














- Fed leaves policy stance unchanged; stands ready to act amid virus uncertainty ([link](#))
- US equities march higher as split election results drive shift in policy expectations ([link](#))
- Oil prices remain volatile as traders confront softening demand prospects ([link](#))
- Reserve Bank of Australia reiterates that negative interest rates are highly unlikely ([link](#))
- Malaysia unveils expansionary 2021 budget to revive economy amid the pandemic ([link](#))
- Czech National Bank maintains policy rate and signals patience as virus spikes ([link](#))

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Global stock rally stalls as US election results remain uncertain

The strong gains in global equity markets this week has lost some momentum this morning as US election uncertainty stretched into a third day. Although no winner has been declared, developments related to the US presidential election have largely left the state of play unchanged: Biden remains favored to win and Republicans are projected to maintain control in the Senate resulting in a split government. Yesterday, markets traded as this scenario could lower the likelihood of regulatory constraints as tech shares continued to push the S&P 500 higher (+2%) and partially in response to strong quarterly results from the sector. While the risk-on positioning was evident elsewhere as the broad US dollar index is now approaching a two-year low and Asian equities maintained a positive tone overnight, European bourses are posting modest losses this morning and US equity futures are down close to 1%. Advanced economy sovereign bond yields have been little changed following the declines earlier in the week. The other main event from yesterday, the FOMC meeting, offered little news in terms of monetary policy. The policy statement was broadly unchanged, and no changes to the asset purchase program or forward guidance were announced as was widely expected. Given the election focus, the market reaction to the Fed's meeting was muted. EM FX moves have been a mixed picture with commodity currencies underperforming on lower oil prices this morning, while the Turkish lira has depreciated another 2% this week to new record lows.

Key Global Financial Indicators

Last updated: 11/6/20 8:04 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
S&P 500		3510	1.9	6	4	14	9
Eurostoxx 50		3185	-0.9	8	-1	-14	-15
Nikkei 225		24325	0.9	4	4	4	3
MSCI EM		48	1.7	6	7	10	6
Yields and Spreads							
US 10y Yield		0.78	1.4	-10	4	-105	-114
Germany 10y Yield		-0.64	0.0	-1	-13	-30	-45
EMBIG Sovereign Spread		421	0	17	-10	97	128
FX / Commodities / Volatility							
EM FX vs. USD, (+) = appreciation		55.2	-0.3	2	1	-9	-10
Dollar index, (+) = \$ appreciation		92.4	-0.2	-2	-1	-6	-4
Brent Crude Oil (\$/barrel)		39.9	-2.4	7	-6	-35	-40
VIX Index (% change in pp)		28.7	1.1	-9	-1	16	15

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

United States

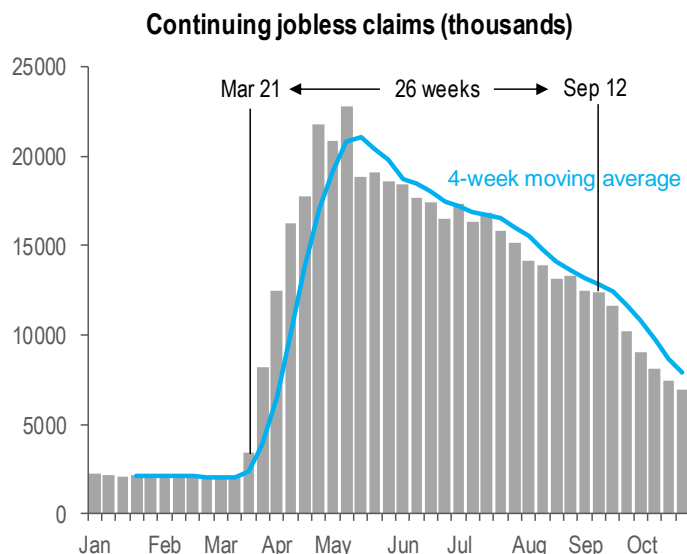
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Global stocks extended the biggest rally since April on speculation that the US election result would lead to no major tax hike or regulatory changes. The NASDAQ gained 2.6%, with the S&P 500 up 1.9%. Contrary to Wednesday's tech- and healthcare-led rally, yesterday's gain was broad-based, with all sector sub-indices and 82% of the S&P 500 firms closing with gains. Treasuries were marginally higher, with 10-year yields hovering around 0.77%.

