



- **U.S. Empire State Manufacturing Index stronger than expected** ([link](#))
- **Global shipping costs decline to June 2020 levels** ([link](#))
- **Japan to issue first government-guaranteed USD green bond** ([link](#))
- **European natural gas prices jump on suspension of Nord Stream 2 certification** ([link](#))
- **U.K. labor data seen as increasing odds for a December rate hike** ([link](#))
- **China tells state-owned enterprises to stop cryptocurrency mining** ([link](#))
- **Turkish lira depreciates to above 10 liras per dollar** ([link](#))
- **Argentina U.S. dollar bonds edge higher as ruling coalition loses Senate control** ([link](#))
- **QUIZ: Where did the foreign share of local EM debt decline in October? See our EM Local Currency Bond Holdings Monitor** ([attached](#))

[Mature Markets](#)

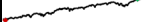
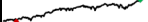
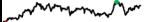

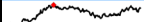






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Emerging market currencies fall as U.S. economic data surprises to upside

EM currencies are weaker as U.S. data (such as retail sales and the Empire State Manufacturing Index) continues to beat expectations. U.S. equities closed little changed yesterday as the U.S. yield curve steepened. Euro area GDP data was in line with expectations but energy supply remains a concern after natural gas prices jumped on the suspension of Nord Stream 2 certification. U.K. labor data were better than expected and firmed expectations for a rate hike in December. In contrast, GDP releases by Israel, Hungary, Romania and Ukraine missed consensus estimates, triggering concerns about a broader slowdown in growth momentum in some emerging markets.

Key Global Financial Indicators

Last updated: 11/16/21 12:36 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4683	0.0	0	5	29	25
Eurostoxx 50		4402	0.4	1	5	27	24
Nikkei 225		29808	0.1	2	3	15	9
MSCI EM		52	-0.3	1	0	6	0
Yields and Spreads			bps				
US 10y Yield		1.60	-1.0	17	3	70	69
Germany 10y Yield		-0.25	-1.7	5	-8	30	32
EMBIG Sovereign Spread		348	-2	0	-8	-30	-3
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		54.6	-0.3	-1	-1	-3	-6
Dollar index, (+) = \$ appreciation		95.5	0.1	2	2	3	6
Brent Crude Oil (\$/barrel)		82.8	0.9	-2	-2	89	60
VIX Index (% change in pp)		16.7	0.3	-1	0	-6	-6

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

Mature Markets

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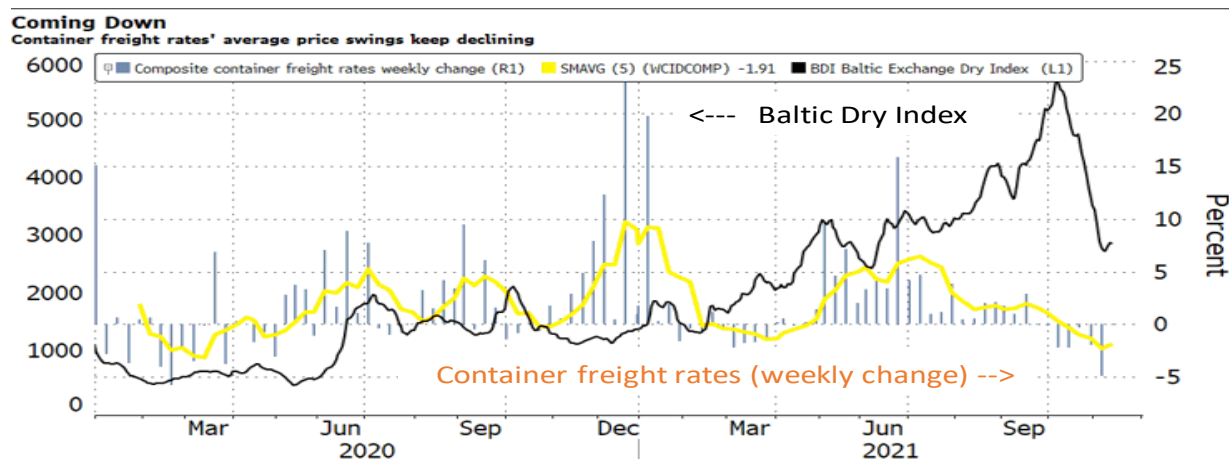
United States

The latest retail sales numbers were higher than expected (headline: 1.7% m/m vs. 1.4% expected, ex-autos: 1.7% m/m vs. 1.0% expected). Treasury yields on short to medium tenors moved 2 bps higher after the announcement.

