



- Bank of England policy hold drives global bond yields lower ([link](#))
- US adds better-than-expected 531k jobs in October; unemployment rate down to 4.6% ([link](#))
- CME to launch micro Ethereum futures ([link](#))
- Euro area interest rate volatility drops as ECB pushes back against 2022 rate hike ([link](#))
- Chinese property developer misses payments on wealth management products ([link](#))
- Czech National Bank surprises with larger-than-expected 125 bp policy rate hike ([link](#))

[Mature Markets](#)


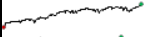
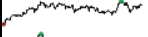







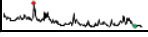
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Sovereign bond yields fall as investors reassess monetary policy outlook

Central bank guidance and the trajectory of bond yields have remained the focus of markets over the last day. Core global bond yields are calmer this morning after having tumbled yesterday as investors started to reassess their outlook for monetary policy following the surprise hold in policy stance by the Bank of England. Front-end yields fell sharply across most advanced economy yield curves with 2-year gilt yields down over 20 bps and driven mostly by a decline in real interest rates. The pull back in real rates has supported tech sector valuations with the Nasdaq advancing over 1% and the S&P 500 posting a modest gain, while major indices in Europe are broadly higher and hitting new record highs. Amidst the repricing in central bank policy expectations, the US payrolls report was the center of investor attention this morning and showed a better-than-expected 531k jobs were added last month. The US dollar index sustained its recent appreciation trend after the release and has reached a one-month high. The stronger US employment data should add to the debate around ongoing Fed policy accommodation following communication from the FOMC meeting this week that the evolution of the labor market after the delta variant will be a key determinant in the future path of monetary policy.

Key Global Financial Indicators

Last updated: 11/5/21 8:10 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		4680	0.4	2	8	33	25
Eurostoxx 50		4362	0.7	3	7	36	23
Nikkei 225		29612	-0.6	3	6	22	8
MSCI EM		51	-0.2	-1	2	7	-1
Yields and Spreads			bps				
US 10y Yield		1.52	-0.2	-3	0	76	61
Germany 10y Yield		-0.24	-1.7	-14	-5	40	33
EMBIG Sovereign Spread		358	3	3	-4	-51	8
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		54.7	0.0	0	-1	-1	-5
Dollar index, (+) = \$ appreciation		94.5	0.2	0	1	2	5
Brent Crude Oil (\$/barrel)		81.1	0.6	-4	-2	98	56
VIX Index (% change in pp)		15.4	-0.1	-1	-6	-12	-7

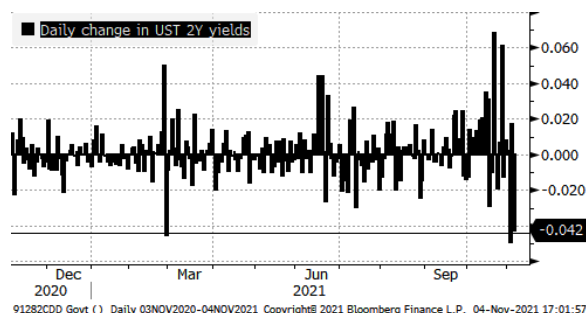
Colors denote **tightening**/**easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

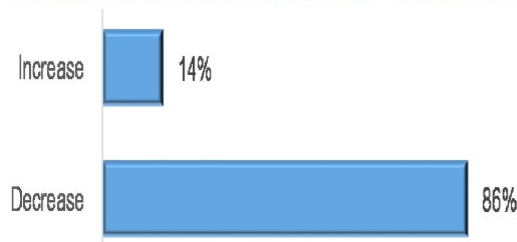
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United States

Yesterday, the surprise decision by the Bank of England to leave its policy rate on hold spilled over to advanced economy bond markets. In the US Treasury market, 2Y, 5Y, and 10Y nominal yields dropped by 4 bps, 7 bps, and 7 bps correspondingly – being among the largest daily drops in more than a year. Most of the change was attributed to real yields. Despite this drop in yields, most investors surveyed by JPMorgan prefer reducing duration in their portfolios. The US dollar appreciated by 0.5% versus major currencies, with most of the price action happening after Wednesday's FOMC decision. The S&P 500 gained 0.4% and reached another record high, driven by technology and retail shares.



Are you more likely to increase or decrease bond portfolio duration over the coming days/weeks? Source: J.P. Morgan.

