FTX files for bankruptcy** ([link](#))
- **High inflation challenges US equity markets** ([link](#))
- **Fitch downgrades Nigeria to B-** ([link](#))
- **Special Feature: Q3 Corporate Earnings Monitor** (attached)

[Mature Markets](#)



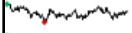

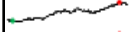



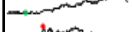
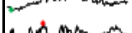
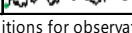
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## Markets cautious after last week's rally

**US Treasury yields were higher and equity index futures were lower after Fed governor Waller warned that interest rates still had “a way to go.”** The comments came after global markets surged in the wake of the positive CPI surprise in the US last week. Meanwhile, stocks in Europe posted modest gains. Friday's University of Michigan survey found that US consumers expect inflation to rise further in both the short and long run, and that consumer confidence was weaker. Stocks in China saw rose after the government announced new measures to support the property market. Markets are keeping an eye on the G-20 summit in Bali, where President Xi and President Biden met earlier today and called for the easing of tensions. The crypto market is under scrutiny after the bankruptcy of US crypto group FTX. The UK will unveil its new fiscal policy on Thursday, with significant tightening expected.

Key Global Financial Indicators

Last updated: 11/14/22 7:59 AM	Level	Change from Market Close					YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
<b>Equities</b>			<b>%</b>				<b>%</b>	
S&P 500		3993	0.9	6	11	-15	-16	-6
Eurostoxx 50		3887	0.5	5	15	-11	-10	-2
Nikkei 225		27963	-1.1	2	3	-6	-3	6
MSCI EM		38	2.7	5	12	-27	-22	-20
<b>Yields and Spreads</b>			<b>bps</b>					
US 10y Yield		3.88	7.1	-33	-13	232	237	189
Germany 10y Yield		2.12	-4.1	-22	-23	238	230	189
EMBIG Sovereign Spread		511	-4	-26	-35	164	144	98
<b>FX / Commodities / Volatility</b>			<b>%</b>					
EM FX vs. USD, (+) = appreciation		50.0	0.0	1	3	-9	-5	-6
Dollar index, (+) = \$ appreciation		107.0	0.7	-3	-6	12	12	11
Brent Crude Oil (\$/barrel)		94.9	-1.2	-3	4	15	22	-2
VIX Index (% change in pp)		24.0	1.5	0	-8	8	7	-7

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

The market is watching the G-20 meeting in Bali which started today, with Presidents Biden and Xi meeting on the sidelines. COP 27 will conclude on Friday. The UK is due to present its new fiscal plan this Thursday, with the projected details under much scrutiny following the collapse of the previous government. The US will report PPI data tomorrow, with a major market response possible if there is a large divergence from expectations. Retail sales data are due on Wednesday. In the euro area, data on employment and GDP will be reported tomorrow, along with the German ZEW survey of business confidence. Markets are digesting the latest industrial production and retail sales data from China released overnight. The UK also reports GDP this week. There will be central bank meetings this week in Indonesia, the Philippines and Thailand, among others.