The S&P 500 closed unchanged as defensive sectors led the gain while technology shares underperformed. US treasury yields rose, and the yield curve steepened as 10-yr, and 30-yr yields rose by 5 bps to 1.61% and by 7 bps to 2.00%, respectively as contacts updated concerns over inflation, corporate issuance, stronger-than-expected economic data, and relatively low trading volumes.

The US Empire State Manufacturing Index expanded in November, with the Empire State manufacturing index at 30.9, well above the consensus (22.0) and previous month (19.8). Some key activity measures, including the new orders, shipments, employment, and the average workweek, also increased. The delivery times index remains at a high level (32.2 in November) but slowed down compared to last month (38.0). Both capital expenditures and technology spending index rose, suggesting the future increase in capital and technology spending. According to the press release, 43 % of respondents answered that business conditions had improved over the month, while 12 % reported that condition had worsened. **Firms were less optimistic about the six-month outlook compared to the last month, with the index for future business conditions falling by 15 points to 36.9.**

Shipping costs are declining, suggesting that supply chain problems are somewhat easing. The Baltic Dry Index, the shipping and trade index measuring changes in the cost of transporting various raw materials, fell 50% from its recent peak in October to the lowest level since June. **The world container index, tracking composite container freight rates for eight busiest trade routes, also fell.**



Source: Bloomberg

Japan

Governor Kuroda stated the Bank of Japan (BoJ) has no intention of backing off from monetary easing even if inflation were to reach halfway to the 2% inflation target. The BoJ projects Japan's inflation to hit about 1% around the middle of 2022. Separately, the BoJ will reportedly tweak its support program for regional banks. The program pays 0.1% additional interest on current account deposits the regional lenders hold at the BOJ when they achieve certain conditions for cost cutting; about 80% of regional banks meet the conditions. The BOJ may increase budget allocation for the program after current account balances grew more than expected. Separately, **Japan plans to support tripling of global sales by**

semiconductor companies. The national strategy in semiconductors and digital transformation presented by the government aims increasing annual revenue to more than 13 trillion yen (\$114 billion) by 2030. **Japan stock were little changed (+0.1%), 10-year yields increased +1 bps, the yen was little changed.**

The **first government-guaranteed USD green bond in Japan is planned for early 2022.** Japan Bank for International Cooperation plans to use the funds raised to finance projects including geothermal power in Southeast Asia, wind power generation in Africa and rail transport in Europe.

Europe

European equities (+0.2%) were little changed this morning. The energy sector (+1.8%) outperformed in line with higher oil prices, while the telecommunication index (+1.5%) was supported by better-than-expected earnings results from Vodafone. German 10-year bund yields (-2 bps) fell and bond yields in Southern Europe narrowed, with Greece (+2 bps) underperforming. **The euro is little changed at 1.13 with analysts noting that the ECB's cautious monetary policy stance is weighing on the euro.**

European natural gas futures jumped (+9% at €88 per megawatt hour) after the German Federal Network Agency, Bundesnetzagentur, suspended the procedure to certify Nord Stream 2 AG as an independent transmission operator. The agency noted that it would only be possible to certify the operator if it was organised in a legal form under German law. **Prices were also supported after supply from Norway was reduced by 10% due to outages that are reportedly expected to last until Friday,** and reports that Gazprom also did not book pipeline space at a monthly capacity auction on Monday to deliver gas to Germany via Poland.

Preliminary data showed eurozone GDP growth remained unchanged at 2.2% in 3Q 2021 in line with consensus expectations, with annual GDP at +3.7% y/y. Employment increased by 2% y/y 3Q 2021, from 1.8%. **Economist surveyed by Bloomberg increased their 2021 and 2022 inflation projections and expect inflation to peak at 4.2% y/y late Q4 of 2021 (compared to 3.6% previously). The rate is then expected to fall below the 2% ECB target to 1.6% in the following 12 months.** ECB policy makers are due to recalibrate their asset purchases in the coming weeks.

United Kingdom

The pound (+0.4%) strengthened following labor market data showing payrolled employees increased in October while underlying earnings growth eased by less than expected. Companies added 160 000 employees to payrolls and early estimates show median monthly pay increasing by 4.9%y/y for October 2021, despite the furlough scheme coming to an end, according to experimental monthly estimates from Real Time Information (RTI) data. **The ONS cautioned, however, that it is possible the workers made redundant at the end of the furlough scheme is still included in the RTI data while their notice period is determined.** In September, wage growth (+5.8% 3m average growth y/y) eased less than expected (consensus +5.6% from 7.2%), while **the unemployment rate edged lower to 4.3% (consensus 4.4% from 4.5%).**

Figure 1: The number of employees declined between February and November 2020, but is now above the pre-coronavirus level

Payrolled employees, seasonally adjusted, UK, July 2014 to October 2021



Source: ONS

Bank of England Governor Bailey highlighted the importance of employment data in the decision to keep interest rates unchanged in November, and analysts are now seeing a stronger case for a hike in December with markets continuing to price in an increase of roughly 14 bps. On market pricing, Governor Bailey also noted yesterday that investors turned conditional statements into unconditional world views. The next labor market data release is due in December, ahead of the monetary policy decision. Two-year yields were little changed this morning.

