



- Fed's SLOOS shows weaker loan demand and tighter bank lending standards ([link](#))
- Investors split on impact of US midterm elections but highlight debt ceiling standoff risks ([link](#))
- UK gilt yields increase following Bank of England's second QT auction ([link](#))
- Japan's cabinet approves extra budget to fund measures to ease impact of inflation ([link](#))
- Brazilian assets decline amid rising political uncertainty ([link](#))
- **Special Feature: Emerging and Frontier Markets Issuance Monitor (attached)**

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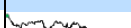

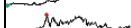

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Markets steady as focus shifts to upcoming elections and inflation prints

Global markets are trading little changed this morning but remain cautiously optimistic ahead of key political events and data prints in the coming days. In advance of today's midterm elections in the US and a potential shift in the control of Congress, US equity markets began the week posting gains of 1%. Price action has become more subdued overnight with major equity indices mixed to modestly higher. Markets are also focused on news from China regarding its Covid-19 policy, but the recent rally in Chinese equity markets has paused after a surge in local daily cases. Though little changed this morning, developed market bond yields continued to move higher yesterday with 10-year US Treasury yields now back at 4.2% and UK gilt markets standing out with yields up 10 to 15 bps across the curve in the face of the BoE conducting its second QT bond sale yesterday that saw tepid demand. Although the US dollar index looks to be halting its recent slide this morning, most G10 and emerging market currencies remain stronger compared to late last week with the euro now trading back at parity. Brazilian assets have been notably absent from the recent equity market and FX rally as uncertainty builds around incoming political announcements related to potential spending plans and who the country's newly elected president could appoint as finance minister.

Key Global Financial Indicators

Last updated: 11/8/22 8:08 AM	Level		Change from Market Close					Since	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	23-Feb-22	
Equities			%					%	
S&P 500		3807	1.0	-2	5	-19	-20	-10	
Eurostoxx 50		3720	0.3	2	10	-15	-13	-6	
Nikkei 225		27872	1.3	1	3	-5	-3	5	
MSCI EM		36	0.1	6	2	-30	-26	-24	
Yields and Spreads			bps						
US 10y Yield		4.20	-1.0	16	32	271	269	221	
Germany 10y Yield		2.35	1.0	22	16	260	253	213	
EMBIG Sovereign Spread		507	-17	-35	-39	148	140	95	
FX / Commodities / Volatility			%						
EM FX vs. USD, (+) = appreciation		49.5	-0.2	1	2	-10	-6	-7	
Dollar index, (+) = \$ appreciation		110.5	0.3	-1	-2	17	15	15	
Brent Crude Oil (\$/barrel)		97.6	-0.4	3	0	17	25	1	
VIX Index (% change in pp)		24.6	0.3	-1	-7	7	7	-6	

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

Mature Markets

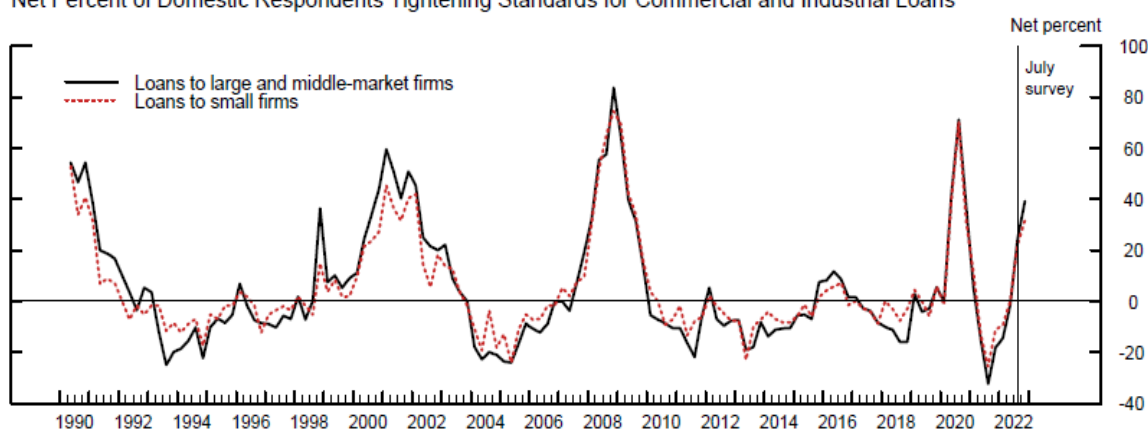
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United States

US equities closed higher (+1%) in a fairly quiet Monday session. Treasury yields moved 6–7 bps higher, with the 10y yield settling at 4.22%, nearly matching its recent cyclical high in late October. The dollar index slipped 0.6% and is now about 4% off its highs in late September.

