







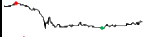





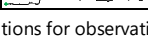
- **COVID-affected industry credit spreads and equities show recovery** ([link](#))
- **Spanish banks BBVA and Sabadell are reportedly in talks of a merger** ([link](#))
- **Santander shares fall on rumored plans to acquire collapsed German Wirecard** ([link](#))
- **China onshore credit spreads rise to near-two month high on SOE defaults** ([link](#))
- **Hungary and Poland confirmed to veto the EU budget** ([link](#))

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Investors temper vaccine hopes

Investors are calling pause on November's heady rally as COVID cases surge around the world. Risk asset momentum has slowed or reversed in the overnight session, following a nearly 11% gain in equities so far in November. While yesterday's vaccine news reinforced optimism about an accelerated return to economic normalcy in 2021, investors may be taking cues from comparatively subdued government bond markets. Long-term bond yields were little moved by yesterday's second batch of vaccine news and have since been edging lower, reflecting concerns about the potential for virus-related disruptions and continued uncertainty around the production and distribution of vaccines. Sweden and a range of US states from California to New Jersey are introducing new COVID-related restrictions on gatherings and business operations as cases rise rapidly. Oil prices gained as OPEC+ considering postponing a planned boost to output.

Key Global Financial Indicators

Last updated: 11/17/20 8:15 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		3627	1.2	2	4	16	12
Eurostoxx 50		3451	-0.4	0	6	-7	-8
Nikkei 225		26015	0.4	4	11	12	10
MSCI EM		49	1.2	1	7	14	9
Yields and Spreads			bps				
US 10y Yield		0.88	-2.8	-8	13	-95	-104
Germany 10y Yield		-0.56	-1.2	-7	7	-22	-37
EMBIG Sovereign Spread		421	0	17	-10	97	128
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		56.1	-0.2	0	3	-7	-9
Dollar index, (+) = \$ appreciation		92.3	-0.3	0	-1	-6	-4
Brent Crude Oil (\$/barrel)		43.7	-0.3	0	2	-31	-34
VIX Index (% change in pp)		23.2	0.7	-3	-4	11	9

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

United States

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Retail sales disappointed this morning. October's retail sales in the US rose only at 0.3% - the slowest pace in six months – versus Bloomberg's consensus forecast at 0.5%, implying that consumers may be more hesitant amid a surging pandemic and lack of fresh federal stimulus. The negative surprise amplified the downward trend in US equity futures.

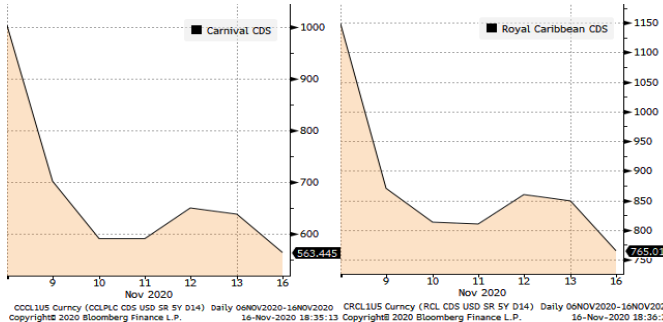
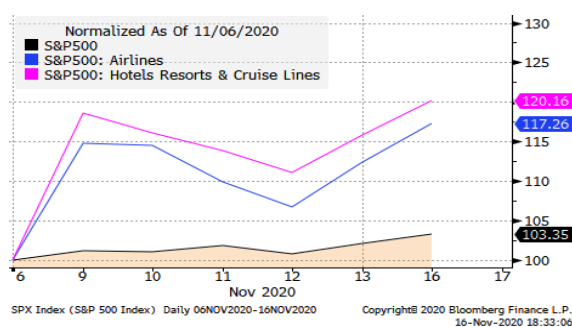
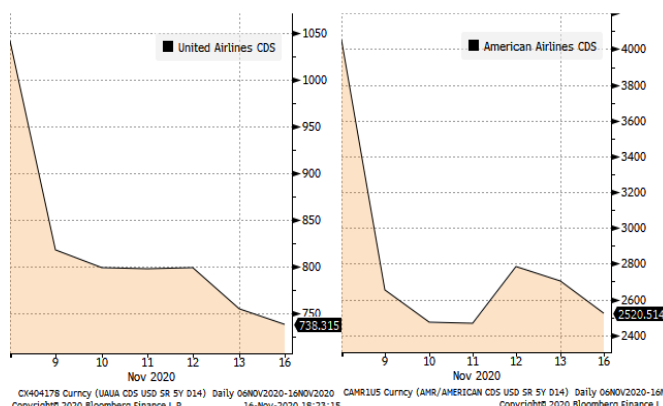
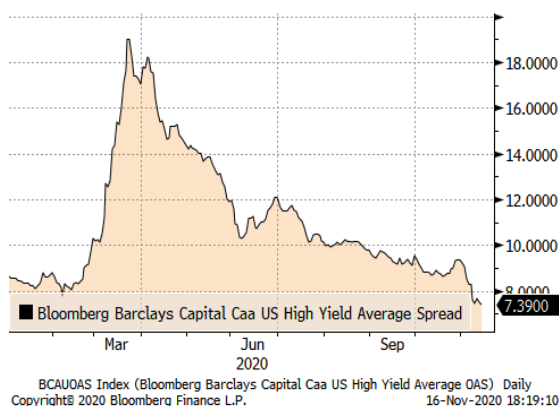
Key US Economic Data 8.30 am October 30