Emerging Markets

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Asian equities were mixed, up +0.3% on net. Hong Kong outperformed (+1.3%), India closed in losses (-0.5%). **Most Asian currencies traded in narrow ranges.** Philippine peso continued to weaken (-0.3%), Chinese renminbi gained (+0.2%). In **Australia**, Governor Lowe opened the door to an interest-rate increase before 2024 as policy makers acknowledged quicker consumer-price gains in Q3; yields added +6bps. **Sri Lanka** has halted crude processing at its only refinery, to conserve its foreign exchange reserves that are at lowest since 2009; 10-year yield increased further +10bps to 11.45%. In **India**, rupee bond yields increased +4.1bps; on Monday, RBI Deputy Governor Patra said the nation cannot remain immune to global spillovers as the central banks across the world are contemplating policy normalization. **EMEA equity markets were trading mixed** with shares up in South Africa (+1%), the UAE (+1%) but down in Russia (-0.8%) and Egypt (-0.7%). **EMEA currencies mostly depreciated with the Turkish lira (-1.9%) underperforming.** EMEA Q3 GDP releases by Israel, Hungary, Romania and Ukraine have missed consensus estimates, confirming a broader slowdown in recovery momentum. **Latin American equities slumped while currencies printed mixed.** Equities saw sizeable loss in Argentina (-2.1%) and Chile (-2.3%). Meanwhile, currencies depreciated in Argentina (-0.1%) and Mexico (-0.5%) and appreciated in Colombia (0.1%) and Chile (0.5%).

China

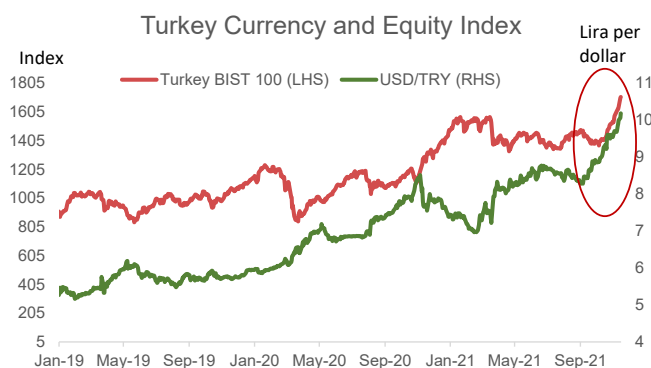
China warned state-owned enterprises to get out of cryptocurrency mining. The government is considering punitive measures in the form of higher power prices on companies that continue to defy a government ban, Bloomberg reports.

Separately, **U.S. President Biden and Chinese leader Xi Jinping spoke of the need for cooperation in their first face-to-face summit.** The leaders reportedly discussed the complex nature of relations between our two countries and the importance of managing competition responsibly. The U.S. raised issues including human rights and China's trade and economic practices. **Chinese stocks closed lower (Shanghai -0.3%, Shenzhen -0.5%), 10-year yield was little changed, and the renminbi gained +0.2.**

Kaisa Group's long-term issuer default rating was downgraded by Fitch to C from CCC-. The downgrade reflects that Kaisa missed the interest payments on its senior unsecured notes and entered the consequent 30-day grace period before non-payment constitutes a default event. The developer had coupon payments totaling \$88.4 mn due on November 11 and 12. Kaisa next month has \$184.5 mn of dollar-bond coupons due, according to Bloomberg-compiled data, and a \$400 mn note that matures on Dec. 7. The company became one of China's larger issuers of such debt despite its 2015 default and subsequent restructuring.

