



- U.S. yields fall amid lower energy prices and disappointing housing data ([link](#))
- U.S. money market funds continue to grow assets in October ([link](#))
- Japan plans larger-than-expected stimulus package ([link](#))
- Central Bank of Turkey cuts 100 bps despite lira weakness ([link](#))
- Hungary hikes 1-week deposit rate a more-than-expected 70 bps ([link](#))
- Central banks in Indonesia and Philippines leave rates unchanged ([link](#))
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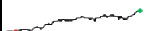









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Focus on emerging markets as central bank policies diverge

Investors focused on emerging markets as central banks continue to diverge on policy actions and currencies remain volatile. Central banks in Indonesia and the Philippines left rates unchanged as policymakers expect inflation to remain within target range next year. The Turkish lira fell sharply after the central bank cut its policy rate and signaled further limited easing. The South African rand also fell even as the Reserve Bank started a tightening cycle with a 25 bps hike. In contrast, the Hungarian forint gained after the central bank hiked its deposit rate more than expected. Spreads on Ghana's Eurobonds rose after the budget announcement disappointed investors. **Yesterday, U.S. treasury yields fell following lower oil prices and disappointing housing data.**

Key Global Financial Indicators

Last updated: 11/18/21 12:04 PM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		4689	-0.3	1	5	31	25
Eurostoxx 50		4403	0.0	1	6	26	24
Nikkei 225		29599	-0.3	1	2	15	8
MSCI EM		52	-0.5	1	0	6	0
Yields and Spreads			bps				
US 10y Yield		1.60	1.2	5	0	73	69
Germany 10y Yield		-0.25	-0.7	-2	-11	30	32
EMBIG Sovereign Spread		354	4	7	-1	-25	4
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		53.9	-0.2	-2	-3	-4	-7
Dollar index, (+) = \$ appreciation		95.7	-0.2	1	2	4	6
Brent Crude Oil (\$/barrel)		80.1	-0.2	-3	-5	81	55
VIX Index (% change in pp)		16.8	-0.3	-1	0	-7	-6

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

Mature Markets

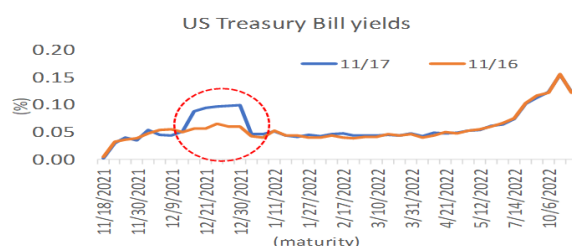
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United States

Weekly initial jobless claims dropped slightly to 268k from 269k (revised up from 267k) and were slightly worse than expected (consensus 260k); continuing claims recorded 2080k versus expected 2120k. **Philadelphia Fed Business Outlook came in well ahead of expectations** (actual: 39.0, consensus:24.0). **There was limited market reaction to the releases in early trading.**

The S&P 500 index (-0.3%) closed lower, led by energy and financial sectors, as oil prices and yields declined. VISA Inc fell -4.7% after Amazon announced it would stop accepting credit cards issued by the firm in the UK from next year.

U.S. treasury yields fell with the yield curve flattening amid lower energy prices and weaker-than-expected housing starts data. The 10-yr yield fell 4.4 bps to 1.59%, mainly led by inflation expectations, with 10-yr TIPS breakevens 3 bps lower ahead of a 10-year TIPS auction today. **The auction of 20-year treasury bonds closed 1.5 bps cheap to pre-auction levels with relatively weak demand.** In the treasury bill market, yields on treasury bills maturing mid to late December rose by 3-5 bps, more than those on other securities after Secretary Yellen updated the expected drop-dead date for the debt ceiling to December 15th.



Source: Bloomberg

Total Money Market Fund (MMF) assets increased by \$21 bn in October as Assets Under Management (AUM) of government MMFs rose \$23 bn while AUM of prime MMF fell by \$2 bn. Government MMFs invest 47% of their assets into repo, 43% to Treasuries, and 8% to Agencies. Following the debt-ceiling suspension, MMFs increased their T-bill holding by 11% compared to the previous month. **MMFs' usage of the Fed Overnight Reserve Repo (RRP) remains at a high level, ending October at \$1.34 tn, which account for almost 90 % of the total usage of RRP.**

