



- Euro area equities and yields fall after Austria announces full lockdown ([link](#))
- Philadelphia Fed Manufacturing index increased more than expected ([link](#))
- Japanese headline inflation remains close to zero ([link](#))
- South African Reserve Bank hikes 25 bps in a split decision ([link](#))
- Mexican inflation to reach 20-yr high, deputy governor warns ([link](#))

[Mature Markets](#)


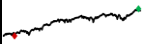








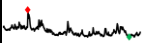
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News of Austrian lockdown drives core yields and equities lower

Markets traded with a risk-off tone after Austria announced a new nationwide lockdown. The broad U.S. dollar was stronger with core yields, equities and oil prices sharply lower. German health minister Spahn warned that Germany should not rule out a lockdown, which reinforced wider concerns about potential lockdowns across the euro area. ECB President Lagarde also cautioned that the ECB should not tighten monetary policy too soon even in the face of unwelcome and painful inflation, reiterating that she does not expect an interest rate increase in 2022. In emerging markets, the Reserve Bank of South Africa increased its policy rate by 25 bps in a split decision.

Key Global Financial Indicators

Last updated: 11/19/21 1:27 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4705	0.3	1	4	31	25
Eurostoxx 50		4339	-1.0	-1	4	26	22
Nikkei 225		29746	0.5	0	3	17	8
MSCI EM		51	-1.2	-2	-3	5	-1
Yields and Spreads			bps				
US 10y Yield		1.53	-5.3	-3	-10	70	62
Germany 10y Yield		-0.34	-6.2	-8	-23	23	23
EMBIG Sovereign Spread		356	2	9	-3	-22	6
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		53.5	-0.3	-2	-3	-5	-8
Dollar index, (+) = \$ appreciation		96.1	0.6	1	3	4	7
Brent Crude Oil (\$/barrel)		78.7	-3.1	-4	-8	78	52
VIX Index (% change in pp)		18.9	1.3	3	3	-4	-4

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

Mature Markets

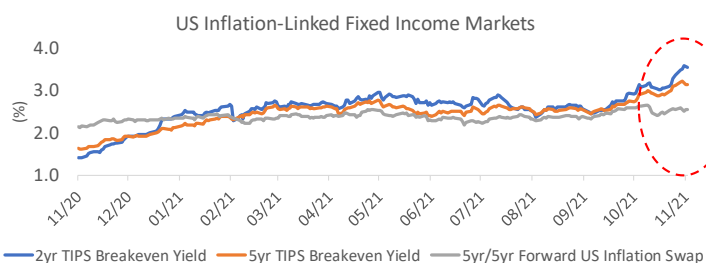
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United States

The S&P 500 (+0.34%) rose following a solid corporate earnings reports and a stronger-than-expected business sentiment survey. Yesterday, the U.S. treasury yield curve flattened slightly, with 10-yr yields 0.3 bps lower at 1.59%. The auction of 10-yr TIPS closed 0.9 bps below the pre-auction level with solid demand.

The Philadelphia Fed manufacturing business index increased more than expected in November (actual:39.0, consensus:23.8) to its highest level since April. Many of the key indicators within the report came in at solid levels, while the employment index moderated somewhat. The price and delivery time component increased further.

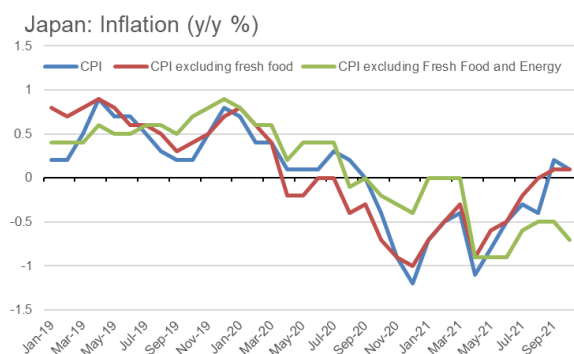
NY Fed President Williams commented that market expectations of inflation over the longer-run have moved up quite a bit, which he called a positive development, but he would not want longer-run inflation expectations to move significantly further up. Current market expectations of inflation over the longer-run remain steady as 5-yr/5-yr inflation swap forward rate rose 2 bps while 2-yr and 5-yr TIPS breakevens rose about 40 bps and 15 bps, respectively, after the stronger-than-expected CPI data released last week. **Chicago Fed President Evans said that the rate hike could begin next year after the conclusion of the asset purchase program or in 2023**, depending on data and inflation pressure. The current eurodollar futures market priced in the first rate hike in somewhere between Jun and September next year, and more than two times rate hikes by the end of 2022.



