



- **Chinese Dollar Reserves Shift: Less Treasuries, More Agency MBS** ([link](#))
- **European Sovereign Bond Spreads Are Diverging** ([link](#))
- **Japan Issued a Verbal Warning on Yen, While BOJ Stepped into the Bond Market** ([link](#))
- **Markets Participants Expect the Bank of England to Remain on Hold** ([link](#))
- **Colombia's Central Bank Remained on Hold** ([link](#))
- **China Vows to Resolve Local Government Debt and Optimize Debt Structure** ([link](#))
- **People's Bank of China Drained liquidity as Liquidity Stress Eases** ([link](#))

[Mature Markets](#)






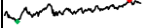
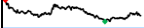

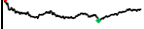


[Emerging Markets](#)

[Market Tables](#)

Pre-Fed Meeting, US Quarterly Refunding Confirms Treasury Auction Increases

The yen depreciated to its lowest level since 1990 in response to the yield curve control adjustments. These changes left FX traders disappointed, as they had anticipated a more hawkish or less ambiguous stance. Conversely, Japanese equities advanced, with Toyota's quarterly earnings release today well exceeding expectations and providing an added boost to the automotive and cyclical sectors. Meanwhile, South Korea's export data fell slightly short of consensus, reflecting broader global challenges. Despite concerns of slowing growth, China's stock market posted a sizable daily gain on hopes for additional stimulus. In the Euro Area, a continued slew of weakening economic indicators and slowing inflation affirm an ECB rate hold in December while the Bank of England is poised for a 'hawkish hold' at its meeting tomorrow. In the US, October ended with an unusual sell-off in Treasuries, possibly tied to month-end dynamics. Today's November refunding announcement from Treasury confirmed another round of increases to coupon auction sizes for the coming quarter, although the supply boost was a bit more modest than the market was anticipating while market contacts eagerly await the outcome of the Fed meeting later today.

Key Global Financial Indicators

Last updated: 11/1/23 9:01 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4194	0.6	-1	-2	9	9
Eurostoxx 50		4067	0.1	0	-3	11	7
Nikkei 225		31602	2.4	1	0	14	21
MSCI EM		37	-0.6	-1	-3	5	-3
Yields and Spreads			bps				
US 10y Yield		4.86	-7.2	-10	29	82	98
Germany 10y Yield		2.81	0.3	-8	-3	68	24
EMBIG Sovereign Spread		436	-6	-12	5	-107	-16
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.0	0.1	1	0	-4	-6
Dollar index, (+) = \$ appreciation		106.8	0.1	0	1	-4	3
Brent Crude Oil (\$/barrel)		86.8	2.1	-4	-9	-8	1
VIX Index (% change in pp)		18.1	-0.1	-2	1	-8	-4

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

Mature Markets

[back to top](#)

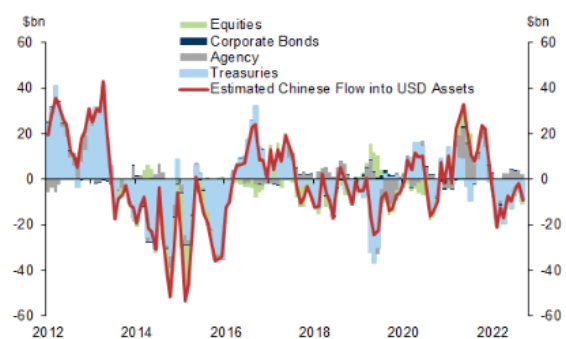
United States

Equities extended gains, with 82% of S&P500 stocks ending the day in positive territory. Conversely, the NYSE FANG index, composed of mega-cap tech shares, underperformed the S&P500 index. Implied volatility as captured by the VIX fear gauge declined to 18.1%. Corporate bond spreads were little changed. This morning, October ADP employment fell short to expectations (113k versus 150k consensus), pulling Treasury yields lower towards intraday levels yesterday. The November refunding announcement from Treasury confirmed another round of increases to coupon auction sizes for the coming quarter, although the supply boost was a bit more modest than the market was anticipating—especially in the long-end.