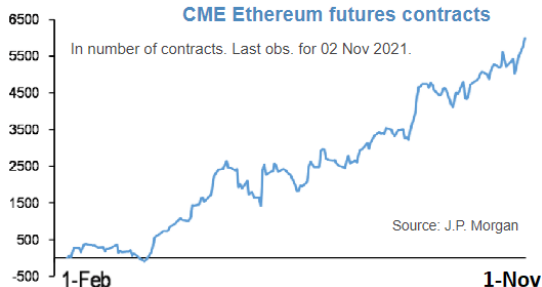


In data releases this morning, US nonfarm payrolls posted a 531k gain that came in above survey expectations of a 450k increase, indicating improved progress in filling vacancies. In addition, the unemployment rate surprised to the downside (4.6% versus expected 4.7%) and the labor force participation rate remained unchanged. US equity futures increased immediately upon the release (+0.25%), the US dollar slightly appreciated vs. major currencies, while the market reaction in rates remained muted.

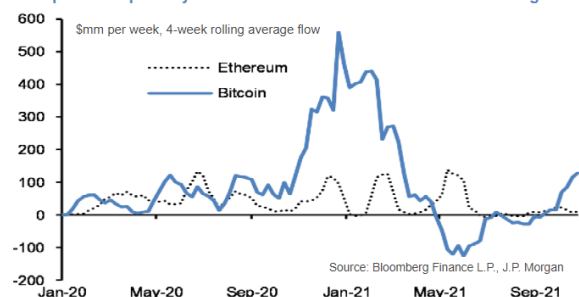
Cryptocurrency

The Chicago Mercantile Exchange (CME) announced that it will launch micro Ether futures on Dec. 6, pending regulatory review. The contract size is 1/10 of an ether. This decision will probably attract a broader set of investors into CME Ethereum futures going forward. JPMorgan analysts report that since its launch last February, existing CME Ethereum futures (with contract size of 50 ether) have seen a steep upward flow trajectory underpinning this year's Ethereum bull market (left chart). This trajectory contrasts with the flow impulse via Ethereum funds including ETFs (right chart), which has been minimal recently, and elevates the importance of futures in defining the price dynamics of Ethereum.

Ethereum position proxy based on open interest in CME Ethereum futures contracts



Flow pace into publicly listed Bitcoin and Ethereum funds including ETFs

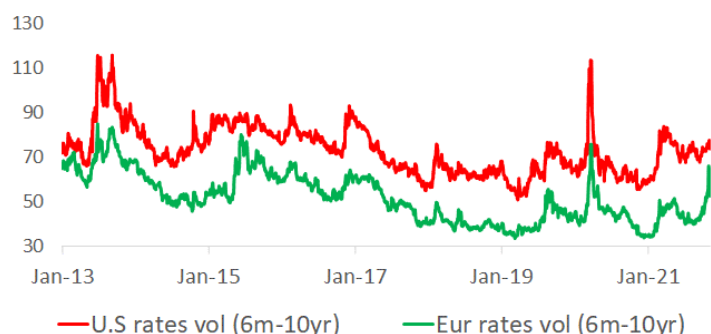


Euro area

European equities (Stoxx +0.3%) continue to make new record highs. Analysts point to 3 reasons for the ongoing rally: 1/ strong quarterly earnings data in US and Europe, 2/ hopes for a growth recovery when supply constraints ease, and 3/ a further drop in U.S. real yields making equities relatively attractive. Bank stocks (+0.6%) also gained. **German 10-year yields (-2 bps) and the euro (-0.2%) traded lower as disappointing German industrial production and euro area retail sales reminded traders about growth risks.**

Measures of euro area interest rate volatility dropped 10 points this week as ECB officials have pushed back against market expectations of a rate hike in 2022. ECB President Lagarde said earlier this week that a rate hike in 2022 is off the chart. ECB GC member Schnabel also commented that the ECB's conditions required to increase rates in its forward guidance are unlikely to be met next year.