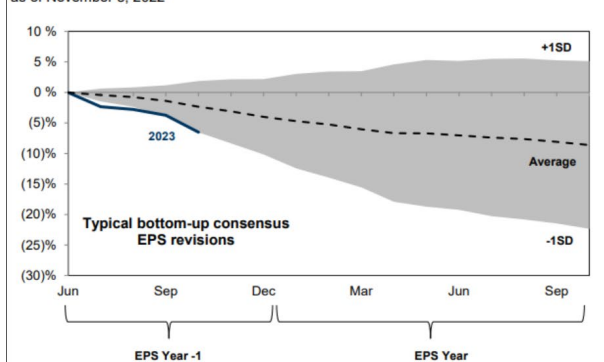
Banks reported tighter loan standards and weaker demand in the Fed's Senior Loan Officer Opinion Survey (SLOOS) for Q4. The net percent of loan officers tightening commercial and industrial (C&I) loan standards rose to 39.1%, from 24% in the previous quarter. Similarly, 30% (net) reported increasing the loan spread over their cost of funding, up from 12% previously. On the demand side, the impulse turned negative, with -9% of respondents reporting stronger demand for C&I loans from larger and medium-sized customers, down from +24% previously

Net Percent of Domestic Respondents Tightening Standards for Commercial and Industrial Loans



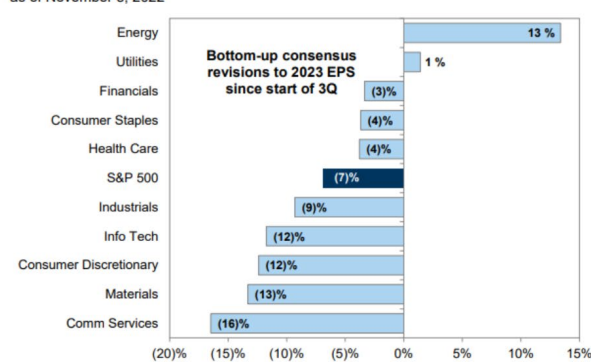
US corporate earnings outlook continues to weaken for 2023. Consensus downward revisions to 2023 earnings outlooks (-7%) have been substantial relative to past history, tracking in line with 1 standard deviation below average. Energy and utilities are the only sectors to see upward revisions for next year, with IT, consumer discretionary, material, and communications seeing double digit downward moves. In particular, Goldman Sachs analysts are now incorporating a larger hit from net profit margins, which have declined y/y in Q3 for the first time post-COVID. GS analysts now expect net margins excluding energy to contract 86 bps in 2022 and another 50 bps in 2023.

Exhibit 7: Consensus revisions to 2023 S&P 500 EPS has been sharp as of November 3, 2022



Source: FactSet, Goldman Sachs Global Investment Research

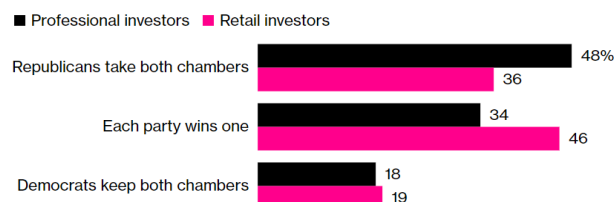
Exhibit 8: Negative revisions to 2023 EPS in all sectors but Energy and Utilities as of November 3, 2022



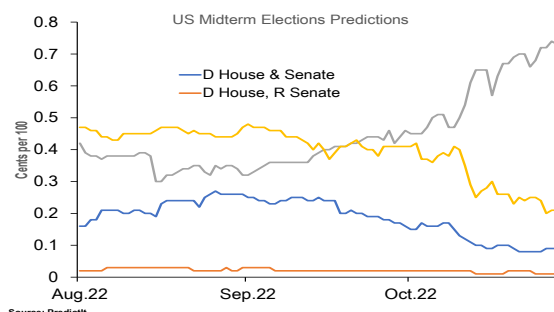
Source: FactSet, Goldman Sachs Global Investment Research