Source: Bloomberg

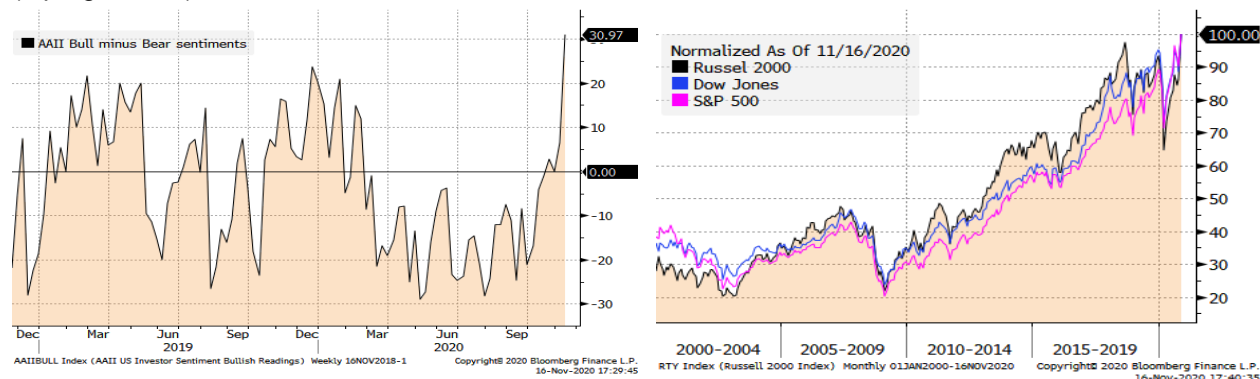
Report	Consensus Forecast	Actual Report
Retail Sales Advance MoM	0.5%	0.3%
Import Price Index MoM	0.0%	-0.1%
Export Price Index MoM	0.2%	0.2%

Markets rose modestly on news of a second effective vaccine, as concerns remain focused on near term virus uncertainty. S&P500 closed +1.2%. COVID-distressed sectors (e.g., air carriers) and small cap stocks continued benefiting from the improved outlook on the pandemic (Russell 2000 closed +2%). US Treasury 10-year yields rose by 1 bp. The US dollar index (DXY) and the CBOE volatility index (VIX) remained virtually unchanged. WTI Oil futures gained 3%.