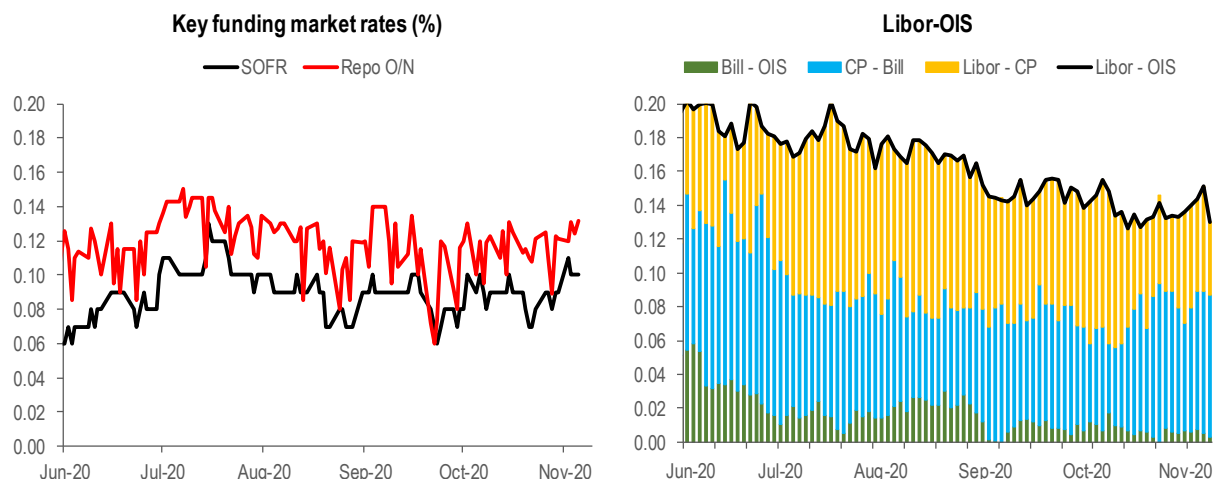
Nonfarm payrolls for October beat expectations with gains of 638k (vs 580k consensus), and from an upwardly revised 672k in September. The unemployment rate improved much more than forecast at 6.9% (vs 7.6%), down from 7.9% last month. Treasury yields were slightly higher with the 10-year up 3 bps to 0.79%, while the US dollar and S&P 500 equity futures were little changed following the release.

As expected, the Federal Reserve stayed on hold in a unanimous vote. The committee kept the policy rate steady, recommitted to its forward guidance under flexible average inflation targeting, and maintained the pace of asset purchases at \$120 bn per month. During the press conference, Chair Powell once again stressed the importance of fiscal support and the "considerable" downside risks to the medium-term economic outlook from the re-surfing COVID infections. In addition, Powell's comments indicated that the Fed is content with the current pace of asset purchase but have considered recalibration options if needed (pace or duration). When asked about how the Fed will react should fiscal policy or the outlook disappoint, Chair Powell was clear that the Fed does not defer to fiscal policy, thereby seemed to confirm that the Fed would respond if needed. Lastly, Chair Powell also highlighted the importance of the various 13(3) lending programs as a "backstop" to markets and indicated that the committee had begun discussions on further extending these facilities.

The pace of improvement in jobless claims continues to slow, while the declines in continuing claims likely reflect expiration of state level unemployment benefits. Initial jobless claims for the week ending October 31 fell 7K to 751K, and the prior reading was revised up by 7K to 758K. The 4-week moving average was largely unchanged at 787K, indicating that the pace of improvement has slowed markedly since late August. On the other hand, the decline in continuing claims has accelerated in recent weeks, down 538K to 7.2 mn. However, analysts caution that this likely reflects the expiration of state level unemployment benefits, which generally last up to 26 weeks, rather than elevated re-hiring.