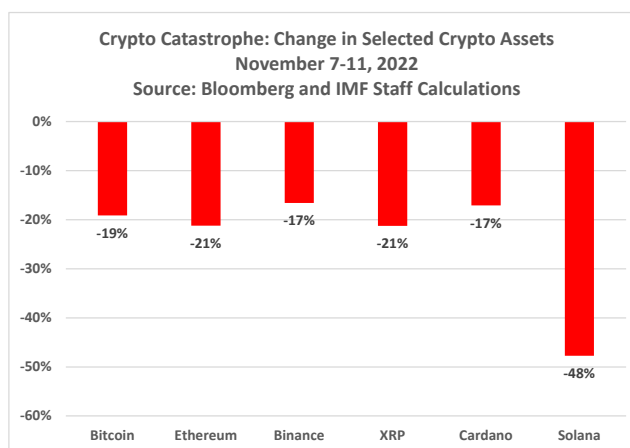
## Mature Markets

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### United States

#### Crypto group FTX filed for bankruptcy on Friday.

The company's abrupt fall from grace began on Tuesday when the CEO of the rival company Binance said he was selling \$529 mn of FTX's digital tokens because of *recent revelations that came to light* following a report that called FTX's finances into question, according to Bloomberg. Binance made a tentative offer to buy the company but withdrew it the next day after due diligence investigations. Crypto assets have lost roughly \$2.2 tn of value over the past year to fall to less than \$900 bn, but spillovers to other asset classes have been minimal. Many analysts were worried that there could be implications for the broader financial system as many hedge funds and other institutional investors had bought into crypto assets, but contacts see little impact. Not surprisingly, there was a steep decline in crypto asset prices over the course of the week.

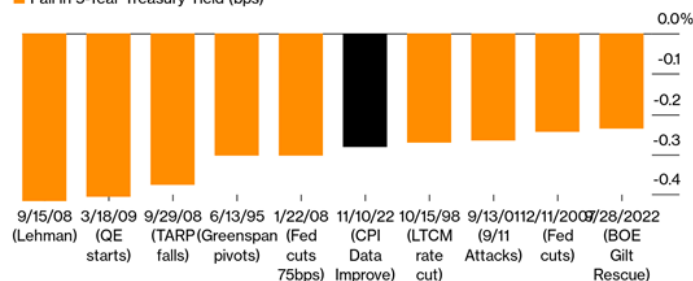


**Thursday's Treasury market rally in the wake of the positive CPI surprise was among the largest in history.** Looking at one-day moves in the five-year Treasury yield, the 28 basis point decline on November 10 marked a major market milestone. It was a larger move than the ones seen after the September 11, 2001, attacks and the surprise inter-meeting Fed rate cut in 1998 in response to the Long Term Capital crisis. Some market participants worry that the move was overdone and that interest rates will move higher again. Others are more optimistic, predicting that the highs in Treasury yields were hit earlier this year and that interest rates will remain range-bound.

#### A Bond Rally to Match Any in History

All the other greatest rises of the last 30 years involved central bank action

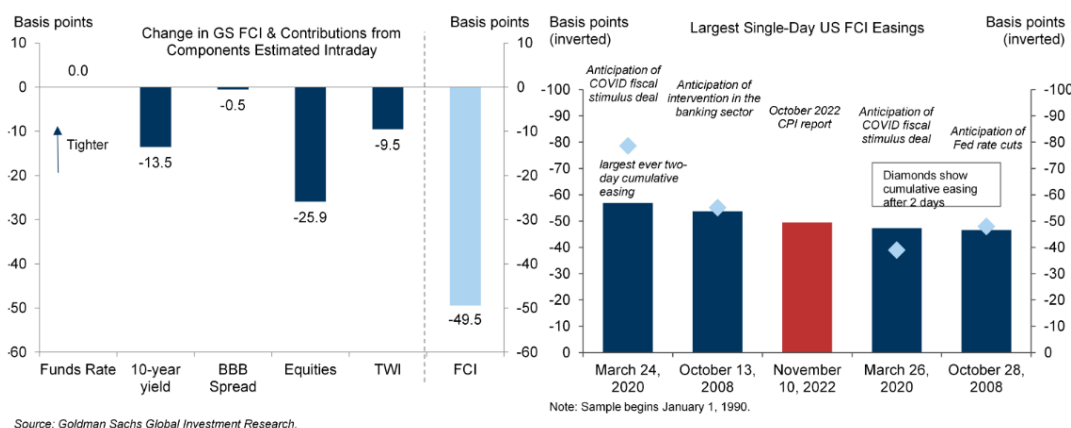
■ Fall in 5-Year Treasury Yield (bps)