Investors split on impact of midterm elections, with 78% expecting a debt ceiling standoff next year. Prediction markets have solidified around a Republican takeover of the House and Senate in Tuesday's elections, albeit with a slim majority. 43% of respondents in a Bloomberg survey see that scenario as being the most bullish for Treasuries, particularly professional investors. This likely reflects a belief that a GOP Congress would be more likely to push for austerity under a Democratic president, as well as perhaps some safe haven flows given the high likelihood of a debt ceiling standoff. Retail investors also see a split result as driving yields lower, given the difficulty of passing major legislation. Equity markets historically have performed well following midterm elections, or at least better in the 6 months post-election compared to the 6 months leading up to them in 16 out of the last 19 midterms.

Which Would Be Most Bullish for Treasuries?



Source: Bloomberg MLIV Pulse survey Oct. 31- Nov. 4.



Euro area

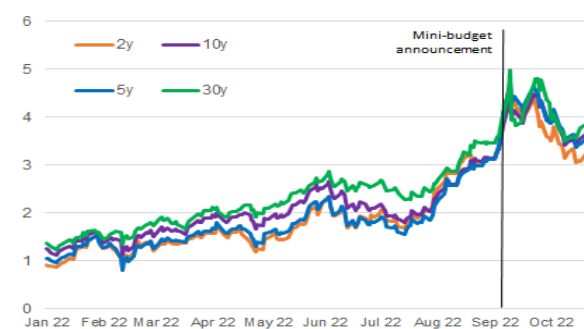
European equity markets were mixed with the Stoxx 600 index edging higher (+0.3%) while the euro weakened (-0.2%) ahead of the US midterm elections later today. The Stoxx 600 index is now trading at a 7-week high. On the data front, eurozone September retail sales surprised on the upside on an annual basis (-0.6% y/y vs expected -1.1% from a revised -1.4%) with monthly growth in line with expectations (+0.4% m/m). ING analysts continues to see a bleak outlook for the retail sector, as inflation erodes consumer purchasing power.

Sovereign yields were little changed while hawkish ECB commentary continued. ECB President Lagarde emphasized the ECB's mandate to bring inflation back to 2% and comments from ECB Governing Council member Nagel this morning echoed hawkish remarks from GC member Villeroy de Galhau yesterday, speaking in support of further ECB tightening. Nagel said that more tightening is required, even if it dampens economic output. In separate remarks ECB vice president de Guindos said that inflation is likely to remain high on average but he sees a downward trend in H1 2023. Guindos also said that the ECB would start decreasing its bond holdings by 2023 at the latest, with the process to be implemented in a prudent manner starting with not fully reinvesting the maturing securities in the ECB's portfolio. **10y bund yields were marginally lower while 10y Italian spreads narrowed (-4 bps to 211 bps).**

United Kingdom

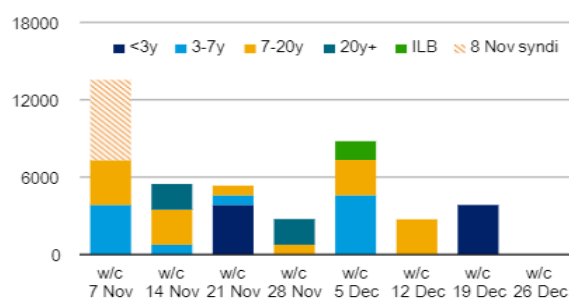
Gilt yields rose yesterday (10y gilts, +10 bps) after the Bank of England's second auction under its QT program was met with lower demand than the inaugural auction last week. The targeted £750 mn of medium-maturity (7–20y tenors) bonds were sold yesterday with a cover ratio of 1.35. Analysts highlight that investor demand continues to be centered on shorter-dated gilts, as reflected in the higher cover ratio of 3.26 for the inaugural auction last week where the BoE sold gilts worth £750 mn in 3–7y tenors. Bloomberg analysts estimate that yesterday's gilt sales will result in roughly £250 mn in losses, with total losses this quarter estimated at £1.5bn. The BoE's asset purchase facility (APF) is indemnified by the Treasury. **Yesterday's BoE auction was the start of four consecutive days of gilt sales, with the BoE sales set to be followed by issuance from the Debt Management Office (DMO) over the coming days.** BofA analysts have previously highlighted that this week might see the largest weekly amount of gilts to come to market for the rest of this year.