A sharp rise in Treasury yields Tuesday afternoon implies stubborn selling pressures ahead of Fed meeting today. Treasury yields were little changed during the day, supported by month-end purchases by passive investors, but rose sharply across the tenors after 3 pm EST as less price-sensitive buying flows have been fading. The dollar strengthened for the day against major currencies while the Japanese yen sold off to the weakest level since 1990 after the BoJ tweaked its yield curve control policy operational framework. FX traders appeared disappointed as they had expected the BoJ to be more hawkish or less ambiguous. On the economic data front, following the upbeat US employment cost index for the third quarter, consumer confidence for October printed at 102.6 (exp. 100.5 from revised 104.3), reflecting a five-month low despite beating market forecasts. The Case-Shiller home price index rose in August to an all-time high since the index began in 1987, increasing at a 2.57% y/y pace (exp. 1.78% from 0.98%) that was propelled by a shortage of properties for sale. Oil prices and commodity indices were almost unchanged.

Declining Chinese flows into Treasuries are partially offset by an increasing shift into Agency MBS. Chinese demand for U.S. Treasuries (USTs) is declining, primarily due to the recent depreciation of the Chinese yuan and increasing capital outflows. Concerns have arisen about China's authorities depleting their foreign exchange reserves to counteract currency depreciation, potentially causing a rise in UST yields. Goldman Sachs analysts argue that these concerns may be overstated. While China has been a net seller of USTs in the past six months, this has been partially offset by net purchases of agency mortgage-backed securities. This suggests that some of the UST sales are rather motivated by a reshuffling of the foreign reserve asset allocation composition within USD-based assets, rather than a net reduction.

Estimated Chinese net purchases of USD assets (3m rolling average), adjusted for valuation effects



Source: Goldman Sachs Global Investment Research, Haver Analytics

Euro area

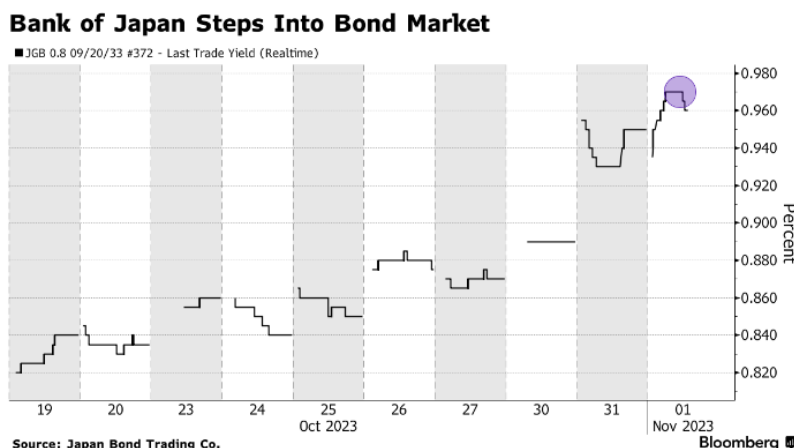
European equities gained as European yields edge higher while sovereign spreads are mixed. The Euro Stoxx 50 rose (+0.8%). 10y European yields edged higher, climbing between 3bps and 5bps following global market volatility after Japan's bond market interventions. The spread between Greece 10-year sovereign bonds yields over Bunds fell by -3.2bps to 133bps, from a previous closing of 136bps, after Greece S&P Manufacturing PMI rose to 50.8 in October (previous 50.3). By contrast, the spread of Italian 10-year sovereign bonds over Bunds snapped back +8bps back just above the critical 200bps mark. The euro opened at 1.055 (-0.14%).