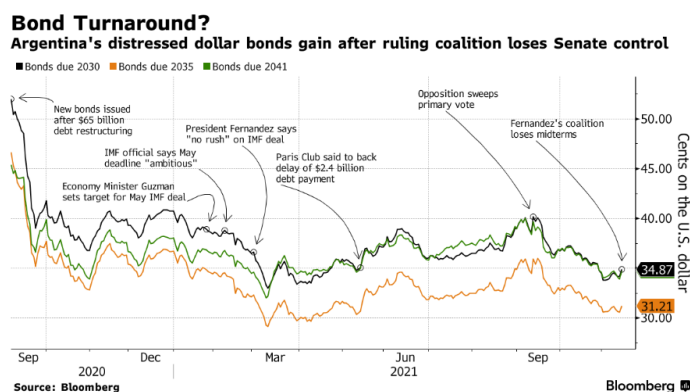
Turkey

The lira weakened to above 10 liras per dollar. The lira has depreciated by another 2% since Friday close, trading around 10.25 liras per dollar this morning as contacts pointed to local corporate dollar demand. **The dollar buying is attributed to energy imports as well as external debt repayment needs with settlements occurring outside the local banking system and hence not captured in domestic corporate FX deposits.** Similarly, contacts also noted that even as domestic retail FX deposits have remained stable, the strong equity market performance signals that there is a growing demand for financial and real assets as inflation and depreciation hedge. **Non-resident dollar buying has remained sporadic, although low lira funding cost has made investors more comfortable with running short lira positions.** Market makers have also pointed to a pick-up in lira-yen currency option activity, confirming that the legacy structured products are also contributing to the offshore dollar buying.



Argentina


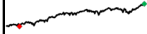

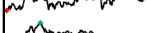






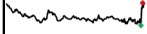


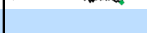







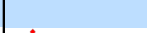
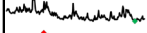


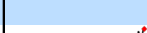


Dollar-denominated bonds due in 2035 rose by 1 cent to 31 cents on the dollar after the ruling coalition lost control of the Senate. Some voters reportedly turned away from the government as the economy is marked by weakened currency, high poverty rate, and a 52% annual inflation rate. Following the defeat, president Fernandez promised to seek consensus with the opposition and work with the IMF, spurring some optimism.



This monitor is prepared under the guidance of Nassira Abbas (Deputy Division Chief), Antonio Garcia-Pascual (Deputy Division Chief) and Evan Papageorgiou (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Economist-London representative), Sanjay Hazarika (Senior Financial Sector Expert), Henry Hoyle (Financial Sector Expert), Tom Piontek (Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Sergei Antoshin (Senior Economist), Liumin Chen (Research Assistant), Yingyuan Chen (Financial Sector Expert), Mohamed Diaby (Economist, EP), Dimitris Drakopoulos (Senior Financial Sector Expert), Torsten Ehlers (Senior Financial Sector Expert), Deepali Gautam (Research Officer), Rohit Goel (Financial Sector Expert), Frank Hespeler (Senior Financial Sector Expert), Shoko Ikarashi (Externally Financed Appointee), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Esti Kemp (London Representative), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Dmitry Petrov (Financial Sector Expert), Patrick Schneider (Research Officer), Juan Solé (Senior London Representative), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Xingmi Zheng (Research Assistant). Javier Chang (Senior Administrative Assistant) and Srujana Sammeta (Staff Assistant) are responsible for word processing and production of this monitor.

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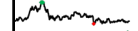

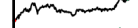

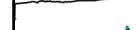



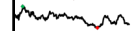
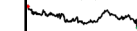








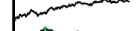
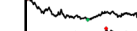
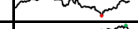







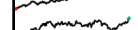



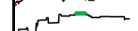




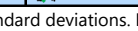
Global Financial Indicators

Last updated: 11/16/21 12:35 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4683	0.0	0	5	29	25
Europe		4403	0.4	1	5	27	24
Japan		29808	0.1	2	3	15	9
China		3522	-0.3	0	-1	5	1
Asia Ex Japan		88	-0.3	1	0	3	-2
Emerging Markets		52	-0.3	1	0	6	0
Interest Rates			basis points				
US 10y Yield		1.61	-0.9	17	4	70	69
Germany 10y Yield		-0.24	-1.5	5	-8	30	33
Japan 10y Yield		0.08	1.0	1	-1	6	6
UK 10y Yield		0.95	-1.4	13	-16	60	75
Credit Spreads			basis points				
US Investment Grade		114	5.5	6	24	-2	19
US High Yield		342	5.1	4	19	-119	-38
Europe IG		49	-0.2	0	-2	-1	1
Europe HY		248	-1.4	3	-10	-36	6
Exchange Rates			%				
USD/Majors		95.52	0.1	2	2	3	6
EUR/USD		1.14	0.0	-2	-2	-4	-7
USD/JPY		114.3	0.1	1	0	9	11
EM/USD		54.6	-0.3	-1	-1	-3	-6
Commodities			%				
Brent Crude Oil (\$/barrel)		83	0.8	-2	-3	89	60
Industrials Metals (index)		164	-0.4	1	-11	30	23
Agriculture (index)		61	0.2	4	7	40	27
Implied Volatility			%				
VIX Index (% change in pp)		16.7	0.2	-1.1	0.4	-5.7	-6.0
US 10y Swaption Volatility		83.9	0.0	7.8	5.5	29.6	20.6
Global FX Volatility		7.2	0.0	0.3	0.3	-0.6	-0.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		149	2.3	11	40	23	29
Italy		122	-0.3	8	19	2	11
Portugal		63	0.2	4	12	1	3
Spain		73	-0.9	5	10	8	11