Source: Bloomberg

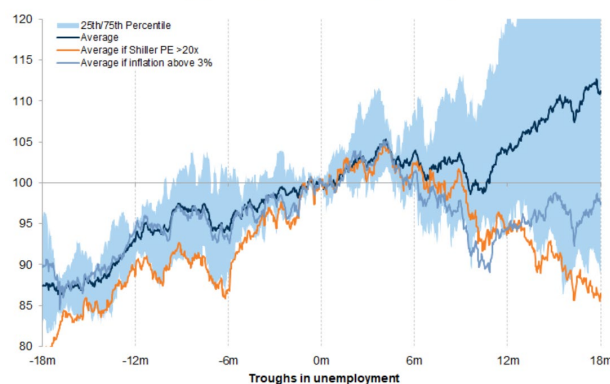
BloombergOpinion

**Thursday also saw a historic one-day move in terms of financial conditions, according to research by Goldman.** The main driver was the equity rally, followed by the plunge in Treasury yields. The move in financial conditions was large than the move seen in October 2008 when the market was expecting Fed rate cuts in the midst of the global financial crisis.



**High inflation levels usually act as a major headwind for equity markets, according to research by Goldman.** Episodes of high inflation that occur when unemployment is at a trough are even more challenging. When inflation is higher than 3%, stocks tend to do badly because interest rates tend to be high and stay high for a longer period, particularly when unemployment is at a low, as these conditions keep the Fed in hiking mode. Conditions are made even worse if valuations are high before the equity selloff begins, as was the case prior to the current selloff. Goldman finds that when the Shiller price earnings ratio is above 20x, stocks have tended to decline for 6–18 months after the unemployment trough. As unemployment starts to go up after a trough, risk premia tend to rise up as investors seek more protection, driving valuations lower.

**Exhibit 2: From elevated valuations or levels of inflation, equities struggle past the unemployment trough**  
S&P 500 total return around unemployment troughs. Data since 1950s (ex Coronacrisis)

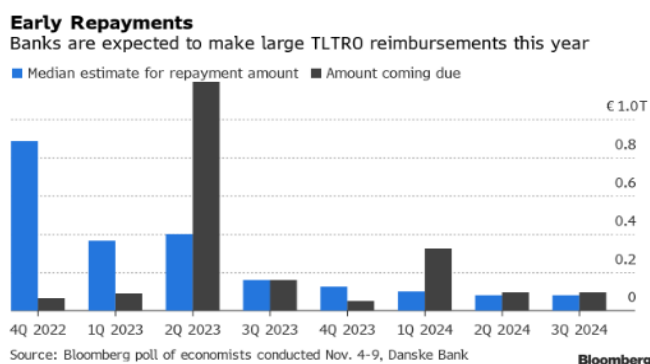


Source: Datastream, Goldman Sachs Global Investment Research

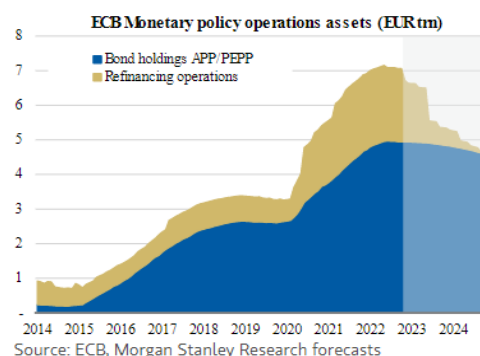
## Euro Area

**European equities were higher while sovereign yields fell** (10y bund yield -4 bps). This morning ECB executive board member Panetta cautioned against ECB over-tightening. He noted the possibility that rates could be raised into restrictive territory but said decisions should continue to be informed by comprehensive data analysis. On the data front **euro area industrial production data surprised on the upside in September** (+0.9%/m/m vs expected 0.5% from 2.0%). ING analysts attribute the move to easing supply problems but do not expect this trend to continue much further as several indicators point to weakening future production. **The euro was trading weaker against the dollar (-0.6%).**

**Median economist forecasts point to a €600 bn repayment of targeted longer-term refinancing operations (TLTROs) in November, but estimates range widely from €200 bn to €1.5 trn, according to a recent survey by Bloomberg.** Median estimates also see an additional €285 bn repayment in December to take total estimated repayments to €885 bn this year. At the most recent ECB meeting the modalities of the TLTRO III were changed, with the rate of the TLTRO set at the average deposit rate over the period from November 23 onwards. The modification was accompanied by three additional voluntary early repayment dates for banks, with the first voluntary repayment opportunity set for November 23. Banks have to notify the ECB by Wednesday if they plan on making a November repayment, and the repayment amounts are set to be reported on Friday, November 18. In the latest commentary from ECB central bank speakers, ECB Governing Council member de Cos said that the ECB could announce the start date of Quantitative Tightening (QT) at the December meeting.