Weakening economic indicators and slowing inflation affirm ECB rate hold in December. Latest GDP releases paint a mixed euro area picture putting the ECB in a dire position: although Spain, Belgium and France recorded positive GDP growth numbers, Germany, Austria, and Ireland, while Italy remained flat. Conversely, yesterday's inflation data show softer data in October, prompting expectations of another ECB rate hike to become priced out. The prospect of a pause comes at a time when several euro governments begin to withdraw energy-support plans to reduce debt levels.

Japan

Markets continue to digest the Bank of Japan (BOJ) decision from Tuesday. Japanese bond yields edged closer to 1% reference target (+1bps). The yen rebounded +0.2% while remaining above 151. Toyota released its second fiscal quarter earnings, surpassing analyst expectations by 36%, leading to a surge in its stock price (+4.7%). The upbeat earnings release also prompted broader gains in the automotive and cyclical sectors, contributing to a rise in the Nikkei 225 (+2.4%), which yesterday already responded positively to the yen weakness. Japan's manufacturing PMI remains in contraction 48.7 in October (from previously 48.5).

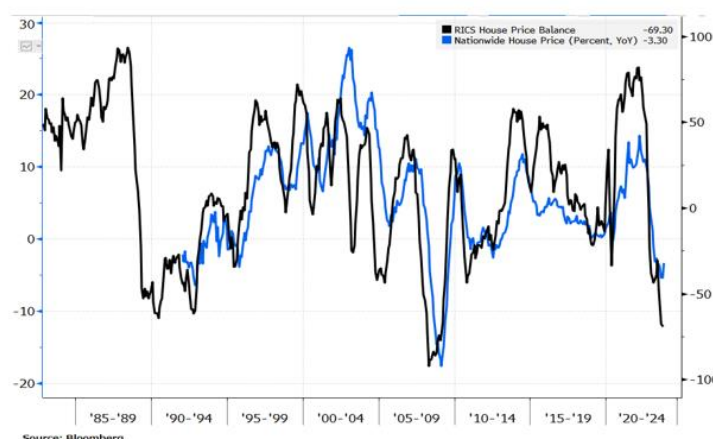
The BOJ issued a verbal yen warning while announcing an unscheduled bond-buying operation. Japan's chief currency official issued a verbal warning that they are ready to act on the yen if needed, after yen weakened overnight to a fresh year to date low at 151.7 against the dollar. Market participants noted that the authorities did not intervene in the FX markets between 28 September and 27 October according to a Ministry of Finance report, contrary to earlier market suspicions of interventions. Some analysts highlighted possible tolerance by policymakers for some degree of weakness in yen. The BOJ also announced an unscheduled bond-buying operation to curb the rise of bond yields. The purchase will happen on Thursday, for ¥100bn (\$0.7 bn) of bonds with maturities of 3 to 5 years and ¥300bn (\$2bn) of bonds with maturities of 5 to 10 years. There was little market reaction to this announcement.



United Kingdom

The Bank of England (BoE) appears poised for a 'hawkish hold' at its meeting tomorrow. Keeping the bank rate at 5.25% is unlikely to be a unanimous decision as the Monetary Policy Committee members remain split on how much of the tightening since 2021 has effectively pass through onto the real economy. The central bank will almost certainly keep the possibility of more hikes on the table in its guidance, but market contacts have divergent views on whether the tightening cycle is over. Money market pricing suggests that a 95% that the BoE will hold rates at its upcoming meeting, and 4 out of 5 of economists polled by Reuters this week predict that the bank rate will remain steady. 10-year Gilts traded at 4.53%, declining by -4bps during the early hours of the trading session. The pound remained mostly unchanged during the morning at 1.214 (-0.10%).