Japan

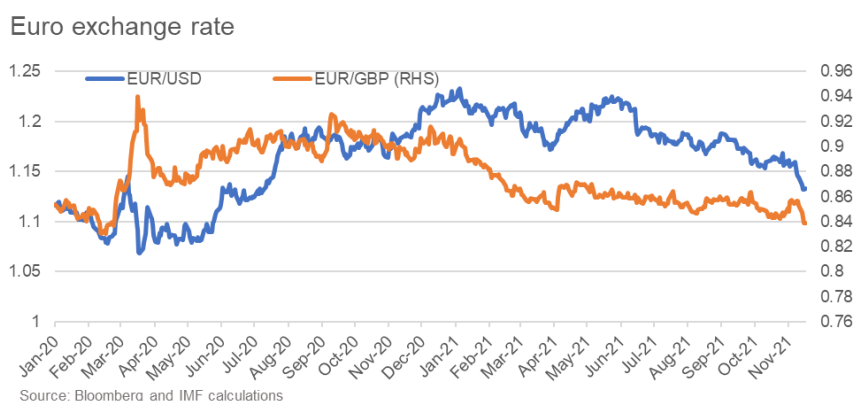
The government plans a larger-than-expected stimulus package. According to Nikkei, Prime Minister will unveil a stimulus package with fiscal measures in the form of spending, investment and loans in a record amount of 55.7 tn yen (\$488 bn). **The news came after weaker-than-expected Q3 GDP data released earlier this week (-0.8% q/q relative to consensus forecast of -0.2%).** Expected key components of the package include cash transfers to individuals and SMEs, wage increases for certain public workers, tax breaks for firms that raise wages, and measures to strengthen supply chains and promote digitalization. Equities paring initial losses in the morning but still closing lower today (NIKKEI: -0.3%). JGB futures retreated amid concerns of larger-than-expected bond supply; however, spot JGB yields were little changed. The yen was little changed.

Euro area

Equity markets in Europe were trading in a tight range with the Stoxx 600 index little changed. The largest gains were seen in the travel and leisure index (+0.6%) while the energy index underperformed (-

1.4%) in line with lower oil prices. **European gas futures were trading lower (-2% at €92 per megawatt hour) this morning, halting the 5-day rising streak.**

The euro (+0.2%) ticker higher after falling to its lowest level in 16 months this week amid expectations that the ECB will stick to its accommodative policies while inflation will prompt US and UK policymakers to raise interest rates. **ECB's Isabel Schnabel yesterday said that while euro area inflation will take longer to slow from its current levels, rates are expected to visibly decline next year.** She also noted that the ECB should be careful to consider inflation risk in both directions when it sets monetary policy.



Traders have pushed back expectations of the first interest rate hike to 2023, and now expect the ECB to increase interest rates by 10 bps in February 2023, compared to expectations of an increase in December 2022.

German 10-yr yields (-1bps) and southern spreads were little changed. Germany's 10-yr inflation linked bond fell to a record low yesterday and was little changed in morning trade, while the German 10-yr breakeven inflation rate (-2 bps) fell to 1.86%. Bloomberg reports that investors bid the lowest amount in four years on German 30-yr debt in a bond auction earlier this week, and the Treasury withheld more than 30% of the offering to lift the oversubscription rate for its €1bl to 1.1 times – which is still the lowest since February 2020.

The EU Covered Bond Directive implementation into the Spanish framework is seen as generally credit positive by Fitch Ratings. In early November, the Spanish Government published the Royal Decree-law (the Law) that transposes into Spanish programmes the European Commission's Covered Bond Directive. The Law requires issuers to migrate existing bonds (cedulas) into the new regime by 8 July 2022. According to Fitch, ratings of Spanish covered bonds could reach 'AAA' if liquidity features protect interest and principal for 3 and 12 months respectively, and overcollateralisation (OC) offsets credit risk and asset and liabilities mismatches in the rating scenario.

Iceland

Iceland's central bank raised the key interest rate by 50 bps to 2%, amid higher inflation and house prices. Inflation rose to +4.5%/y/y in October, mainly driven by domestic cost pressures, rising house prices, and wage growth, while the **role** of rising global oil and commodity prices have also grown stronger. **The central bank expects inflation to continue rising in coming months but then start to ease**, given that inflation expectations remain anchored to the target. The MPC reiterated that it will apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

New Zealand

The New Zealand dollar (+0.7%) appreciated after 2-yr inflation expectations rose to 2.96% in 2021Q4, from 2.27% in the previous quarter, in a survey published by the Reserve Bank of New Zealand. Government bond yields were mixed—2-year yield rose (+3.5 bps), reflecting market expectations for policy rate hikes, while 10-year yield dropped (-4.3 bps) in line with U.S. treasury yields.