Source: Bloomberg

Japan

The yen and bond yields were little changed after headline inflation (+0.1% y/y) rose less than expected and remains close to zero. Core CPI inflation excluding fresh food increased by +0.1% y/y in October, while consumer prices excluding fresh food and energy fell -0.7% y/y in October, in line with expectations. In other news, PM Fumio Kishida announced a record \$690 bn stimulus, which the cabinet office reportedly expects to boost real GDP by 5.6%. **Stocks (+0.5%) gained.**



Source: Bloomberg and IMF calculations

Euro area

Equities (-0.8%), sovereign yields and the euro (-0.7%) fell after Austria announced a nationwide lockdown for a maximum of 20 days starting Monday. Travel and leisure fell by 3.1% as concerns of covid-restrictions increased. **German health minister Spahn also warned that Germany should not rule out a lockdown.**

Aside from developments in Austria, 10-yr bund yields (-6 bps) also traded lower on comments from ECB President Lagarde that the ECB should not tighten monetary policy too soon even in the face of unwelcome and painful inflation. She also reiterated that she does not expect an interest rate increase in 2022. Southern spreads were little changed overall, with Greece (+3 bps) underperforming.

Germany: 10-yr yields



Source: Bloomberg and IMF staff

Norway

Economic activity in Norway (+3.8%q/q) in 3Q2021 was in line with market and central bank expectations. Analysts reaffirmed their view that the Norges Bank will raise interest rates in December, following a 25 bps increase in September. The Norwegian Krone was trading -0.5% lower against the euro this morning.

United Kingdom

The pound (-0.3%) and 10-yr yields (-6 bps) fell in line with global markets even as consumer confidence and retail sales data surprised on the upside. Consumer confidence, measured by the average net balance between people who are optimistic and pessimistic in five aspects of the economy, increased to -14 (consensus -18 from -17). **Retail sales increased for the first time in six months (+0.8%m/m, consensus +0.5% from -0.2%).** On an annual basis retail sales (-1.3%/y/y) surprised on the upside (consensus -1.9% from -0.6%). Analysts note that the increase could reflect improved confidence over employment prospects which leads to an increased willingness to spend existing savings, while Christmas shopping could have also been brought forward amid concerns that shelves will empty out later. **Markets are continuing to price in an increase of 10 bps in Bank Rate in December, with a full +25 bps hike priced by February 2022.**

Emerging Markets

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Asian equities were mixed, with equities down in Hong Kong (-1.1%) and India (-0.6%), while equities in Indonesia (+1.26%) and China (+1.13%) outperformed. **Shares in Alibaba fell 11% after the firm announced a less-than-expected rise in revenues.** Most Asian currencies depreciated, with the largest declines in the South Korean won (-0.8%) and Philippine peso (-0.7%). The Indian rupee appreciated (+0.11%). Long-end government bond yields generally increased, with 10-year yields rising in Korea (+4 bps) and Taiwan (+1.3 bps). **EMEA equity markets** mostly traded lower with indices down in Russia (-2%) and Poland (-1.1%). **EMEA currencies were also weakening in risk-off trading with CEE currencies underperforming on renewed lockdown fears.** The Polish zloty (-1%) traded at the weakest level against the euro since the 2009. **The Turkish lira (-0.1%) was little changed but remains volatile.** **Latin American equities were mixed while currencies depreciated.** Equities slumped in Brazil (-0.5%), Chile (-0.3%), and Mexico (-0.4%) and rallied in Argentina (2.3%), reversing a 4-day downward trend. Meanwhile, currencies depreciated in Brazil (-0.5%), Chile (-0.4%) and Mexico (-0.6%).

Hong Kong

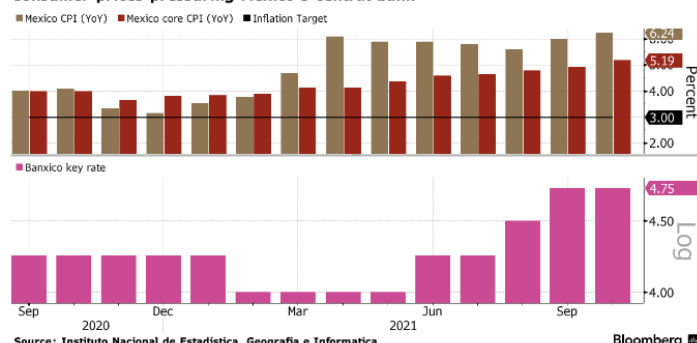
Hong Kong sold its first bond linked to Honia, the Libor alternative. The city tendered \$128 mn of 1-yr floating rate notes linked to the Hong Kong Dollar Overnight Index Average (Honia). According to the Hong Kong Monetary Authority, banks in Hong Kong still have to renegotiate HK\$1.6 tn in contracts linked to Libor before the end of 2021, as corporate customers have been slow to transition.