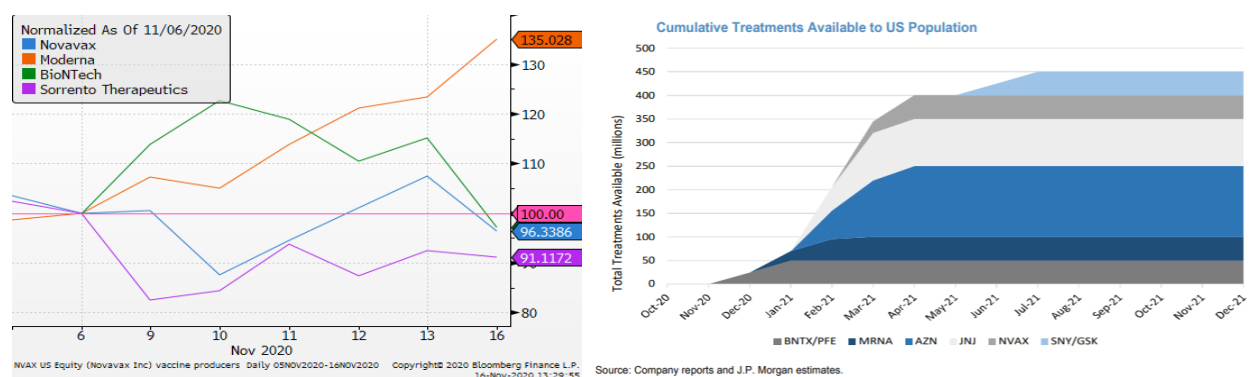
The vaccine-driven boost in optimism led to a significant recovery across various distressed assets. The average credit spread in Bloomberg Barclays Caa US High Yield index fell to 1-year record low levels (top-left chart below), which, coupled with declined risk-free rates, makes the average yield of CCC borrowers fall to a 5-year record low level. The improvements are most visible in the companies most severely impacted by COVID-19. E.g., top-right and bottom-right charts show dramatic reductions in 5Y CDS spreads for airlines and cruise liners. The bottom-left chart shows that the recovery in the equity values across those two industries considerably outperformed the overall market move.



A indicator of bullish investor sentiment hits a 2-year record as equity prices hit record highs (top-left chart below). On top of the improvements in the last few weeks, the American Association of Individual Investor weekly survey showed net positive sentiment hit a multi-year high on the progress of Pfizer/BioNTech vaccine. Equity indices- already at elevated levels due to the fiscal and monetary interventions - reached all-time record highs on Monday for Dow Jones, S&P 500, and Russell 2000 indices (top-right chart).



News of the latest vaccine's testing success has substantially hurt equity valuations of other vaccine developers. Moderna reported that its vaccine has not only has comparable efficacy to Pfizer/BioNTech's version but also various technological advantages, including much longer shelf life at refrigerator temperatures, which would make it easier to store and ship globally. On the back of the news, BioNTech's stocks dropped almost 15%, while two other vaccine developers – Novavax and Sorrento Therapeutics – also experienced price declines in response to Moderna's news. This winner-takes-all approach is driven by the excess of the currently planned capacities for vaccine development. The top-right chart shows that the planned capacity in the US alone would exceed the population of the US already in March 2021.



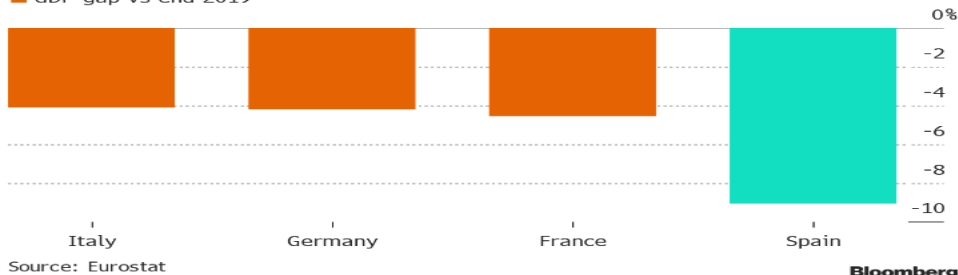
Europe [back to top](#)

Sovereign yields were steady again. German 10-year yields at -0.55% (-1 bps); French OATs are at -0.32% (-1 bps); Italian at 0.64% (-1 bps); and Spanish at 0.09% (-1 bps).

Equity markets lost steam in just a day after the good Covid vaccine news. Stocks inched down across the continent: DAX (-0.2%), CAC 40 (-0.2%), EuroStoxx 600 (-0.3%). Italy's Titans 30 (+0.1%), while the Spanish Ibex (-1.0%) suffered the largest losses among peers. Some market analysts have begun to worry that Spain's potential recovery from the pandemic will be lackluster on the back of mounting debt and lack of structural reforms to improve productivity and reduce long-term unemployment. Spain's GDP drop has been more severe than that of the other three largest EU economies.