Secured funding rates have seen some upward pressure this week, as lenders prioritize liquidity amid ongoing election uncertainty. Repo and SOFR rates remain relatively elevated, in part driven by the swath of Treasury settlements, while outflows from government money market funds have also added pressure. On the other hand, the 3-month Libor rate started to pull back on Thursday, down 1.9 bps, suggesting some potential easing of pressure.



Europe [back to top](#)

Equity markets dropped as the prospects for a protracted legal contest for the US presidency mount. DAX (-1.2%), CAC 40 (-1.2%), EuroStoxx 600 (-0.9%), Italy's Titans 30 (-0.6%), and Spanish Ibex (-1.1%). Bank stocks (-1.3%) slightly underperformed. **Sovereign debt markets traded steady amid a dearth of news.** Ten-year yields stayed flat in Germany at -0.64%, France at -0.37%, Spain at 0.08%. Italian yields inched down 2 bps to 0.64%.

UK yields traded in line with European peers and showed virtually no change, even after the British chancellor and the BoE announced new support measures yesterday: 10-yr at 0.23% (-1 bp) and 2-yr at -0.05% (-1 bp). **As the Brexit date approaches, the spreads between UK and German sovereign bonds have started to climb.**

Gilt-Bund Spreads (in bps)



EG872949 Corp (UKT 4 % 12/07/30) FI: 10y Gilt-Bund Daily 01JAN2019-06NOV2020

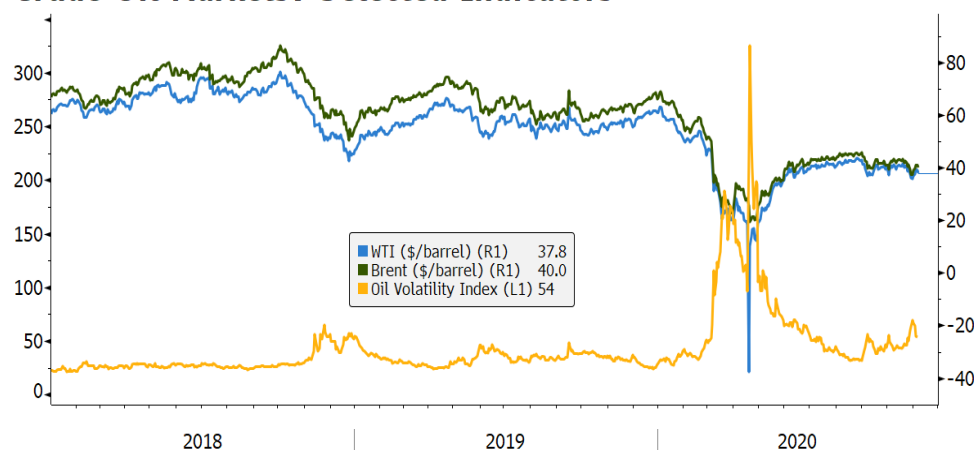
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In macro data, **German industrial production contracted 7.3% y/y in September**, adding to the 8.7% contraction seen the month prior. September's contraction was worse than the -6.5% expected. **Italian retail sales, on the other hand, beat expectations with growth of 1.3% y/y in September**, vs +1.2% expected and 1.0% the month prior.

Depressed demand prospects have pushed oil prices further down today. Brent (-2.2%) and WTI (-2.6%) dropped to \$40/barrel and \$38/barrel, respectively, as the outlook for global demand worsens on the back of more lockdowns and surging infections.

Crude Oil Markets: Selected Indicators



Source: Bloomberg
CL1 Comdty (Generic 1st "CL" Future) Oil: Brent WTI Inventory Daily 013AN2018-0

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Other Mature Markets

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Australia

The Reserve Bank of Australia (RBA) reiterated that **negative interest rates are highly unlikely in its quarterly statement of monetary policy (SOMP)**. It added that the focus in the period ahead will be the government bond purchase program and it is 'prepared to do more and undertake additional purchases' should the circumstances require it. During its meeting earlier this week, the RBA lowered its cash rate, target yield for the 3-year government bond and interest rate on the Term Funding Facility to 0.1% from 0.25%. It also announced AUD100 bn (\$70.4 bn) of government bonds purchases with maturities of around 5 to 10 years over the next six months in the secondary market. **The RBA said that the recovery in domestic activity is underway, driven by household consumption and public demand.** While the central bank has revised up its growth forecasts, GDP is unlikely to return to its pre-COVID level until end-2021 and the forecast continues to be subject to high uncertainty. The outlook for underlying inflation remains little changed from the August forecasts and is subdued, reflecting the high spare capacity in the economy. **The Australian dollar weakened -0.2% while equities rose +0.8%.**