UK gilt yields (%)



BoE and DMO sales of Gilts per week, £mn

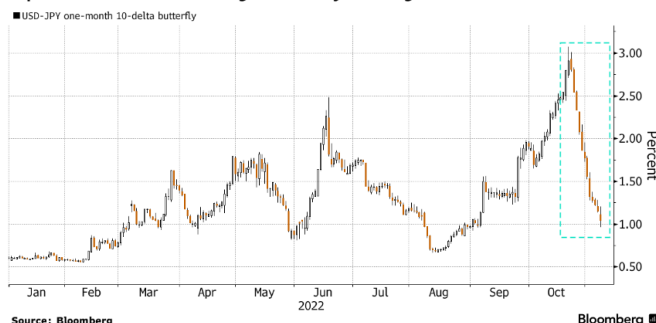
7 Nov week may be the largest for the remainder of 2022



Japan

Japan's cabinet approved an extra budget worth ¥29.1 tn yen (\$198 bn). The budget, mostly funded via bond issuance (¥22.9 tn), will be spent on inflation-tackling, wage-boosting measures (¥7.8 tn), among others, Bloomberg reports. However, government electricity and gas subsidies will be reduced from September 2023. Further, **the government will delay its introduction of a new carbon tax**, to avoid adding to living costs, according to Nikkei. The tax was originally planned for fiscal year 2023. Also, **the government is mulling tax hikes on individuals with annual incomes above ¥1 bn (\$6.8 mn).** Separately, **Bank of Japan's (BOJ) October summary of opinions reiterated the need for continued easing.** Several board members stressed the importance of achieving a virtuous cycle between inflation and wage growth. One member called attention to the side effects of monetary easing. **Equities firmed +1.2%. Japanese yen and 10-year yields were little changed.**

Expectations for extreme swings in dollar-yen fading fast



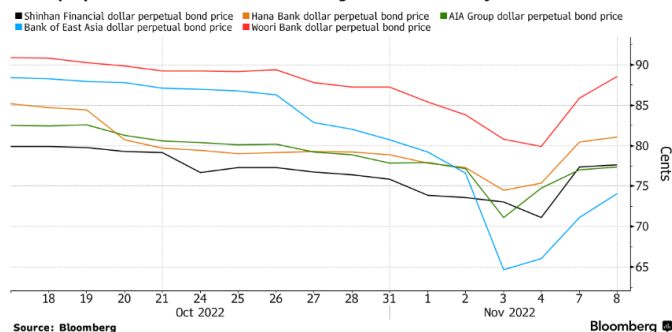
Emerging Markets

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Latin American stocks and currencies were mixed. Equities in Colombia (+2.36%) and Chile (+1.33%) gained while Brazil (-2.38%), Argentina (-2.27%), and Mexico (-0.81%) all declined. Currencies appreciated in Chile (+0.96%) and Mexico (+0.30%) with a notable depreciation in Brazil (-2.03%).

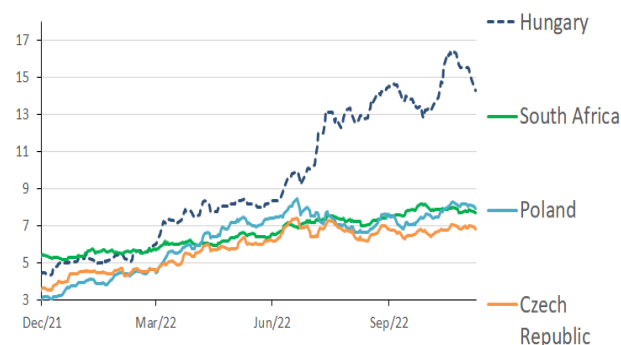
Asian equities were little changed on net. South Korea firmed +1.1%. **Asian currencies were mostly little changed.** South Korean won appreciated +1.2%. **10-year yields were mostly little changed**, but Vietnam slipped -30 bps. **Asia perpetual bonds** rallied after South Korean insurer Heungkuk Life called its \$500 mn perpetual note, reversing its previous decision. In **Vietnam**, Ho Chi Minh City Real Estate Association noted risks of a severe property market downturn and said property firms must take *painful measures* to survive.