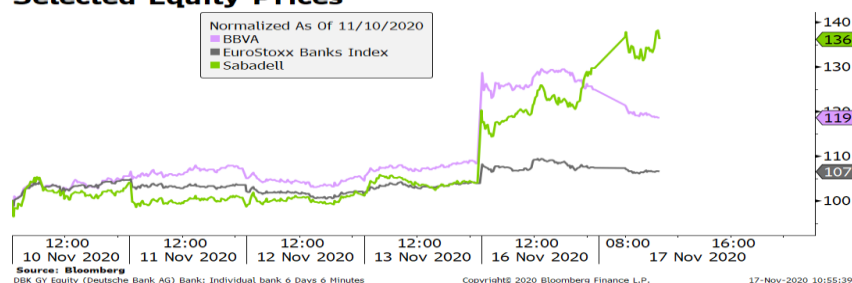
Spain is lagging behind other major euro-area economies

GDP gap vs end 2019



Bank stocks (+0.7%) slightly underperformed main indices. Bank equities were dragged down largely by BBVA (-5.2%) and Santander (-2.4%). Their rival **Sabadell (+6.3%)** continued to surge on news of a possible acquisition by BBVA. Trading volume of Sabadell's shares jumped to over 6 times the 20-day daily average. Separately, Santander's stocks fell following news that the Spanish lenders plans to acquire the collapsed German payments company Wirecard.

Selected Equity Prices



Other Mature Markets

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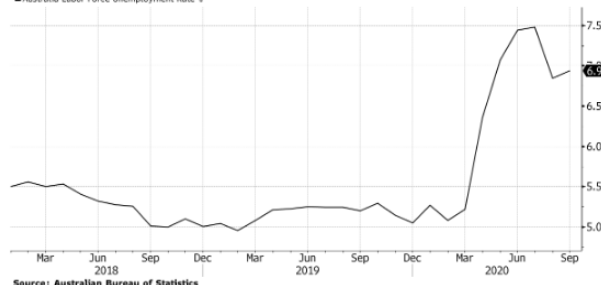
Australia

Reserve Bank of Australia (RBA) November meeting minutes show policy was eased given projections of high unemployment and subdued inflation. Two weeks ago, the RBA cut its cash rate, its three-year yield target and the bank lending facility rate to 0.10% from 0.25% and announced a AUD100 bn (\$73.3 bn) bond-purchase program. The board also discussed the merits of targeting the 5-year bond yield but decided against it. The RBA judged that a yield target is most effective when its maturity is consistent with the Board's forward guidance on the cash rate. The central bank also expects the cash rate to remain at the current level for at least three years. It stated that it would be appropriate to remove the yield target before the cash rate is increased. Negative policy rates are viewed as 'extraordinarily unlikely'. **Equities rose +0.2%, close to a nine-month high, after a technical glitch forced the Australian bourse to close trading yesterday.** The Australian dollar was little changed while 10-year bond yield rose +6.4bps.

National Priority

RBA said addressing high unemployment is a national priority

Australia Labor Force Unemployment Rate %



Japan

Equities rose (+0.2%) for a second day, led by banks. The rebound in economic activity is slowing in light of rising COVID-19 cases. Walking and transit activities in Tokyo slowed to 4.7% y/y and 8.8% y/y, respectively, for the week ending November 13 (from 6.2% and 13.5% a week ago), according to Bloomberg. New virus cases picked up for the fifth consecutive month to 9,249 in the week ending November 13, surging from 5,661 in the previous week, and was near the peak of 9,530 registered in early-August. **The yen and 10-year JGB yield were little changed.**

Emerging Markets


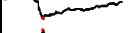


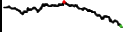

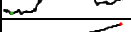





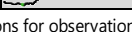

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Asian equities were little changed on net. Weakness in North Asia such as China (Shanghai -0.2%; Shenzhen -0.9%) and Korea (-0.2%) were offset by strength in Southeast Asia including Vietnam (+1.9%) and Singapore (+1%). **Regional currencies appreciated for a second day, led by the Chinese yuan (+0.5%), which reached the strongest level since 2018, and the Indonesian rupiah (+0.4%).** Separately, Thailand's parliament began discussions on the constitution amendment, with a vote on the pathway to any changes expected by Wednesday. The constitution amendment including scrapping the military-appointed senate is one of the three demands put forth by protestors, who have taken to the streets since July.