Emerging Markets

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Asian equities declined, falling 0.9% on net, led by Hong Kong (-1.3%) and Chinese (CSI 300: -1.0%) equities. Most Asian currencies appreciated, led by Thai baht (+0.4%) and Philippine peso (+0.3%). Chinese yuan depreciated (-0.1%). Long-end government bond yields declined, with 10-year yields falling in Korea (-2.8 bps) and Singapore (-2.6 bps) following the decline in US treasury yields. **EMEA equity markets were trading mixed with indices up in Turkey (+1.2%) and Israel (+0.7%) but down in Poland (-1.3%) and Saudi Arabia (-1.0%).** EMEA currencies mostly depreciated with the Turkish lira (-2.3%) underperforming. **Latin American equities continued to slump while most currencies depreciated.** For the fourth consecutive day, equities saw loss in Argentina (-2.4%), Brazil (-1.4%), Chile (-0.3%) and Mexico (-0.2%). Meanwhile, currencies depreciated in Brazil (-0.5%), Chile (-2.1%) and Colombia (-0.7%) and appreciated in Mexico (0.5%). The Chilean peso fell by 4% in just two days.

China

Equities declined (CSI 300: -1.0%), with tech shares retreating on weak earnings and disappointing quarterly results of some major firms fueling worries about the impact of regulatory tightening and slowing economic growth. According to Bloomberg, among 13 members of the Hang Seng Tech index that have announced quarterly results, six firms have reported lower-than-expected earnings. China Huarong plans to raise 42 bn yuan (\$6.6 bn) by selling shares to state-backed strategic investors. The amount is smaller than the potential amount discussed in August (50 bn yuan). After acquiring new shares, Citic will be the second largest shareholder with 23% stake, while the Ministry of Finance's stake will fall to 28%.

Slumping Shares

Baidu slumps in Hong Kong, dragging Hang Seng Tech Index down



Property developers rushed to raise funding ahead of a wall of maturing USD and local bonds at the beginning of 2022, with a total amount of \$13.4 bn for USD bonds and \$12.6 bn for onshore bonds during the 2022Q1. In the past 24 hours, firms **announced** plans to raise \$2.4 bn, with efforts ranging from new share and bond issuance to assets divestment. **S&P expects to see more defaults by property developers next years on the back of contracting profit margins and increased refinancing risks.** Property developers face RMB depreciated (-0.1%).

Indonesia

Bank Indonesia (BI) kept its policy rate unchanged at 3.5% as expected. BI reiterated a desire to optimize the policy mix to support the economic recovery given a relatively benign inflation outlook. Governor Perry noted that growth is expected to pick up in 2021Q4, with BI's growth forecast for 2021 remaining unchanged at 5.7%. **While acknowledging rising supply-side price pressures, he mentioned that the pass-through to consumer prices has been limited. BI still sees that inflation will remain within the 2%-4% target next year.** The rupiah (+0.1%) was little changed; long-end government bond yields were little changed. Equities declined (-0.6%) in line with regional markets.

Figure 3. Benign price pressures



Source: BPS, BI, Macrobond, ANZ Research
Note: 2012 base year for data prior to 2020, 2018 base year thereafter

Philippines

Bangko Sentral ng Pilipinas (BSP) kept its policy rates unchanged as expected. The overnight borrowing rate and the overnight deposit facility rate remain at 2% and 1.5%, respectively. **BSP noted that inflation will return to within the target of 2%-4% as early as November, with average inflation at 4.3% this year.** BSP also kept its inflation forecasts at 3.3% for 2022, with upside risks to inflation outlook. Governor Benjamin Dikono said that the central bank will be patient with its easy monetary policy setting to support growth. Philippine peso (+0.3%) was little changed; long-end government bond yields dropped (10-year: -1.1 bps). Equities declined (-0.7%) in line with regional markets.

Ghana

Credit spreads widened as investors question draft budget projections. The Ministry of Finance presented its 2022 draft budget, which targets a primary balance of 0.1% of GDP amid a reduction of fiscal deficit to 7.4% as compared to 12.1% this year. **However, the reduction of budget deficit hinges on an ambitious revenue growth assumption with analysts' pointing to high risk of underperformance.** Furthermore, some contacts are concerned that the planned Electronic Transaction Levy could result in increased cash use, reducing VAT and income tax receipts. **The 10-yr Eurobond spreads widened by about 100 bps following the budget publication with contacts pointing to an overshoot due to absent liquidity as dealers were still reviewing the draft.** The Ghanaian cedi weakened by about 1% to a record low 6.50 cedi per dollar while local bonds yields increased by around 20 bps.