Core bond markets: Implied Volatility Measures
(bps per year, swaptions)



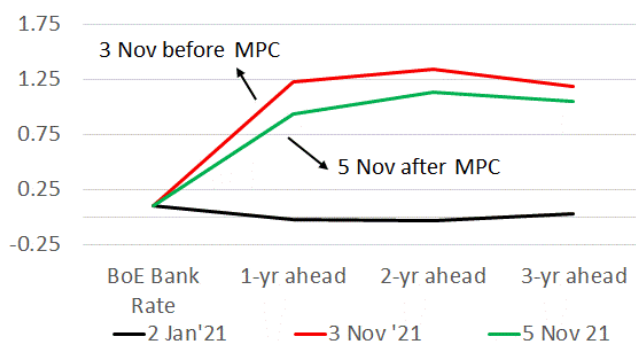
Source: Bloomberg and IMF

Portuguese 10-year yields (-2 bps to 40 bps) are lower after President Rebelo de Sousa announced that new elections will be held on 30 Jan. PM Costa said earlier this week that he will do whatever it takes to ensure sound public finances.

United Kingdom

The pound (-0.5%) and 10-year gilt yields (-4 bps to 0.90%) have continued to trade lower after the BoE left policy unchanged yesterday. BoE governor Bailey said that market pricing ahead of yesterday's meeting was in the right direction but "overdone." Swap markets have priced out about 25 bps of hikes in the year ahead and are pricing in a hike of around 10 bps in December. UK equities (+0.5%) are firmer.

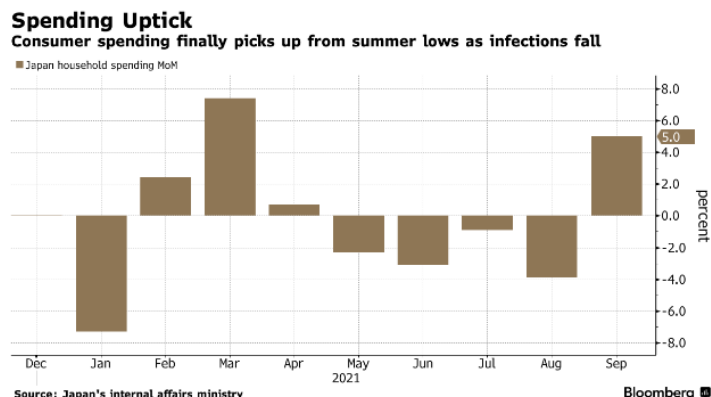
UK: BoE Policy rate forward curve (%)



Source: Bloomberg and IMF staff

Japan

Japanese equities closed slightly lower (-0.7%). Japan will ease border restrictions for business travelers, to allow technical trainees to resume entry. Separately, Finance Minister Suzuki contemplates \$880 handouts to persons below 18 years old. Household spending firmed 5% m/m in September alongside lower domestic COVID cases. **Japanese yen was steady, and 10-year yields moved down -1.2 bps.**