EMEA equities were trading mixed with stocks up in Egypt (+1.0%), the UAE (+0.7%) but down in Russia (-1.4%) and Turkey (-1.2%). **EMEA currencies were mostly depreciating** with the Turkish lira (-0.8%), Hungarian forint (-0.7%) and the Polish zloty (-0.6%) underperforming.

Latin American equities were mostly higher on Monday. Equities advanced in Argentina (+2.4%), Brazil (+1.6%), Peru (+1.3%) and Chile (+1.1%). Currency markets were relatively quiet. In Peru, Francisco Sagasti was elected head of congress, and will become the interim president after days of political volatility, ahead of the presidential election in April.

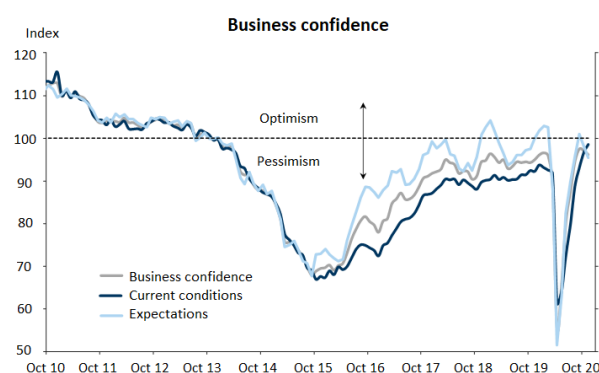
Key Emerging Market Financial Indicators

Last updated: 11/17/20 8:24 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		48.93	-0.7	1	7	14	9
MSCI Frontier Equities		27.52	-0.4	1	2	-4	-9
EMBIG Sovereign Spread (in bps)		421	0	17	-10	97	128
EM FX vs. USD		56.09	-0.2	0	3	-7	-9
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.55	0.5	1	2	7	6
Indonesian Rupiah		14055	0.4	0	5	0	-1
Indian Rupee		74.46	0.2	0	-1	-4	-4
Argentine Peso		80.02	-0.1	-1	-3	-26	-25
Brazil Real		5.41	0.3	0	4	-22	-26
Mexican Peso		20.40	-0.5	0	4	-5	-7
Russian Ruble		76.39	-0.2	0	2	-16	-19
South African Rand		15.39	-0.4	2	7	-4	-9
Turkish Lira		7.75	-0.6	5	2	-26	-23
EM FX volatility		10.55	0.0	-0.1	-0.5	3.3	4.0

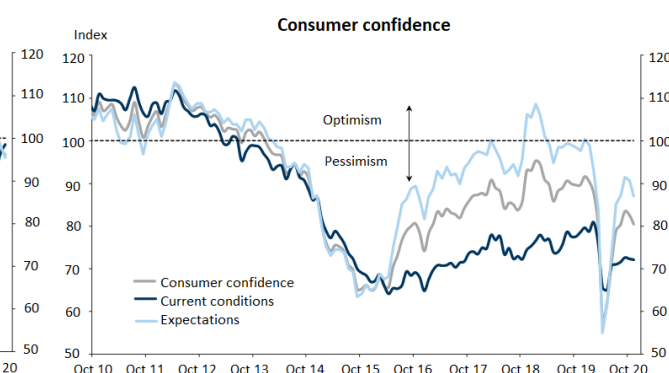
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Brazil

Amid the uncertainty related to the pandemic, consumer and business confidence are declining in November, according to the preliminary estimates. Both indices still show net pessimism, but at a level close to the pre-COVID-19 value. The decline of business confidence in November has been driven by the decrease in the expectations index. The drop of consumer confidence, however, has been the result of declines in both the current conditions and expectations indices. The recent surges in the COVID-19 cases in the US and Europe could have led to concerns about the economic recovery in Brazil. Domestically, the potential risk of a second wave of the pandemic and the fiscal outlook could also have contributed.