Analysts expect UK housing market to continue its adjustment



Emerging Markets

[back to top](#)

EMEA equities were mixed while most currencies weakened. Within Europe, stock markets in Poland (+0.79%) and Czech Republic (+0.54%) led the gains, the latter explained by a positive October S&P PMI that printed at 42 (exp. 42.4 from 41.7). Turkey stocks traded negative (-0.7%) ahead of the CPI-inflation release on Friday. Elsewhere, Nigeria (+1.74%) and Saudi Arabia (+1.4%) gained, whereas South Africa stocks lagged (-0.68%) ahead of the Medium-Term Budget Policy Statement due today. The Naira continued to sharply depreciate (-12.46%) following Nigeria's new FX rules.

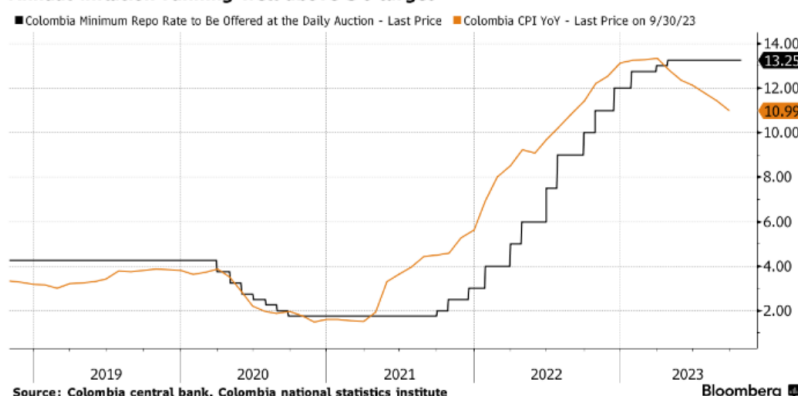
Asian equities lacked clear direction while currencies weakened. Among regional stock markets, Vietnam rebounded (+1.1%) after losing -10.9% in October. South Korea also gained (+1%), supported by preliminary data on exports that show a recovery in October. Indonesia declined (-1.3%). Among currencies, the Thai baht (-0.8%) and South Korean won (-0.5%) underperformed. Vietnam's State Bank Governor Nguyen Thi Hong told lawmakers on Wednesday that the central bank faces pressure to boost the economy amid continued slow growth in bank loans, along with the need to curb inflation. Asia manufacturing PMIs remained broadly in contraction for October, except for Indonesia that printed at 51.5 (from previous 52.3).

On Tuesday, Latin American equity markets mostly declined while currencies lacked clear direction. Equities traded higher only in Brazil (+0.5%) while decreasing in Argentina (-2.1%), Chile (-0.5%), Mexico (-0.4%), and Colombia (-0.1%). The Chilean peso continued its appreciation (+1.1%) while the Colombian peso (-1.3%) underperformed in the region. In terms of macro releases, the preliminary Q3 GDP data from Mexico printed above expectations at 3.3% y/y (exp. 3.2% from 3.6%). The September unemployment rate in Brazil printed as expected at 7.7% (exp. 7.7% from 7.8%), one of the lowest levels of the last decade that continues to remain point at a tight labor market. Finally, JP Morgan analysts expect that Latin American central banks will slow their pace of easing given the worsening global outlook.

Colombia

Colombia's central bank holds the policy rate at 13.25%. In a widely expected decision on Tuesday, Colombia's central bank maintained its interest rate due to the country's persistent inflation. Unlike many Latin American countries that have already started cutting rates due to easing inflation, Colombia stands out with its inflation rate soaring at around 11% y/y in September in both core and headline measures, far exceeding the 2–4% inflation target range. Median consensus expectations from the central bank's October survey of economists suggest it will take another two years for inflation to approach the target range, while the first 50 bps rate cut is still expected for the December meeting this year.