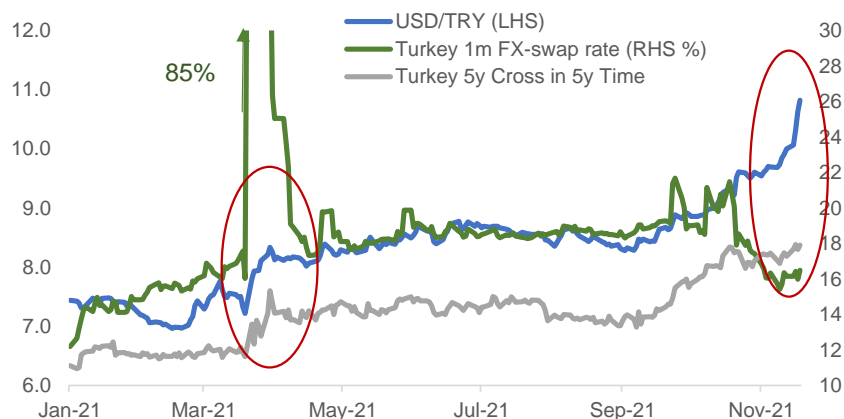
Hungary

The forint appreciated (+0.5%) after the central bank increased the 1-week deposit rate by 70 bps to 2.5% at its weekly tender, compared to 45 bps expected following Tuesday's meeting.

Turkey

The central banks cut its policy rate 100 bps to 15%, as expected, and hinted further limited easing at the December meeting is possible. Contacts expect at least another 100 bps rate cut this year. Views around 2022 rate path trajectory are somewhat split between prolonged on-hold and further easing in Q1 followed by a forced hiking cycle. **The local interest rate swap curve is pricing rate hikes from Q2 2022 onwards. The Turkish lira depreciated by 2.5% after the rate decision with 5-year credit default spreads widening about 15 bps.** In contrast, equities (+1%) gained. **Despite significant lira weakness, offshore lira funding cost have remained contained as compared to previous selloffs.**

Turkey Currency and Funding Rate








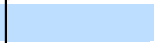
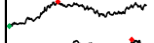


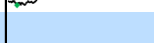















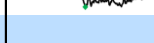


Chile

The peso depreciated 4% in just two days, the largest two-day drop in over a year, ahead of the presidential election this weekend. Falling copper prices and FM Cerda's decision to halt dollar sales until December have also amplified the currency's fall. **5-yr credit default swaps jumped 7bps to 87bps, the biggest one-day leap since September.**

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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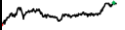

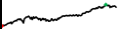






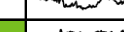



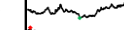




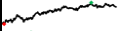
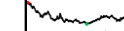