Mexico

Banxico deputy governor anticipates inflation to top 7% at the end of the year, a 20-year high. Deputy governor Heath warned that inflation is becoming a “**very serious problem**”, as y/y consumer prices reached 6.2% last month, more than double its 3% target, and is expected to accelerate in December. **While Banxico raised its key rate by only 25bps to 5% last week, contacts expect that the central bank could turn more hawkish if inflation continues to accelerate.**

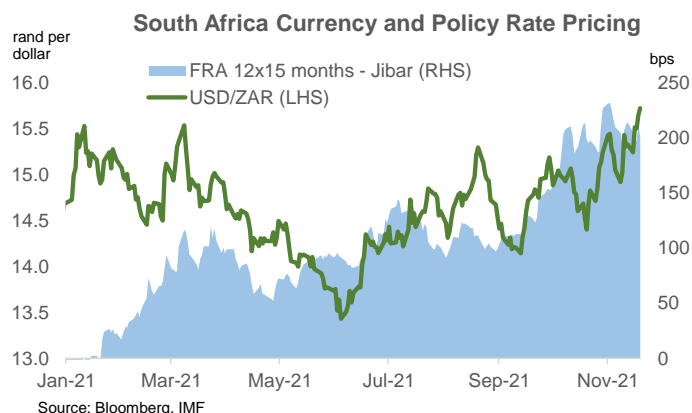
Inflation Accelerates

Consumer prices pressuring Mexico's central bank



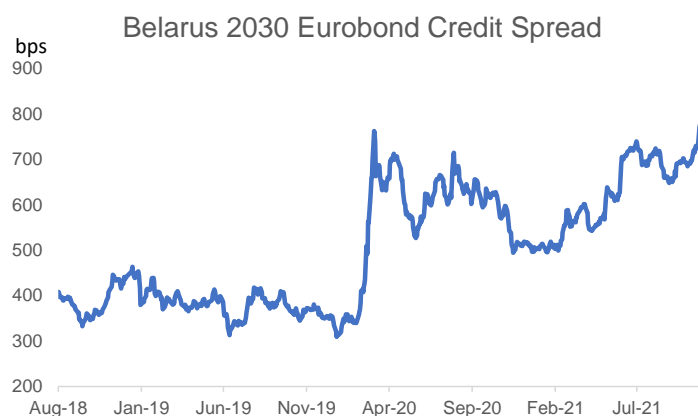
South Africa

The Reserve Bank increased its policy rate by 25 bps in a split decision. Three out of five members favored a rate hike due to upside risks to the inflation outlook. At the same time the central bank also lowered its policy rate path projection with 2023 repo rate now seen at 6.04% as compared to 6.36% previously. Analysts were also broadly split between unchanged and a 25 bps rate hike and markets priced about 75% chance. As a result, short-end rates jumped about 8 bps following the decision, which contacts also attributed to negative EM sentiment and resulting weakening of the South African rand (-1.5%). **Analysts expect about 75-100 bps of rate hikes in 2022 with the next 25 bps rate increase at the March meeting. At the same time, the central bank model implies 150 bps of tightening for next year while markets are pricing in close to 200 bps of hikes.**



Belarus

Credit spreads stabilize on signs of de-escalation of the migrant crises. According to media reports, some of the refugee camps have been cleared along the Belarus-Poland boarder with migrants offered return flights to origin countries. Belarus credit spreads widened by 100 bps this month on market concerns around new sanctions due to migrant related tension with the EU.



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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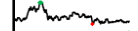



