



- Earnings and stronger-than-expected economic data lift U.S. equities ([link](#))
- Empire State Survey shows worsening supply disruptions ([link](#))
- Fund survey signals biggest overweight position of U.S. stocks since 2013 ([link](#))
- Reserve Bank of Australia says higher wage growth needed to sustain inflation ([link](#))
- Euro area swap spreads tighten as ECB eases collateral rules ([link](#))
- U.K. inflation reaches multi-year high ([link](#))
- Hungary accelerates policy tightening with 30 bps hike ([link](#))

Correction to yesterday's Monitor: Global shipping costs declined to June 2021 levels (and not June 2020 levels)

[Mature Markets](#)


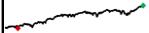
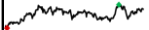








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Markets consolidate in quiet trading

The U.S. dollar held on to its recent gains and U.S. equities closed near record highs in the wake of solid earnings from retailers and stronger-than-expected economic data. U.K. inflation data came in higher than expected. Money markets continue to price in a December hike by the Bank of England. The National Bank of Hungary accelerated its policy tightening. In currency markets, the Turkish lira weakened further after President Erdogan reiterated his support for lower interest rates. Oil prices fell on reports that the U.S. and China may release stockpiles.

Key Global Financial Indicators

Last updated: 11/17/21 1:11 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4701	0.4	0	5	30	25
Eurostoxx 50		4402	0.0	1	5	27	24
Nikkei 225		29688	-0.4	2	2	15	8
MSCI EM		52	0.1	1	0	6	0
Yields and Spreads			bps				
US 10y Yield		1.64	1.0	9	7	79	73
Germany 10y Yield		-0.23	1.1	2	-6	33	34
EMBIG Sovereign Spread		350	2	-2	-5	-24	0
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		54.2	0.1	-2	-2	-4	-6
Dollar index, (+) = \$ appreciation		95.9	-0.1	1	2	4	7
Brent Crude Oil (\$/barrel)		82.0	-0.6	-1	-3	87	58
VIX Index (% change in pp)		16.4	0.0	-2	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

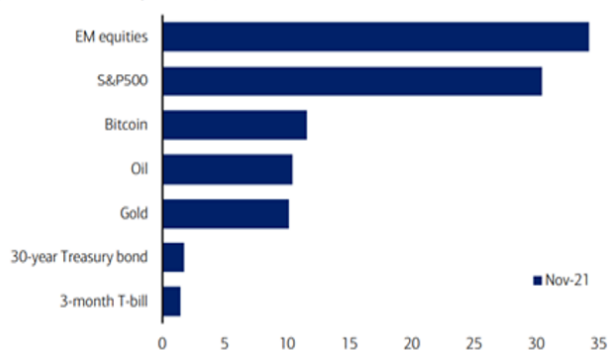
The S&P 500 (+0.4%) closed shy of its all-time high on stronger-than-expected economic data and solid earnings reports from major retailers. Consumer discretionary sector was the best performer, and technology shares rebounded from losses of the prior day. US treasury yields rose, with 10-yr yields up 2 bps to 1.63%. 20-yr yields rose 4 bps to 2.06%, with 20-yr and 30-yr yields inverting further ahead of a 20-yr Treasury auction next day.

Economic data came in well ahead of expectations. Retail sales rose 1.7% mom in October (consensus:1.4%), the most since March, led by non-store retail, gasoline stations, and electronics and appliance stores, while clothing, accessory, and health care stores showed weak sales. Industrial production jumped 1.6% in October(consensus:0.9%), driven by motor vehicle and parts output. **After the data was released, Atlanta Fed GDP Now Forecast rose 0.6 ppt to 8.67%.**

Supply disruptions are likely worsening as labor markets tighten, according to the latest Empire State Manufacturing Survey and Business Leader Survey. More than half of all service firms and nearly two-thirds of manufactures answered that supply disruptions had worsened. **Over 40% of service firms and half of the manufactures expected the condition to worsen further in the near future.** Regarding hiring plans, almost 60% of service firms and manufacturers responded that they would increase the workforce over the next twelve months. **A slight majority of service firms and 60% of manufactures suggested that they were increasing wages and salaries for most job categories by more than they had in recent years.**

Investors hold the biggest overweight position of US stocks since 2013, according to the global fund manager survey conducted by BoA. Investors are getting more constructive, with decreasing their cash position and increasing their allocation to US stocks in November with the optimistic global macro views (stable growth, transitory inflation, and modest monetary policy tightening). **One-third of the fund managers expect EM equities to produce the best returns in 2022.**

Chart 1: EM equities and S&P500 to be best returning assets in '22
Which of the following assets will produce the best returns in 2022?