Asian perpetual bonds rebound after Heungkuk reverses delay decision



Equity markets in EMEA traded with a cautious tone, but local yields in different markets consolidated at lower levels. BNP Paribas writes that NGEU funds to Poland and Hungary look set to stay on hold until the end of the year but believes that a political compromise might allow both countries to tap EU funds around the middle of 2023. The forint (-0.3%) edged lower after gaining 1.5% in the past 5 days (compared to 0.3% for the Polish zloty over the same period). **Polish swap yields are 7–10 bps lower while the National Bank of Poland is expected to hike its policy rate 25 bps to 7% tomorrow.**

Eastern Europe and South Africa: 2-yr swap rates (local, %)

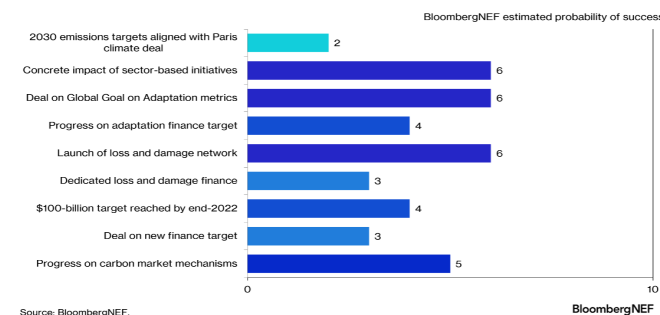


Climate

Analysts at Bloomberg attach a probability of a successful COP27 summit at just 37% using a 1–10 scale across 9 key areas (chart). Analysts at Bank of America see two key dimensions to evaluate if COP27 is successful. **First, governments would have to be more concrete on how to deliver on emissions targets.** Most G-20 countries have issued higher 2030 emissions targets since 2020, but only 3 seem compliant to limit global warming to 1.5 C. **Second, richer countries would have to show progress towards financing \$100 bn/yr of climate finance from developed to developing markets (due in 2020 but not reached).**

COP27 on Thin Ice

Weak prospects for summit to achieve meaningful progress towards Paris climate deal



Crypto assets

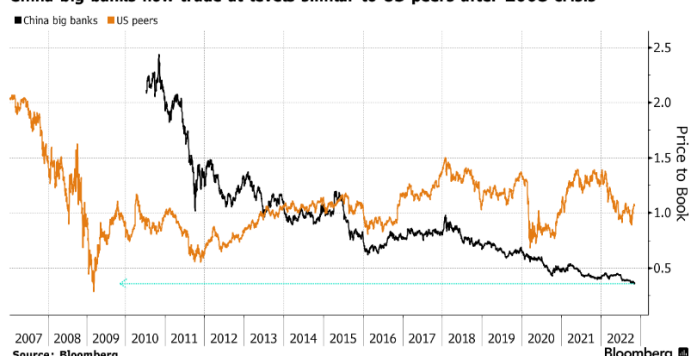
Bitcoin (-6%) and other crypto assets are declining sharply as uncertainty spikes following Binance's decision to sell \$530 mn of FTT coins, raising concerns about the balance sheet of Alameda Research and the FTX trading platform.

China

More foreign institutions to deploy in China, according to state-owned Shanghai Securities. 55 Qualified Foreign Institutional Investors (QFII) institutions have been approved since start-2022, bringing total approved QFII institutions to 723. Also, major asset managers including BlackRock and Fidelity have been approved to establish public fund management companies in China. Separately, **draft amendment to China Legislation Law aims to remove**

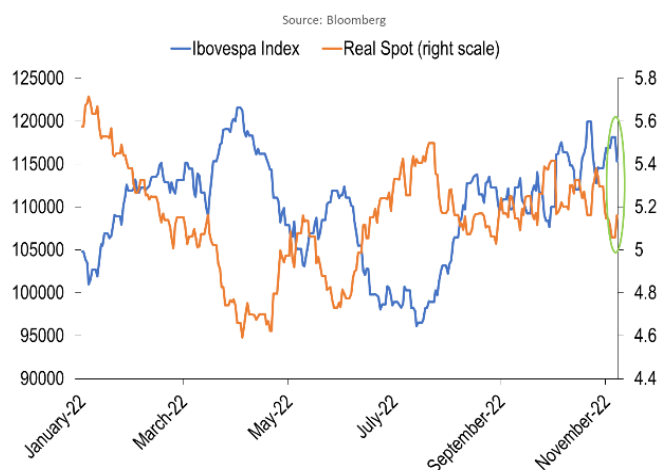
economic development as a focus. Instead, the amendment says lawmaking should adhere to the leadership of the Chinese Communist Party, and Xi Jinping Thought, among others, Bloomberg reports. The amendment was submitted to the National People's Congress and passed its first reading on October 30. It and is now open to public comments until the end of the month. **Equities declined (CSI 300: -0.7%)**. Equity price-to-book ratios of big Chinese banks have reached new lows, approaching post-GFC levels of US peers, Bloomberg notes. **The yuan weakened (onshore: -0.4%, offshore: -0.5%)**. Former FX regulator director Tao said recent yuan volatility has not impacted China's financial, price stability, nor has it constrained monetary policy. **10-year yields were little changed**.