Source: FGV, Goldman Sachs Global Investment Research

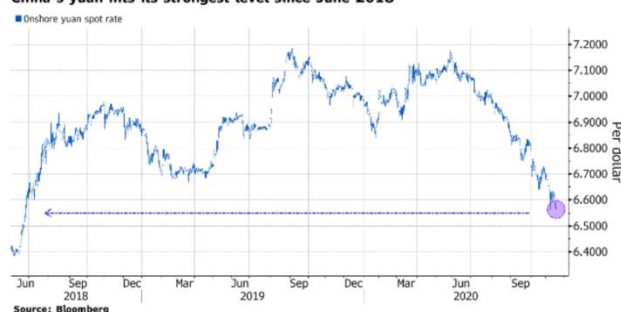


Source: FGV, Goldman Sachs Global Investment Research

China

China's onshore credit stress has been rising following a series of defaults by state-owned borrowers. The yield spread between three-year AA-rated corporate bonds and government bond yield rose to 114bps, the widest level since September 29, according to Bloomberg. Officials from the State Council have asked relevant government departments to assess risks in the credit markets. The authorities will consider certain measures if necessary, but reports stressed that does not necessarily entail bailouts. The National Development and Reform Commission will step up oversight of the corporate bond market through coordination among bond regulators and strengthening disclosure. Analysts said that recent defaulted state-owned enterprises (SOEs) had weak fundamentals. Defaults are expected to rise in 2021 as financially stretched companies are likely to face pressures from the phasing out of financial relief measures. The cumulative bond default ratio for all companies is still low at 1.83% (SOE at 0.5%) and the authorities are likely to intervene if SOE bond default ratio rises to alarming levels, according to JP Morgan. **Equities (Shanghai -0.2; Shenzhen -0.9%) fell, the RMB appreciated +0.5% to the strongest level since 2018 while 10-year bond yield rose +1.5bps to a one-year high.**