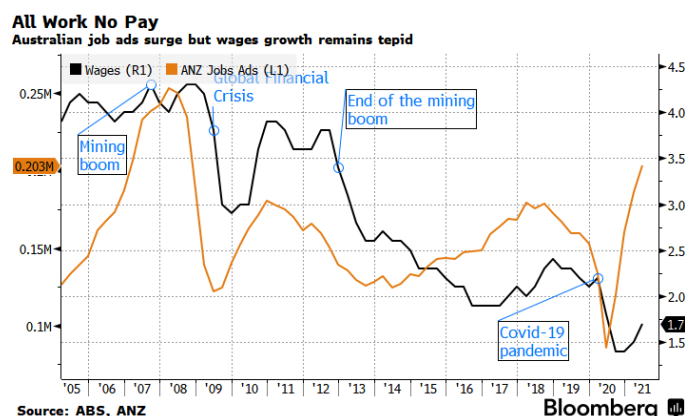


Source: BofA Global Fund Manager Survey

Australia

Governor Lowe of the Reserve Bank of Australia (RBA) commented that stronger wage growth is needed to sustain inflation. In particular, wages need to rise 3% or more to return inflation to the central bank's target. Governor Lowe also reiterated that a first policy rate increase will not be likely before 2024, the view that is in stark contrast to market expectations which currently see three rate hikes in 2022. **Wages increased 2.2% y/y in 2021Q3, in line with expectations.** Analysts noted that wage data released today seemed to support the RBA's dovish view. **The government bond yield curve steepened**, with 10-yr yield

rising (+2.7 bps) while 1-year yield falling (-1.3 bps). **Australian dollar depreciated** (-0.1%). Some analysts see a bearish outlook of Australian dollar given the waning commodities demand, in part driven by China's property sector slowdown. Equities declined (-0.7%).



Japan

Growth of exports moderated further in October, pointing to continued global supply-chain disruptions. Exports expanded 9.4% y/y in October (consensus: +10.3%), slowing from a 13.0% growth in September. Car shipments continued to slump as major automakers scaled back production due to parts shortages, while exports of steel and semiconductor manufacturing equipment showed strong increases. Meanwhile, imports grew 26.7% y/y in October (consensus: 31.8%); strong imports kept trade deficits for a third consecutive month. **Core machine orders remained flat m/m in September** (consensus: +1.5%); however, some analysts noted that data showed some signs of acceleration in private capital spending. **Equities declined (NIKKEI: -0.4%) while the yen and long-end JGB yields were little changed.**

Euro area

Equity markets in Europe were mixed, with the Stoxx 600 index up +0.16%. The largest gains were seen in the basic resource index (+0.6%) while the travel and leisure index (-1%) underperformed. German 10-yr yields and southern spreads were little changed, while the Euro was trading lower (-0.02%) against the dollar.

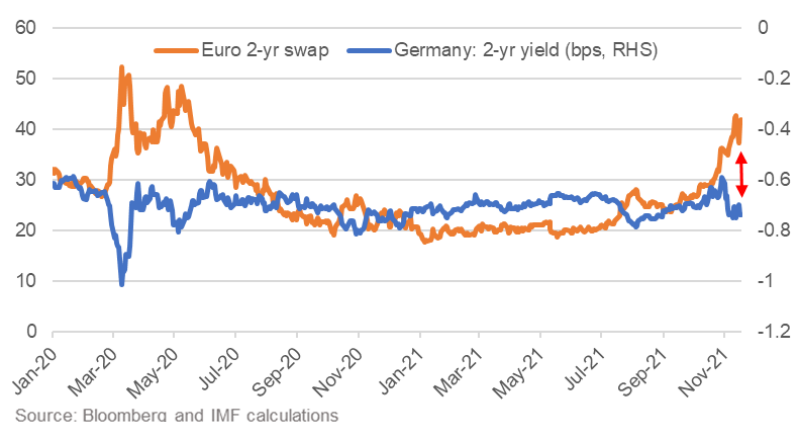
Final October inflation data for the euro zone were largely in line with expectations – with consumer prices reaching a multi-year record of +4.1% in October, and core CPI slightly lower at +2.0% y/y (preliminary estimate +2.1%/y/y).