China big banks now trade at levels similar to US peers after 2008 crisis



Brazil








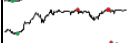



















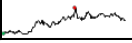
Brazilian markets underperformed due to uncertainty regarding President-elect Lula's spending plan size and the future finance minister. Lula plans to announce details of a multibillion-dollar spending plan to finance his campaign pledges. SPX Capital estimates that these pledges would cost around 3% of Brazil's GDP. Brazil currently follows a constitutional cap that restricts the growth of public expenditures to exceed the inflation rate from the previous year's spending. Congress will have to approve the additional spending, but there are still worries about the negotiation process and the amount to be approved.



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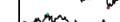


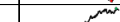







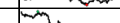




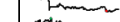

















Global Financial Indicators

Last updated: 11/8/22 8:08 AM	Level		Change				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
Equities			%				%	%
United States		3812	1.0	-1	5	-19	-20	-10
Europe		3720	0.3	2	10	-15	-13	-6
Japan		27872	1.3	1	3	-5	-3	5
China		3749	-0.7	3	-1	-23	-24	-19
Asia Ex Japan		60	0.5	7	0	-31	-28	-25
Emerging Markets		36	0.1	6	2	-30	-26	-24
Interest Rates			basis points					
US 10y Yield		4.20	-1.0	16	32	271	269	221
Germany 10y Yield		2.35	1.0	22	16	260	253	213
Japan 10y Yield		0.25	-0.5	-1	0	19	18	6
UK 10y Yield		3.66	2.5	19	-58	281	269	218
Credit Spreads			basis points					
US Investment Grade		177	0.2	-1	-6	69	65	34
US High Yield		475	0.7	9	-33	137	137	68
Europe IG		106	-1.2	-5	-29	58	58	34
Europe HY		519	-0.9	-22	-129	278	277	167
Exchange Rates			%					
USD/Majors		110.48	0.3	-1	-2	17	15	15
EUR/USD		1.00	-0.3	1	3	-14	-12	-12
USD/JPY		146.4	-0.2	-1	0	29	27	27
EM/USD		49.5	-0.2	1	2	-10	-6	-7
Commodities			%					
Brent Crude Oil (\$/barrel)		98	-0.4	3	2	29	34	12
Industrials Metals (index)		152	0.3	3	3	-7	-12	-19
Agriculture (index)		69	-0.3	-1	0	19	13	-2
Implied Volatility			%					
VIX Index (% change in pp)		24.6	0.3	-1.2	-6.8	7.4	7.4	-6.4
US 10y Swaption Volatility		133.8	0.0	-20.5	-18.9	59.8	54.8	39.5
Global FX Volatility		11.7	0.0	-0.3	-0.6	4.8	4.3	4.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)					
Greece		241	-1.5	-5	-23	106	89	1
Italy		211	-3.4	-2	-40	98	76	40
Portugal		95	-1.6	-4	-15	37	31	3
Spain		104	-0.9	-5	-18	36	29	0