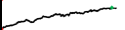

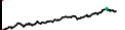

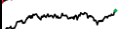





Global Financial Indicators

Last updated: 11/18/21 12:05 PM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities							
			%				%
United States		4689	-0.3	1	5	31	25
Europe		4403	0.0	1	6	26	24
Japan		29599	-0.3	1	2	15	8
China		3521	-0.5	0	-1	5	1
Asia Ex Japan		88	-0.5	2	0	3	-2
Emerging Markets		52	-0.5	1	0	6	0
Interest Rates							
			basis points				
US 10y Yield		1.60	1.2	5	0	73	69
Germany 10y Yield		-0.25	-0.7	-2	-11	30	32
Japan 10y Yield		0.08	0.0	1	-2	6	6
UK 10y Yield		0.94	-2.5	2	-20	60	74
Credit Spreads							
			basis points				
US Investment Grade		108	-4.6	-7	17	-5	13
US High Yield		340	1.0	-4	17	-112	-40
Europe IG		49	-0.1	0	-2	-1	1
Europe HY		248	-0.9	1	-10	-32	6
Exchange Rates							
			%				
USD/Majors		95.66	-0.2	1	2	4	6
EUR/USD		1.13	0.2	-1	-2	-4	-7
USD/JPY		114.2	0.1	0	0	10	11
EM/USD		53.9	-0.2	-2	-3	-4	-7
Commodities							
			%				
Brent Crude Oil (\$/barrel)		80	-0.2	-3	-5	81	55
Industrials Metals (index)		160	-0.7	-3	-12	26	21
Agriculture (index)		62	0.6	4	8	40	29
Implied Volatility							
			%				
VIX Index (%, change in pp)		16.8	-0.3	-0.9	0.5	-7.1	-6.0
US 10y Swaption Volatility		80.2	-3.7	-0.1	1.8	24.7	16.9
Global FX Volatility		7.5	0.0	0.4	0.5	-0.3	-0.6
EA Sovereign Spreads							
			10-Year spread vs. Germany (bps)				
Greece		146	-1.6	2	34	24	26
Italy		121	-0.8	2	16	0	10
Portugal		63	-0.3	1	10	3	3
Spain		73	-0.6	3	9	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: 18/11/2021 12:07 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	-0.1	0.1	1	3	2		3.0	-1.3	-1	-14	-25	-12
Indonesia		14220	0.2	0.4	-1	-1	-1		6.0	0.1	-1	-7	-13	15
India		74	0.0	0.4	1	0	-2		6.5	0.0	-1	-7	128	98
Philippines		50	0.3	-0.2	1	-4	-4		4.6	-10.0	-8	33	170	163
Thailand		33	-0.1	0.6	3	-7	-8		1.9	-1.5	4	-4	62	62
Malaysia		4.18	0.0	-0.3	0	-2	-4		3.6	-0.5	2	-2	92	92
Argentina		100	-0.1	-0.2	-1	-20	-16		50.3	-6.2	7	115	-247	-585
Brazil		5.54	-0.2	-2.4	0	-3	-6		11.7	7.5	10	50	338	431
Chile		833	-0.5	-4.7	-2	-9	-15		5.5	0.0	30	-47	307	297
Colombia		3920	-0.7	-1.1	-4	-7	-13		6.7	1.0	28	17	251	266
Mexico		20.75	-0.5	-0.6	-2	-2	-4		7.5	-8.0	1	-13	178	211
Peru		4.0	-0.2	0.5	-1	-10	-10		5.8	0.1	0	-10	176	234
Uruguay		44	0.1	-0.7	-1	-3	-4		8.6	3.3	3	58	114	136
Hungary		320	0.7	-0.3	-3	-5	-7		4.1	8.5	24	24	254	254
Poland		4.10	0.4	-1.3	-4	-8	-9		3.1	8.5	15	35	200	201
Romania		4.4	0.2	-1.0	-2	-6	-9		4.8	3.6	16	31	193	209
Russia		72.9	-0.4	-1.8	-2	4	2		8.9	9.1	50	93	280	244
South Africa		15.6	-0.5	-1.7	-6	-1	-6		7.5	-3.0	-3	-30	75	90
Turkey		10.86	-2.1	-8.8	-14	-29	-31		20.1	27.0	53	11	808	724
US (DXY; 5y UST)		96	-0.2	0.5	2	4	6		1.24	0.8	2	7	84	88

	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		4838	-1.0	-1	-1	-1	-7		198	1	-11	-38	-31	
Indonesia		6636	-0.6	-1	0	19	11		162	-3	-16	-45	-38	
India		59636	-0.6	0	-3	35	25		135	0	-10	-38	-16	
Philippines		7299	-0.7	0	1	4	2		104	5	-12	-16	-8	
Malaysia		1524	-0.1	0	-5	-5	-6		110	-1	-21	-42	-25	
Argentina		87542	-2.4	-8	6	71	71		1712	-20	99	372	356	
Brazil		102949	-1.4	-2	-10	-3	-14		317	-2	18	36	58	
Chile		4293	0.0	-5	7	4	3		133	2	-27	-30	-23	
Colombia		1331	-0.2	-3	-7	8	-7		305	4	17	83	90	
Mexico		51045	-0.2	-2	-3	21	16		332	0	-16	-96	-25	
Peru		20093	-1.9	-2	-2	8	-4		151	0	-16	-4	22	
Hungary		52118	1.1	-2	-5	36	24		112	3	-5	-28	-37	
Poland		70623	-1.3	-3	-5	35	24		47	1	24	20	19	
Romania		12823	0.4	0	1	43	31		185	11	-17	-22	-18	
Russia		4145	-0.1	-1	-2	35	26		158	11	3	-36	-21	
South Africa		70679	-0.4	2	6	23	19		348	12	-5	-79	-36	
Turkey		1728	1.2	6	22	33	17		486	18	-20	-30	39	
Ukraine		523	0.0	0	-1	4	5		571	65	87	-6	78	
EM total		52	-0.6	1	0	6	0		375	7	4	15	36	

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

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