RBA SoMP macro forecasts - November

	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22
GDP growth	-4 (-6)	6 (4)	5 (5)	4 (4)	4 (4)
Unemployment rate	8 (10)	7.5 (9)	6.5 (8.5)	6.5 (7.5)	6 (7)
CPI inflation	0.5 (1.25)	2.25 (3)	1 (1)	1.25 (1.25)	1.5 (1.5)
Trimmed mean	1 (1)	1.25 (1.25)	1 (1)	1.25 (1.25)	1.5 (1.5)

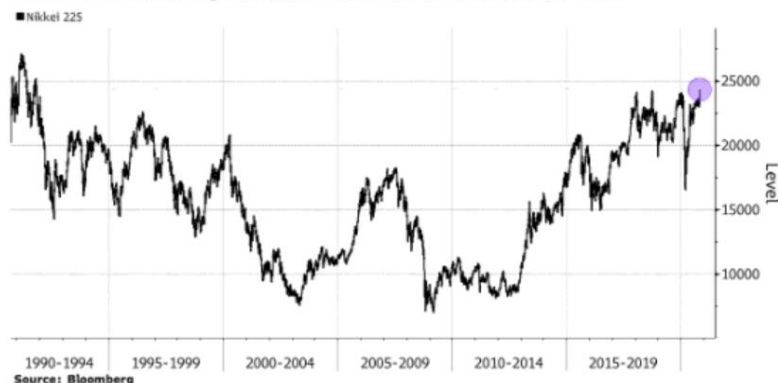
August forecasts in parentheses.

Source: RBA.

Japan

Equities rose +0.5%, led by industrials. Real household spending fell -10.2% y/y in September, sharper than -6.9% y/y in August, but better than consensus of -10.5%. This was partially driven by a high base last September amid last-minute buying ahead of the sales tax hike in October according to Bloomberg. **The yen and 10-year JGB yields were little changed.**

Nikkei 225 reaches highest close since 1991 on U.S. election boost



Emerging Markets

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Asian equities rose +0.4% on net. Indonesia (+1.4%) and India (+1%) outperformed while Singapore (-0.4%) and China (Shanghai -0.2%; Shenzhen -0.8%) underperformed. On India, Prime Minister Modi held a global investors roundtable, highlighting the country's potential in various sectors and invited them to be part of the growth story. **Regional currencies appreciated**, with the Indonesian rupiah (+1.2%) outperforming for the second straight day while the RMB (onshore -0.3%; offshore -0.2%) lagged. **EMEA equities traded mixed today**, even as the final results of the US election have not been announced. The largest gains were seen in South Africa (+1.7%), Qatar (+1.7%), and Egypt (+0.7%). Losses took place in the Czech Republic (-1.0%) and Romania (-0.3%). Currencies mostly appreciated to the dollar by around 0.2% to 0.6% on account of political uncertainty in the US. **Latin American assets advanced for the fourth day this week.** Stocks in Chile (+5.5%) experienced the most gains, followed by Argentina (+3%), Brazil (3%) and Mexico (+2.5%). Amongst regional currencies, the Brazilian real (+2.3%) appreciated the most against the dollar, followed by the Colombian peso (+1.5%) and Mexican peso (+1%).