The ECB flagged growing vulnerabilities due to stretched valuations in property and financial markets, high levels of public and private debt and increasing risk-taking by non-banks in its latest Financial Stability Review. The ECB notes that the near-term pandemic-related risks to financial stability have declined as the economy rebounds.

Short-end swap spreads show tentative signs of tightening after the ECB eased collateral rules. Euro area government bond yields have diverged from swap rates over the past weeks (so leading to wider swap spreads). **Analysts speculate that seasonal factors such as demand for collateral into year-end could play a role but contacts also believe that QE purchases may have led to a scarcity of some highly rated collateral that is likely to persist into 2022 when the ECB is expected to modify its regular QE program.** The ECB doubled the limit of cash to €150 bn that counterparties can pledge to national central banks in exchange for securities held on their balance sheets to ease the shortage of government bonds in the euro area. There are tentative signs that the ECB decision is filtering through to

markets, with the spread between the 2-yr bunds and equivalent euro swap rates decreasing while the three month Euribor increased by 1.5 bps.

Spread: 2-yr yields and swap rates



United Kingdom

The pound (+0.2%) edged higher after data show inflation rose to +4.2 %y/y in October (consensus +3.9%y/y from 3.1%) the highest level since 2011. Higher inflation was mainly driven by household energy prices, fuel prices and second-hand cars following an increase in the price caps of gas and electricity prices. Core CPI increased to 3.4% y/y (consensus 3.1% from 2.9%). **Prices also increased in factories,** with the output producer price growth reaching +8%y/y in October (consensus 7.3% from 7%) and input prices reaching +13%y/y (consensus 12.1% from 11.4%), mainly driven by petroleum products and crude oil. Finally, the retail price index (+6% y/y) came in stronger than expected (consensus +5.7% from +4.9%). **Analysts at Deutsche Bank now see inflation peaking at 5.4%y/y in April. While some economists note that recent data increase the odds of a rate hike in December, others are less convinced against a backdrop of an uncertain economic outlook.** Several analysts remain bearish on the pound noting that the market has already priced in interest rate increases.

Emerging Markets

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Most Asian equities declined, falling 0.3% on net, led by Korean (-1.2%) and Hong Kong (-0.4%) equities. Share prices rose in Indonesia (+0.4%) and Taiwan POC (+0.4%). Most Asian currencies depreciated, led by Thai baht (-0.3%). Chinese yuan appreciated (+0.2%). **Analysts note that the broad strength of the US dollar signals that the region could experience outflows, putting downward pressures on Asian currencies and dampening sentiment in stock markets.** Long-end government bond yields increased, with 10-year yields rising in Thailand (+3.0 bps) after a weak auction. In Indonesia, a carbon tax of \$2 per metric ton will be introduced from April 2022. In India, local media reported that Indian government bonds are unlikely to be included in global indices this financial year. **EMEA equity markets were trading in tight ranges. EMEA currencies were trading mixed.** The Turkish lira (-1.6%) was underperforming and traded above 10.50 liras per dollar after President Erdogan reiterated his support for lower interest rates. By contrast, the Russian ruble (+0.8%) and the Israeli shekel (+0.7%) appreciated with the shekel trading at the strongest level against the dollar since 1995. South Africa's inflation remained unchanged in October at 5% yoy, in line with consensus. While the short-dated interest rate forward continued to price about 75% chance of a 25-bps rate hike on Thursday, long-dated forwards are now implying a terminal rate below 6.50% as compared to around 7% at the start of November. **Latin American equities slumped while currencies depreciated.** Equities saw loss for the third consecutive day in Argentina (-3.6%), Brazil (-1.8%), Chile (-1.8%) and Mexico (-0.5%). Yesterday, currencies in Brazil (-0.8%), Chile (-1.9%), Colombia (-0.4%) and Mexico (-0.7%) after stronger-than-expected US retail sales.

China

The RMB (+0.2%) reached the strongest level against 24 currencies in the CFETS basket since 2015, leaving many analysts surprised by the high degree of the People's Bank of China (PBC)'s tolerance to RMB strength. The PBC's responses have been limited, and RMB fixings have been just 8 pips weaker than market expectations on average in the past month. Chinese equities were little changed.