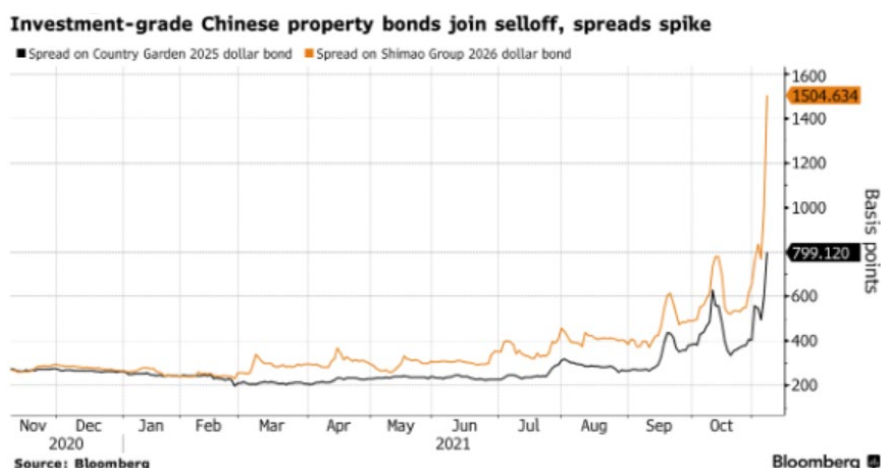
Emerging Markets

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Stock markets in Latin America were mixed yesterday with Chile (+3.8%) seeing another day of gains, while Brazil (-2.1%) and Peru (-1.3%) posted losses. The government bond market also had mixed performances, with Brazil 10-year yields up by 14 bps and Mexico 10-year yields down by 13 bps. **Asian equities declined - 0.4% on net.** Hong Kong SAR underperformed (-1.1%), Philippine equities led the gains (+1.9%). The **Philippines'** CPI moderated to 4.6% y/y from 4.8%, the central bank reiterated after the releases that it stands ready to keep monetary accommodative for as long as needed. **Indonesia's** Q3 GDP growth came in lower-than-expected at 3.5% q/q, compared to Q2's reading of 7.1% reflecting COVID restrictions in force during the period. **EMEA equity markets were trading mixed** with indices outperforming in Czech Republic (+1.4%) and Bulgaria (+1.2%). Hungary (-0.7%) underperformed. **EMEA currencies were trading weaker against the dollar** with the Russian Ruble (-0.5%) and South African rand (-0.3%) underperforming.

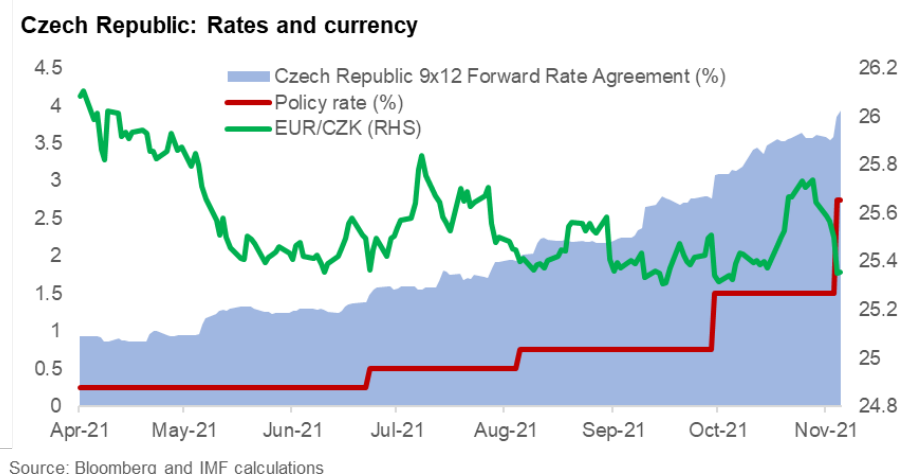
China

Property developer Kaisa missed payments on wealth management products it guaranteed. Trading of Kaisa Group Holdings Ltd. shares was halted in Hong Kong on Friday. The day earlier Kaisa stated it had faced "unprecedented pressure on its liquidity" citing credit rating downgrades and a challenging property market environment among factors, Bloomberg reports. The Shenzhen-based developer is the second largest high-yield dollar-denominated bond issuer after Evergrande Group. In 2015 it became the first Chinese builder to default on dollar bonds. In June 2021, Kaisa passed the "three red lines" test and managed to issue a \$300mn yuan (\$47mn), 7% coupon bond in the mainland. In October, it canceled meetings with investors, this was followed by downgrades by both S&P Global Ratings and Fitch Ratings. Kaisa's shares lost -15% on Thursday and declining more than 70% this year. Some of its bonds rebounded today after the company was reported to put up \$18.2bn worth of Shenzhen property projects for sale. Separately, **China President Xi signaled openness to talks on subsidies with industrial and state-owned companies.** He also unveiled several policies aimed to boost imports, including further shortening the foreign investment blacklist and further opening the telecommunications, healthcare, and other services sectors. **Equities slid (Shanghai -1%, Shenzhen -0.8%), 10-year yields slipped -3 bps, the renminbi was little changed.** Spreads on some investment-grade property bonds rose again and are facing the largest spike in three months.



Czech Republic

The Czech central bank surprised the market with a 125 bp rate hike, bringing the key rate to 2.75%. Most analysts expected a 75 bp increase while some traders expected a 100 bp hike. This increase marks the biggest hike in over 20 years and brings the benchmark rate to the highest level since 2008. Inflation reached a 13-year high of 4.9% y/y in September, and according to news reports **CNB Governor Rusnok reemphasized the message that central bank will not tolerate higher inflation expectations, adding that further rate increases will be discussed at future meetings.** The board sees headline inflation approaching 7% this winter and for it to ease over the course of 2022. The central bank revised their average inflation forecast for 2022 upward to 5.6% (previous forecast 2.8%) and lowered their 2022 GDP forecast to 3.5% (previous forecast 4.1%). The koruna appreciated (+0.6%) to 25.36 against the euro and 2-yr yields increased (+20 bps) following the announcement.