**Exhibit 19: TLTROs will run off...not really QE assets**



## United Kingdom

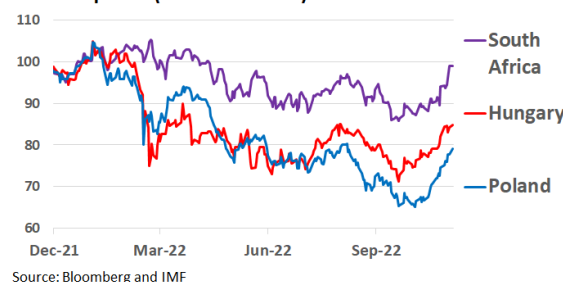
**With the new government set to announce its fiscal plan on November 17, Chancellor Hunt said over the weekend that his Autumn statement would see tighter policy, including significant public expenditure cuts.** Analysts expect between £50-60bn of tightening. Analysts are closely watching announcements around energy policies as this could have a significant impact on inflation, with Hunt also set to share the government's new plan for helping households with energy bills from April 2023. According to media reports, the Office for Budget Responsibility estimates that government borrowing could increase to roughly £100 bn in the 2026/27 financial year as the economic outlook sours. For comparison, in March the OBR had estimated a budget deficit of around £32 bn for that financial year. **This morning the pound weakened against the dollar (-0.6%) and gilt yields were lower (10y gilt -5 bps).**

## Emerging Markets

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**Currencies were generally weaker at the start of a relatively quiet week for data and central banks in EMEA.** Local swap rates rose around 30–40 bps in Hungary, which is not that surprising following the sharp shifts lower last week. **Equities added to recent gains in Poland (+1.8%) and Hungary (+0.5%). Asian markets were mixed, with Hong Kong SAR seeing a strong 1.7% rally while Indonesia and Thailand declined.** In India, inflation was lower than expected. In Korea, regulators called for banks to buy commercial paper and maintain credit lines to non-bank financial institutions to help address stresses in the financial system. **Latin American markets were stronger in the wake of the positive CPI surprise.** In currencies, the Colombian peso was the strongest performer after hitting an all-time low against the dollar.

**EMEA: Equities (1 Jan 2022: 100)**



## Emerging Market Fund Flows

**Outflows in bonds in Emerging Markets continued last week but at a slower pace compared to the start of the month (-\$1.2 bn from -\$3.1 bn).** The drivers of the outflows were nearly evenly split between hard currency and local currency investments (-\$0.5 bn and -\$0.7 bn respectively). Outflows in China-focused funds continued (-\$369 mn) and for the second week running. The equity sphere saw minor outflows of -\$125 mn compared to the strong inflows of +\$1.1 bn at the start of November. While the outflows were driven by non-ETF funds (-\$947 mn), they were cushioned by ETF inflows (+\$822 mn). The year-to-date flows currently stand at -\$87 bn and +\$2 bn for bonds and equities respectively.