Yuan Strength

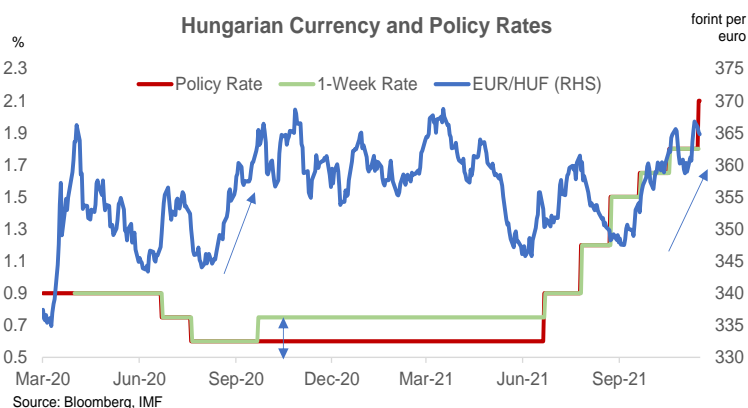
CFETS index surging to highest since 2015



Financial regulators reportedly told local exchanges that high-quality property developers can apply to issue new asset-backed securities, ending a 3-m market freeze. Property developers will also be allowed to use proceeds to repay debt. Market commentary suggested that a policy shift aims to insulate higher-rated property developers from a sector-wide funding crunch. Separately, financial regulators plan to relax a rule that limits the size of new interbank bond issuances by high-quality property developers. Yields of USD high-yield bonds edged higher after an earlier decline on the new of potential policy easing for property developers. Evergrande's chairman Hui Ka Yan injected more than \$1.1 bn in cash to boost the firm's liquidity according to local media.

Hungary

The National Bank of Hungary hiked its policy rate 30 bps to 2.1%. While the increase was in line with the median economist consensus, analyst's expectation and market pricing were skewed for a 40-45 bps rate hike, which resulted in a forint weakness (-0.7%) after the rate decision. However, markets mostly reversed after the press conference as the Deputy Governor Virag noted that the one-week deposit rate would be decoupled from the policy rate. Contacts now expect the one-week repo rate to be increased by 45 bps to 2.25%, 15 bps above the policy rate, at the next setting on Thursday with additional intra-meeting tightening subject to further forint weakness.



Brazil

Central bank governor Neto warned that a “1% growth and 8% interest rates” would make the outlook “no longer sustainable, but explosive”. However, as Brazil is struggling to contain inflation, analysts expect the growth and Selic rates to reach 0.93% and 11% in 2022, respectively. Also, with a 4.8% inflation rate forecast in 2022 and an expanded welfare program, Brazil’s risk premium has increased

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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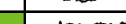




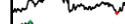











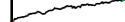



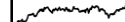





Global Financial Indicators

Last updated: 11/17/21 1:12 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4703	0.4	1	5	30	25
Europe		4402	0.0	1	5	27	24
Japan		29688	-0.4	2	2	15	8
China		3537	0.4	1	-1	6	2
Asia Ex Japan		88	0.4	2	1	3	-2
Emerging Markets		52	0.1	1	0	6	0
Interest Rates			basis points				
US 10y Yield		1.65	1.2	10	8	79	73
Germany 10y Yield		-0.23	1.2	2	-6	33	34
Japan 10y Yield		0.08	0.3	2	0	5	6
UK 10y Yield		0.99	-0.2	6	-12	67	79
Credit Spreads			basis points				
US Investment Grade		111	-1.6	-4	20	-2	16
US High Yield		337	-1.7	-7	14	-114	-43
Europe IG		49	0.4	0	-2	-1	1
Europe HY		249	1.5	1	-9	-37	6
Exchange Rates			%				
USD/Majors		95.86	-0.1	1	2	4	7
EUR/USD		1.13	0.0	-1	-3	-5	-7
USD/JPY		114.7	-0.1	1	0	10	11
EM/USD		54.2	0.1	-2	-2	-4	-6
Commodities			%				
Brent Crude Oil (\$/barrel)		82	-0.7	-1	-4	87	58
Industrials Metals (index)		163	0.3	0	-12	29	23
Agriculture (index)		61	1.1	3	7	40	27
Implied Volatility			%				
VIX Index (% change in pp)		16.4	0.0	-2.4	0.1	-6.4	-6.4
US 10y Swaption Volatility		83.9	0.0	3.6	5.5	28.7	20.6
Global FX Volatility		7.4	0.0	0.4	0.5	-0.3	-0.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		147	-1.3	7	38	23	27
Italy		122	1.2	4	19	2	11
Portugal		63	0.5	1	11	2	3
Spain		72	0.5	2	10	9	11