Colombia Keeps Borrowing Costs High to Fight Inflation Annual inflation running well above 3% target



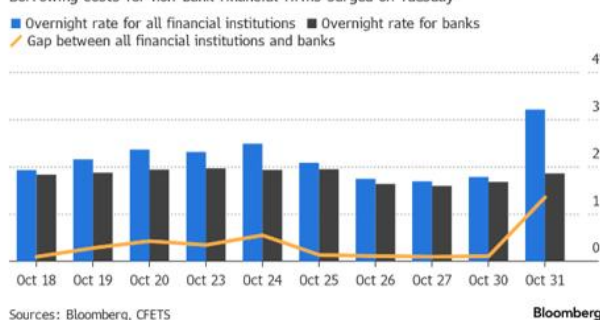
China

Chinese equities, 10Y bond yields and the renminbi were all little changed. Property loans stabilized at the end of 3Q as outstanding loans amount fell 0.2% y/y to 53.2tn yuan (\$7.3bn). Caixin manufacturing PMI underwhelmed and slipped into contraction to 49.5 (exp. 50.8 from 50.6) in October, raising concerns on China's economic recovery. Chinese equities saw three-month of foreign fund outflows, a record monthly streak, as foreign investors offloaded 44.8bn yuan (\$6.1bn) of Chinese shares in October.

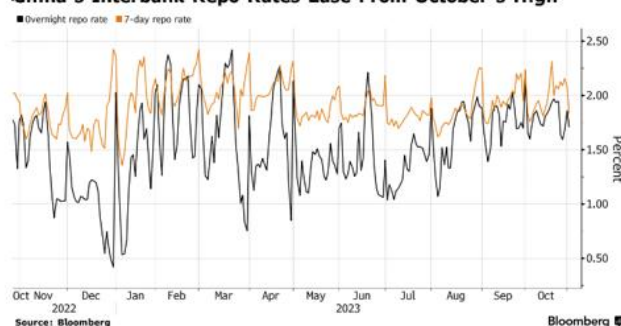
China's Central Financial Work Conference signaled support for property developers and resolving local government debt problems. The meetings took place on October 30–31 with local authorities calling for prudent monetary environment and strengthening of financial regulation and risk prevention. The analysis noted that government officials plan to establish a long-term mechanism for preventing and resolving debt risks at the local level. The debt financing of central government and local authorities is likely to be optimized, potentially via a tenor extension and debt swaps. For the property sector, the meeting emphasized an enhanced supervision of fund usage and prudent management of the sector.

Interbank market rates declined while the People's Bank of China (PBC) drained liquidity on Wednesday. Overnight borrowing costs jumped on Tuesday, including over-the counter borrowing by non-banks, which are captured in public data as Bloomberg reported. Some market participants noted the rise in overnight rate was as high as 50% in isolated transactions, with state media later blaming unidentified financial institutions for the disruption in markets. The liquidity stress eased on Wednesday, with rates falling by up to -15bps. The PBC came in to withdraw a net 109 bn yuan (\$14.9bn) from money markets, which market contacts interpreted as the PBC seeing the recent surge in short-term borrowing costs as a temporary disruption.

Borrowing costs for non-bank financial firms surged on Tuesday



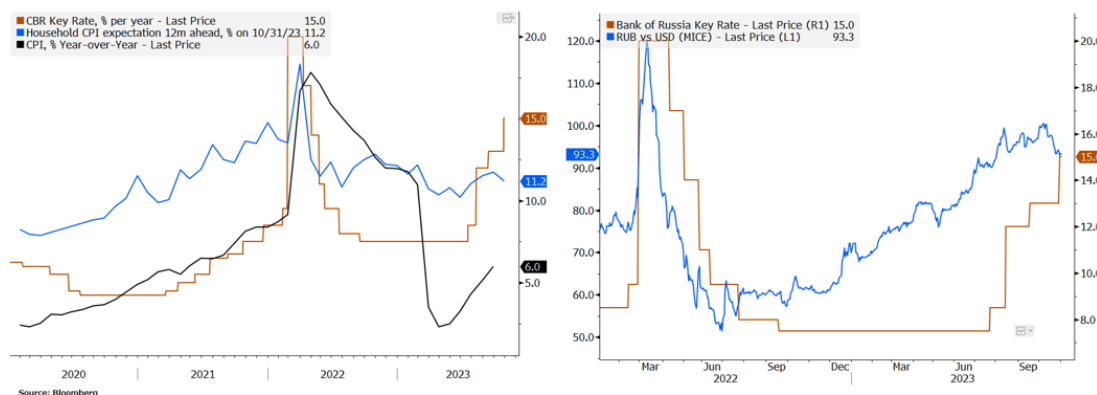
China's Interbank Repo Rates Ease From October's High