Key Emerging Market Financial Indicators

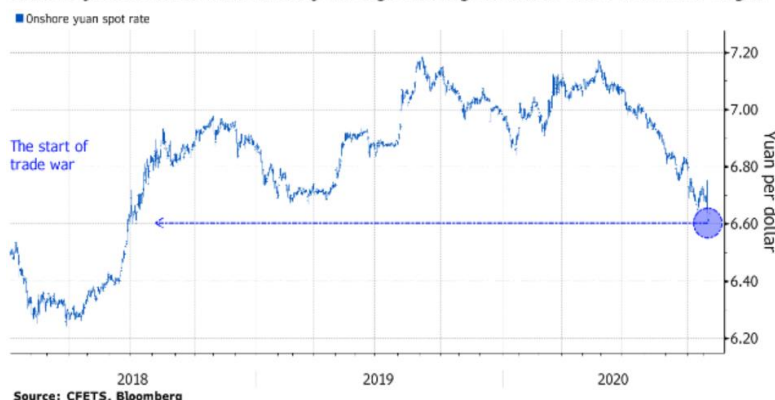
Last updated: 11/6/20 8:08 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		47.71	-0.7	6	7	10	6
MSCI Frontier Equities		26.89	0.8	2	2	-6	-11
EMBIG Sovereign Spread (in bps)		421	0	17	-10	97	128
EM FX vs. USD		55.16	-0.3	2	1	-9	-10
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.61	0.0	1	3	6	5
Indonesian Rupiah		14210	1.2	3	4	-1	-2
Indian Rupee		74.20	0.3	0	-1	-4	-4
Argentine Peso		79.10	-0.1	-1	-3	-25	-24
Brazil Real		5.57	-0.5	3	0	-27	-28
Mexican Peso		20.81	-0.5	2	4	-8	-9
Russian Ruble		77.85	-1.1	2	1	-18	-20
South African Rand		15.76	-0.5	3	6	-6	-11
Turkish Lira		8.56	-1.6	-3	-9	-33	-30
EM FX volatility		10.57	0.0	-1.0	-1.1	3.3	4.0

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

China

The RMB was little changed (onshore -0.1%; offshore -0.3%) today but appreciated this week. It is approaching CNY6.6 per dollar for the first time in two years, trimming half of the weakness since US-China tensions ranging from trade to technology and intellectual property began in 2018. However, the People's Bank of China (PBOC) has set the fixing of the onshore yuan weaker than expectations for 10 straight sessions. Analysts view this as a sign that the authorities could be seeking to slow the gains and introduce two-way volatility. **Equities (Shanghai -0.2%; Shenzhen -0.8%) fell for the first time this week.**

China's yuan is more than halfway through erasing all losses since trade war began



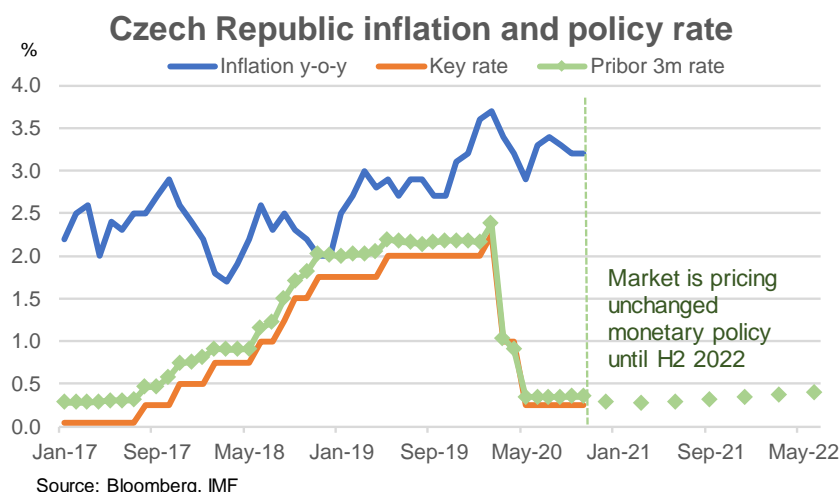
Malaysia

Malaysia's government unveils expansionary budget to spur domestic activity amid the pandemic.