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

Emerging Market Financial Indicators

Last updated: 16/11/2021 12:26 PM	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		6.39	-0.1	0.1	1	3	2		3.0	0.0	2	-14	-20	-12
Indonesia		14220	-0.1	0.2	-1	-1	-1		6.0	-1.0	0	-6	-21	14
India		74	0.2	-0.5	1	0	-2		6.5	-2.0	-1	-7	126	98
Philippines		50	-0.3	-0.4	1	-4	-5		4.7	-5.0	25	45	185	175
Thailand		33	0.1	0.2	2	-8	-8		1.9	3.0	10	-4	61	61
Malaysia		4.17	-0.1	-0.4	0	-1	-4		3.6	2.0	4	1	90	90
Argentina		100	0.0	-0.2	-1	-20	-16		50.3	7.1	-22	113	-200	-587
Brazil		5.44	0.3	0.9	1	0	-4		11.5	4.0	-38	48	307	415
Chile		802	-0.5	-1.2	2	-4	-11		5.5	0.0	29	-43	309	301
Colombia		3887	-0.1	-0.3	-3	-6	-12		6.5	0.0	15	1	234	250
Mexico		20.59	0.2	-1.3	-1	-1	-3		7.5	12.0	11	-5	185	214
Peru		4.0	0.6	0.5	-2	-8	-9		5.8	0.3	3	0	158	231
Uruguay		44	-0.1	-1.2	-1	-3	-4		8.6	0.0	0	55	112	132
Hungary		321	0.3	-3.1	-3	-6	-7		3.8	0.0	9	-6	225	225
Poland		4.10	-0.3	-3.3	-4	-8	-9		2.9	-8.3	-6	10	174	177
Romania		4.4	0.0	-1.9	-2	-6	-9		4.8	-0.2	17	27	186	205
Russia		72.9	-0.6	-2.9	-2	5	2		8.8	11.9	25	80	266	231
South Africa		15.2	0.1	-1.4	-4	1	-4		7.6	-6.5	5	-23	81	97
Turkey		10.22	-1.6	-4.8	-9	-25	-27		19.7	16.0	47	-30	726	676
US (DXY; 5y UST)		96	0.1	1.7	2	3	6		1.25	-0.2	17	13	84	89

	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	7 Days	30 Days	12 M	YTD
									basis points					
China		4883	0.0	1	-1	0	-6		197	-1	-12	-33	-32	
Indonesia		6651	0.5	0	0	20	11		160	-8	-18	-45	-40	
India		60322	-0.7	0	-2	37	26		137	0	-8	-37	-14	
Philippines		7367	0.3	-1	2	6	3		97	-6	-19	-20	-15	
Malaysia		1523	0.0	0	-5	-5	-6		111	-1	-20	-42	-24	
Argentina		92999	-2.1	-3	13	82	82		1672	-31	59	350	316	
Brazil		106335	-1.2	1	-7	2	-11		314	-7	15	33	55	
Chile		4382	0.0	-2	10	8	5		128	-7	-32	-35	-28	
Colombia		1356	-0.7	-3	-5	12	-6		300	6	12	83	85	
Mexico		51433	-0.5	-1	-3	26	17		331	-3	-17	-94	-26	
Peru		20688	-0.5	1	1	13	-1		149	-4	-18	-4	20	
Hungary		51854	0.1	-4	-5	39	23		107	-9	-10	-30	-42	
Poland		72071	0.0	-3	-3	39	26		45	-4	22	21	17	
Romania		12878	0.4	0	1	45	31		177	-2	-24	-28	-26	
Russia		4113	-0.5	-2	-3	34	25		152	1	-3	-41	-27	
South Africa		70808	1.0	4	6	24	19		337	4	-16	-86	-47	
Turkey		1700	-0.2	5	21	31	15		467	5	-39	-42	20	
Ukraine		523	0.0	0	-1	4	5		551	48	67	-36	58	
EM total		52	0.7	1	0	6	0		367	-1	-4	12	28	

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

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