**Exhibit 1: Weekly Cross-Asset Flows**

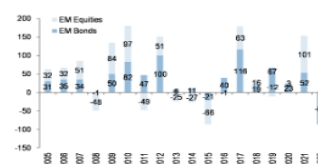
USD billion

Asset	So flows (6w ago – current)	This wk	YTD
<b>EM Bonds and Equities</b>		-1.3	-84.9
<b>EM Bonds</b>		-1.2	-87.1
Hard Ccy		-0.5	-44.9
Local Ccy*		-0.7	-42.3
o.w. EM ex China		-0.3	-21.0
o.w. China		-0.4	-26.0
<b>EM Equities</b>		-0.1	2.2
US HG		1.2	-62.4
US HY		0.6	-41.4
Global Equities		-2.3	196.9
<b>EM Bond and Equity ETFs</b>		1.2	35.7
EM Bond ETFs		0.4	-42.7
EM Equity ETFs		0.8	48.4
<b>Non-resident EM flows*</b>		4.8	-66.6

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

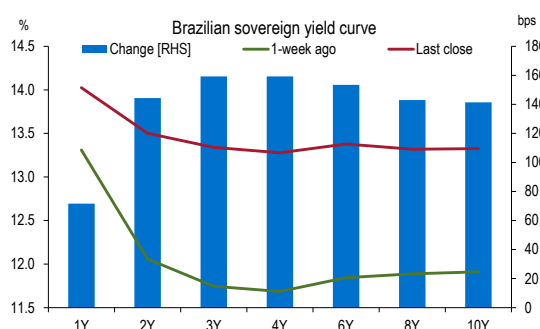
**Exhibit 2: Annual EM bond and equity fund flows**

USD billion



## Brazil

**Interest rates surged by nearly 150bps on average across the curve last week.** The weekly selloff was one of the biggest moves and the largest in the 2 and 3-year tenors since 2010. The cheapening of Brazilian bonds stood out in contrast during a week in which markets witnessed one of the biggest one-day rallies in the Treasury market (see US Treasury text above), which spilled over to other markets in Latin America and beyond. The rise in rates was attributed to doubts about President-elect Lula's spending plans and the uncertainty over the direction his administration will take in terms of fiscal policy.

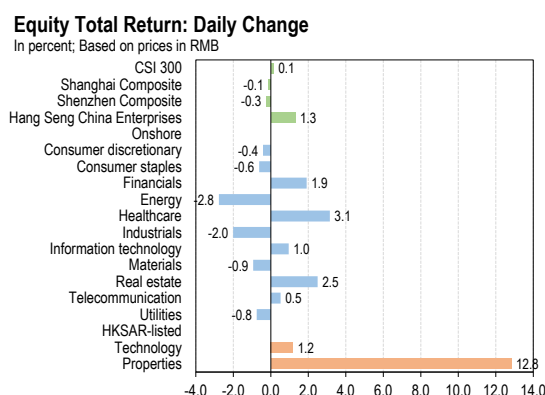


Source: Bloomberg, IMF Staff Calculations

## China

**China announced new measures to support the property sector on Friday.** The policy package included 16 measures that range from addressing property developers' liquidity stress to loosening down-payment requirements for homebuyers. The latest policy package, which came right after the measures to reduce economic and social costs of COVID restrictions, sparked optimism among investors that the worst may be over. In addition, qualified property developers are to have access to as much as 30% of pre-sale funds. Chinese equities gained (CSI 300: +0.2%; Hong Kong SAR-listed: + 1.7%), led by real estate firms. The Chinese yuan also appreciated (+0.6%). Today, the People's Bank of China set the daily RMB fixing broadly in line with market expectations. Meanwhile, government bond yields rose (1-year: +19.9 bps; 10-year: +10.3 bps) in response to the policy announcements.

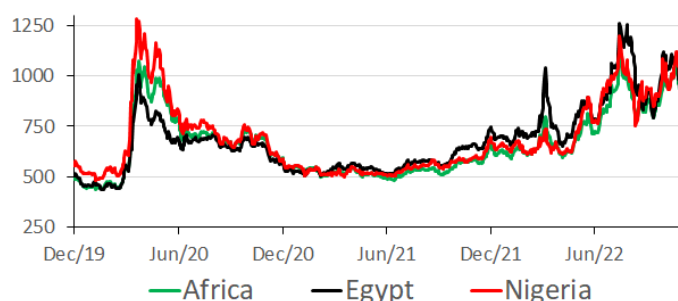




## Nigeria

**Fitch downgraded its rating on Nigeria's foreign currency debt to 'B-', pointing to a deterioration in government debt servicing costs and external liquidity despite high oil prices in 2022.** Fitch expects Nigeria's fiscal deficit to reach 6% of GDP in 2022 with an implicit fuel subsidy cost of 2.4% of GDP in 2022. The rating agency sees debt/revenue rising to 580% in 2022 and expects interest/revenue to reach 48%, compared with 'B' medians of 282% and 11%, respectively. However, yields on Nigeria's Eurodollar bond have fallen in November, in line with a broader rally in Eurobonds. Moody's downgraded Nigeria to B3 in October.