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

Emerging Market Financial Indicators

Last updated: 11/8/2022 8:14 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)										
	Level		Change (in %)						Since	Level		Change (in basis points)						Since
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	23-Feb-22	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	23-Feb-22		
	vs. USD		(+) = EM appreciation							% p.a.								
China		7.25	-0.3	0.3	-1	-12	-12	-13		2.8	-0.3	8	1	-15	-1	-2		
Indonesia		15698	0.1	-0.4	-2	-9	-9	-9		7.4	-2.0	-5	19	140	106	94		
India		82	0.6	1.1	1	-10	-9	-9		7.6	0.7	5	-10	115	132			
Philippines		58	0.5	-0.5	1	-14	-13	-12		6.0	7.5	10	20	153	148	98		
Thailand		37	0.3	1.3	2	-11	-10	-14		3.1	-1.0	-1	-15	131	124	86		
Malaysia		4.74	0.1	0.0	-2	-12	-12	-12		4.5	5.5	17	12	99	91	83		
Argentina		160	-0.2	-1.5	-7	-37	-36	-33		95.9	24.4	258	726	4423	4535	4796		
Brazil		5.20	-0.8	-1.1	0	6	7	-4		12.0	15.1	40	41	13	134	51		
Chile		910	0.9	3.7	3	-12	-6	-13		6.2	-11.0	-17	-61	61	74	25		
Colombia		5084	0.7	-1.5	-9	-24	-20	-23		11.6	0.5	45	134	513	521	375		
Mexico		19.47	0.0	1.4	3	4	5	4		9.3	-0.5	3	4	188	178	146		
Peru		4.0	0.1	0.9	0	2	1	-5		7.9	0.2	-46	-76	220	203	194		
Uruguay		40	-0.3	1.5	2	9	12	5		11.2	0.0	-9	-22	267	247	304		
Hungary		401	-0.2	2.6	10	-22	-19	-20		10.4	-31.0	-31	25	666	588	558		
Poland		4.69	-0.7	1.4	7	-16	-14	-14		7.1	-15.0	-30	11	417	355	318		
Romania		4.9	-0.4	1.3	4	-13	-11	-11		8.9	-9.8	-18	39	429	409	376		
Russia		61.1	1.0	1.2	4	17	23	34		10.7	0.0	0	155	200	197	-44		
South Africa		17.9	-0.7	2.1	1	-16	-11	-15		9.3	-4.0	-16	-23	173	187	171		
Turkey		18.61	-0.8	-0.1	0	-48	-28	-26		12.1	10.0	71	7	-714	-1219	-1029		
US (DXY; 5y UST)		110	0.3	-0.9	-2	17	15	15		4.37	-1.4	11	23	326	311	247		

	Equity Markets								Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)				Since		Level		Change (in basis points)				Since	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD		23-Feb-22	Last 12m	Latest	7 Days	30 Days	12 M	YTD	23-Feb-22
								basis points								
China		3749	-0.7	3	-1	-23	-24	-19		207	1	11	6	4	-1	
Indonesia		7050	-0.7	0	0	6	7	2		188	-13	-12	5	23	3	
India		61185	0.0	1	5	1	5	7		204	-6	14	65	72	50	
Philippines		6289	-0.1	2	6	-15	-12	-15		148	-11	-13	31	47	11	
Thailand		1633	0.6	0	3	0	-2	-4								
Malaysia		1441	-0.1	0	3	-5	-8	-9		117	-5	6	-10	0	-16	
Argentina		147830	-2.3	-1	2	54	77	62		2521	-115	-290	810	841	784	
Brazil		115342	-2.4	-1	-1	10	10	3		267	-20	-34	-63	-44	-64	
Chile		5323	1.3	2	5	22	24	22		156	-26	-33	-6	16	-18	
Colombia		1244	2.4	1	3	-10	-12	-18		434	-24	-27	121	86	42	
Mexico		50760	-0.8	3	11	-3	-5	-1		383	-36	-64	26	51	13	
Peru		22029	0.6	4	10	7	4	-6		181	-27	-42	3	31	-9	
Hungary		43445	-0.8	6	10	-20	-14	-9		258	-8	-54	133	134	105	
Poland		52704	0.0	5	12	-29	-24	-16		46	-11	-15	-8	14	30	
Romania		11137	1.0	3	2	-13	-15	-16		313	-19	-39	113	120	80	
Russia		2207	-0.1	2	13	-48	-42	-28		3411	-577	938	3228	3234	2897	
South Africa		68987	-0.7	2	5	1	-6	-8		385	-38	-79	34	30	-4	
Turkey		4382	1.2	8	23	172	136	117		495	-49	-125	22	-83	-68	
Ukraine		519	0.0	0	0	-1	-1	0		4382	-24	513	3863	3623	2909	
EM total		36	-0.6	6	2	-30	-26	-24		422	-29	-36	42	36	-36	

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

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