According to media reports, 2021 budget envisages an 8.5% increase in spending to MYR322.5 bn (\$78 bn). Nearly three quarters of the spending will be channeled to civil servants' salary, subsidies, social assistance programs and debt servicing. Development spending on items such as infrastructure will increase 38% to MYR69 bn. About MYR17 bn will be added to a COVID-19 stimulus package that includes wage subsidies, cash assistance for the poor, small-scale infrastructure projects and a food-security program. The fiscal deficit is projected at 5.4% of GDP in 2021, down from 6% in 2020, driven by an improvement in government revenues and economic activity. Government revenues are expected to grow 4.2% in 2021 compared with a decline of 14% in 2020. The improvement in 2021 would come from taxes, while non-tax revenues are forecast to drop on lower investment income. The government estimates a real growth contraction of 4.5% in 2020 (close to the mid-point of the central bank's 3.5% to 5.5% growth projection) and a rebound to 6.5% - 7.5% in 2021. Government debt is expected to rise to 61% of GDP in 2021 - above the government's self-imposed limit of 60%. Malaysia is aiming to cut the fiscal deficit to under -4% of GDP over the next four years as part of its medium-term plan. Parliamentary vote is expected on the week of November 23rd, according to Reuters. **Equities rose +1.2% while the Malaysian ringgit appreciated +0.4%.**

Czech Republic

The Czech National Bank (CNB) left its policy rate unchanged at 0.25% as expected. The central bank continued to signal policy tightening in 2021, although the CNB Governor Rusnok suggested that rates could remain unchanged for longer. **Contacts were generally surprised by the hawkish stance considering downside risks posed by the latest outbreak of the pandemic.** The Czech Republic remains the second worst affected country in Europe in terms of new COVID-19 cases per capita. Interest rate forward markets, which were pricing about 10-15 bps of policy easing, are now implying unchanged policy until mid-2022 and a rate hike thereafter. The Czech koruna reacted positively to the hawkish surprise, appreciating by 0.5% following the announcement.



Colombia

Consumer prices rose 1.75% y/y in October, which is lowest level of inflation in over 6 decades for the country, amid decreased consumer demand during the pandemic. The result, driven by declines in education and clothing prices, was lower than forecast by all 18 economists surveyed by Bloomberg, whose median estimate was 1.96%. On a monthly basis, prices fell 0.06% compared to an expected increase of 0.15%, according to Bloomberg. October became the fourth consecutive month that inflation was below the central bank target of 3% plus or minus one percentage point.

Lowest Since 1955

Colombia prices dragged down by the pandemic



Source: Bloomberg

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Global Financial Indicators











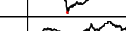



























Last updated: 11/6/20 8:05 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		3496	1.9	7	4	14	8
Europe		3186	-0.9	8	-1	-14	-15
Japan		24325	0.9	4	4	4	3
China		3312	-0.2	3	3	11	9
Asia Ex Japan		84	1.3	5	7	17	14
Emerging Markets		48	1.7	6	7	10	6
Interest Rates			basis points				
US 10y Yield		0.78	1.4	-10	4	-105	-114
Germany 10y Yield		-0.64	0.0	-1	-13	-30	-45
Japan 10y Yield		0.02	-0.1	-2	-2	10	3
UK 10y Yield		0.23	-0.2	-3	-6	-48	-59
Credit Spreads			basis points				
US Investment Grade		118	-3.5	-8	-14	0	21
US High Yield		479	-3.0	-52	-42	26	86
Europe IG		55	0.9	-11	0	5	10
Europe HY		328	8.2	-41	5	94	121
EMBIG Sovereign Spread		421	0.0	17	-10	97	128
Exchange Rates			%				
USD/Majors		92.34	-0.2	-2	-1	-6	-4
EUR/USD		1.19	0.4	2	1	7	6
USD/JPY		103.3	0.1	1	2	5	5
EM/USD		55.2	-0.3	2	1	-9	-10
Commodities			%				
Brent Crude Oil (\$/barrel)		40	-2.5	7	-6	-35	-40
Industrials Metals (index)		124	0.8	3	8	5	8
Agriculture (index)		42	0.1	3	5	7	2
Implied Volatility			%				
VIX Index (%, change in pp)		28.7	1.1	-9.4	-0.8	16.0	14.9
US 10y Swaption Volatility		55.3	-0.7	-21.1	-13.5	-11.2	-6.7
Global FX Volatility		8.0	0.0	-0.9	-1.0	1.6	2.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		145	-1.8	-12	-3	-8	-20
Italy		129	-2.0	-10	0	-5	-31
Portugal		72	0.4	-1	-2	16	9
Spain		73	-0.2	-4	-2	10	7