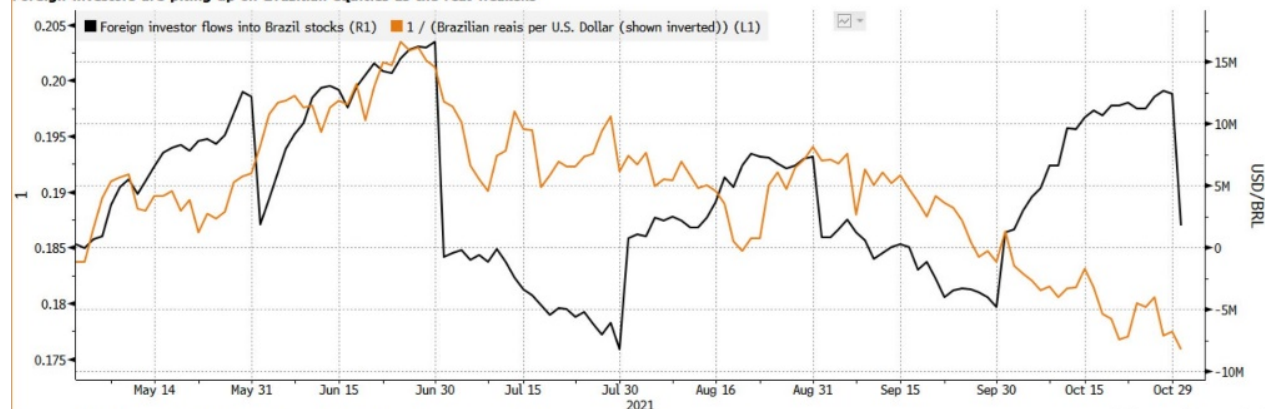
Brazil

Brazil's stock-market rout has turned the country into a destination for global bargain hunters. Local residents have been selling equities on growing concern about the nation's fiscal policy and aggressive rate hikes, sending the Ibovespa index down by more than 20% from early June and driving Brazil's stock market to post the world's worst performance this year. But the collapse has started drawing in foreign buyers as valuations approach the lowest in a decade. According to Bloomberg, investors from abroad poured 12.4 billion reais into Brazilian stocks last month, the most since June, excluding any potential inflows from equity offerings. The shift continued into this month, with foreign buyers adding 1.7 billion reais to equities on Monday as the market rallied off its lows. The Brazilian stock drop stood in stark contrast to other equity

markets, where prices have surged this year even in the face of mounting inflation and supply-chain bottlenecks. The news on Brazilian corporate earnings also has largely been positive. Of the 24 Ibovespa companies that have reported quarterly results, 82% have met or exceeded earnings estimates.

Purchasing Power

Foreign investors are piling up on Brazilian equities as the real weakens






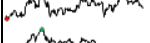

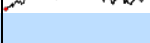
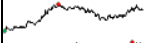














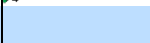



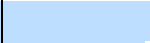


Source: Bloomberg. NOTE: inflow data excludes those from equity offerings

Bloomberg

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Global Financial Indicators

Last updated: 11/5/21 8:11 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4683	0.4	2	8	33	25
Europe		4362	0.7	3	7	36	23
Japan		29612	-0.6	3	6	22	8
China		3492	-1.0	-2	-3	5	1
Asia Ex Japan		86	-0.1	-1	3	3	-4
Emerging Markets		51	-0.2	-1	2	7	-1
Interest Rates			basis points				
US 10y Yield		1.52	-0.2	-3	0	76	61
Germany 10y Yield		-0.24	-1.7	-14	-5	40	33
Japan 10y Yield		0.06	-1.3	-4	0	4	4
UK 10y Yield		0.88	-6.8	-16	-21	64	68
Credit Spreads			basis points				
US Investment Grade		86	3.8	0	-6	-32	-9
US High Yield		314	2.6	-2	-13	-168	-66
Europe IG		48	-0.5	-2	-2	-5	0
Europe HY		243	-4.4	-18	-14	-76	1
Exchange Rates			%				
USD/Majors		94.51	0.2	0	1	2	5
EUR/USD		1.15	-0.2	0	-1	-2	-6
USD/JPY		113.8	0.1	0	2	10	10
EM/USD		54.7	0.0	0	-1	-1	-5
Commodities			%				
Brent Crude Oil (\$/barrel)		81	0.6	-4	-2	98	56
Industrials Metals (index)		160	-0.5	-4	-2	30	21
Agriculture (index)		59	-0.2	0	2	38	22
Implied Volatility			%				
VIX Index (% change in pp)		15.4	-0.1	-0.9	-5.9	-12.2	-7.4
US 10y Swaption Volatility		68.9	0.4	-7.4	-8.1	12.8	8.8
Global FX Volatility		6.9	0.0	-0.2	0.1	-1.1	-1.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		136	2.1	-7	29	-11	16
Italy		116	-0.1	-12	11	-15	4
Portugal		58	0.7	-5	3	-13	-2
Spain		68	-0.7	-4	3	-5	6