**Africa: EMBIG spreads on U.S. dollar bonds (bps)**


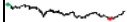



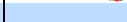




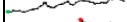





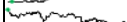
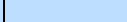



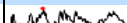








Source: Bloomberg and IMF staff

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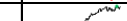





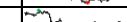



























## Global Financial Indicators

11/14/22 8:01 AM	Level		Change					Since	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	23-Feb-22	
Equities									
United States		3985	0.9	5	11	-15	-16	-6	
Europe		3885	0.4	5	15	-11	-10	-2	
Japan		27963	-1.1	2	3	-6	-3	6	
China		3794	0.1	0	-1	-22	-23	-18	
Asia Ex Japan		63	3.1	7	12	-28	-23	-20	
Emerging Markets		38	2.7	5	12	-27	-22	-20	
Interest Rates									
basis points									
US 10y Yield		3.89	7.5	-33	-13	233	238	190	
Germany 10y Yield		2.12	-3.9	-22	-23	238	230	189	
Japan 10y Yield		0.24	0.2	-1	-1	17	17	5	
UK 10y Yield		3.29	-6.5	-35	-104	238	232	181	
Credit Spreads									
basis points									
US Investment Grade		174	-6.8	-5	-8	59	62	31	
US High Yield		493	-10.1	13	-12	149	155	86	
Europe IG		96	-1.4	-12	-35	48	49	25	
Europe HY		477	-6.5	-45	-148	228	234	125	
Exchange Rates									
%									
USD/Majors		106.95	0.6	-3	-6	12	12	11	
EUR/USD		1.03	-0.3	3	6	-9	-9	-9	
USD/JPY		140.2	1.0	-4	-6	23	22	22	
EM/USD		50.0	0.0	1	3	-9	-5	-6	
Commodities									
%									
Brent Crude Oil (\$/barrel)		95	-1.1	-3	5	28	30	10	
Industrials Metals (index)		163	-0.5	8	12	-2	-5	-13	
Agriculture (index)		68	-0.5	-1	0	12	12	-3	
Implied Volatility									
%									
VIX Index (% change in pp)		24.0	1.5	-0.3	-8.0	7.7	6.8	-7.0	
US 10y Swaption Volatility		132.6	0.0	0.0	-25.7	53.1	53.5	40.0	
Global FX Volatility		11.5	0.1	-0.2	-1.1	4.4	4.1	4.1	
EA Sovereign Spreads									
10-Year spread vs. Germany (bps)									
Greece		224	-13.3	-18	-36	76	73	-16	
Italy		204	-0.1	-10	-40	83	69	33	
Portugal		97	1.7	0	-12	34	33	5	
Spain		104	0.3	0	-13	33	30	1	