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

Emerging Market Financial Indicators

Last updated: 17/11/2021 1:13 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		6.38	0.2	0.2	1	3	2		3.0	1.5	2	-13	-20	-10
Indonesia		14244	-0.2	0.1	-1	-1	-1		6.0	0.1	1	-6	-12	14
India		74	0.1	0.2	1	0	-2		6.5	0.0	-4	-7	126	98
Philippines		50	-0.1	-0.6	1	-4	-5		4.7	-2.5	23	43	183	173
Thailand		33	0.3	0.4	3	-8	-8		1.9	2.0	8	-2	63	63
Malaysia		4.18	-0.3	-0.6	0	-2	-4		3.6	3.1	9	5	92	94
Argentina		100	0.0	-0.2	-1	-20	-16		50.4	8.2	51	122	-199	-579
Brazil		5.48	0.3	0.3	1	-3	-5		11.6	-0.5	2	42	330	423
Chile		818	-0.7	-2.7	0	-6	-13		5.6	1.0	45	-41	314	303
Colombia		3894	0.0	-0.5	-3	-6	-12		6.6	0.0	27	16	250	265
Mexico		20.69	0.3	-0.3	-1	-2	-4		7.6	5.0	24	-5	186	219
Peru		4.0	-0.1	0.4	-1	-8	-9		5.8	0.1	-1	2	176	234
Uruguay		44	0.0	-0.7	-1	-3	-4		8.6	0.0	0	55	111	132
Hungary		322	0.1	-1.7	-3	-5	-8		3.9	0.3	6	4	235	234
Poland		4.12	-0.1	-2.4	-4	-8	-9		3.0	11.5	2	21	187	188
Romania		4.4	0.0	-1.4	-3	-6	-9		4.8	0.0	19	27	186	205
Russia		72.5	0.8	-1.7	-2	5	2		8.8	-8.5	26	78	265	229
South Africa		15.5	0.2	-0.3	-5	-1	-5		7.5	-4.0	-8	-27	76	93
Turkey		10.48	-1.5	-6.0	-11	-26	-29		19.8	9.0	35	-21	740	685
US (DXY; 5y UST)		96	-0.1	1.1	2	4	7		1.28	1.0	6	15	90	91

	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	
									basis points					
China		4886	0.0	1	0	0	-6		198	-2	-11	-35	-31	
Indonesia		6676	0.4	0	0	20	12		163	-11	-15	-41	-37	
India		60008	-0.5	-1	-3	36	26		136	-4	-9	-37	-15	
Philippines		7350	-0.2	0	2	4	3		102	-8	-14	-13	-10	
Malaysia		1525	0.1	0	-5	-5	-6		111	-3	-20	-40	-24	
Argentina		89674	-3.6	-5	9	73	75		1695	-24	82	381	339	
Brazil		104404	-1.8	-1	-9	-3	-12		315	-9	16	37	56	
Chile		4301	-0.1	-4	8	6	3		128	-6	-32	-33	-28	
Colombia		1333	-1.7	-4	-7	8	-7		303	2	15	86	88	
Mexico		51162	-0.5	-2	-3	22	16		331	-6	-17	-87	-26	
Peru		20486	-1.0	0	0	11	-2		149	-6	-18	-8	20	
Hungary		51965	0.3	-3	-5	39	24		109	-10	-8	-26	-40	
Poland		71836	-0.4	-2	-4	39	26		49	0	26	25	21	
Romania		12839	0.1	0	1	45	31		179	-5	-23	-24	-24	
Russia		4117	-0.1	-1	-3	35	25		154	-2	-1	-36	-25	
South Africa		71191	0.4	4	6	25	20		344	4	-9	-73	-40	
Turkey		1694	0.5	4	20	34	15		475	4	-31	-30	28	
Ukraine		523	0.0	0	-1	4	5		570	56	86	-5	77	
EM total		52	0.3	1	0	6	0		371	-2	0	19	33	

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

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