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: 11/6/2020 8:08 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		6.61	0.0	1.2	3	6	5		3.3	0.1	0	4	1	17
Indonesia		14210	1.2	2.9	4	-1	-2		6.6	-10.1	-7	-29	-50	-58
India		74	0.3	-0.1	-1	-4	-4		6.0	-2.3	-1	-14	-83	-87
Philippines		48	0.2	0.4	0	5	5		3.6	-0.8	5	1	-69	-68
Thailand		31	0.9	1.9	2	-1	-2		1.5	-2.1	-2	0	-17	-15
Malaysia		4.13	0.4	0.6	1	0	-1		2.5	-3.1	6	3	-89	-81
Argentina		79	-0.1	-1.0	-3	-25	-24		50.9	29.5	89	967	-614	-1168
Brazil		5.57	-0.5	3.1	0	-27	-28		6.4	-6.9	2	25	60	16
Chile		762	-0.8	1.6	5	-3	-1		2.6	-2.0	-3	-4	-73	-65
Colombia		3765	1.3	1.9	2	-12	-13		5.3	-10.3	-10	-1	-52	-70
Mexico		20.81	-0.5	1.8	4	-8	-9		6.0	-11.6	-18	-12	-91	-96
Peru		3.6	0.2	0.4	0	-7	-8		3.9	-12.8	-25	-31	-54	-66
Uruguay		43	0.3	0.5	-1	-13	-13		7.6	6.4	8	30	-324	-324
Hungary		302	0.3	4.0	2	-1	-2		1.6	-7.6	-9	-14	45	42
Poland		3.81	0.4	3.8	0	1	0		0.6	1.1	0	-18	-123	-132
Romania		4.1	0.4	1.9	1	5	4		2.9	-5.0	-25	-33	-89	-108
Russia		77.9	-1.1	2.2	1	-18	-20		5.6	-24.6	-15	-17	-61	-50
South Africa		15.8	-0.5	3.1	6	-6	-11		9.9	-21.1	-28	-41	43	42
Turkey		8.56	-1.6	-2.5	-9	-33	-30		14.1	-25.2	-18	141	188	240
US (DXY; 5y UST)		92	-0.2	-1.8	-1	-6	-4		0.34	1.0	-5	2	-130	-136

	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	1 Day	7 Days	30 Days	
								basis points						
China		4886	0.0	4	7	23	19		208	-2	-3	-8	29	32
Indonesia		5336	1.4	4	7	-14	-15		208	1	-7	-12	25	52
India		41893	1.3	6	6	4	2		196	-14	-13	-29	70	71
Philippines		6686	0.6	7	13	-17	-14		120	4	-3	-11	29	54
Malaysia		1520	1.2	4	1	-5	-4		144	-1	-8	-15	21	32
Argentina		48501	3.1	8	9	32	16		1417	15	-64	38	-946	-352
Brazil		100751	2.9	4	5	-7	-13		284	1	-26	-36	50	69
Chile		3714	5.3	5	3	-19	-20		164	0	-12	-8	17	31
Colombia		1163	0.6	3	-1	-30	-30		226	3	-18	-30	41	63
Mexico		38399	2.5	3	4	-12	-12		457	4	-18	-36	138	165
Peru		18037	1.9	2	-1	-10	-12		143	0	-6	-21	9	36
Hungary		35371	0.3	10	5	-18	-23		113	-1	8	-6	13	27
Poland		48146	-0.3	9	-4	-19	-17		17	-1	3	-5	-13	-1
Romania		8827	-0.2	4	-1	-9	-12		226	-10	-13	-17	42	53
Russia		2865	0.1	6	-1	-4	-6		192	-1	-9	-12	13	61
South Africa		55997	1.4	8	3	-3	-2		451	3	-26	-64	113	131
Turkey		1187	0.5	7	3	17	4		623	7	-17	20	173	222
Ukraine		500	0.0	0	0	-3	-2		621	7	-61	-98	153	201
EM total		48	-0.7	6	7	10	6		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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