China's yuan hits its strongest level since June 2018



Source: Bloomberg

Investors demand higher risk compensation for buying corporate bonds

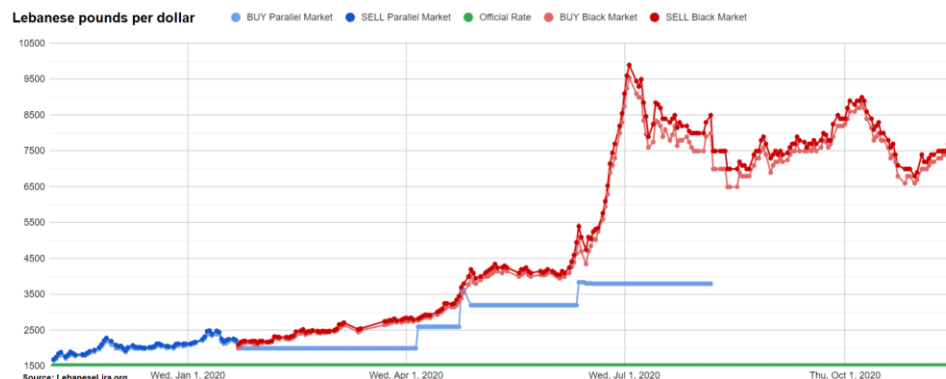


Source: Bloomberg-compiled data

Lebanon

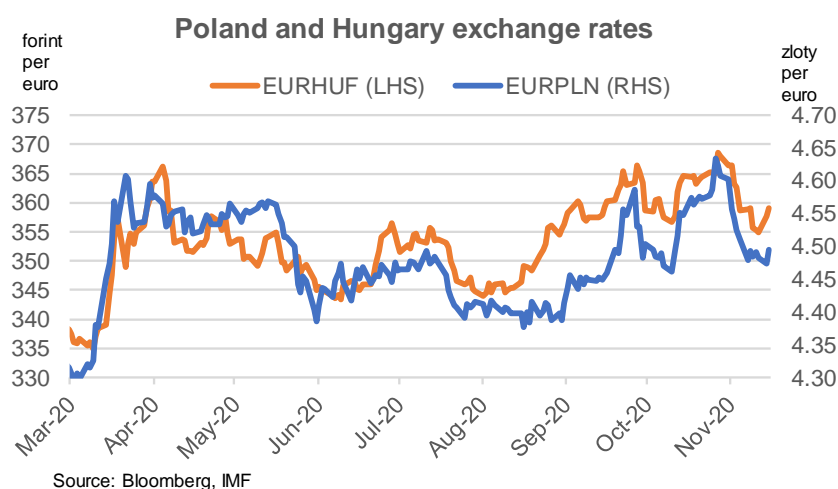
Currency pressure returned as the new government formation sees further delays amid new national lockdown. The formation of a rescue government under premier-designate Saad Hariri remains stalled despite French diplomatic efforts. According to media reports, French special envoy Patrick Durel

made only limited progress last week as tensions between rival political fractions remain elevated. The situation is aggravated by a second COVID wave with the country entering a two-week lockdown. **The Lebanese pound depreciated as much as 5% over the weekend in the parallel exchange rate market.**



Eastern Europe

Hungary and Poland confirmed to veto the EU budget and the EU's Recovery Fund over the contentious rule of law clause. Earlier this month, European authorities agreed on the new rule of law framework that allows imposition of sanctions, including blocking of EU funds, based on a majority vote rather than the currently used unanimity. While Poland and Hungary both benefit from the fiscal package as net recipients of funds (to the tune of 12.3% of GDP for Poland and 10.4% for Hungary), the new rule of law framework increases the risk of sanctions and suspension of EU funds as both countries are currently facing disputes. According to media reports, the negotiations will continue ahead of the EC conference on Thursday with Hungary and Poland proposing to narrow the legal scope of the new rule of law framework as a potential compromise. **The Hungarian forint (-0.7%) and the Polish zloty (-0.6%) depreciated following the veto confirmation** although contacts suggested that investors' concerns remain limited at this stage. A compromise remains widely expected.
















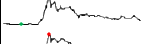



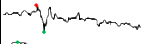




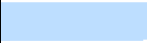



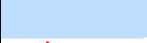


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Global Financial Indicators

Last updated: 11/17/20 8:15 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
			%				%
United States		3626	1.2	2	4	16	12
Europe		3451	-0.4	0	6	-7	-8
Japan		26015	0.4	4	11	12	10
China		3340	-0.2	-1	0	16	10
Asia Ex Japan		85	1.2	1	7	22	16
Emerging Markets		49	1.2	1	7	14	9
Interest Rates							
			basis points				
US 10y Yield		0.88	-2.8	-8	13	-95	-104
Germany 10y Yield		-0.56	-1.2	-7	7	-22	-37
Japan 10y Yield		0.03	0.4	-2	0	9	4
UK 10y Yield		0.33	-2.2	-7	15	-40	-50
Credit Spreads							
			basis points				
US Investment Grade		113	0.1	0	-12	-5	16
US High Yield		453	0.6	11	-54	-6	60
Europe IG		50	0.4	0	-4	2	6
Europe HY		287	2.5	-4	-43	55	80
EMBIG Sovereign Spread		421	0.0	17	-10	97	128
Exchange Rates							
			%				
USD/Majors		92.34	-0.3	0	-1	-6	-4
EUR/USD		1.19	0.3	1	1	7	6
USD/JPY		104.2	0.4	1	1	4	4
EM/USD		56.1	-0.2	0	3	-7	-9
Commodities							
			%				
Brent Crude Oil (\$/barrel)		44	-0.3	0	2	-31	-34
Industrials Metals (index)		126	-0.4	1	5	11	10
Agriculture (index)		44	0.7	2	6	13	6
Implied Volatility							
			%				
VIX Index (%, change in pp)		23.2	0.7	-2.6	-4.2	11.1	9.4
US 10y Swaption Volatility		54.1	-0.9	-4.0	-20.1	-12.9	-7.9
Global FX Volatility		7.8	0.0	-0.2	-0.5	1.5	1.8
EA Sovereign Spreads							
			10-Year spread vs. Germany (bps)				
Greece		123	-3.3	-10	-18	-58	-42
Italy		119	-0.4	-5	-8	-37	-40
Portugal		61	-0.8	-2	-12	-9	-1
Spain		64	-0.2	-3	-10	-13	-1