Russia

The Ruble continued strengthening against the dollar. Since mid-October, the ruble rallied against the dollar (+8%) and continued to strengthen on the day (+0.61%) by up to 92.86/\$. Last month, President Putin signed an order reintroducing the need that certain Russian exporters sell foreign currency proceeds for a period of six months. Data-wise, Russia's S&P Global Manufacturing PMI for October held steady at 53.8 (prior 54.5). The benchmark MOEX Russia stock index was -0.55% down on Tuesday but it has since halved some of the losses (3210.9; +0.33%); the RTS index was at 1084.34 (+0.45%).

FX supply and higher rates are likely to support Ruble in near term



South Africa

The South African government presented its the Medium-Term Budget Policy Statement today. The government stated it will increase domestic bond issuance by +14% this fiscal year to fill-in the 56.8billion rand revenue-gap from its February budget projections. Yields on South Africa's 10y and 30y notes have reached 12.31% and 12.87% in the early London hours but have since retrenched by -13bps and -15bps, respectively, after the statement. The South African stock market continued its decline since before the meeting (-0.50%).

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), and Caio Ferreira (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (New York Representative), Benjamin Mosk (Senior Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Research Officer), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Mustafa Oguz Caylan (Research Officer), Silvia Ramirez (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), Ying Xu (Economist), Dmitry Yakovlev (Senior Research Officer), and Akihiko Yokoyama (Senior Financial Sector Expert). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.









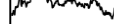



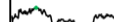

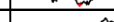
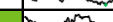













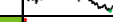








Global Financial Indicators

11/1/23 9:02 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4194	0.6	0	-2	9	9
Europe		4067	0.1	0	-3	11	7
Japan		31602	2.4	1	0	14	21
China		3571	0.0	2	-3	-3	-8
Asia Ex Japan		61	-1.0	-2	-3	9	-5
Emerging Markets		37	-0.6	-1	-3	5	-3
Interest Rates			basis points				
US 10y Yield		4.86	-7.2	-10	29	82	98
Germany 10y Yield		2.81	0.3	-8	-3	68	24
Japan 10y Yield		0.96	1.4	10	20	70	54
UK 10y Yield		4.53	1.3	-9	9	106	85
Credit Spreads			basis points				
US Investment Grade		163	0.7	4	12	-16	4
US High Yield		467	4.7	4	34	2	-13
Exchange Rates			%				
USD/Majors		106.80	0.1	0	1	-4	3
EUR/USD		1.06	-0.2	0	1	7	-1
USD/JPY		151.2	-0.3	1	1	2	15
EM/USD		47.0	0.1	1	0	-4	-6
Commodities			%				
Brent Crude Oil (\$/barrel)		86.8	2.1	-3	-4	5	7
Industrials Metals (index)		139	0.5	1	-4	-6	-16
Agriculture (index)		65	-0.1	-1	2	-7	-6
Implied Volatility			%				
VIX Index (% change in pp)		18.1	-0.1	-2.1	0.5	-7.8	-3.6
Global FX Volatility		8.1	0.0	0.1	-0.1	-3.9	-2.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		137	-0.6	-3	-15	-109	-69
Italy		199	6.7	-4	4	-14	-16
Portugal		71	-1.4	-3	-6	-29	-31
Spain		108	0.7	-3	-1	0	-1