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

## Emerging Market Financial Indicators

Last updated: 11/14/2022 8:04 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)				YTD	Since 23-Feb-22	Level		Change (in basis points)				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M			Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
	vs. USD		(+)= EM appreciation						% p.a.							
China		7.07	0.4	2.3	2	-10	-10	-11		3.1	16.5	24	29	8	23	22
Indonesia		15520	-0.2	1.2	-1	-8	-8	-8		7.1	0.1	-39	-31	102	69	57
India		81	-0.6	0.8	1	-8	-9	-8		7.5	1.8	-12	-15	99.2	119	
Philippines		57	0.0	2.3	3	-12	-11	-11		6.1	0.0	25	38	145	165	115
Thailand		36	0.5	4.4	7	-9	-7	-10		2.8	-5.5	-33	-42	94	92	55
Malaysia		4.60	0.6	3.2	2	-9	-9	-9		4.4	1.5	-3	-4	85	83	75
Argentina		161	0.0	-0.8	-6	-38	-36	-33		99.7	250.8	402	1152	4940	4912	5173
Brazil		5.29	0.8	-2.3	1	3	5	-5		13.0	-20.3	113	116	146	232	148
Chile		893	-0.1	2.7	8	-11	-5	-12		5.6	6.0	-68	-94	7	18	-32
Colombia		4806	-0.1	6.0	-4	-19	-15	-19		10.4	0.0	-122	-13	402	398	251
Mexico		19.49	0.1	-0.1	3	6	5	4		8.7	3.0	-55	-60	133	121	89
Peru		3.9	0.4	2.6	3	4	4	-3		7.6	#####	-37	-121	172	167	157
Uruguay		40	0.1	-0.3	3	9	11	5		11.1	0.0	-8	-25	254	239	297
Hungary		394	-0.7	1.5	9	-18	-18	-19		8.7	15.0	-200	-156	492	419	389
Poland		4.55	-0.3	2.5	9	-10	-11	-11		6.4	-3.0	-86	-78	344	284	247
Romania		4.8	-0.5	2.6	7	-8	-8	-8		8.2	-6.5	-83	-70	343	336	303
Russia		60.6	0.2	1.9	4	20	24	35		10.8	7.9	7	122	216	204	-37
South Africa		17.3	-0.3	2.6	6	-12	-8	-12		9.1	0.0	-20	-33	151	171	155
Turkey		18.60	-0.1	-0.8	-1	-46	-28	-26		11.9	-13.0	-9	-148	-762	-1238	-1048
US (DXY; 5y UST)		107	0.6	-2.9	-6	12	12	11		4.01	7.2	-38	-26	279	275	211

	Equity Markets									Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Since 23-Feb-22		Level		Change (in basis points)			YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M				Last 12m	Latest	7 Days	30 Days	12 M		
								basis points								
China		3794	0.1	0	-1	-22	-23	-18		217	13	21	20	14	9	
Indonesia		7019	-1.0	-1	3	6	7	1		208	8	8	43	43	23	
India		61624	-0.3	1	6	1	6	8		188	-23	-2	53	56	34	
Philippines		6355	1.1	1	8	-13	-11	-14		156	-6	-5	57	55	19	
Thailand		1623	-0.8	0	4	-1	-2	-4		0	0	0	0	0	0	
Malaysia		1464	-0.3	2	6	-4	-7	-8		127	12	16	16	10	-6	
Argentina		150413	3.8	-1	10	58	80	65		2492	-111	-319	760	812	755	
Brazil		112253	2.3	-3	0	6	7	0		304	24	3	-15	-7	-27	
Chile		5375	0.2	2	8	20	25	23		162	-11	-27	31	22	-12	
Colombia		1267	-0.9	4	8	-7	-10	-16		423	-44	-38	122	75	31	
Mexico		51959	1.8	2	14	1	-2	1		388	-25	-59	56	56	18	
Peru		22298	1.1	2	13	7	6	-5		184	-18	-39	33	34	-6	
Hungary		44003	0.7	0	11	-16	-13	-8		256	-25	-56	147	132	103	
Poland		55613	2.2	6	20	-24	-20	-11		82	25	21	36	50	66	
Romania		11620	1.0	5	9	-9	-11	-12		305	-37	-46	131	113	73	
Russia		2238	0.9	1	15	-46	-41	-27		3411	-577	938	3228	3234	2897	
South Africa		73216	0.3	5	14	5	-1	-2		387	-39	-77	51	32	-2	
Turkey		4560	2.4	5	26	178	145	126		524	-2	-96	56	-54	-39	
Ukraine		519	0.0	0	0	-1	-1	0		4165	-408	296	3659	3406	2692	
EM total		38	-0.4	5	12	-27	-22	-20		425	-23	-33	57	39	-33	

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

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