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

Emerging Market Financial Indicators

Last updated: 11/5/2021 8:15 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	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.					
China		6.40	-0.1	0.0	1	3	2		3.1	-5	4	-26	-22
Indonesia		14328	0.1	-1.1	-1	0	-2		6.2	2	-5	-47	12
India		74	0.3	0.8	0	0	-2		6.5	2	11	44	53
Philippines		50	0.5	0.1	1	-4	-5		4.6	11	22	93	91
Thailand		33	0.3	-0.4	1	-7	-10		2.0	3	16	55	71
Malaysia		4.16	-0.1	-0.4	0	0	-3		3.7	3	22	114	116
Argentina		100	0.0	-0.3	-1	-21	-16		51.7	138	191	108	-444
Brazil		5.60	0.0	0.6	-2	-1	-7		12.2	-42	190	576	666
Chile		815	-0.1	-0.1	0	-7	-13		6.0	-6	35	334	325
Colombia		3869	-0.9	-2.4	-2	-1	-11		7.8	4	44	243	272
Mexico		20.63	-0.4	-0.3	0	0	-3		7.5	-9	7	139	190
Peru		4.0	0.0	-0.8	3	-10	-10		6.0	0	-41	197	236
Uruguay		44	0.6	0.2	-2	-2	-3		8.4	19	54	85	117
Hungary		312	0.1	0.0	-1	-3	-5		3.4	-1	33	172	188
Poland		4.00	-0.3	-0.2	-1	-4	-7		2.7	40	110	219	211
Romania		4.3	-0.2	-0.3	-1	-4	-7		4.6	18	63	165	188
Russia		71.5	0.3	-0.8	1	8	4		8.2	10	84	233	248
South Africa		15.3	-0.4	-0.2	-2	3	-4		10.1	-14	-7	-5	45
Turkey		9.72	-0.2	-1.1	-9	-13	-23		18.2	-42	47	387	511
US (DXY; 5y UST)		95	0.2	0.4	1	2	5		1.12	-6	15	80	76

	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	7 Days	30 Days	12 M	
								basis points					
China		4842	-0.5	-1	-2	-1	-7		200	-4	-11	-36	-29
Indonesia		6582	-0.1	0	2	23	10		179	5	-2	-55	-21
India		60068	0.0	0	1	45	26		136	4	-10	-74	-15
Philippines		7341	1.9	3	6	10	3		111	3	-9	-26	-1
Malaysia		1532	0.0	-2	-2	1	-6		126	1	-5	-44	-9
Argentina		91258	-0.9	6	17	88	78		1730	51	135	309	374
Brazil		103412	-2.1	-3	-6	3	-13		329	9	19	30	70
Chile		4474	0.0	9	6	21	7		159	3	0	-21	3
Colombia		1392	-0.9	-1	1	20	-3		310	16	7	70	95
Mexico		51873	0.0	0	2	35	18		353	10	-4	-101	-4
Peru		20255	-1.3	-3	10	12	-3		175	7	-6	19	46
Hungary		55682	-0.4	4	4	58	32		123	5	5	-23	-26
Poland		74657	0.0	2	4	55	31		54	9	26	31	26
Romania		12898	0.1	2	2	46	32		196	-2	-15	-40	-7
Russia		4178	-0.2	0	2	50	27		161	4	-7	-57	-18
South Africa		68121	-0.1	1	6	23	15		356	0	-15	-119	-28
Turkey		1577	0.1	4	13	34	7		476	-24	-27	-171	29
Ukraine		523	0.0	-1	-1	5	5		538	38	2	-115	45
EM total		51	0.3	-1	2	7	-1		381	6	2	-15	42

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

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