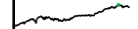






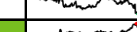
















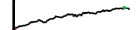



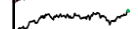



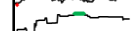

Global Financial Indicators

Last updated: 11/19/21 1:27 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4711	0.3	1	4	32	25
Europe		4339	-1.0	-1	4	26	22
Japan		29746	0.5	0	3	17	8
China		3560	1.1	1	-1	5	3
Asia Ex Japan		87	-1.1	-1	-2	2	-3
Emerging Markets		51	-1.2	-2	-3	5	-1
Interest Rates			basis points				
US 10y Yield		1.53	-5.3	-3	-10	70	62
Germany 10y Yield		-0.34	-6.2	-8	-23	23	23
Japan 10y Yield		0.08	0.1	0	-1	6	6
UK 10y Yield		0.87	-5.7	-5	-30	55	67
Credit Spreads			basis points				
US Investment Grade		112	1.4	4	23	2	17
US High Yield		351	7.0	14	34	-98	-29
Europe IG		50	0.9	1	0	-1	2
Europe HY		254	6.1	6	0	-29	12
Exchange Rates			%				
USD/Majors		96.11	0.6	1	3	4	7
EUR/USD		1.13	-0.8	-1	-3	-5	-8
USD/JPY		113.8	-0.4	0	-1	10	10
EM/USD		53.5	-0.3	-2	-3	-5	-8
Commodities			%				
Brent Crude Oil (\$/barrel)		79	-3.1	-4	-8	78	52
Industrials Metals (index)		164	1.4	-2	-9	29	24
Agriculture (index)		61	-0.2	1	6	38	27
Implied Volatility			%				
VIX Index (% change in pp)		18.9	1.3	2.6	3.2	-4.3	-3.9
US 10y Swaption Volatility		76.9	-0.3	-5.0	0.7	22.4	13.6
Global FX Volatility		7.6	0.0	0.4	0.6	-0.2	-0.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		152	4.7	4	40	25	32
Italy		122	2.3	0	16	1	11
Portugal		64	2.1	1	12	4	4
Spain		73	1.3	1	9	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: 19/11/2021 1:28 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	-0.2	0	3	2		3.0	1.9	1	-10	-31	-10
Indonesia		14232	-0.1	-0.1	-1	-1	-1		6.0	0.5	-1	-5	-14	15
India		74	0.0	0.4	1	0	-2		6.5	0.0	-1	-7	128	98
Philippines		50	-0.4	-1.1	1	-4	-5		4.6	-2.5	-10	23	168	160
Thailand		33	-0.6	-0.1	2	-7	-9		1.8	-2.0	1	-3	60	60
Malaysia		4.18	0.0	-0.4	0	-2	-4		3.5	-2.7	-2	-5	89	89
Argentina		100	-0.1	-0.2	-1	-20	-16		50.6	29.1	30	149	-224	-556
Brazil		5.56	0.1	-1.9	0	-5	-7		11.7	-3.3	19	48	317	430
Chile		833	0.0	-3.8	-3	-9	-15		5.7	1.5	25	-25	320	314
Colombia		3929	0.2	-1.1	-4	-7	-13		6.7	-1.5	24	21	264	271
Mexico		20.77	0.0	-1.2	-3	-3	-4		7.4	-4.5	5	-18	179	206
Peru		4.0	-0.4	-0.1	-2	-11	-10		5.9	0.0	2	-6	181	236
Uruguay		44	0.0	-0.3	-1	-3	-4		8.7	4.3	8	63	125	140
Hungary		326	-1.8	-1.6	-4	-7	-9		4.1	3.2	30	37	260	259
Poland		4.15	-1.0	-2.3	-5	-9	-10		3.0	-12.5	0	22	190	191
Romania		4.4	-0.8	-1.5	-3	-6	-9		4.9	2.5	10	33	196	211
Russia		73.4	-0.4	-0.7	-3	4	1		8.9	2.5	34	94	280	248
South Africa		15.7	-0.5	-2.5	-8	-2	-7		7.5	2.0	-11	-26	77	89
Turkey		11.10	-0.3	-9.9	-16	-32	-33		20.2	-8.0	68	28	837	734
US (DXY; 5y UST)		96	0.6	1.0	3	4	7		1.16	-6.0	-6	0	79	80

	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		4890	1.1	0	-1	-1	-6		198	1	-9	-36	-31		
Indonesia		6720	1.3	1	1	21	12		160	-5	-20	-45	-40		
India		59636	0.0	0	-3	37	25		135	0	-9	-36	-16		
Philippines		7281	-0.3	-1	0	2	2		104	5	-13	-14	-8		
Malaysia		1526	0.1	0	-4	-4	-6		110	-1	-20	-36	-25		
Argentina		89512	2.3	-7	6	76	75		1728	-4	99	381	372		
Brazil		102613	0.2	-5	-7	-4	-14		319	0	18	42	60		
Chile		4289	0.2	-4	7	6	3		137	6	-26	-25	-19		
Colombia		1338	0.5	-2	-6	9	-7		309	8	18	87	94		
Mexico		50832	-0.4	-2	-3	21	15		333	1	-17	-91	-24		
Peru		20174	0.4	-2	-2	9	-3		153	2	-16	0	24		
Hungary		51197	-1.5	-2	-6	34	22		111	2	-5	-26	-38		
Poland		68737	-2.0	-5	-7	33	21		47	1	20	18	19		
Romania		12588	-1.3	-2	-1	40	28		187	13	-13	-18	-16		
Russia		4008	-2.1	-3	-6	32	22		159	12	3	-34	-20		
South Africa		70177	-1.0	0	5	24	18		350	14	-6	-75	-34		
Turkey		1732	-0.3	6	21	32	17		506	38	-7	1	59		
Ukraine		523	0.0	0	-1	4	5		559	53	60	-17	66		
EM total		51	-0.3	-2	-3	5	-1		378	10	3	20	39		

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

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