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

Emerging Market Financial Indicators

Last updated: 11/1/2023 9:02 AM	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		7.32	0.0	0.0	0	-1	-6		2.7	0.4	-2	-1	-5	-35
Indonesia		15935	-0.3	-0.4	-3	-2	-2		7.1	-3.1	-17	16	-41	14
India		83	0.0	-0.1	0	-1	-1		7.7	2.0	-5	-5	13.0	26
Philippines		57	0.4	0.1	0	2	-2		5.9	0.0	5	5	3	-12
Thailand		36	-0.8	-0.1	2	4	-4		3.3	5.5	-5	5	26	72
Malaysia		4.77	-0.2	0.2	-1	-1	-8		4.1	0.6	-5	11	-26	4
Argentina		350	0.0	0.0	0	-55	-50		108.0	-126.6	137	-1067	1465	1977
Brazil		5.04	0.0	-0.8	1	2	5		11.8	-3.6	4	-11	21	-74
Chile		895	0.3	3.4	2	5	-5		6.0	-1.0	-12	26	-30	70
Colombia		4109	0.2	2.1	1	22	18		9.1	0.0	-36	-19	-210	-70
Mexico		18.00	0.3	1.8	-2	10	8		9.7	0.5	-12	12	40	94
Peru		3.8	-0.1	0.7	-1	4	-1		7.7	-0.8	-5	21	-73	-30
Uruguay		40	0.0	-0.2	-3	1	0		9.8	0.5	-4	24	-143	-83
Hungary		364	-0.7	-0.1	2	13	2		7.5	3.0	-11	8	-317	-207
Poland		4.24	-0.7	-0.1	4	12	3		5.0	0.0	-13	3	-242	-116
Romania		4.7	-0.4	-0.4	1	5	-2		6.8	-3.1	-6	5	-227	-87
Russia		92.9	0.6	0.6	7	-33	-20							
South Africa		18.6	0.1	2.7	3	-2	-9		9.7	-13.0	-22	-27	28	56
Turkey		28.33	-0.1	-0.7	-3	-34	-34		29.5	19.0	34	235	1808	1967
US (DXY; 5y UST)		107	0.1	0.3	1	-4	3		4.81	-4.5	-11	20	54	81

	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		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		3571	0.0	2	-3	-3	-8		164	-5	-8	-42	-13	
Indonesia		6642	-1.6	-3	-5	-5	-3		123	-7	-7	-78	-17	
India		63591	-0.4	-1	-3	4	5		136	-1	-3	-74	-6	
Philippines		5974	0.0	-2	-5	-3	-9		100	-7	-6	-59	3	
Thailand		1380	-0.1	-2	-6	-15	-17		0	0	0	0	0	
Malaysia		1435	-0.5	0	1	-1	-4		95	0	-1	-27	-5	
Argentina		579150	-2.1	-11	3	279	187		2577	75	30	-59	372	
Brazil		113144	0.5	0	-3	-3	3		214	-4	-8	-73	-60	
Chile		5408	-0.5	-2	-7	4	3		137	-6	11	-45	5	
Colombia		1088	-0.1	-1	-3	-13	-15		322	-20	-15	-136	-50	
Mexico		49062	-0.4	2	-4	-4	1		369	2	-2	-50	-12	
Peru		21817	-0.2	-2	-3	3	2		156	-7	0	-52	-24	
Hungary		56035	0.0	0	0	36	28		191	-14	-9	-75	-31	
Poland		71582	0.0	3	9	42	25		105	-19	-20	48	32	
Romania		14175	-0.3	0	-1	31	22		207	-13	0	-124	-49	
South Africa		69670	0.0	-1	-4	3	-5		373	-20	-18	-50	6	
Turkey		7444	-0.9	0	-11	84	35		379	-11	-10	-165	-61	
Ukraine		507	0.0	0	0	-2	-2		3548	-217	140	-858	-531	
EM total		37	0.3	-1	-3	5	-3		401	-5	5	-50	25	

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

[back to top](#)