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: 11/17/2020 8:24 AM	Exchange Rates						Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	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		6.55	0.5	0.9	2	7	6		3.4	0.8	5	3	11	25
Indonesia		14055	0.4	0.0	5	0	-1		6.3	-6.6	-3	-37	-75	-80
India		74	0.2	-0.4	-1	-4	-4		6.0	0.0	1	-5	-81	-86
Philippines		48	-0.1	0.1	1	5	5		3.6	0.5	1	6	-68	-68
Thailand		30	0.1	0.6	3	0	-2		1.5	0.1	2	0	-27	-14
Malaysia		4.10	0.3	0.4	1	1	0		2.5	0.4	6	5	-89	-84
Argentina		80	-0.1	-0.7	-3	-26	-25		52.3	6.6	140	708	-1374	-1026
Brazil		5.41	0.3	0.0	4	-22	-26		6.4	-1.5	24	5	32	15
Chile		769	-0.3	-1.6	2	1	-2		2.8	-0.2	2	3	-65	-51
Colombia		3620	0.5	0.3	6	-5	-9		5.2	0.0	2	5	-75	-75
Mexico		20.40	-0.5	-0.4	4	-5	-7		6.0	0.0	5	-7	-96	-91
Peru		3.7	-0.6	-2.3	-2	-8	-10		4.2	1.1	26	7	-35	-33
Uruguay		43	0.0	-0.6	0	-12	-13		7.5	1.6	-3	8	-357	-340
Hungary		304	-0.4	-1.0	2	0	-3		1.6	-0.2	-3	-8	42	41
Poland		3.78	-0.2	0.6	3	3	0		0.6	0.0	0	-5	-126	-128
Romania		4.1	0.2	0.4	1	5	4		2.9	-1.0	1	-30	-109	-107
Russia		76.4	-0.2	0.2	2	-16	-19		5.5	-0.8	-1	-15	-76	-59
South Africa		15.4	-0.4	1.5	7	-4	-9		9.8	-5.0	5	-42	26	27
Turkey		7.75	-0.6	5.3	2	-26	-23		12.4	-11.7	-111	-99	44	67
US (DXY; 5y UST)		92	-0.3	-0.4	-1	-6	-4		0.39	-1.6	-6	7	-126	-130

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
								basis points						
China		4895	-0.2	-1	2	26	19		208	-2	3	-7	32	32
Indonesia		5530	0.6	1	8	-10	-12		191	1	6	-18	14	35
India		43953	0.7	2	10	9	7		173	-1	-6	-35	41	48
Philippines		6959	0.6	4	18	-12	-11		110	2	6	-9	24	44
Malaysia		1610	0.7	2	7	1	1		129	2	-3	-13	8	17
Argentina		51085	2.4	3	4	60	23		1351	26	5	-45	-1094	-418
Brazil		106364	1.6	1	8	0	-8		268	-1	3	-30	37	53
Chile		4023	1.1	1	11	-17	-14		150	1	3	-9	4	17
Colombia		1210	0.0	0	3	-26	-27		206	-1	5	-21	25	43
Mexico		40792	0.0	6	8	-6	-6		430	3	12	-44	113	138
Peru		18290	1.3	-3	4	-7	-11		144	-1	4	4	17	37
Hungary		37328	-0.2	0	12	-14	-19		100	-1	5	-14	1	14
Poland		51980	0.1	2	8	-12	-10		9	-1	1	-11	-17	-9
Romania		8929	0.2	-2	1	-8	-11		202	-3	-2	-34	7	29
Russia		3037	-1.4	1	8	3	0		175	0	2	-22	7	44
South Africa		57173	-0.2	-1	4	2	0		419	7	0	-74	86	99
Turkey		1276	-1.3	3	7	21	12		516	15	-34	-101	101	115
Ukraine		501	0.0	0	-2	-3	-2		569	1	-19	-128	114	149
EM total		49	-0.7	1	7	14	9		421	0	17	-10	97	128

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

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